

Anderson Industrial Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Anderson Industrial Corporation

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Revenue Recognition

For the year ended December 31, 2021, the amount of the Company's sales revenue from machineries was \$787,934 thousand, which represented 83% of the total revenue. The terms of sales revenue from machineries may vary depending on individual customer, and a portion of the sales revenue from machineries is recognized at the time of completion of acceptance based on the terms of the transactions. Sales revenue from machineries may be recognized before the criteria of

sales revenue recognition are met; therefore, we identified revenue recognition as a key audit matter. Refer to Notes 4 and 17 to the financial statements.

The main audit procedures that we performed in respect of revenue recognition included understanding the appropriateness of internal controls, testing the operating effectiveness of design and implementation by inspecting sales contracts, confirming the consistency of transactions for revenue recognition, sampling of subsidiary ledgers, inspecting shipping invoices, clients' receipts and export documentations, and verifying the accuracy of revenue recognition.

Estimated Impairment of Accounts Receivable

As of December 31, 2021, the balance of accounts receivable held by the Company was \$526,614 thousand, which was significant and represented 14% of the total assets. The management applies the use of lifetime expected credit losses for all accounts receivable. The expected credit losses on accounts receivable are estimated by considering past default experience of the debtor, an analysis of the debtor's current financial position and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. The evaluation of allowance for loss of accounts receivable, credit risk and appropriateness of provisioning policy involves significant judgments; therefore, we identified the estimated impairment of accounts receivable as a key audit matter. Refer to Notes 5 and 7 to the financial statements.

The main audit procedures that we performed in respect of the estimated impairment of accounts receivable included assessing the appropriateness of accounts receivable provisioning policy, testing the validity of aging reports, analyzing significant changes in accounts receivable and overdue accounts, assessing the reasonableness of impairment of individual accounts receivable, and confirming any indication of impairment at the end of the year. Recoverability was also tested by vouching cash receipts after the reporting period.

Other Matter

As mentioned in the opinion paragraph, the financial statements of Sogotec Enterprise Co., Ltd. (Sogotec) were audited by other independent auditors. As of December 31, 2020, Sogotec's total assets amounted to \$431,249 thousand, representing 12% of the total assets of the Company, and the total profit from investment amounted to \$10,582 thousand, representing (8)% of the total pre-tax profit of the Company.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Pei De Chen and Li Wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2022

Notice to Readers

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

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

ANDERSON INDUSTRIAL CORPORATION

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

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 83,876	2	\$ 116,977	3
Financial assets at amortized cost (Notes 4 and 26)	79,002	2	10,000	-
Notes receivable, net (Notes 4 and 7)	55,895	1	43,160	1
Accounts receivable - non-related parties (Notes 4, 5 and 7)	109,522	3	66,912	2
Accounts receivable - related parties (Notes 4, 5, and 25)	417,092	11	494,143	13
Other receivables (Notes 4 and 25)	138,645	4	153,950	4
Current tax assets	2	-	628	-
Inventories (Notes 4 and 8)	359,987	10	251,620	7
Prepayments	21,624	1	11,493	1
Other current assets	603	-	447	-
Total current assets	1,266,248	34	1,149,330	31
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4 and 9)	1,618,187	43	1,651,849	44
Property, plant and equipment (Notes 4, 10, 25 and 26)	636,058	17	734,399	20
Right-of-use assets (Notes 4 and 11)	23,736	1	30,678	1
Intangible assets (Notes 4 and 12)	38,433	1	41,436	1
Deferred tax assets (Notes 4 and 19)	71,321	2	78,962	2
Other non-current assets (Notes 10, 25 and 26)	72,996	2	45,377	1
Total non-current assets	2,460,731	66	2,582,701	69
TOTAL	\$ 3,726,979	100	\$ 3,732,031	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 26)	\$ 747,318	20	\$ 970,766	26
Contract liabilities (Note 17)	26,903	1	27,102	1
Accounts payable (Note 25)	216,917	6	136,268	4
Other payables (Notes 14 and 25)	78,143	2	93,495	3
Provisions (Note 4)	9,894	-	8,650	-
Short-term lease liabilities (Notes 4 and 11)	10,753	1	11,589	-
Current portion of long-term borrowings (Notes 13 and 26)	84,926	2	124,124	3
Other current liabilities	1,772	-	5,114	-
Total current liabilities	1,176,626	32	1,377,108	37
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 26)	330,337	9	227,618	6
Long-term lease liabilities (Notes 4 and 11)	15,122	-	21,560	1
Net defined benefit liabilities (Notes 4 and 15)	26,913	1	35,474	1
Guarantee deposits	400	-	400	-
Total non-current liabilities	372,772	10	285,052	8
Total liabilities	1,549,398	42	1,662,160	45
EQUITY (Note 16)				
Share capital				
Ordinary shares	1,993,310	53	1,993,310	53
Capital surplus	233,024	6	366,392	10
Unappropriated earnings (deficit to be compensated)	216,565	6	(114,235)	(3)
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(153,096)	(4)	(113,832)	(3)
Unrealized (loss) gain on financial assets at fair value through other comprehensive income	(40,902)	(1)	9,556	-
Total other equity	(193,998)	(5)	(104,276)	(3)
Treasury shares	(71,320)	(2)	(71,320)	(2)
Total equity	2,177,581	58	2,069,871	55
TOTAL	\$ 3,726,979	100	\$ 3,732,031	100

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

(With Deloitte & Touche auditors' report dated March 8, 2022)

ANDERSON INDUSTRIAL CORPORATION

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 25)	\$ 944,575	100	\$ 803,287	100
OPERATING COSTS (Notes 8, 18 and 25)	<u>673,064</u>	<u>71</u>	<u>560,661</u>	<u>70</u>
GROSS PROFIT	271,511	29	242,626	30
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>970</u>	<u>-</u>	<u>511</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>272,481</u>	<u>29</u>	<u>243,137</u>	<u>30</u>
OPERATING EXPENSES (Notes 4, 18 and 25)				
Selling and marketing expenses	150,160	16	123,733	15
General and administrative expenses	94,406	10	102,840	13
Research and development expenses	47,698	5	49,560	6
Expected credit loss	<u>5,638</u>	<u>1</u>	<u>2,420</u>	<u>-</u>
Total operating expenses	<u>297,902</u>	<u>32</u>	<u>278,553</u>	<u>34</u>
LOSS FROM OPERATIONS	<u>(25,421)</u>	<u>(3)</u>	<u>(35,416)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 18)				
Interest income (Note 25)	944	-	1,918	-
Other income (Notes 21 and 25)	43,506	5	55,151	7
Other gains and losses	187,980	20	(41,426)	(5)
Finance costs (Note 25)	(18,510)	(2)	(19,295)	(2)
Share of profits (losses) of subsidiaries accounted for using the equity method	<u>60,829</u>	<u>6</u>	<u>(100,599)</u>	<u>(13)</u>
Total non-operating income and expenses	<u>274,749</u>	<u>29</u>	<u>(104,251)</u>	<u>(13)</u>
PROFIT (LOSS) BEFORE INCOME TAX	249,328	26	(139,667)	(17)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 19)	<u>(31,106)</u>	<u>(3)</u>	<u>20,934</u>	<u>2</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>218,222</u>	<u>23</u>	<u>(118,733)</u>	<u>(15)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				

(Continued)

