

CHUN YU WORKS & CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the 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. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Chun Yu Works & Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Chun Yu Works & Co., Ltd. (the "Company") as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other matter section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at 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 generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only 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. Based on our audits and reports of other auditors, 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 Company's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 parent company only financial statements are stated as follows:

Cut-off of revenue from export sales

Description

Refer to Note 4(27) for accounting policy on revenue recognition and Note 6(19) for details of operating revenue.

The Company derives its revenues from the sales of screws, nuts and wire rods, etc., and revenues from

export sales account for a high percentage of total revenue. Export sales are recognized as revenues when control of the goods has been transferred according to the terms specified in the contracts. The revenue recognition requires that the products are delivered to the customer, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance over the products, but delivery time may vary for each sales transaction. The determination as to when products are transferred to customers involves manual process and judgement. Given that there is a risk of material misstatement from improper revenue recognition for transactions that occur near the balance sheet date and the transaction amounts are usually material to the financial statements, we considered the cut-off of revenue from export sales a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the accounting policies on revenue recognition of export sales.
2. Obtained an understanding and assessed the internal controls over revenue recognition of export sales, and tested the effectiveness of internal controls including the delivery process and the timing of revenue recognition.
3. Performed cut-off tests on export sales transactions that took place during a certain period before and after the balance sheet date to ascertain whether sales revenues were recognized when control of goods has been transferred to the customer and revenues were recorded in the proper period.

Valuation of inventories

Description

Refer to Note 4(7) for accounting policy on inventory valuation, Note 5(2) for uncertainty of accounting estimates and assumptions in relation to inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2021, the inventories and allowance for inventory valuation losses amounted NT\$2,396,718 thousand and NT\$15,946 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of screws, nuts and wire rods, etc. Due to the market demand, technology innovation and other factors, there is a risk of inventories losing value or becoming obsolete. The inventories are measured at the lower of cost and net realisable value. For inventory over a certain age and individually identified as obsolete or slow-moving, the net realisable values are determined by management based on periodic inventory clearance information. Given that the net realisable value used when assessing the inventories individually identified as obsolete or slow-moving involves subjective judgement, we considered the valuation of inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of policies and procedures in relation to the provision of allowance for inventory valuation losses based on the accounting principles and our understanding of the nature of the business and the industry.
2. Obtained an understanding of the warehouse management processes, reviewed the annual physical

inventory count plan and participated in the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.

3. Verified the appropriateness of net realisable value used in inventory valuation and the logic used in the inventory aging report to ascertain the reasonableness of allowance for inventory valuation losses.

Other matter - Reference to the reports of other auditors

We did not audit the financial statements of the investments accounted for using the equity method, Chun Yu Works (USA) Inc. and Pt Moon Lion Industries Indonesia, which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using the equity method amounted to NT\$860,716 thousand and NT\$670,804 thousand, both constituting 9% of the total assets as at December 31, 2021 and 2020, respectively, and the share of profit recognized from subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$264,076 thousand and NT\$147,174 thousand, constituting 38% and 126% of the total comprehensive income for the years then ended, respectively.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 generally accepted auditing standards 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 parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion on the parent company only financial statements.

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

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

safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

Lin, Tzu-Shu

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

March 10, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHUN YU WORKS & CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 248,232	3	\$ 120,723	2
1110	Financial assets at fair value through profit or loss - current	6(2)	51,358	1	101,326	1
1150	Notes receivable, net	6(3)	103,956	1	51,746	1
1170	Accounts receivable, net	6(3)	1,098,685	11	471,958	6
1180	Accounts receivable - related parties	6(3) and 7	169,307	2	95,237	1
1200	Other receivables		25,786	-	7,921	-
1210	Other receivables - related parties	7	8,551	-	5,602	-
1220	Current income tax assets	6(26)	9,741	-	36	-
130X	Inventory	5(2) and 6(4)	2,380,772	25	1,500,511	20
1410	Prepayments		39,033	-	28,741	1
11XX	Total current assets		4,135,421	43	2,383,801	32
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(5)	377,084	4	371,841	5
1550	Investments accounted for under equity method	6(6) and 7	3,047,566	32	2,577,933	35
1600	Property, plant and equipment	6(7), 7 and 8	1,850,334	19	1,862,787	25
1755	Right-of-use assets	6(8)	597	-	1,534	-
1760	Investment property - net	6(9) and 8	22,715	-	23,479	-
1780	Intangible assets	6(10)	2,731	-	3,284	-
1840	Deferred income tax assets	6(26)	157,746	2	230,706	3
1915	Prepayments for business facilities	6(7) and 7	9,635	-	6,113	-
1920	Guarantee deposits paid		6,557	-	8,215	-
1980	Other non-current financial assets	6(1) and 8	7,361	-	15,900	-
1990	Other non-current assets		681	-	681	-
15XX	Total non-current assets		5,483,007	57	5,102,473	68
1XXX	Total assets		\$ 9,618,428	100	\$ 7,486,274	100

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CHUN YU WORKS & CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2021		December 31, 2020					
			Notes	AMOUNT	%	AMOUNT	%			
Total current liabilities										
2100	Short-term borrowings	6(11)	\$	932,549	10	\$	994,398	13		
2130	Current contract liabilities	6(19)		10,786	-		13,702	-		
2170	Accounts payable			460,269	5		114,625	2		
2180	Accounts payable to related parties	7		11,666	-		14,677	-		
2200	Other payables	7		307,358	3		171,698	2		
2280	Current lease liabilities	6(8)		526	-		940	-		
2320	Long-term liabilities, current portion	6(13) and 8		-	-		240,000	3		
21XX	Total current Liabilities			1,723,154	18		1,550,040	20		
Total non-current liabilities										
2530	Bonds payable	6(12) and 8		3,000,000	31		-	-		
2540	Long-term borrowings	6(13) and 8		590,000	6		2,100,000	28		
2570	Deferred income tax liabilities	6(26)		305,474	3		306,568	4		
2580	Non-current lease liabilities	6(8)		-	-		526	-		
2640	Accrued pension liabilities	6(14)		55,866	1		44,156	1		
2645	Guarantee deposits received			457	-		564	-		
25XX	Total non-current liabilities			3,951,797	41		2,451,814	33		
2XXX	Total liabilities			5,674,951	59		4,001,854	53		
Equity										
Share capital										
3110	Common stock	6(15)		2,877,740	30		2,877,740	39		
3200	Capital surplus	6(6)(15)(16)		222,103	2		157,969	2		
	Retained earnings	6(17)								
3310	Legal reserve			233,702	2		179,531	2		
3320	Special reserve			430,610	5		430,610	6		
3350	Unappropriated retained earnings			654,473	7		290,127	4		
3400	Other equity interest	6(5)(18)	(	207,956)	(	2)	(	162,647)	(	2)
3500	Treasury stocks	6(15)(16)	(	267,195)	(	3)	(	288,910)	(	4)
3XXX	Total equity			3,943,477	41		3,484,420	47		
Significant Contingent Liabilities and							9			
Unrecognized Contract Commitments										
3X2X	Total liabilities and equity		\$	9,618,428	100	\$	7,486,274	100		

The accompanying notes are an integral part of these parent company only financial statements.

CHUN YU WORKS & CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			Year ended December 31			
Items	Notes		2021		2020	
			AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(19) and 7		\$ 5,978,369	100	\$ 3,352,716	100
5000 Operating costs	6(4)(10)(14)(24)(25) and 7		(5,286,688)	(89)	(3,184,572)	(95)
5900 Net operating margin			691,681	11	168,144	5
5920 Realized profit from sales	6(6)		-	-	3,066	-
5950 Net operating margin			691,681	11	171,210	5
Operating expenses	6(10)(14)(24)(25), 7 and 12					
6100 Selling expenses			(164,557)	(3)	(98,150)	(3)
6200 General and administrative expenses			(135,450)	(2)	(120,843)	(4)
6300 Research and development expenses			(12,810)	-	(12,926)	-
6450 Impairment loss determined in accordance with IFRS 9			(1,517)	-	(933)	-
6000 Total operating expenses			(314,334)	(5)	(232,852)	(7)
6900 Operating profit (loss)			377,347	6	(61,642)	(2)
Non-operating income and expenses						
7100 Interest income	6(20)		91	-	144	-
7010 Other income	6(2)(5)(9)(21) and 7		35,119	1	68,453	2
7020 Other gains and losses	6(2)(22) and 12		42,754	1	(7,121)	-
7050 Finance costs	6(8)(23)		(58,546)	(1)	(43,765)	(1)
7070 Share of profit of associates and joint ventures accounted for using equity method, net	6(6)		418,337	7	239,504	7
7000 Total non-operating income and expenses			437,755	8	257,215	8
7900 Profit before income tax			815,102	14	195,573	6
7950 Income tax (expense) benefit	6(26)		(70,372)	(1)	1,574	-
8200 Profit for the year			\$ 744,730	13	\$ 197,147	6
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Actuarial losses on defined benefit plans	6(14)		(\$ 11,730)	-	(\$ 2,079)	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(5)		5,384	-	(25,240)	(1)
8330 Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(6)		(21,259)	-	(40,964)	(1)
8349 Income tax related to components of other comprehensive loss that will not be reclassified to profit or loss	6(26)		2,346	-	415	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation	6(6)(18)		(29,712)	(1)	(12,188)	(1)
8300 Other comprehensive loss for the year, net of tax			(\$ 54,971)	(1)	(\$ 80,056)	(3)
8500 Total comprehensive income for the year			\$ 689,759	12	\$ 117,091	3
Earnings per share(in dollars)	6(27)					
9750 Basic earnings per share			\$ 2.81		\$ 0.75	
9850 Diluted earnings per share			\$ 2.81		\$ 0.75	

The accompanying notes are an integral part of these parent company only financial statements.