ANDERSON INDUSTRIAL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (2,270)	-	\$ 5,500	1
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	-	-	2,056	-
Share of the other comprehensive (loss) income of subsidiaries accounted for using the equity method	(50,299)	(6)	98	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 19)	454	-	(1,100)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(39,264)</u>	<u>(4)</u>	<u>(3,603)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(91,379)</u>	<u>(10)</u>	<u>2,951</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 126,843</u>	<u>13</u>	<u>\$ (115,782)</u>	<u>(14)</u>
EARNING (LOSS) PER SHARE (Note 20)				
Basic	<u>\$1.14</u>		<u>\$(0.61)</u>	
Diluted	<u>\$1.14</u>		<u>\$(0.61)</u>	

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

(With Deloitte & Touche auditors' report dated March 8, 2022)

(Concluded)

ANDERSON INDUSTRIAL CORPORATION

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

	Ordinary Shares	Capital Surplus	Retained Earnings (Accumulated Deficits)			Other Equity		Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit to be Compensated)	Exchange Differences on Translation of the Financial Statements of Foreign Operation	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2020	\$ 1,993,310	\$ 398,472	\$ 186,665	\$ 75,178	\$ (271,596)	\$ (110,229)	\$ 7,500	\$ (47,544)	\$ 2,231,756
Appropriation of 2019 deficit									
Legal reserve to offset deficit	-	-	(186,665)	-	186,665	-	-	-	-
Special reserve to offset deficit	-	-	-	(75,178)	75,178	-	-	-	-
Capital surplus offset deficit	-	(9,753)	-	-	9,753	-	-	-	-
Cash dividends distributed from capital surplus	-	(19,933)	-	-	-	-	-	-	(19,933)
Net loss for the year ended December 31, 2020	-	-	-	-	(118,733)	-	-	-	(118,733)
Other comprehensive income (loss) for the year ended December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,498</u>	<u>(3,603)</u>	<u>2,056</u>	<u>-</u>	<u>2,951</u>
Total comprehensive income (loss) for the year ended December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,235)</u>	<u>(3,603)</u>	<u>2,056</u>	<u>-</u>	<u>(115,782)</u>
Buy-back treasury shares	-	-	-	-	-	-	-	(23,776)	(23,776)
Changes in percentage of ownership interests in subsidiaries	<u>-</u>	<u>(2,394)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,394)</u>
BALANCE AT DECEMBER 31, 2020	1,993,310	366,392	-	-	(114,235)	(113,832)	9,556	(71,320)	2,069,871
Capital surplus to offset deficit	-	(114,235)	-	-	114,235	-	-	-	-
Cash dividends distributed from capital surplus	-	(19,133)	-	-	-	-	-	-	(19,133)
Net profit for the year ended December 31, 2021	-	-	-	-	218,222	-	-	-	218,222
Other comprehensive loss for the year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,657)</u>	<u>(39,264)</u>	<u>(50,458)</u>	<u>-</u>	<u>(91,379)</u>
Total comprehensive income for the year ended December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,565</u>	<u>(39,264)</u>	<u>(50,458)</u>	<u>-</u>	<u>126,843</u>
BALANCE AT DECEMBER 31, 2021	<u>\$ 1,993,310</u>	<u>\$ 233,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,565</u>	<u>\$ (153,096)</u>	<u>\$ (40,902)</u>	<u>\$ (71,320)</u>	<u>\$ 2,177,581</u>

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

(With Deloitte & Touche auditors' report dated March 8, 2022)

ANDERSON INDUSTRIAL CORPORATION

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) before income tax	\$ 249,328	\$ (139,667)
Adjustments for:		
Depreciation expense	68,649	62,554
Amortization expense	3,003	3,065
Expected credit loss recognized on accounts receivable	5,638	2,420
Net gain on fair value changes of financial assets at fair value through profit or loss	-	(450)
Finance costs	18,510	19,295
Interest income	(944)	(1,918)
Share of (profit) loss of subsidiaries accounted for using the equity method	(60,829)	100,599
Gain on disposal of property, plant and equipment	(218,849)	-
Impairment losses recognized on financial assets	4,973	-
Write-downs of inventories	6,456	6,165
Realized gain on transactions with subsidiaries	(970)	(511)
Loss on foreign currency exchange	18,817	12,988
Government grants	(3,464)	-
Gain on lease modification	(18)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	19,277
Notes receivable	(12,735)	(27,789)
Accounts receivable	(49,360)	19,065
Accounts receivable - related parties	65,237	(87,974)
Other receivables	1,168	(40,333)
Finance lease receivables	-	5,124
Inventories	(112,809)	(11,663)
Prepayments	(10,131)	4,098
Other current assets	(156)	(203)
Contract liabilities	(199)	(3,304)
Accounts payable	81,067	(16,470)
Other payables	(13,590)	(12,396)
Provisions	1,244	(666)
Other liabilities	122	4,400
Net defined benefit liabilities	(10,831)	(5,934)
Cash generated from (used in) operations	29,327	(90,228)
Interest received	940	1,903
Interest paid	(18,646)	(19,042)
Income tax (paid) returned	(22,385)	1,622
Net cash used in operating activities	(10,764)	(105,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(69,002)	(10,000)

(Continued)

ANDERSON INDUSTRIAL CORPORATION

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

	2021	2020
Payments for investment properties	\$ (46,430)	\$ -
Payments for property, plant and equipment	(17,603)	(71,051)
Proceeds from disposal of property, plant and equipment	294,021	19,114
Decrease in refundable deposits	856	6,683
(Increase) decrease in non-current assets	(189)	1,123
Increase in prepayments for equipment	(67)	(12,135)
Dividends received from subsidiaries	<u>5,898</u>	<u>5,927</u>
Net cash generated from (used in) investing activities	<u>167,484</u>	<u>(60,339)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in short-term borrowings	(223,448)	294,278
Decrease in short-term notes payable	-	(30,000)
Proceeds from long-term borrowings	232,530	130,803
Repayment of long-term borrowings	(169,009)	(126,977)
Increase in receivable deposits	-	400
Repayment of the principal portion of lease liabilities	(11,994)	(9,764)
Cash dividends paid	(19,133)	(19,933)
Increase in treasury shares	<u>-</u>	<u>(23,776)</u>
Net cash (used in) generated from financing activities	<u>(191,054)</u>	<u>215,031</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,233</u>	<u>2,478</u>
NET (DECREASE) INCREASE IN CASH	(33,101)	51,425
CASH AT THE BEGINNING OF THE YEAR	<u>116,977</u>	<u>65,552</u>
CASH AT THE END OF THE YEAR	<u>\$ 83,876</u>	<u>\$ 116,977</u>

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

(With Deloitte & Touche auditors' report dated March 8, 2022)

(Concluded)

ANDERSON INDUSTRIAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. GENERAL INFORMATION

Anderson Industrial Company (the “Company”) was incorporated in the Republic of China (ROC) in July 1972. The Company is mainly engaged in the design, manufacture, sale and import and export of computer numerical control (CNC) machinery, tooling, lumber, wood panels, and building materials.

Since October 11, 2000, the Company’s shares have been listed on the Taiwan Stock Exchange (TWSE).

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 8, 2022.

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

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

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

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

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

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

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17—Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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

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

For the purpose of presenting the Company's financial statements, the functional currencies of the Company and its entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

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

e. Inventories

Inventories, which comprise finished goods, work-in-process, raw materials and merchandise, are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

f. Investments in subsidiaries

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

Subsidiary is an entity that is controlled by the Company.

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

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

When the Company's share in losses of a subsidiary exceeds the interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

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

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries of parties that are not related to the Company.

g. Property, plant and equipment

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

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

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

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the assets may be impaired.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost.

Financial assets at amortized cost

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

- i The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, financial assets at amortized cost, notes and accounts receivable and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

b) Impairment of financial assets

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

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

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

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

l. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of precision machineries and wood panels. Sales of precision machineries and wood panels is recognized as revenue when the goods are shipped or accepted, and accounts receivable are recognized concurrently.

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

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the repair services and hardware installation services.

As the Company provides repair services and hardware installation services. Consequently, the related revenue is recognized when services are rendered.

m. Leases

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

1) The Company as lessor

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

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

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

n. Government grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

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

p. Taxation

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

1) Current tax

According to the Income Tax Law in the ROC, and additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences or unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

3) Current tax and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience and existing market conditions as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 7. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH

	December 31	
	2021	2020
Cash on hand	\$ 652	\$ 748
Checking accounts and demand deposits	<u>83,224</u>	<u>116,229</u>
	<u>\$ 83,876</u>	<u>\$ 116,977</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2021	2020
Bank balance	0.001%-0.35%	0.001%-0.35%

7. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
Notes receivable	\$ 55,895	\$ 43,160
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 122,880	\$ 74,632
Less: Allowance for impairment loss	<u>(13,358)</u>	<u>(7,720)</u>
	<u>\$ 109,522</u>	<u>\$ 66,912</u>

The average credit period of sales of goods was 90-180 days.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The lifetime ECLs on accounts receivable are estimated by reference to past collecting and default experiences of the debtor, an increase in deferred or overdue payments over average credit term and an analysis of the debtors' current financial position, adjusted for general economic conditions of the industries in which the debtors operate. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance for accounts receivable and notes receivable.

December 31, 2021

	Under 180 Days	181 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 173,685	\$ 2,101	\$ 2,989	\$ 178,775
Loss allowance (Lifetime ECLs)	<u>(8,899)</u>	<u>(1,470)</u>	<u>(2,989)</u>	<u>(13,358)</u>
Amortized cost	<u>\$ 164,786</u>	<u>\$ 631</u>	<u>\$ -</u>	<u>\$ 165,417</u>

December 31, 2020

	Under 180 Days	181 to 365 Days	Over 365 Days	Total
Gross carrying amount	\$ 114,663	\$ 499	\$ 2,630	\$ 117,792
Loss allowance (Lifetime ECLs)	<u>(4,768)</u>	<u>(322)</u>	<u>(2,630)</u>	<u>(7,720)</u>
Amortized cost	<u>\$ 109,895</u>	<u>\$ 177</u>	<u>\$ -</u>	<u>\$ 110,072</u>

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

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 7,720	\$ 5,383
Add: Net remeasurement of loss allowance	5,638	2,420
Less: Amounts written off	<u>-</u>	<u>(83)</u>
Balance at December 31	<u>\$ 13,358</u>	<u>\$ 7,720</u>

8. INVENTORIES

	December 31	
	2021	2020
Work in progress	\$ 135,018	\$ 152,801
Raw materials	166,477	68,845
Goods in transit	49,602	19,974
Finished goods	6,004	8,410
Merchandise	<u>2,886</u>	<u>1,590</u>
	<u>\$ 359,987</u>	<u>\$ 251,620</u>

The cost of goods sold for the years ended December 31, 2021 and 2020 included inventory write-downs of \$6,456 thousand and \$6,165 thousand, respectively.

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

	December 31	
	2021	2020
Anderson Industrial (Hong Kong) Ltd. (Anderson Industrial)	\$ 31,645	\$ 31,885
Anderson Europe GmbH	260,591	291,452
Anderson America Corporation (U.S.A.) (Anderson America)	48,207	33,922
Anderson Logistics Corporation (Anderson Logistics)	202,795	262,464
Giben Holdings Co., Ltd. (BVI) (Giben BVI)	241,240	205,118
Giben Holdings Co., Ltd. (SAMOA) (Giben SAMOA)	74,067	82,475
Anderson Merchandise Corporation (Anderson Merchandise)	197,891	163,908
Sogotec Enterprise Co., Ltd. (Sogotec)	293,477	293,491
CNT Industrial (Shanghai) Co., Ltd. (CNT)	230,595	247,891
Jentec Machinery (Shanghai) Co., Ltd. (Jentec)	<u>37,679</u>	<u>39,243</u>
	<u>\$ 1,618,187</u>	<u>\$ 1,651,849</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

Name of Subsidiaries	December 31	
	2021	2020
Anderson Industrial	100.00%	100.00%
Anderson Europe GmbH	100.00%	100.00%
Anderson America	100.00%	100.00%
Anderson Logistics	100.00%	100.00%
Giben BVI	100.00%	100.00%
Giben SAMOA	100.00%	100.00%
Anderson Merchandise	100.00%	100.00%
Sogotec	58.11%	58.11%
CNT	100.00%	100.00%
Jentec	100.00%	100.00%

On May 10, 2016, the board of directors of Anderson Industrial resolved to liquidate the company. As of December 31, 2021, the process of liquidation is still ongoing.

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

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Research and Development Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 131,237	\$ 773,200	\$ 142,236	\$ 16,890	\$ 37,286	\$ 1,100,849
Additions	-	14,506	55,288	160	1,097	71,051
Disposals	(4,160)	(10,550)	(500)	(4,988)	(10,629)	(30,827)
Reclassification	-	4,455	11,014	2,639	172	18,280
Balance at December 31, 2020	<u>127,077</u>	<u>781,611</u>	<u>208,038</u>	<u>14,701</u>	<u>27,926</u>	<u>1,159,353</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	-	308,848	52,872	13,118	18,716	393,554
Disposals	-	(5,360)	(500)	(4,988)	(10,629)	(21,477)
Depreciation	-	33,673	12,782	1,333	5,201	52,989
Reclassification	-	-	(112)	-	-	(112)
Balance at December 31, 2020	<u>-</u>	<u>337,161</u>	<u>65,042</u>	<u>9,463</u>	<u>13,288</u>	<u>424,954</u>
Carrying amount at December 31, 2020	<u>\$ 127,077</u>	<u>\$ 444,450</u>	<u>\$ 142,996</u>	<u>\$ 5,238</u>	<u>\$ 14,638</u>	<u>\$ 734,399</u>

(Continued)

	Freehold Land	Buildings	Machinery	Research and Development Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2021	\$ 127,077	\$ 781,611	\$ 208,038	\$ 14,701	\$ 27,926	\$ 1,159,353
Additions	-	11,128	2,035	-	4,440	17,603
Disposals	(37,421)	(76,699)	(24,367)	(499)	(2,987)	(141,973)
Reclassification	-	6,464	(1,496)	(103)	10,560	15,425
Balance at December 31, 2021	<u>89,656</u>	<u>722,504</u>	<u>184,210</u>	<u>14,099</u>	<u>39,939</u>	<u>1,050,408</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	-	337,161	65,042	9,463	13,228	424,954
Disposals	-	(40,379)	(22,939)	(499)	(2,984)	(66,801)
Depreciation	-	33,154	14,942	1,328	7,545	56,969
Reclassification	-	-	(715)	(57)	-	(772)
Balance at December 31, 2021	<u>-</u>	<u>329,936</u>	<u>56,330</u>	<u>10,235</u>	<u>17,849</u>	<u>414,350</u>
Carrying amount at December 31, 2021	<u>\$ 89,656</u>	<u>\$ 392,568</u>	<u>\$ 127,880</u>	<u>\$ 3,864</u>	<u>\$ 22,090</u>	<u>\$ 636,058</u>
						(Concluded)

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

Building	5-55 years
Machinery	5-20 years
Research and development equipment	5-10 years
Other equipment	3-10 years

On May 3, 2021, the board of directors resolved to dispose of the land and buildings located in Xitun District, Taichung. The sale price was \$290,800 thousand and the gain on disposal was \$216,983 thousand. The registration for transfer of ownership was completed in August 2021.