CHUN YU WORKS & CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

			Retained Earnings			Other Equity Interest			
							Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		
	Notes	Share capital - common stock	Capital from retained earnings	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury stocks	Total equity
<u>Year ended December 31, 2020</u>									
Balance at January 1, 2020		\$ 2,877,740	\$ 129,373	\$ 137,220	\$ 430,610	\$ 493,587	(\$ 172,821)	\$ 77,263	(\$ 288,910) \$ 3,684,062
Profit for the year		-	-	-	-	197,147	-	-	197,147
Other comprehensive loss for the year	6(6)(18)	-	-	-	-	(12,967)	(12,188)	(54,901)	(80,056)
Total comprehensive income (loss)		-	-	-	-	184,180	(12,188)	(54,901)	117,091
Distribution of 2019 net income:									
Legal reserve		-	-	42,311	-	(42,311)	-	-	-
Cash dividends	6(17)	-	-	-	-	(345,329)	-	-	(345,329)
The Company's dividends received by subsidiaries	6(6)(15)(16)	-	28,596	-	-	-	-	-	28,596
Balance at December 31, 2020		\$ 2,877,740	\$ 157,969	\$ 179,531	\$ 430,610	\$ 290,127	(\$ 185,009)	\$ 22,362	(\$ 288,910) \$ 3,484,420
<u>Year ended December 31, 2021</u>									
Balance at January 1, 2021		\$ 2,877,740	\$ 157,969	\$ 179,531	\$ 430,610	\$ 290,127	(\$ 185,009)	\$ 22,362	(\$ 288,910) \$ 3,484,420
Profit for the year		-	-	-	-	744,730	-	-	744,730
Other comprehensive loss for the year	6(6)(18)	-	-	-	-	(9,662)	(29,712)	(15,597)	(54,971)
Total comprehensive income (loss)		-	-	-	-	735,068	(29,712)	(15,597)	689,759
Distribution of 2020 net income:									
Legal reserve		-	-	18,418	-	(18,418)	-	-	-
Cash dividends	6(17)	-	-	-	-	(172,664)	-	-	(172,664)
Distribution of first half of 2021 net income:									
Legal reserve		-	-	35,753	-	(35,753)	-	-	-
Cash dividends		-	-	-	-	(143,887)	-	-	(143,887)
Disposal of treasury stocks	6(15)(16)	-	38,679	-	-	-	-	21,715	60,394
The Company's dividends received by subsidiaries	6(6)(15)(16)	-	25,455	-	-	-	-	-	25,455
Balance at December 31, 2021		\$ 2,877,740	\$ 222,103	\$ 233,702	\$ 430,610	\$ 654,473	(\$ 214,721)	\$ 6,765	(\$ 267,195) \$ 3,943,477

The accompanying notes are an integral part of these parent company only financial statements.

CHUN YU WORKS & CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 815,102	\$ 195,573
Adjustments			
Adjustments to reconcile profit (loss)			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss		(5,493)	25,813
Expected credit losses	12	1,517	933
Allowance for (reversal of) inventory market price decline	6(4)	(4,323)	5,995
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	6(6)	(418,337)	(239,504)
Realized profit from sales	6(6)	-	(3,066)
Depreciation	6(7)(8)(9)	109,869	121,340
Loss on disposal of property, plant and equipment	6(22)	3,068	1,499
Amortization	6(10)(24)	1,472	1,421
Interest income	6(20)	(91)	(144)
Dividends income	6(21)	(14,798)	(19,791)
Interest expense	6(23)	58,546	43,765
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		55,461	100,086
Notes receivable	(	(52,210)	(20,706)
Accounts receivable	(	(628,244)	(40,082)
Accounts receivable from related parties	(	(74,070)	(28,120)
Other receivables	(	(17,865)	(790)
Other receivables from related parties	(	(2,949)	(853)
Inventories	(	(875,938)	(70,668)
Prepayments	(	(10,292)	(2,379)
Changes in operating liabilities			
Current contract liabilities	(	(2,916)	(3,455)
Accounts payable		345,644	10,370
Accounts payable to related parties	(	(3,011)	(6,315)
Other payables		123,778	(2,954)
Net defined benefit liabilities - non-current	(	(20)	(1,577)
Cash (outflow) inflow generated from operations	(	(596,100)	(228,269)
Interest received		91	144
Dividend received		133,420	82,757
Interest paid	(	(55,080)	(43,497)
Income tax paid	(	(5,865)	(2,189)
Net cash flows (used in) from operating activities		(523,534)	(265,484)

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CHUN YU WORKS & CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Return of capital from financial assets at fair value	6(5)		
through other comprehensive income		\$ 141	\$ 2,681
Acquisition of investment accounted for using the equity	6(6)		
method-subsiidiaries		(135,040)	(27,112)
Cash paid for acquisition of property, plant and equipment	6(28)	(53,694)	(30,809)
Proceeds from disposal of property, plant and equipment		-	669
Acquisition of intangible assets	6(10)	(919)	(1,486)
Increase in prepayments for business facilities		(40,195)	(10,866)
Decrease (increase) in guarantee deposits paid		1,658	(3,227)
Decrease in other non-current financial assets		8,539	7,600
Net cash flows used in investing activities		(219,510)	(62,550)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(29)	(61,849)	241,450
Increase in ordinary bonds payable	6(29)	3,000,000	-
Payments of lease liabilities	6(29)	(940)	(1,323)
Increase in long-term borrowings	6(29)	9,310,000	6,570,000
Decrease in long-term borrowings	6(29)	(11,060,000)	(6,730,000)
(Decrease) increase in guarantee deposits received	6(29)	(107)	107
Payments of cash dividends	6(17)	(316,551)	(345,329)
Net cash flows from (used in) financing activities		870,553	(265,095)
Net increase (decrease) in cash and cash equivalents		127,509	(62,161)
Cash and cash equivalents at beginning of year	6(1)	120,723	182,884
Cash and cash equivalents at end of year	6(1)	\$ 248,232	\$ 120,723

The accompanying notes are an integral part of these parent company only financial statements.

CHUN YU WORKS & CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

(1) Chun Yu Works & Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act and other related regulations in March 1965. The Company is primarily engaged in the manufacture and heat treatment of screws, nuts and polished steel bars as well as design of pollution prevention equipment and undertaking related services.

(2) The Company’s shares have been listed on the Taiwan Stock Exchange since October 1991.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 10, 2022.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.	

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance

with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of parent company only financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Foreign currency translation

The Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

Foreign currency transactions and balances

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.
- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials,

direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(11) Investments accounted for using the equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised profit (loss) from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted to be consistent with the Company's accounting policies.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.
- E. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall be equal to equity attributable to owners of the parent in the consolidated financial statements.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a

change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings and structures:	
Main building of plant	15 ~ 51 years
Others	4 ~ 25 years
Machinery and equipment	3 ~ 22 years
Utilities equipment	5 ~ 18 years
Transportation equipment	3 ~ 9 years
Office equipment	3 ~ 13 years
Other equipment	2 ~ 15 years

(13) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
 - (a) Fixed payments, less any lease incentives receivable;
 - (b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
 - (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(14) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful

life of 10 ~ 40 years.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

(17) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Bonds payable

Ordinary corporate bonds issued by the Group are initially recognized at fair value less transaction costs. Any difference between the proceeds (net of transaction costs) and the redemption value is presented as an addition to or deduction from bonds payable, which is amortised to profit or loss over the period of bond circulation using the effective interest method as an adjustment to 'finance costs'.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Provisions

Provisions (the estimated warranties) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognizes expense when it can no longer withdraw an offer of termination benefits or when it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the Company and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit

will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Company's the Board of Directors. Stock dividends are recorded as stock dividends to be distributed after they are approved by the Company's shareholders and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

Sales of goods

- A. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.
- B. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated output tax as well as sales returns and allowances, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The credit terms for general sales are 2 months.
- C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes expenses for the related costs for which the grants are intended to compensate.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Valuation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the market demand and technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such valuation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the valuation.

B. As of December 31, 2021, the carrying amount of inventories was \$2,380,772.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash:		
Cash on hand	\$ 50	\$ 89
Checking accounts	123	645
Demand deposits	<u>248,059</u>	<u>119,989</u>
	<u>\$ 248,232</u>	<u>\$ 120,723</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2021 and 2020, the Company's demand deposits amounting to \$7,361 and \$15,900, respectively, were pledged to others as collateral (Shown as 'Other non-current financial assets'). Details are provided in Note 8, 'Pledged assets'.