In August 1996, the Company purchased land in Houlong Township of Miaoli Country for \$11,000 thousand. However, due to the statutory restrictions on the transfer of farmland, the title deed has not been legally transferred to the Company; therefore, the Company entered into a contract with the seller to prevent any future claims on the land by the seller, the seller's heir at law, or any other third parties. In addition, if the land zoning is changed, the seller is obligated to transfer the title immediately. Accordingly, the farmland is recorded under other non-current assets. In March 2005, the Company applied to the Land Office for the modification of land usage and changed parts of the land's zoning designation from farmland to construction use, which amounted to \$4,518 thousand. Accordingly, the Company has been registered as the legal owner, and has reclassified such land to property, plant and equipment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 26.

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 13,017	\$ 16,021
Transportation equipment	9,896	11,542
Buildings	<u>823</u>	<u>3,115</u>
	<u>\$ 23,736</u>	<u>\$ 30,678</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 5,688</u>	<u>\$ 13,298</u>
Depreciation charge for right-of-use assets		
Land	\$ 3,004	\$ 3,004
Transportation equipment	5,687	3,891
Buildings	<u>2,989</u>	<u>2,670</u>
	<u>\$ 11,680</u>	<u>\$ 9,565</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 10,753</u>	<u>\$ 11,589</u>
Non-current	<u>\$ 15,122</u>	<u>\$ 21,560</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2021	2020
Land	1.71%	1.71%
Buildings	1.71%	1.71%
Transportation equipment	1.54%-1.71%	1.71%

c. Material lease-in activities and terms

The Company leases land and buildings for the use of plants and offices with lease terms of 2 to 10 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ <u>3,041</u>	\$ <u>569</u>
Total cash outflow for leases	\$ <u>(15,520)</u>	\$ <u>(10,894)</u>

The Company's leases of certain office and transportation equipment assets qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amounts of lease commitments for short term leases for which the recognition exemption is applied were \$614 thousand and \$1,788 thousand as of December 31, 2021 and 2020, respectively.

12. INTANGIBLE ASSETS

	Patent	Trademark	Software	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 49,850	\$ 33,664	\$ 8,181	\$ 91,695
Reclassification	<u>1,541</u>	<u>-</u>	<u>-</u>	<u>1,541</u>
Balance at December 31, 2020	<u>51,391</u>	<u>33,664</u>	<u>8,181</u>	<u>93,236</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2020	47,617	-	1,118	48,735
Amortization expense	<u>1,378</u>	<u>-</u>	<u>1,687</u>	<u>3,065</u>
Balance at December 31, 2020	<u>48,995</u>	<u>-</u>	<u>2,805</u>	<u>51,800</u>
Carrying amount at December 31, 2020	<u>\$ 2,396</u>	<u>\$ 33,664</u>	<u>\$ 5,376</u>	<u>\$ 41,436</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ 51,391	\$ 33,664	\$ 8,181	\$ 93,236
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2021	<u>51,391</u>	<u>33,664</u>	<u>8,181</u>	<u>93,236</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2021	48,995	-	2,805	51,800
Amortization expense	<u>1,327</u>	<u>-</u>	<u>1,676</u>	<u>3,003</u>
Balance at December 31, 2021	<u>50,322</u>	<u>-</u>	<u>4,481</u>	<u>54,803</u>
Carrying amount at December 31, 2021	<u>\$ 1,069</u>	<u>\$ 33,664</u>	<u>\$ 3,700</u>	<u>\$ 38,433</u>

The above items of intangible asset are amortized on a straight-line basis over the estimated useful lives as follows:

Patent	3-20 years
Software	3-5 years

Management believes the Company will renew the trademark continuously and has the ability to do so. Various studies including studies about product life cycle, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Company, which supported their opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings (Note 26)</u>		
Bank loans	\$ 353,173	\$ 230,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>394,145</u>	<u>740,766</u>
	<u>\$ 747,318</u>	<u>\$ 970,766</u>

The range of interest rates on bank loans was 1.031%-1.68% and 1.031%-1.70% per annum as of December 31, 2021 and 2020, respectively.

b. Long-term borrowings

	December 31	
	2021	2020
<u>Secured borrowings (Note 26)</u>		
Bank loans	\$ 309,352	\$ 225,416
<u>Unsecured borrowings</u>		
Bank loans	<u>105,911</u>	<u>126,326</u>
	<u>415,263</u>	<u>351,742</u>
Less: Current portion	<u>(84,926)</u>	<u>(124,124)</u>
Long-term borrowings	<u>\$ 330,337</u>	<u>\$ 227,618</u>

As of December 31, 2021 and 2020, the interest rates of the bank borrowings secured by the Company's freehold land and building were 1.42%-1.75% and 1.45%-1.60% per annum, respectively. The bank borrowings are due from September 2024 to December 2026.

14. OTHER PAYABLES

	December 31	
	2021	2020
Payables for salaries and bonuses	\$ 51,100	\$ 27,835
Payables for commission	6,973	4,342
Payables for compensation of employees and remuneration to directors	5,186	-
Payables for charges for service	1,475	2,204
Payables for interest	602	992
Others	<u>12,807</u>	<u>58,122</u>
	<u>\$ 78,143</u>	<u>\$ 93,495</u>

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 94,315	\$ 90,308
Fair value of plan asset	<u>(67,402)</u>	<u>(54,834)</u>
Net defined benefit liability	<u>\$ 26,913</u>	<u>\$ 35,474</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	<u>\$ 114,921</u>	<u>\$ (68,013)</u>	<u>\$ 46,908</u>
Service cost			
Current service cost	668	-	668
Net interest expense (income)	<u>862</u>	<u>(521)</u>	<u>341</u>
Recognized in profit or loss	<u>1,530</u>	<u>(521)</u>	<u>1,009</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,132)	(2,132)
Actuarial loss - changes in financial assumptions	2,278	-	2,278
Actuarial gain - experience adjustments	<u>(5,411)</u>	<u>-</u>	<u>(5,411)</u>
Recognized in other comprehensive income	<u>(3,133)</u>	<u>(2,132)</u>	<u>(5,265)</u>
Contributions from the employer	-	(7,178)	(7,178)
Benefits paid from plan assets	<u>(23,010)</u>	<u>23,010</u>	<u>-</u>
	<u>(23,010)</u>	<u>15,832</u>	<u>(7,178)</u>
Balance at December 31, 2020	<u>90,308</u>	<u>(54,834)</u>	<u>35,474</u>
Service cost			
Current service cost	398	-	398
Net interest expense (income)	<u>452</u>	<u>(280)</u>	<u>172</u>
Recognized in profit or loss	<u>850</u>	<u>(280)</u>	<u>570</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(887)	(887)
Actuarial loss - changes in demographic assumptions	2,663	-	2,663
Actuarial gain - changes in financial assumptions	(1,115)	-	(1,115)
Actuarial gain - experience adjustments	<u>1,609</u>	<u>-</u>	<u>1,609</u>
Recognized in other comprehensive income	<u>3,157</u>	<u>(887)</u>	<u>2,270</u>
Contributions from the employer	<u>-</u>	<u>(11,401)</u>	<u>(11,401)</u>
Balance at December 31, 2021	<u>\$ 94,315</u>	<u>\$ (67,402)</u>	<u>\$ 26,913</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	2020
Discount rate	0.625%	0.500%
Expected rate of salary increase	2.750%	2.750%