(2) Current financial assets at fair value through profit or loss

Items	December 31, 2021	December 31, 2020
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 30,033	\$ 88,494
Beneficiary certificates	8,000	5,000
	38,033	93,494
Valuation adjustment	13,325	7,832
	<u>\$ 51,358</u>	<u>\$ 101,326</u>

- A. The Company recognized net profit amounting to \$53,396 and \$3,831 (shown as ‘Other income’ and ‘Other gains and losses’) on financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020, respectively.
- B. As of December 31, 2021 and 2020, the Company had no financial assets at fair value through profit or loss pledged to others as collateral.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), ‘Financial instruments’.

(3) Notes and accounts receivable, net

	December 31, 2021	December 31, 2020
Notes receivable	\$ 103,956	\$ 51,746
Accounts receivable	\$ 1,101,525	\$ 473,281
Less: Allowance for uncollectible accounts	(2,840)	(1,323)
	<u>\$ 1,098,685</u>	<u>\$ 471,958</u>

- A. The ageing analysis of notes receivable and accounts receivable (including related parties) that were past due but not impaired is as follows:

	December 31, 2021		December 31, 2020	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 103,956	\$ 1,184,191	\$ 51,746	\$ 561,591
Up to 30 days past due	-	80,039	-	4,421
31~90 days past due	-	5,670	-	534
91~180 days past due	-	-	-	730
Over 181 days	-	932	-	1,242
	<u>\$ 103,956</u>	<u>\$ 1,270,832</u>	<u>\$ 51,746</u>	<u>\$ 568,518</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2021 and 2020, notes receivable and accounts receivable were all from contracts with customers. Also, as of January 1, 2020, the balance of receivables (including related

parties) from contracts with customers amounted to \$531,356.

C. As of December 31, 2021 and 2020, the Company did not hold any collateral as security for accounts receivable.

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the notes or accounts receivable held by the Company was their carrying amount.

E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

F. As of December 31, 2021 and 2020, the Company had no notes receivable and accounts receivable pledged to others.

(4) Inventories

December 31, 2021			
	Cost	Allowance for inventory valuation loss	Book value
Raw materials	\$ 1,058,726	(\$ 34)	\$ 1,058,692
Supplies	162,187	(1,080)	161,107
Work in progress	527,848	(169)	527,679
Finished goods	647,957	(14,663)	633,294
	<u>\$ 2,396,718</u>	<u>(\$ 15,946)</u>	<u>\$ 2,380,772</u>
December 31, 2020			
	Cost	Allowance for inventory valuation loss	Book value
Raw materials	\$ 304,292	(\$ 58)	\$ 304,234
Supplies	156,156	(1,419)	154,737
Work in progress	436,692	-	436,692
Finished goods	623,640	(18,792)	604,848
	<u>\$ 1,520,780</u>	<u>(\$ 20,269)</u>	<u>\$ 1,500,511</u>

The cost of inventories recognized as expense for the year:

	Years ended December 31	
	2021	2020
Cost of goods sold	\$ 5,327,089	\$ 3,203,517
(Gain on reversal of) loss on decline in market value (Note)	(4,323)	5,995
Revenue from sales of scraps	(36,078)	(24,940)
	<u>\$ 5,286,688</u>	<u>\$ 3,184,572</u>

(Note) The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because of sale and scrap of inventories written down during the previous years.

As of December 31, 2021 and 2020, the Company had no inventories pledged to others.

(5) Non-current financial assets at fair value through other comprehensive income

Items	December 31, 2021	December 31, 2020
Equity instruments		
Listed stocks	\$ 288,106	\$ 288,106
Unlisted stocks	772	913
	288,878	289,019
Valuation adjustment	88,206	82,822
	<u>\$ 377,084</u>	<u>\$ 371,841</u>

A. The Company has elected to classify equity investments that are considered to be steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$377,084 and \$371,841 as at December 31, 2021 and 2020, respectively.

B. The Company received proceeds from capital reduction of the Company's stock investment - Ascentek Venture Capital Corporation, classified as financial asset measured at fair value through other comprehensive income, in the amount of \$2,681 for the year ended December 31, 2020. The Company reduced the investment cost in proportion to the capital reduction ratio. The Group received remaining proceeds from settlement in the amount of \$141 for the year ended December 31, 2021.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31	
	2021	2020
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income (shown as 'Other equity')	\$ 5,384	(\$ 25,240)
Dividend income recognized in profit or loss (shown as 'Other income')	\$ 12,586	\$ 16,989

D. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was the carrying amount.

E. Information relating to credit risk of non-current financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.

F. The Company had no financial assets at fair value through other comprehensive income pledged

to others.

(6) Investments accounted for using the equity method

A. Movements in investments accounted for using the equity method are as follows:

	Years ended December 31	
	2021	2020
At January 1	\$ 2,577,933	\$ 2,395,773
Addition of investments accounted for using the equity method	135,040	27,112
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	418,337	239,504
Cash dividends from investments accounted for using the equity method	(118,622)	(62,966)
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	25,455	28,596
Disposal of treasury stocks held by subsidiaries	60,394	-
Realized profit from sales	-	3,066
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(21,259)	(40,964)
Exchange differences on translation of foreign financial statements	(29,712)	(12,188)
At December 31	<u>\$ 3,047,566</u>	<u>\$ 2,577,933</u>

B. The debit balance of investments accounted for using the equity method are listed below:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Chun Bang Precision Co., Ltd. (Note)	\$ 199,514	\$ 97,848
Chun Yu Works (USA) Inc.	283,422	246,876
Chun Yu Investment Co., Ltd.	139,118	62,665
Chun Yu Bio-Tech Corp.	136,172	89,692
Scholar Holdings Ltd.	1,000,185	956,222
Sunny City International Limited	256,443	260,514
Pt Moon Lion Industries Indonesia	577,294	423,928
Chun Zu Machinery Industry Co., Ltd.	455,418	440,188
	<u>\$ 3,047,566</u>	<u>\$ 2,577,933</u>

(Note) The investee changed its name from Hi-Ace Trading Co., Ltd. to Chun Bang Precision Co., Ltd. on May 20, 2020.

- C. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2021 consolidated financial statements.
- D. For the year ended December 31, 2021 , the Company increased its investments in the subsidiaries, Chun Bang Precision Co., Ltd. and Chun Yu Bio-Tech Corp., in the amounts of \$105,000 and \$30,040, respectively. For the year ended December 31, 2020, the Company increased its investment in the subsidiary, Scholar Holdings Ltd., in the amount of \$27,112.
- E. As of December 31, 2021 and 2020, the Company had no investments accounted for using the equity method pledged to others.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Equipment under acceptance and construction in progress	Total
<u>January 1, 2021</u>									
Cost	\$ 1,266,245	\$ 953,130	\$ 2,373,898	\$ 72,963	\$ 47,063	\$ 71,717	\$ 155,748	\$ 8,411	\$ 4,949,175
Accumulated depreciation	-	(731,360)	(2,055,672)	(56,773)	(33,634)	(64,251)	(144,698)	-	(3,086,388)
	<u>\$ 1,266,245</u>	<u>\$ 221,770</u>	<u>\$ 318,226</u>	<u>\$ 16,190</u>	<u>\$ 13,429</u>	<u>\$ 7,466</u>	<u>\$ 11,050</u>	<u>\$ 8,411</u>	<u>\$ 1,862,787</u>
<u>2021</u>									
At January 1	\$ 1,266,245	\$ 221,770	\$ 318,226	\$ 16,190	\$ 13,429	\$ 7,466	\$ 11,050	\$ 8,411	\$ 1,862,787
Additions	-	1,906	17,884	960	351	195	13,409	27,405	62,110
Transfers after acceptance	-	11,683	13,364	-	-	1,480	-	(26,527)	-
Transfers from prepayments for business facilities	-	1,170	22,857	-	-	370	7,436	4,840	36,673
Depreciation charge	-	(25,188)	(66,671)	(2,770)	(4,558)	(3,395)	(5,586)	-	(108,168)
Disposals - Cost	-	(190)	(15,434)	-	-	(731)	(332)	-	(16,687)
- Accumulated depreciation	-	172	12,384	-	-	731	332	-	13,619
At December 31	<u>\$ 1,266,245</u>	<u>\$ 211,323</u>	<u>\$ 302,610</u>	<u>\$ 14,380</u>	<u>\$ 9,222</u>	<u>\$ 6,116</u>	<u>\$ 26,309</u>	<u>\$ 14,129</u>	<u>\$ 1,850,334</u>
<u>December 31, 2021</u>									
Cost	\$ 1,266,245	\$ 967,699	\$ 2,412,569	\$ 73,923	\$ 47,414	\$ 73,031	\$ 176,261	\$ 14,129	\$ 5,031,271
Accumulated depreciation	-	(756,376)	(2,109,959)	(59,543)	(38,192)	(66,915)	(149,952)	-	(3,180,937)
	<u>\$ 1,266,245</u>	<u>\$ 211,323</u>	<u>\$ 302,610</u>	<u>\$ 14,380</u>	<u>\$ 9,222</u>	<u>\$ 6,116</u>	<u>\$ 26,309</u>	<u>\$ 14,129</u>	<u>\$ 1,850,334</u>