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

	December 31	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (2,230)</u>	<u>\$ (2,278)</u>
0.25% decrease	<u>\$ 2,307</u>	<u>\$ 2,360</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 2,220</u>	<u>\$ 2,268</u>
0.25% decrease	<u>\$ (2,157)</u>	<u>\$ (2,201)</u>

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

	December 31	
	2021	2020
The expected contributions to the plan for the next year	<u>\$ 2,597</u>	<u>\$ 12,023</u>
The average duration of the defined benefit obligation	9.5 years	10.2 years

16. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	<u>300,000</u>	<u>300,000</u>
Shares authorized	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>199,331</u>	<u>199,331</u>
Shares issued	<u>\$ 1,993,310</u>	<u>\$ 1,993,310</u>

A holder of issued ordinary shares with par value of NT\$10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 111,870	\$ 131,003
Conversion of bonds	99,979	99,979
Treasury share transactions	8,790	59,673
Difference between consideration and carrying amount from the acquisition or disposal of subsidiaries' shares	12,201	12,201
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	-	63,352
<u>May not be used for any purpose</u>		
Employee share options	<u>184</u>	<u>184</u>
	<u>\$ 233,024</u>	<u>\$ 366,392</u>

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan with a proportion of no less than 10%, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 18-f.

According to the Articles, 30%-100% of dividends are to be distributed as cash dividends and 0%-70% as share dividends.

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

The appropriation of deficit for 2020 and 2019 were approved in the shareholders' meeting on July 2, 2021 and May 27, 2020 as follows:

	Appropriation of Deficits	
	For the Year Ended December 31	
	2020	2019
Legal reserve	\$ -	\$ 186,665
Special reserve	-	75,178
Capital surplus	114,235	9,753

In the shareholders' meeting on July 2, 2021 and May 27, 2020, the Company's shareholders resolved to issue cash dividends from capital surplus of \$19,133 thousand and \$19,933 thousand.

On March 8, 2022, the Company's board of directors proposed an earning distribution for 2021 which is subject to resolution of the shareholders in their meeting to be held on May 30, 2022.

d. Treasury shares

Purpose of Buy-back	Number of Shares at January 1	Shares Transferred to Employees	Shares Cancelled	Number of Shares at December 31
<u>2021</u>				
Shares transferred to employees (in thousands of shares)	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
<u>2020</u>				
Shares transferred to employees (in thousands of shares)	<u>5,000</u>	<u>3,000</u>	<u>-</u>	<u>8,000</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

17. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from the sale of machinery	\$ 924,887	\$ 788,664
Revenue from the rendering of services	19,658	14,596
Others	<u>30</u>	<u>27</u>
	<u>\$ 944,575</u>	<u>\$ 803,287</u>

- Refer to Note 4-l for information about disaggregation of revenue.
- Contract balances: as of December 31, 2021 and 2020, the amounts of contract liabilities were \$26,903 thousand and \$27,102 thousand, respectively, which mainly comprised of unearned receipts.

18. NET INCOME (LOSS)

a. Other income

	For the Year Ended December 31	
	2021	2020
Subsidy income	\$ 3,464	\$ 23,479
Rental income	25,017	23,334
Others	<u>15,025</u>	<u>8,338</u>
	<u>\$ 43,506</u>	<u>\$ 55,151</u>

b. Other gains and losses

	For the Year Ended December 31	
	2021	2020
Gain on disposal of property, plant and equipment	\$ 218,849	\$ -
Net foreign exchange losses	(24,053)	(21,594)
Impairment losses on financial assets	(4,973)	-
Loss on compensations	-	(19,974)
Net gain on financial assets at FVTPL	-	450
Others	<u>(1,843)</u>	<u>(308)</u>
	<u>\$ 187,980</u>	<u>\$ (41,426)</u>

c. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 16,307	\$ 16,905
Interest on loans from related parties	1,718	1,829
Interest on lease liabilities	<u>485</u>	<u>561</u>
	<u>\$ 18,510</u>	<u>\$ 19,295</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Property, plant and equipment	\$ 56,969	\$ 52,989
Right-of-use assets	11,680	9,565
Intangible assets	<u>3,003</u>	<u>3,065</u>
	<u>\$ 71,652</u>	<u>\$ 65,619</u>

(Continued)

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 33,546	\$ 24,108
Operating expenses	<u>35,103</u>	<u>38,446</u>
	<u>\$ 68,649</u>	<u>\$ 62,554</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,003</u>	<u>\$ 3,065</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term benefits		
Salaries	\$ 182,105	\$ 170,677
Insurance	<u>14,998</u>	<u>16,123</u>
	<u>197,103</u>	<u>186,800</u>
Post-employment benefits		
Defined contribution plans	7,280	7,812
Defined benefit plans (Note 15)	<u>570</u>	<u>1,009</u>
	<u>7,850</u>	<u>8,821</u>
Other employee benefits	<u>1,022</u>	<u>1,281</u>
Total employee benefits expense	<u>\$ 205,975</u>	<u>\$ 196,902</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 67,674	\$ 71,186
Operating expenses	<u>138,301</u>	<u>125,716</u>
	<u>\$ 205,975</u>	<u>\$ 196,902</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of 1%-10% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. Resulting from a loss for the year ended 2020, no estimation for employees' compensation and remuneration of directors was made. The employees' compensation and remuneration of directors for the years ended December 31, 2021 which have been approved by the Company's board of directors on March 8, 2022 were as follows:

Accrual rate

	For the Year Ended December 31
	2021
Compensation of employees	1%
Remuneration of directors	1%

Amount

	For the Year Ended December 31 2021
Compensation of employees	\$ 2,593
Remuneration of directors	\$ 2,593

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

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

19. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax expense (benefit) are as follows:

	For the Year Ended December 31 2021	2020
Current tax		
Adjustments for prior years	\$ -	\$ 3,166
Land value increment tax	<u>23,011</u>	<u>99</u>
	<u>23,011</u>	<u>3,265</u>
Deferred tax		
In respect of the current year	<u>8,095</u>	<u>(24,199)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 31,106</u>	<u>\$ (20,934)</u>