	Land	Buildings and structures	Machinery and equipment	Utilities equipment	Transportation equipment	Office equipment	Other equipment	Equipment under acceptance and construction in progress	Total
<u>January 1, 2020</u>									
Cost	\$ 1,266,245	\$ 938,668	\$ 2,381,057	\$ 72,513	\$ 46,875	\$ 71,909	\$ 156,244	\$ 20,228	\$ 4,953,739
Accumulated depreciation	-	(706,500)	(2,018,323)	(54,145)	(29,217)	(65,074)	(135,576)	-	(3,008,835)
	<u>\$ 1,266,245</u>	<u>\$ 232,168</u>	<u>\$ 362,734</u>	<u>\$ 18,368</u>	<u>\$ 17,658</u>	<u>\$ 6,835</u>	<u>\$ 20,668</u>	<u>\$ 20,228</u>	<u>\$ 1,944,904</u>
<u>2020</u>									
At January 1	\$ 1,266,245	\$ 232,168	\$ 362,734	\$ 18,368	\$ 17,658	\$ 6,835	\$ 20,668	\$ 20,228	\$ 1,944,904
Additions	-	628	22,263	-	-	1,193	757	3,712	28,553
Transfers after acceptance	-	13,834	3,800	-	-	140	-	(17,774)	-
Transfers from prepayments for business facilities	-	-	4,030	450	1,218	2,660	-	2,245	10,603
Transfers to expenses	-	(24,860)	(73,039)	(2,628)	(4,978)	(3,225)	(10,375)	-	(119,105)
Depreciation charge	-	-	(37,252)	-	(1,030)	(4,185)	(1,253)	-	(43,720)
Disposals - Cost	-	-	35,690	-	561	4,048	1,253	-	41,552
- Accumulated depreciation	<u>\$ 1,266,245</u>	<u>\$ 221,770</u>	<u>\$ 318,226</u>	<u>\$ 16,190</u>	<u>\$ 13,429</u>	<u>\$ 7,466</u>	<u>\$ 11,050</u>	<u>\$ 8,411</u>	<u>\$ 1,862,787</u>
At December 31									
<u>December 31, 2020</u>									
Cost	\$ 1,266,245	\$ 953,130	\$ 2,373,898	\$ 72,963	\$ 47,063	\$ 71,717	\$ 155,748	\$ 8,411	\$ 4,949,175
Accumulated depreciation	-	(731,360)	(2,055,672)	(56,773)	(33,634)	(64,251)	(144,698)	-	(3,086,388)
	<u>\$ 1,266,245</u>	<u>\$ 221,770</u>	<u>\$ 318,226</u>	<u>\$ 16,190</u>	<u>\$ 13,429</u>	<u>\$ 7,466</u>	<u>\$ 11,050</u>	<u>\$ 8,411</u>	<u>\$ 1,862,787</u>

- A. The Company's property, plant and equipment as of December 31, 2021 and 2020 are for its own use.
- B. No interest expense was capitalised in property, plant and equipment for the years ended December 31, 2021 and 2020.
- C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2021 and 2020 is provided in Note 8, 'Pledged assets'.

(8) Lease transactions — lessee

- A. The Company leases various assets including business vehicles. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Transportation equipment	<u>\$ 597</u>	<u>\$ 1,534</u>
	<u>Years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Transportation equipment	<u>\$ 937</u>	<u>\$ 1,283</u>

- C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$ — and \$855, respectively.
- D. Information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 19	\$ 25
Expense on leases of low-value assets	1,124	1,068

- E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$2,083 and \$2,416, respectively.
- F. As of December 31, 2021 and 2020, the Company had no right-of-use assets pledged to others.

(9) Investment property, net

<u>2021</u>	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1			
Cost	\$ 19,303	\$ 24,411	\$ 43,714
Accumulated depreciation	-	(20,235)	(20,235)
Net book value	<u>\$ 19,303</u>	<u>\$ 4,176</u>	<u>\$ 23,479</u>
At January 1	\$ 19,303	\$ 4,176	\$ 23,479
Depreciation charge	-	(764)	(764)
At December 31	<u>\$ 19,303</u>	<u>\$ 3,412</u>	<u>\$ 22,715</u>
At December 31			
Cost	\$ 19,303	\$ 24,411	\$ 43,714
Accumulated depreciation	-	(20,999)	(20,999)
Net book value	<u>\$ 19,303</u>	<u>\$ 3,412</u>	<u>\$ 22,715</u>
<u>2020</u>	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1			
Cost	\$ 19,303	\$ 24,411	\$ 43,714
Accumulated depreciation	-	(19,283)	(19,283)
Net book value	<u>\$ 19,303</u>	<u>\$ 5,128</u>	<u>\$ 24,431</u>
At January 1	\$ 19,303	\$ 5,128	\$ 24,431
Depreciation charge	-	(952)	(952)
At December 31	<u>\$ 19,303</u>	<u>\$ 4,176</u>	<u>\$ 23,479</u>
At December 31			
Cost	\$ 19,303	\$ 24,411	\$ 43,714
Accumulated depreciation	-	(20,235)	(20,235)
Net book value	<u>\$ 19,303</u>	<u>\$ 4,176</u>	<u>\$ 23,479</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment property (shown as 'Other income')	<u>\$ 4,917</u>	<u>\$ 3,349</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 764</u>	<u>\$ 952</u>

- B. The fair value of the investment property held by the Company as at December 31, 2021 and 2020 was \$115,561 and \$115,345, respectively, which was valued based on current land value, quoted prices in the neighboring area by real estate agents and actual price registration information posted in the official search system. Valuation is categorised within Level 2 in the fair value hierarchy.
- C. For the years ended December 31, 2021 and 2020, the Company had no borrowing costs capitalised as investment property.
- D. Details of the Company's investment property pledged to others as collateral as of December 31, 2021 and 2020 are provided in Note 8.

(10) Intangible assets

	Computer software	
	Years ended December 31	
	2021	2020
<u>At January 1</u>		
Cost	\$ 7,460	\$ 6,801
Accumulated amortisation	(4,176)	(3,582)
	<u>\$ 3,284</u>	<u>\$ 3,219</u>
At January 1	\$ 3,284	\$ 3,219
Acquired separately	919	1,486
Amortisation charge	(1,472)	(1,421)
Write-offs - cost	(723)	(827)
- accumulated amortisation	723	827
At December 31	<u>\$ 2,731</u>	<u>\$ 3,284</u>
<u>At December 31</u>		
Cost	\$ 7,656	\$ 7,460
Accumulated amortisation	(4,925)	(4,176)
	<u>\$ 2,731</u>	<u>\$ 3,284</u>

- A. No interest expense was capitalised for the years ended December 31, 2021 and 2020.
- B. Details of amortisation expenses on intangible assets are as follows:

	Years ended December 31	
	2021	2020
Operating costs	\$ 64	\$ 5
Administrative expenses	793	1,308
Research and development expenses	615	108
	<u>\$ 1,472</u>	<u>\$ 1,421</u>

As of December 31, 2021 and 2020, the Company had no intangible assets pledged to others.

(11) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 932,549</u>	0.68%~1.33%	None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 994,398</u>	0.78%~1.59%	None

Details of interest expense recognized in profit or loss for the years ended December 31, 2021 and 2020 are provided in Note 6(23), 'Finance Costs'.

(12) Bonds payable

	December 31, 2021	Collateral
Guaranteed bonds payable	<u>\$ 3,000,000</u>	(Note)

(Note) Details of the collateral provided for bonds payable are provided in Note 8, 'Pledged assets'. There was no such transaction for the year ended December 31, 2020.

- A. The Company was approved by the competent authority to raise and issue the first domestic guaranteed bonds payable with a total amount of \$3,000,000, with a coupon rate of 0.65% and a maturity period of 7 years from October 15, 2021 to October 15, 2028. The bonds are repayable in cash at the face value of the bonds upon maturity.
- B. First Commercial Bank Co., Ltd. was appointed as the guarantor bank for the bonds. The guarantee period is from the date of full collection of the bonds to the date of full payment of the principal and interest payable under the Plan, and the guarantee covers the outstanding principal and interest compensation payable under the Plan, which are subordinate to the principal debt.
- C. The principal and simple interest will be paid every year by coupon rate from the day it was approved for issue. If the local financial institutions are closed on a payment date, the principal and interest will be paid on the next operating day without extra interest.
- D. Interest expense recognized in profit or loss for the year ended December 31, 2021 is described in Note 6 (23), Financial costs.

(13) Long-term borrowings

Type of borrowings	Borrowing period	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	2020.12.25~ 2025.3.30	1.80%	Refer to Note 8	<u>\$ 590,000</u>

Type of borrowings	Borrowing period	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Secured borrowings	2017.12.15～ 2025.3.30	1.16%～1.80%	Refer to Note 8	\$ 2,340,000
Less: Current portion				(240,000)
				<u>\$ 2,100,000</u>

Details of interest expense recognized in profit or loss for the years ended December 31, 2021 and 2020 are provided in Note 6(23), 'Finance Costs'.

(14) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Pension Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. The information on the defined benefit pension plan of the Company is as follows:

(a) The amounts recognized in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	(\$ 187,100)	(\$ 181,446)
Fair value of plan assets	<u>131,234</u>	<u>137,290</u>
Net defined benefit liability	<u>(\$ 55,866)</u>	<u>(\$ 44,156)</u>

(b) Movements in net defined benefit liabilities - non-current are as follows:

2021	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 181,446)	\$ 137,290	(\$ 44,156)
Current service cost	(1,756)	-	(1,756)
Interest (expense) income	(907)	692	(215)
	(184,109)	137,982	(46,127)

Remeasurements:

Return on plan assets (excluding amounts included in interest income or expense)	-	1,968	1,968
Changes in demographic assumptions	(4,831)	-	(4,831)
Experience adjustments	(8,867)	-	(8,867)
	(13,698)	1,968	(11,730)
Pension fund contribution	-	1,991	1,991
Paid pension	10,707	(10,707)	-
Balance at December 31	(\$ 187,100)	\$ 131,234	(\$ 55,866)

2020	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at January 1	(\$ 199,428)	\$ 158,928	(\$ 40,500)
Current service cost	(1,920)	-	(1,920)
Interest (expense) income	(1,496)	1,204	(292)
Past service cost	(1,636)	-	(1,636)
	(204,480)	160,132	(44,348)

Remeasurements:

Return on plan assets (excluding amounts included in interest income or expense)	-	5,515	5,515
Changes in demographic assumptions	(124)	-	(124)
Changes in financial assumptions	(4,488)	-	(4,488)
Experience adjustments	(2,982)	-	(2,982)
	(7,594)	5,515	(2,079)
Pension fund contribution	-	2,271	2,271
Paid pension	30,628	(30,628)	-
Balance at December 31	(\$ 181,446)	\$ 137,290	(\$ 44,156)

(c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement

Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(d) The principal actuarial assumptions used were as follows:

	Years ended December 31	
	2021	2020
Discount rate	0.50%	0.50%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2021 and 2020, respectively. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 4,333)	\$ 4,487	\$ 4,344	(\$ 4,218)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 4,489)	\$ 4,654	\$ 4,506	(\$ 4,369)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plan of the Company for the following

year amount to \$2,010.

(f) As of December 31, 2021, the weighted average duration of the retirement plan is 9.5 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	6,434
Next 2 ~ 5 years		48,799
Over 5 years		138,196
	\$	<u>193,429</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2021 and 2020 were \$10,489 and \$11,738, respectively.

(15) Share capital

A. Movements in the number of the Company’s ordinary shares outstanding are as follows: (Unit: Shares in thousands)

	Years ended December 31	
	2021	2020
Number of shares at the beginning and end of the year	<u>287,774</u>	<u>287,774</u>

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company’s treasury shares are as follows: (Unit: Shares in thousands)

	Year ended December 31, 2021			
	Number of shares at the beginning of the year	Addition	Decrease	Number of shares at the end of the year
Reason for reacquisition				
Acquisition of the parent company’s shares by subsidiaries transferred to treasury shares from long-term investments	<u>23,830</u>	<u>-</u>	<u>(1,516)</u>	<u>22,314</u>

Year ended December 31, 2020				
Reason for reacquisition	Number of shares at the beginning of the year	Addition	Decrease	Number of shares at the end of the year
Acquisition of the parent company's shares by subsidiaries transferred to treasury shares from long-term investments	23,830	-	-	23,830

- (b) The subsidiary sold 1,516 thousand shares of the Company in July, 2021. The selling price and book value (cost) were \$60,394 and \$21,715 respectively, and the recognized gain on disposal was \$38,679 (listed " capital reserve – treasury stock trading "). The book value (cost) for the years ended December 31, 2021 and 2020 were \$267,195 and \$288,910, respectively; the fair values were \$691,748 and \$518,312, respectively. The parent company's shares held by subsidiaries are treated as treasury stocks; they still enjoy the right to dividend distribution, and are included in the "capital reserve – treasury stock trading" item. The cash dividends paid to subsidiaries for the years ended December 31, 2021 and 2020 were \$25,455 and \$28,596, respectively.
- (c) Reason for share reacquisition and the number of the Company's treasury shares remained unchanged as of December 31, 2021 and 2020. Details are as follows:

Name of company holding the shares	Reason for reacquisition	December 31, 2021	
		Number of shares (in thousands)	Carrying amount
Chun Yu Investment Co., Ltd.	Acquisition of the parent company's shares by subsidiaries transferred to treasury shares from long-term investments	22,314	\$ 267,195

Name of company holding the shares	Reason for reacquisition	December 31, 2020	
		Number of shares (in thousands)	Carrying amount
Chun Yu Investment Co., Ltd.	Acquisition of the parent company's shares by subsidiaries transferred to treasury shares from long-term investments	23,830	\$ 288,910

- C. As of December 31, 2021, the Company's authorised capital was \$3,920,696, and the paid-in capital was \$2,877,740, consisting of 287,774 thousand ordinary shares, with a par value of \$10 (in dollars) per share which were issued in several installments. All proceeds from shares issued have been collected.

(16) Capital surplus

- A. Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. Movements in capital surplus are as follows:

<u>Year ended December 31, 2021</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Treasury share transactions</u>	<u>Total</u>
Balance at the beginning of year	\$ 26,901	\$ 131,068	\$ 157,969
Transfers to capital surplus for the Company's dividends received by subsidiaries	-	25,455	25,455
Disposal of treasury stock	-	38,679	38,679
Balance at the end of year	<u>\$ 26,901</u>	<u>\$ 195,202</u>	<u>\$ 222,103</u>

<u>Year ended December 31, 2020</u>	<u>Difference between consideration and carrying amount of subsidiaries acquired or disposed</u>	<u>Treasury share transactions</u>	<u>Total</u>
Balance at the beginning of year	\$ 26,901	\$ 102,472	\$ 129,373
Transfers to capital surplus for the Company's dividends received by subsidiaries	-	28,596	28,596
Balance at the end of year	<u>\$ 26,901</u>	<u>\$ 131,068</u>	<u>\$ 157,969</u>

- B. Details of 'Capital surplus, treasury share transactions' are provided in Note 6(15), 'Share capital'.

(17) Retained earnings

- A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- B. Under the Company's Articles of Incorporation, the Company may distribute earnings or offset losses at the end of each half fiscal year in accordance with the Company Act. When distributing earnings, the Company shall estimate and reserve for taxes payable, offset losses and set aside as legal reserve until the legal reserve equals the paid-in capital in accordance with the regulations.

Where dividends are distributed in the form of cash, it shall be approved by the Board of Directors. Where dividends are distributed by issuing new shares, it shall be approved by the stockholders in accordance with the regulations.

The current year's earnings, if any, shall first be used to pay all taxes, offset prior years' operating losses, set aside 10% of the remaining amount as legal reserve and then reverse or set aside as special reserve in accordance with relevant regulations. The remaining earnings along with accumulated unappropriated earnings from prior years will be the accumulated distributable earnings, and the Board of Directors will present a proposal of the earnings distribution for the approval of the shareholders. Where dividends and bonus, capital surplus and legal reserve, in whole or in part, are distributed in the form of cash, the Board of Directors is authorised make the distribution by approval of more than half of the directors present at the meeting, where more than two-thirds of the directors are present, and the report of such distribution shall be submitted to the shareholders during their meeting. The regulation in relation to approval from the shareholders is not applicable. In principal, at least 50% of earnings, after considering the capital needs for current and future development and the interest of shareholders, shall be distributed as dividends according to the dividend policy. However, if there is a need due to changes in the industry's environment or operational plans, the Board of Directors may present a proposal to adjust the ratio for the approval of the shareholders.

C. Special reserve:

- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount of \$430,610 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognized cash dividends distributed to owners amounting to \$316,551 (\$1.1 (in dollars) per share) and \$345,329 (\$1.2 (in dollars) per share) for the years ended December 31, 2021 and 2020, respectively. On March 10, 2022, the Board of Directors approved the distribution of cash dividends from 2021 earnings amounting to \$287,774 (\$1.0 (in dollars) per share). On March 10, 2022, the Board of Directors proposed for the distribution of share dividends from 2021 earnings amounting to \$143,887 (\$0.5 (in dollars) per share), and to be determined by the stockholders .