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

	For the Year Ended December 31 2021	2020
Net profit (loss) before income tax	\$ 249,328	\$ (139,667)
Income tax expense (benefit) calculated at the statutory rate	\$ 49,866	\$ (27,933)
Tax-exempt income	(46,244)	(2,965)
Nondeductible expenses in determining taxable income	1,063	3,824
Unrecognized loss carryforwards and deductible temporary differences	3,410	2,875
Land value increment tax	23,011	99
Adjustments for prior years' tax	<u>-</u>	<u>3,166</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 31,106</u>	<u>\$ (20,934)</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
In respect of the current period		
Remeasurement on defined benefit plan	\$ (454)	\$ 1,100

c. Deferred tax assets

The movements of deferred tax assets was as follows:

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Defined benefit obligation	\$ 7,772	\$ (2,166)	\$ 454	\$ 6,060
Unrealized gain on transactions with associates	2,429	(382)	-	2,047
Loss carryforward	7,524	(2,680)	-	4,844
Share of loss of subsidiaries accounted for using the equity method	40,054	(6,277)	-	33,777
Others	<u>21,183</u>	<u>3,410</u>	<u>-</u>	<u>24,593</u>
	<u>\$ 78,962</u>	<u>\$ (8,095)</u>	<u>\$ 454</u>	<u>\$ 71,321</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Defined benefit obligation	\$ 10,105	\$ (1,233)	\$ (1,100)	\$ 7,772
Unrealized gain on transactions with associates	579	1,850	-	2,429
Loss carryforward	9,984	(2,460)	-	7,524
Share of loss of subsidiaries accounted for using the equity method	16,679	23,375	-	40,054
Others	<u>18,516</u>	<u>2,667</u>	<u>-</u>	<u>21,183</u>
	<u>\$ 55,863</u>	<u>\$ 24,199</u>	<u>\$ (1,100)</u>	<u>\$ 78,962</u>

- d. Information about unused loss carryforwards.

Loss carryforwards as of December 31, 2021 comprised:

Unused Amount	Expiry Year
\$ 38,564	2026
24,133	2029
11,638	2030
<u>22,550</u>	2031
<u>\$ 96,885</u>	

- e. The Company's income tax returns through 2019 were examined and cleared by the tax authorities.

20. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings (loss) earnings per share	<u>\$ 1.14</u>	<u>\$ (0.61)</u>
Diluted earnings (loss) earnings per share	<u>\$ 1.14</u>	<u>\$ (0.61)</u>

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

Net Profit (Loss) for the Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Earnings (loss) used in the computation of basic/diluted earnings (loss) per share	<u>\$ 218,222</u>	<u>\$ (118,733)</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	191,331	193,138
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>217</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>191,548</u>	<u>193,138</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. GOVERNMENT GRANTS

The Company obtained a subsidy in the amount of \$14,827 thousand from the government in accordance with the handling of salary and working capital subsidies for difficult businesses of manufacturing and technical service industries that are affected by severe pneumonia with novel pathogens by the Ministry of Economic Affairs in 2020.

22. PARTIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

In June 2020, Sogotec Limited bought back its ordinary shares, which increased the Company's continuing interest from 57.82% to 58.11%.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries. For details about the partial disposal of Sogotec Limited, refer to Note 23 to the Company's consolidated financial statements for the year ended December 31, 2021.

23. CAPITAL MANAGEMENT

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

The capital structure of the Company consists of net debt (borrowings offset by cash) and equity of the Company (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

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

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

24. FINANCIAL INSTRUMENTS

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

The Company's management considers the carrying amounts recognized in the financial statements for financial assets and financial liabilities not carried at fair value to approximate their fair values or their fair values cannot be reliably measured.

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 884,032	\$ 885,142
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,457,641	1,552,271

- 1) The balances include financial assets at amortized cost, which comprise cash, restricted deposits, notes receivable, accounts receivable and other receivables.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payable, other payables and long-term borrowings.

c. Financial risk management objectives and policies

The Company's major financial instruments include accounts receivable, accounts payable, lease liabilities and short-term and long-term borrowings. The Company's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which were exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company was mainly exposed to the USD, RMB and EUR.

The following details the effects of a 1% increase or decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. For a 1% strengthening/weakening of NTD against the relevant currency, the net profit before tax would be a decrease/an increase of \$5,912 thousand for the year ended December 31, 2021, and the net loss before tax would be an increase/a decrease of \$6,533 thousand for the year ended December 31, 2020.

b) Interest rate risk

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

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 25,875	\$ 33,149
Cash flow interest rate risk		
Financial assets	162,221	126,223
Financial liabilities	1,162,581	1,322,508

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analyses were determined based on the Company's exposure to interest rates at the end of the reporting period. A 10 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 would have decreased/increased by \$1,000 thousand and the Company's pre-tax loss for the year ended December 31, 2020 would have increased/decreased by \$1,196 thousand, which was mainly attributable to the Company's exposure to cash flow on its variable-rate bank borrowings.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and due to financial guarantees provided by the Company could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets;
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of excellent grade. This information is supplied by a rating agency where available and, if not available, the Company uses other publicly available financial information to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2021 and 2020, the Company had available unutilized bank loan facilities set out in (b) below.

- a) Liquidity and interest rate risk tables for non-derivative financial liabilities

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

December 31, 2021

	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 295,060	\$ -	\$ -	\$ -
Lease liabilities	3,173	7,914	15,481	-
Variable interest rate liabilities	<u>710,028</u>	<u>129,161</u>	<u>337,284</u>	<u>12,316</u>
	<u>\$ 1,008,261</u>	<u>\$ 137,075</u>	<u>\$ 352,765</u>	<u>\$ 12,316</u>

December 31, 2020

	Less than 3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 229,763	\$ -	\$ -	\$ -
Lease liabilities	3,049	8,999	20,982	1,201
Variable interest rate liabilities	<u>878,417</u>	<u>223,342</u>	<u>217,208</u>	<u>24,557</u>
	<u>\$ 1,111,229</u>	<u>\$ 232,341</u>	<u>\$ 238,190</u>	<u>\$ 25,758</u>

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

b) Financing facilities

	December 31	
	2021	2020
Unsecured bank overdraft facility, reviewed annually and payable on demand:		
Amount used	\$ 500,056	\$ 867,092
Amount unused	<u>522,081</u>	<u>717,759</u>
	<u>\$ 1,022,137</u>	<u>\$ 1,584,851</u>
Secured bank overdraft facility:		
Amount used	\$ 662,525	\$ 455,416
Amount unused	<u>1,667</u>	<u>63,500</u>
	<u>\$ 664,192</u>	<u>\$ 518,916</u>

25. TRANSACTIONS WITH RELATED PARTIES

The Company's board of directors was fully re-elected on May 27, 2020. Parpro Corporation (Parpro) lost its control over the Company by not being able to acquire more than half the seats in the board of directors and its relationship with the Company had changed from parent company to associate. Parpro held 20.86% of the Company's outstanding shares on December 31, 2021. Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below:

a. Related parties and their relationships with the Company:

Related Party	Relationship with the Company
Parpro Corporation (Parpro)	Investor with significant influence over the Company (parent entity before May 27, 2020)
Anderson Industrial	Subsidiary
Anderson Europe GmbH	Subsidiary
Anderson America	Subsidiary
CNT	Subsidiary
Anderson Logistics	Subsidiary
Anderson Merchandise	Subsidiary
Sogotec	Subsidiary
Giben America, Inc. (Giben America)	Subsidiary
Giben do Brasil Maquinas e Equipamentos Ltda (Giben Brasil)	Subsidiary
MATEC Maschinenban GmbH (Matec GmbH)	Subsidiary
Monforts CNC Werkzeugmaschinen-technik GmbH (Monforts GmbH)	Subsidiary of the company before May 2020
Verite Corporation	Associate

b. Sales

Line Items	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Sales of machinery	Subsidiaries		
	Anderson America	\$ 299,937	\$ 204,225
	Others	<u>40,093</u>	<u>101,728</u>
		<u>\$ 340,030</u>	<u>\$ 305,953</u>

The transaction terms with related parties were not significantly different from those with third parties.

c. Purchase of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries	<u>\$ 8,014</u>	<u>\$ 9,034</u>

d. Receivables from related parties

Line Items	Related Party Category/Name	December 31	
		2021	2020
Accounts receivable	Subsidiaries		
	Anderson America	\$ 181,265	\$ 208,772
	Giben America	149,986	161,835
	CNT	57,701	64,321
	Giben Brasil	24,495	53,258
	Sogotec	<u>3,645</u>	<u>5,957</u>
		<u>\$ 417,092</u>	<u>\$ 494,143</u>

Line Items	Related Party Category/Name	December 31	
		2021	2020
Other receivables	Investors with significant influence over the Company	\$ 5	\$ 6
	Subsidiaries		
	CNT	50,474	52,203
	MATEC GmbH	31,809	35,536
	Others	5,652	6,178
	Associates	<u>-</u>	<u>31</u>
		<u>\$ 87,940</u>	<u>\$ 93,954</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Party Category/Name	December 31	
		2021	2020
Accounts payable	Subsidiaries		
	Anderson Europe	\$ 2,113	\$ 1,372
	Anderson Merchandise	<u>11</u>	<u>21</u>
		<u>\$ 2,124</u>	<u>\$ 1,393</u>
Other payables	Subsidiaries		
	Anderson Europe	\$ 8,341	\$ 20,445
	Others	<u>1,246</u>	<u>5,878</u>
		<u>\$ 9,587</u>	<u>\$ 26,323</u>

f. Prepayments

Line Items	Related Party Category/Name	December 31	
		2021	2020
Prepayments for investment (classified as other non-current assets)	Subsidiaries		
	Anderson Logistics	<u>\$ 46,430</u>	<u>\$ -</u>

g. Acquisitions of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Anderson Merchandise	<u>\$ -</u>	<u>\$ 54,063</u>

h. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Subsidiaries				
Sogotec	\$ -	\$ 19,114	\$ -	\$ -

i. Endorsements and guarantees

Information of endorsements and guarantees for subsidiaries was disclosed in Table 2.

j. Other transactions with related parties

Line Items	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Rental income	Parent entity	\$ -	\$ 54
	Subsidiaries		
	Sogotec	17,825	15,522
	Anderson America	4,380	4,617
	Anderson Merchandise	451	1,576
	Associates	-	343
		<u>\$ 22,656</u>	<u>\$ 22,112</u>
Management income	Subsidiaries		
	Anderson Merchandise	<u>\$ 6,551</u>	<u>\$ 5,856</u>
Interest income	Subsidiaries		
	MATEC GmbH	\$ 823	\$ 839
	Others	-	894
		<u>\$ 823</u>	<u>\$ 1,733</u>
Interest expense	Subsidiaries		
	CNT	<u>\$ 1,718</u>	<u>\$ 1,829</u>

j. Lease arrangements

Line Items	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Lease expense	Investor with significant influence over the Company	<u>\$ 606</u>	<u>\$ -</u>

The Company leases buildings for plants and office spaces which are under short-term lease regulation, and the lease is under common market price. The lease condition and rental payments are similar to ordinary leases.

k. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 25,592	\$ 28,346
Post-employment benefits	<u>806</u>	<u>742</u>
	<u>\$ 26,398</u>	<u>\$ 29,088</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets at book value were provided as collateral for bank borrowings and to obtain loan limit:

	December 31	
	2021	2020
Bank deposits (classified as financial assets at amortized cost)	\$ 79,002	\$ 10,000
Freehold land	88,037	125,457
Building	314,286	363,019
Other non-current assets	<u>6,482</u>	<u>6,482</u>
	<u>\$ 487,807</u>	<u>\$ 504,958</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

As of December 31, 2021, unused letters of credit for purchases of raw materials amounted to \$23,555 thousand.

28. OTHER ITEMS

The Company has evaluated the impact of the COVID-19 pandemic. As of the date the financial statements were authorized for issue, there was no significant impact on the Company's operation, financing condition and asset impairment. However, the impact of the pandemic is still uncertain. As such, the Company will continue to monitor the development of the pandemic and evaluate its impact.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 15,352	27.680 (USD:NTD)	\$ 424,943
RMB	27,162	4.344 (RMB:NTD)	117,992
EUR	2,447	31.320 (EUR:NTD)	76,640
<u>Financial liabilities</u>			
Monetary items			
USD	511	27.680 (USD:NTD)	14,144
EUR	383	31.320 (EUR:NTD)	11,996
RMB	511	4.344 (RMB:NTD)	2,220

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,697	28.480 (USD:NTD)	\$ 504,011
RMB	27,063	4.377 (RMB:NTD)	118,455
EUR	2,444	35.020 (EUR:NTD)	85,589
<u>Financial liabilities</u>			
Monetary items			
USD	1,359	28.480 (USD:NTD)	38,704
EUR	453	35.020 (EUR:NTD)	15,864
RMB	50	4.377 (RMB:NTD)	219

For the years ended December 31, 2021 and 2020, realized and unrealized net foreign exchange losses were \$24,053 thousand and \$21,594 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)

- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
 - 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments. (None)
- b. Information on investees. (Table 6)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)
- d. Information of major shareholders:
- List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 8)

TABLE 1

ANDERSON INDUSTRIAL CORPORATION

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 1 and 3)	Note
													Item	Value			
0	The Company	MATEC	Accounts receivable - related parties	Yes	\$ 34,370	\$ 31,320	\$ 31,320	2.5%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 435,516	\$ 871,032	2
		Monforts GmbH	Other accounts receivable	No	54,992	50,112	50,112	2.5%-5%	Short-term financing	-	Operation requirements	4,973	-	-	435,516	871,032	5
1	CNT	The Company	Accounts receivable - related parties	Yes	77,378	73,196	-	2.5%	Short-term financing	-	Operation requirements	-	-	-	233,885	233,885	3
2	Sogotec	Sogotec Shanghai	Other receivable - related parties	Yes	156,204	153,227	153,227	1.48%	Business transaction	356,922	-	-	-	-	227,894	227,894	4

Note 1: The balance for the period and ending balance represent the amount approved by the board of directors.

Note 2: The loan limit should not exceed 40% of total equity of the Company. The loan limit to one party should not exceed 20% of the total equity or business transaction amount.

Note 3: The loan limit should not exceed 100% of total equity of the Company.

Note 4: The loan limit should not exceed 40% of total equity of the Company. The loan limit to one party should not exceed the total loan limit or business transaction amount.

Note 5: In May 2020, the Company lost control over Monforts GmbH after designating its trustee in bankruptcy.

TABLE 2

ANDERSON INDUSTRIAL CORPORATION

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 3)											
0	The Company	Anderson Merchandise MATEC	b	\$ 653,274	\$ 220,000	\$ 220,000	\$ 91,315	\$ -	10.10	\$ 1,088,791	Yes	-	-	1
			b	653,274	171,850	43,848	43,848	-	2.01	1,088,791	Yes	-	-	1
1	Sogotec	Sogotec Shanghai	b	170,921	87,680	86,880	19,078	-	15.25	284,868	-	-	Yes	2

Note 1: The balance to one party should not exceed 30% of the total equity of the Company. The balance should not exceed 50% of total equity of the Company.

Note 2: The balance to one party should not exceed 30% of the total equity of the Sogotec Limited. The balance should not exceed 50% of total equity of the Sogotec Limited.

Note 3: The relationship is as follows:

- b. The Company controls over 50% of subsidiary’s ordinary shares directly.

TABLE 3

ANDERSON INDUSTRIAL CORPORATION

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

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				Note
				Shares (In Thousands of Shares)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CNT	China Guangfa Bank “Wuhua Tianbao Version W, Section 282, year 2021” Structured Deposit	-	Financial assets at fair value through profit or loss - current	-	\$ 86,880	-	\$ 86,880	-
Anderson Logistics	Harbinger Technology Corporation	-	Financial assets at fair value through other comprehensive income - non-current	4,559	69,076	7.85	69,076	-

Note 1: Marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 “Financial Instruments”.

Note 2: Information on investments in subsidiaries and associates, see Table 6 and Table 7 for details.

TABLE 4

ANDERSON INDUSTRIAL CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Company	Anderson America	Subsidiaries	Sales	\$ (299,937)	(32)	Note 1	None	Note 1	\$ 181,265	31	-
Sogotec	Sogotec Shanghai	Subsidiaries	Sales	(398,884)	(65)	Net 360 days from the end of the month after acceptance	Note 2	Note 2	475,505	91	Note 3

- Note 1: Collection depends on capital status.
- Note 2: Sales price between Sogotech and related parties are decided mutually, the credit period for related parties is net 360 days from the end of the month after acceptance. The credit period for non-related parties is by installment or 30-150 days from the end of the month after acceptance.
- Note 3: Receivable generated from related-party transactions is \$628,732 thousand, recorded as accounts receivable of \$475,505 thousand and other accounts receivable of \$153,227 thousand.

TABLE 5

ANDERSON INDUSTRIAL CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Anderson America	Subsidiaries	Accounts receivable \$ 181,265	1.54	\$ -	-	\$ -	\$ -
	Giben America	Subsidiaries	Accounts receivable 149,986	0.02	-	-	-	-
Sogotec	Sogotec Shanghai	Subsidiaries	Accounts receivable 475,505	0.82	77,836	-	-	-
	Sogotec Shanghai	Subsidiaries	Other accounts receivable 153,227	N/A	153,227	-	49,486	-

TABLE 6

ANDERSON INDUSTRIAL CORPORATION

**INFORMATION ON INVESTEEES (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands of Shares)	%	Carrying Amount			
The Company	Anderson Industrial	Hong Kong	Importing, exporting and general investing activities	\$ 1,014	\$ 1,014	300	100.00	\$ 31,645	\$ -	\$ -	-
	Anderson Europe GmbH	Germany	Manufacture, sale of machinery and service	441,603	441,603	Note 1	100.00	260,591	47	341	-
	Anderson America	USA	Sale of machinery and service	215,024	215,024	1	100.00	48,207	15,419	15,419	-
	Anderson Logistics	Taiwan	Importing and exporting	220,000	220,000	22,000	100.00	202,795	(9,354)	(9,354)	-
	Giben BVI	British Virgin Islands	Investment	422,078	422,078	10	100.00	241,240	41,773	41,773	-
	Giben SAMOA	Samoa	Investment	146,813	146,813	10	100.00	74,067	(9,157)	(9,157)	-
	Anderson Merchandise	Taiwan	Sale of wood panels and service	50,000	50,000	5,000	100.00	197,891	33,979	33,979	-
	Sogotec	Taiwan	Manufacture and sale of machinery	238,746	238,746	11,796	58.11	293,477	3,855	4,821	-
Anderson Merchandise	Sogotec	Taiwan	Manufacture and sale of machinery	3,000	3,000	50	0.25	2,947	3,855	Not applicable	-
Anderson Logistics	Sogotec	Taiwan	Manufacture and sales of machinery	178,682	178,682	4,461	21.97	124,844	3,855	Not applicable	-
	Verite	Taiwan	Importing and Exporting	18,000	18,000	1,800	33.33	947	-	Not applicable	-
	Slice Bliss	Taiwan	Importing and Exporting	5,500	-	550	33.33	4,900	-	Not applicable	-
Giben SAMOA	Giben America	USA	Sale of machinery and service	145,329	145,329	Note 1	100.00	(43,071)	(28,581)	Not applicable	-
	Giben Brasil	Brazil	Manufacture and sale of machinery	1,183	1,183	Note 1	0.28	675	46,589	Not applicable	-
Giben BVI	Giben Brasil	Brazil	Manufacture and sale of machinery	421,626	421,626	Note 1	99.72	240,935	46,589	Not applicable	-
Anderson Europe GmbH	Monforts GmbH	Germany	Manufacture and sale of machinery	197,426	197,426	Notes 1 and 2	-	-	-	Not applicable	-
	MATEC	Germany	Manufacture and sale of machinery	155,496	155,496	Note 1	100.00	146,633	(8,626)	Not applicable	-
	ASC	Germany	Sale of machinery and service	808	808	Note 1	100.00	731	(19)	Not applicable	-
MATEC	Matec Schweiz AG	Schweiz	Sale of machinery and service	1,292	-	0.51	51.00	563	-	Not applicable	-

Note 1: Limited company structure.

Note 2: In May 2020, the Company lost control over Monforts GmbH after designating its trustee in bankruptcy.

ANDERSON INDUSTRIAL CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
					Outflow	Inflow							
CNT	Manufacture and sale of woodworking machinery	\$ 264,167	a	\$ 264,167	\$ -	\$ -	\$ 264,167	\$ (15,709)	100	\$ (15,709)	\$ 230,595	\$ 104,731	2 and 4
Jentec	Manufacture and sale of machinery	70,640	a	70,640	-	-	70,640	(1,267)	100	(1,284)	37,679	-	2
Sogotec Shanghai	Sale of machinery and service	26,487	b	26,487	-	-	26,487	(10,662)	100	(10,662)	(78,330)	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 361,294	\$ 361,294	\$ - (Note 3)

Note 1: The methods of investment are as follows:

- a. Direct investment in mainland China.
- b. Sogotec has obtained 100% contribution for \$26,487 thousand (US\$800 thousand).

Note 2: The amount was calculated using the equity method valuation and based on the audited financial statements.

Note 3: In accordance with “Examination Principles for Licensing Investment or Technical Cooperation in Mainland China” (revised by the MOEA on August 29, 2008), the Company has acquired certificate of operating scope, therefore the upper limit does not have to be calculated.

Note 4: As of December 31, 2021, CNT has remitted investment income of RMB23,109 thousand, equivalent to NT\$104,731 thousand.

TABLE 8**ANDERSON INDUSTRIAL CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Parpro Corporation	39,904,488	20.01
Yunyong Investment Co., Ltd.	20,000,000	10.03

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