(18) Other equity

	Year ended December 31, 2021		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 185,009)	\$ 22,362	(\$ 162,647)
Revaluation - currency translation	(29,712)	-	(29,712)
Revaluation - unrealised gains (losses) on valuation	-	(15,597)	(15,597)
At December 31	<u>(\$ 214,721)</u>	<u>\$ 6,765</u>	<u>(\$ 207,956)</u>

	Year ended December 31, 2020		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 172,821)	\$ 77,263	(\$ 95,558)
Revaluation - currency translation	(12,188)	-	(12,188)
Revaluation - unrealised gains (losses) on valuation	-	(54,901)	(54,901)
At December 31	<u>(\$ 185,009)</u>	<u>\$ 22,362</u>	<u>(\$ 162,647)</u>

(19) Operating revenue

	Years ended December 31	
	2021	2020
Revenue from contracts with customers	<u>\$ 5,978,369</u>	<u>\$ 3,352,716</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

<u>Major product lines</u>	Years ended December 31	
	2021	2020
Wire rods	\$ 3,004,660	\$ 1,549,840
Screws and nuts	2,259,471	1,790,653
Others	714,238	12,223
	<u>\$ 5,978,369</u>	<u>\$ 3,352,716</u>

B. Contract liabilities

As of December 31, 2021 and 2020, the Company has recognized revenue-related contract liabilities of \$10,786 and \$13,702, respectively. Revenue recognized for the years ended December 31, 2021 and 2020, which was included in the contract liabilities at the beginning of the year, amounted to \$7,857 and \$11,152, respectively.

(20) Interest income

	Years ended December 31	
	2021	2020
Interest income from bank deposits	\$ 82	\$ 126
Other interest	9	18
	<u>\$ 91</u>	<u>\$ 144</u>

(21) Other income

	Years ended December 31	
	2021	2020
Rent income	\$ 5,814	\$ 5,280
Dividend income	14,798	19,791
Government grants	-	29,943
Other income	14,507	13,439
	<u>\$ 35,119</u>	<u>\$ 68,453</u>

The Company recognized government grant income of \$29,943 for the year ended December 31, 2020 for salary and working capital subsidies from the Ministry of Economic Affairs under the 'Relief and Revitalisation Measures for Industries and Enterprises Experiencing Operational Difficulties Due To the Impact of Severe Pneumonia with Novel Pathogens (COVID-19)'. The Company must comply with the application rules of aforementioned government subsidies. In the following circumstances, the Ministry of Economic Affairs may revoke or abolish the subsidies and retrieve the funds:

- A. Any action that would impair the rights of employees, such as reduction of working hours (unpaid leave), layoffs or pay cuts.
- B. Any dissolution, or termination of the operations.
- C. More than one receipt for the same salary and working capital subsidies.
- D. A landowner on the list of industrial idle land announced in accordance with the Article 46-1 of Statute for Industrial Innovation.
- E. Not applying for factory registration in accordance with the Factory Management Act.
- F. Any severe violation of laws relating to environmental protection, labour and food safety and sanitation in the past three years.
- G. Any severe violation of other relevant laws and regulations.
- H. Not cooperating with audits requested from the handling units and execution units.

(22) Other gains and losses

	Years ended December 31	
	2021	2020
Gains on financial assets at fair value through profit or loss	\$ 51,185	\$ 1,029
Net foreign exchange losses	(3,991)	(3,386)
Losses on disposal of property, plant and equipment	(3,068)	(1,499)
Miscellaneous disbursements	(1,372)	(3,265)
	<u>\$ 42,754</u>	<u>(\$ 7,121)</u>

(23) Finance costs

	Years ended December 31	
	2021	2020
Interest expense:		
Bank borrowings	\$ 54,360	\$ 43,740
Bonds payable	4,167	-
Interest on lease liabilities	19	25
	<u>\$ 58,546</u>	<u>\$ 43,765</u>

(24) Expenses by nature

	Year ended December 31, 2021		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	\$ 391,032	\$ 131,400	\$ 522,432
Depreciation	98,021	11,084	109,105
Amortisation	64	1,408	1,472
	<u>\$ 489,117</u>	<u>\$ 143,892</u>	<u>\$ 633,009</u>

	Year ended December 31, 2020		
	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense	\$ 322,770	\$ 111,424	\$ 434,194
Depreciation	108,614	11,774	120,388
Amortisation	5	1,416	1,421
	<u>\$ 431,389</u>	<u>\$ 124,614</u>	<u>\$ 556,003</u>

(25) Employee benefit expense

Year ended December 31, 2021			
	Classified as operating costs	Classified as operating expenses	Total
Wages and salaries	\$ 345,345	\$ 94,025	\$ 439,370
Labour and health insurance fees	28,912	7,981	36,893
Pension costs	8,697	3,763	12,460
Directors' remuneration	-	23,191	23,191
Other personnel expenses	8,078	2,440	10,518
	<u>\$ 391,032</u>	<u>\$ 131,400</u>	<u>\$ 522,432</u>

Year ended December 31, 2020			
	Classified as operating costs	Classified as operating expenses	Total
Wages and salaries	\$ 277,865	\$ 84,514	\$ 362,379
Labour and health insurance fees	28,824	8,477	37,301
Pension costs	9,634	5,952	15,586
Directors' remuneration	-	10,299	10,299
Other personnel expenses	6,447	2,182	8,629
	<u>\$ 322,770</u>	<u>\$ 111,424</u>	<u>\$ 434,194</u>

A. As at December 31, 2021 and 2020, the Company had 587 and 649 employees, both including 6 non-employee directors, respectively. Average employee benefit expense and average employee salaries for the years ended December 31, 2021 and 2020 were \$860 and \$659, \$757 and \$564, respectively. Adjustment of average employee salaries for the year ended December 31, 2021 was a reduction of 34.22%.

- B. The Company has set up the Audit Committee and therefore it had no supervisors' remuneration for the current and previous years.
- C. The Company provides remuneration to directors for their services based on the Company's internal management policy and the general pay levels. Management follows the order of the Board of Directors to handle the business and is remunerated based on the Company's internal management policy and the general pay levels. The employee compensation policy of the Company is established based on the employee's ability, contribution to the Company, performance, and the market value of the position, which has a positive correlation with the Company's operating performance. Employee compensation packages are set based on the market value for the positions. Bonuses are linked to the achievement of the employee and department targets. The Company designs a well-thought-out benefits measures in accordance with the laws and regulations and by taking into consideration the needs of employees.
- D. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 2% for employees'

compensation and shall not be higher than 2% for directors' remuneration. However, if the Company has accumulated deficit, the earnings shall be reserved to offset losses.

E. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$16,981 and \$4,074, respectively; while directors' remuneration was accrued at \$16,981 and \$4,074, respectively. The aforementioned amounts were recognized in salary expenses and were accrued based on the earnings of current year and the percentage prescribed by the Company's Articles of Incorporation. The employees' compensation and directors' remuneration resolved by the Board of Directors on March 10, 2022 were both \$16,981; The employees' compensation and directors' remuneration resolved by the Board of Directors on March 10, 2021 were both \$4,074, and the employees' compensation will be distributed in the form of cash, consistent with the amount recognized on the financial statements for the year ended December 31, 2020.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Components of income tax expense (benefit):

(a) Components of income tax expense (benefit):

	Years ended December 31	
	2021	2020
Current tax:		
Current tax on profits for the year	(\$ 3,847)	\$ 1,571
Prior year income tax under estimation	7	850
Total current tax	(3,840)	2,421
Deferred tax:		
Origination and reversal of temporary differences	74,212	(3,995)
Income tax expense (benefit)	\$ 70,372	(\$ 1,574)

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31	
	2021	2020
Remeasurement of defined benefit obligations	(\$ 2,346)	(\$ 415)

B. Reconciliation between income tax expense (benefit) and accounting profit:

	Years ended December 31	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 163,020	\$ 39,115
Effects from items disallowed by tax regulation	(19,531)	(36,894)
Separate taxation	355	1,571
Prior year income tax under estimation	7	850
Effect from tax loss	(73,479)	(6,216)
Income tax benefit	<u>\$ 70,372</u>	<u>(\$ 1,574)</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and tax losses are as follows:

	Year ended December 31, 2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Allowance for bad debts in excess of tax limits	\$ 1,212	\$ -	\$ -	\$ 1,212
Loss on decline in inventory market value	4,054	(865)	-	3,189
Unrealised losses on disposal of assets	726	(604)	-	122
Unrealised foreign exchange loss	570	(570)	-	-
Other deferred revenue and unrealised expenses	12,148	98	-	12,246
Currency translation differences	4,450	-	-	4,450
Remeasurements of defined benefit plan	10,782	-	2,346	13,128
Tax losses	<u>196,764</u>	<u>(73,365)</u>	<u>-</u>	<u>123,399</u>
	<u>\$ 230,706</u>	<u>(\$ 75,306)</u>	<u>\$ 2,346</u>	<u>\$ 157,746</u>

Year ended December 31, 2021				
		Recognized	Recognized	
		in	in other	
		profit or loss	comprehensive	
	January 1		income	December 31
Deferred tax liabilities				
Temporary differences:				
Pensions	(\$ 1,949)	\$ 4	\$ -	(\$ 1,945)
Reserve for land value increment	(293,140)	-	-	(293,140)
tax				
Currency translation differences	(1,050)	-	-	(1,050)
Others	(10,429)	1,090	-	(9,339)
	<u>(\$ 306,568)</u>	<u>\$ 1,094</u>	<u>\$ -</u>	<u>(\$ 305,474)</u>
	<u>(\$ 75,862)</u>	<u>(\$ 74,212)</u>	<u>\$ 2,346</u>	<u>(\$ 147,728)</u>
Year ended December 31, 2020				
		Recognized	Recognized	
		in	in other	
		profit or loss	comprehensive	
	January 1		income	December 31
Deferred tax assets				
Temporary differences:				
Allowance for bad debts in	\$ 1,212	\$ -	\$ -	\$ 1,212
excess of tax limits				
Loss on decline in inventory	2,854	1,200	-	4,054
market value				
Unrealised losses on disposal of	1,330	(604)	-	726
assets				
Unrealised foreign exchange loss	492	78	-	570
Other deferred revenue and	12,227	(79)	-	12,148
unrealised expenses				
Currency translation differences	4,450	-	-	4,450
Remeasurements of defined	10,367	-	415	10,782
benefit plan				
Tax losses	<u>190,548</u>	<u>6,216</u>	<u>-</u>	<u>196,764</u>
	<u>\$ 223,480</u>	<u>\$ 6,811</u>	<u>\$ 415</u>	<u>\$ 230,706</u>

Year ended December 31, 2020				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	
			<u>December 31</u>	
Deferred tax liabilities				
Temporary differences:				
Pensions	(\$ 2,262)	\$ 313	\$ -	(\$ 1,949)
Reserve for land value increment tax	(293,140)	-	-	(293,140)
Currency translation differences	(1,050)	-	-	(1,050)
Others	(7,300)	(3,129)	-	(10,429)
	<u>(\$ 303,752)</u>	<u>(\$ 2,816)</u>	<u>\$ -</u>	<u>(\$ 306,568)</u>
	<u>(\$ 80,272)</u>	<u>\$ 3,995</u>	<u>\$ 415</u>	<u>(\$ 75,862)</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

December 31, 2021				
<u>Year incurred</u>	<u>Amount filed /assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred income tax assets</u>	<u>Expiry year</u>
2017	\$ 580,599	\$ 208,607	\$ 107,804	2027
2019	516,191	516,191	-	2029
	<u>\$ 1,096,790</u>	<u>\$ 724,798</u>	<u>\$ 107,804</u>	

December 31, 2020				
<u>Year incurred</u>	<u>Amount filed /assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred income tax assets</u>	<u>Expiry year</u>
2017	\$ 580,599	\$ 580,599	\$ 112,969	2027
2019	516,191	516,191	-	2029
	<u>\$ 1,096,790</u>	<u>\$ 1,096,790</u>	<u>\$ 112,969</u>	

E. The amounts of deductible temporary differences that were not recognized as deferred tax assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Loss on investments accounted for using the equity method	<u>\$ -</u>	<u>\$ 33,700</u>

F. The Company did not recognise deferred tax liabilities related to taxable temporary difference of investment on subsidiaries. The unrecognized deferred tax liabilities as of December 31, 2021 and 2020 were \$1,073,233 and \$762,298, respectively.

G. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. The Company did not have any administrative remedy as of March 10, 2022.

(27) Earnings per share

Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 744,730	264,685	\$ 2.81
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 744,730	264,685	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	587	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 744,730	265,272	\$ 2.81
Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 197,147	263,944	\$ 0.75
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 197,147	263,944	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	285	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 197,147	264,229	\$ 0.75

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31	
	2021	2020
Purchase of property, plant and equipment	\$ 62,110	\$ 28,553
Add: Opening balance of payable on equipment (shown as 'Other payables')	3,726	5,982
Less: Ending balance of payable on equipment (shown as 'Other payables')	(12,142)	(3,726)
Cash paid for acquisition of property, plant and equipment	<u>\$ 53,694</u>	<u>\$ 30,809</u>

B. Investing activities with no cash flow effects:

	Years ended December 31	
	2021	2020
Prepayments for business facilities transferred to property, plant and equipment	<u>\$ 36,673</u>	<u>\$ 10,603</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Bonds payable	Long-term borrowings (including current portion)	Guarantee deposits received	Liabilities from financing activities - gross
January 1, 2021	\$ 994,398	\$ 1,466	\$ -	\$ 2,340,000	\$ 564	\$ 3,336,428
Changes in cash flow from financing activities	(61,849)	(940)	3,000,000	(1,750,000)	(107)	1,187,104
December 31, 2021	<u>\$ 932,549</u>	<u>\$ 526</u>	<u>\$ 3,000,000</u>	<u>\$ 590,000</u>	<u>\$ 457</u>	<u>\$ 4,523,532</u>

	Short-term borrowings	Lease liability	Bonds payable	Long-term borrowings (including current portion)	Guarantee deposits received	Liabilities from financing activities - gross
January 1, 2020	\$ 752,948	\$ 1,934	\$ -	\$ 2,500,000	\$ 457	\$ 3,255,339
Changes in cash flow from financing activities	241,250	(1,323)	-	(160,000)	107	80,034
Changes in other non-cash items	-	855	-	-	-	855
December 31, 2020	<u>\$ 994,198</u>	<u>\$ 1,466</u>	<u>\$ -</u>	<u>\$ 2,340,000</u>	<u>\$ 564</u>	<u>\$ 3,336,228</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Chun Bang Precision Co., Ltd. (Note 1)	Subsidiary
Chun Yu Works (USA) Inc.	Subsidiary
Chun Yu Bio-Tech Corp.	Subsidiary
Scholar Holdings Ltd.	Subsidiary
Pt Moon Lion Industries Indonesia	Subsidiary
Chun Zu Machinery Industry Co., Ltd.	Subsidiary
Chun Yu (Dongguan) Metal Proucts Co., Ltd.	Subsidiary
Shanghai Uchee Hardware Proucts Ltd.	Subsidiary
Chunyu Group Shanghai Tongsheng Trade Co., Ltd.	Subsidiary
Shanghai Chun Zu Machinery Industry Ltd.	Subsidiary
Ofco Industrial Corp.	Other related party
TSG Transportation Corp.	Other related party
Gloria Material Technology Corp.	Other related party
China Ecotek Corp.	Other related party (Note 2)

(Note 1) The subsidiary changed its name from Hi-Ace Trading Co., Ltd. to Chun Bang Precision Co., Ltd. on May 20, 2020.

(Note 2) The Company previously served as supervisor in the board of directors of China Ecotek Corp. However, it was discharged after the election during the shareholders' meeting. Accordingly, it became a non-related party since the third quarter of 2020.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31	
	2021	2020
Sales of goods:		
Other related parties	\$ 546,981	\$ 281,931
Subsidiaries	91,892	102,105
	<u>\$ 638,873</u>	<u>\$ 384,036</u>

Goods are sold to related parties based on the terms that would be available to third parties, except for Chun Yu Works (USA) Inc. and Scholar Holdings Ltd., for which the goods are sold based on agreed prices as there are no similar transactions available for comparison. The average credit terms for related parties are 1~3 months which would be available to third parties, except for Chun Yu Works (USA) Inc. and Scholar Holdings Ltd. with credit terms of 4~6 months.

B. Purchases

	Years ended December 31	
	2021	2020
Sales of goods:		
Subsidiaries	\$ 46,949	\$ 34,112
Other related parties	9,817	10,340
	<u>\$ 56,766</u>	<u>\$ 44,452</u>

Goods are purchased from related parties based on the prices and terms that would be available to third parties and the average payment terms are 1~2 months. However, both parties may negotiate to extend payment terms according to the funds available.

C. Property transaction

(a) Acquisition of assets:

	Objects	Years ended December 31	
		2021	2020
Subsidiaries	Machinery and equipment as well as prepayments for business facilities	<u>\$ 21,533</u>	<u>\$ 18,506</u>

(b) Equity transactions:

Accounts	No. of shares (in thousands)	Objects	Year ended December 31, 2021 Consideration
Investments accounted for using the equity method	10,500	Capital increase - Chun Bang Precision Co., Ltd.	\$ 105,000
Investments accounted for using the equity method	3,004	Capital increase - Chun Yu Bio-Tech Corp.	30,040
			<u>\$ 135,040</u>

Accounts	No. of shares (in thousands)	Objects	Year ended December 31, 2020 Consideration
Investments accounted for using the equity method	2,720	Capital increase - Scholar Holdings Ltd.	\$ 27,112

D. Other expenses

	Years ended December 31	
	2021	2020
Other related parties	\$ 57,046	\$ 37,484
Subsidiaries	8,929	4,777
	<u>\$ 65,975</u>	<u>\$ 42,261</u>

E. Other income

	Years ended December 31	
	2021	2020
Management service income		
Subsidiaries	\$ 6,178	\$ 5,669
Other income		
Subsidiaries	11,051	8,981
Other related parties	-	1,203
	<u>\$ 17,229</u>	<u>\$ 15,853</u>

F. Accounts receivable

	December 31, 2021	December 31, 2020
Other related parties	\$ 135,236	\$ 62,974
Subsidiaries	34,071	32,263
	<u>\$ 169,307</u>	<u>\$ 95,237</u>

G. Other receivables

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 8,551	\$ 5,602

H. Accounts payable

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 11,666	\$ 12,243
Other related parties	-	2,434
	<u>\$ 11,666</u>	<u>\$ 14,677</u>

I. Other payables

	December 31, 2021	December 31, 2020
Other related parties	\$ 18,066	\$ 9,426
Subsidiaries	3,430	1,165
	<u>\$ 21,496</u>	<u>\$ 10,591</u>

J. Endorsements and guarantees provided to related parties: Please refer to Note13(1)B.

(3) Key management compensation

	Years ended December 31	
	2021	2020
Wages and salaries and other short-term benefits	\$ 20,326	\$ 21,853

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

Assets	December 31, 2021	December 31, 2020	Purpose
Pledged demand deposits (Note 1)	\$ 7,361	\$ 15,900	Guarantee and collateral for long-term borrowings
Land (Note 2)	358,824	739,826	Collateral for long-term borrowings and bonds payable
Buildings and structures, net (Note 2)	64,771	133,929	Collateral for long-term borrowings and bonds payable
	<u>\$ 430,956</u>	<u>\$ 889,655</u>	

(Note 1) Shown as 'Other non-current financial assets'.

(Note 2) Shown as 'Property, plant and equipment' and 'Investment property, net'.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) As of December 31, 2021 and 2020, the Company's capital expenditures contracted for at the balance sheet date but not yet incurred were \$28,362 and \$16,453, respectively.

(2) As of December 31, 2021 and 2020, the Company's line of credit issued but not yet negotiated were \$688,706 and \$136,968, respectively.

(3) Information on provision of endorsements and guarantees to others is provided in Note 13(1)B.

(4) On October 5, 2019, the Company entered into a mid-term secured syndicated loan agreement with 10 banks including First Commercial Bank for a credit facility of \$1,790,000 (including Tranche A facility amount of \$590,000, Tranche B facility amount of \$1,200,000 and Tranche C facility amount of \$720,000, among which the total amount drawdown under Tranche B and Tranche C shall not exceed the Tranche B facility amount). The term for each tranche is 5 years. The Company's commitments to banking syndicate during the terms of syndicated loan are as follows:

i. During the terms of the syndicated loan, the financial covenants stated in the Company's consolidated financial statements audited by independent auditors shall comply with the following financial covenants and will be assessed once a year:

(a) Current ratio: The ratio of current assets to current liabilities shall not be lower than 100%.

(b) Debt ratio: The ratio of total liabilities to tangible equity shall not be higher than 200%.

(c) Interest coverage ratio: The ratio of total amount of income before tax, interest expense, depreciation and amortisation to interest expense shall not be lower than 200%.

(d) Tangible equity: The amount of net assets less intangible assets shall not be lower than \$3,000,000.

ii. If the Company fails to comply with the aforementioned financial covenants, the Company is required to pay additional interest at the rate of 0.10% per annum over the interest rate applicable under this agreement during the period from the date of notification sent by the managing bank to the date that consolidated financial statements, which meet all the requirements, are provided. The aforesaid failure to comply with financial covenants will not be regarded as an event of default if additional interest is paid.

As of December 31, 2021 and 2020, the Company did not breach the aforementioned financial covenants.

(5) On December 15, 2017, the Company entered into a mid-term secured syndicated loan agreement with 7 banks including First Commercial Bank for a credit facility of \$3,000,000 (including Tranche A facility amount of \$1,200,000 and Tranche B facility amount of \$1,800,000). The term for each tranche is 5 years. The Company's commitments to banking syndicate during the terms of syndicated loan are as follows:

i. During the terms of the syndicated loan, the financial covenants stated in the Company's consolidated financial statements audited by independent auditors shall comply with the following financial covenants and will be assessed once a year:

(a) Current ratio: The ratio of current assets to current liabilities shall not be lower than 100%.

(b) Debt ratio: The ratio of total liabilities to tangible equity shall not be higher than 200%.

(c) Interest coverage ratio: The ratio of total amount of income before tax, interest expense, depreciation and amortisation to interest expense shall not be lower than 200%.

(d) Tangible equity: The amount of net assets less intangible assets shall not be lower than \$3,000,000.

ii. If the Company fails to comply with the aforementioned financial covenants, the Company is required to pay additional interest at a rate of 0.10% per annum over the interest rate applicable under this agreement during the period from the date of notification sent by the managing bank to the date that consolidated financial statements, which meet all requirements, are provided. The aforesaid failure to comply with financial covenants will not be regarded as an event of default if additional interest is paid.

As of December 31, 2021 and 2020, the Company did not breach the aforementioned financial covenants.

(6) The Company is involved in a lawsuit filed by Mr. Li, Shi-Ren in 2012 relating to whether an employment relationship existed between both parties. Mr. Li, Shi-Ren claimed that he served in an investee of the Company for 26 years and 8 months and requested the Company to pay pension totaling USD 642 thousand. On February 27, 2014, the Taiwan Kaohsiung District Court rendered a decision that the Company is liable for the USD 642 thousand pension payment. The Company disagreed with the decision and appealed during the legal period. On April 29, 2016, the Taiwan High

Court Kaohsiung Branch Court revoked the original decision rendered on February 27, 2014 and rendered a decision that the litigation expenses incurred thereby shall be borne by the appellant (Li, Shi-Ren). Subsequently, Li, Shi-Ren appealed to the Supreme Court. On August 2, 2018, the Supreme Court, after reviewing the case, revoked the decision except for the provisional execution and remanded the case to the Taiwan High Court Kaohsiung Branch Court. On April 15, 2020, following the first order by the Supreme Court, the Taiwan High Court Kaohsiung Branch Court rendered a decision on the case no. 2018-Zhong-Lao-Shang-Geng-Yi-Zi-1, in which both of the appellant's (Li, Shi-Ren) appeal with the first instance court and motion for provisional execution are dismissed, and the appellant shall bear the relevant litigation expenses. Li, Shi-Ren continued to appeal, but the case is now pending with the Supreme Court.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of the Company's financial instruments by category are provided in Note 6.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. Foreign exchange risk

- (i) The Company operates internationally and is exposed to exchange rate risk arising from various functional currency, primarily with respect to the USD, EUR, RMB and IDR. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- (ii) Management has set up a policy to manage its foreign exchange risk against the functional currency. The Company's treasury is responsible for hedging its entire foreign exchange risk exposure. The Company's treasury uses forward foreign exchange contracts to manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- (iii) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD;). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency amount		
(Foreign currency: functional currency)	(In thousands)	Exchange rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,055	27.68	\$ 222,962
EUR:NTD	1,005	31.32	31,477
<u>Investments accounted for using the equity method</u>			
USD:NTD	55,724	27.68	1,542,440
IDR:NTD	291,562,448	0.00198	577,294
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	8,895	27.68	246,214
EUR:NTD	752	31.32	23,553

	December 31, 2020		
	Foreign currency amount		
(Foreign currency: functional currency)	(In thousands)	Exchange rate	Book Value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 6,715	28.48	\$ 191,243
EUR:NTD	174	35.02	6,093
RMB:NTD	273	4.3660	1,192
<u>Investments accounted for using the equity method</u>			
USD:NTD	51,751	28.48	1,473,868
IDR:NTD	290,649,211	0.00203	590,018
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	7,752	28.48	220,777
EUR:NTD	229	35.02	8,020

The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1%, the Company's net income for the years ended December 31, 2021 and 2020 would have decreased/increased by \$123 and \$242, respectively.

The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020, amounted to \$3,991 and \$3,386, respectively.

ii. Price risk

- (i) The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- (ii) The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by

\$514 and \$1,013, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$3,771 and \$3,718, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

iii. Cash flow and fair value interest rate risk

- (i) The Company's main interest rate risk arises from borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2021 and 2020, the Company borrowings at variable rate were mainly denominated in NTD and USD.
- (ii) The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- (iii) If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2021 and 2020 would have decreased/increased by \$468 and \$350, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independently rated parties with a certain rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. If the credit rating grade of an investment target degrades two scales, there has been a

significant increase in credit risk on that instrument since initial recognition.

- v. If the default rate of an investment target exceeds 10%, there has been a significant increase in credit risk on that instrument since initial recognition.
- vi. The Company adopts the assumptions under IFRS 9, that is the default occurs when the contract payments are past due over 90 days.
- vii. The Company classifies customer's accounts receivable in accordance with credit risk on trade. The Company applies the modified approach using a provision matrix to estimate the expected credit loss and uses the historical and timely information to establish loss rate for assessing the default possibility of accounts receivable. Movements in relation to the Company applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

	Year ended December 31, 2021		
	Notes	Accounts	Total
	receivable	receivable	
Balance at January 1	\$ -	\$ 1,323	\$ 1,323
Expected credit loss	-	1,517	1,517
Balance at December 31	<u>\$ -</u>	<u>\$ 2,840</u>	<u>\$ 2,840</u>
	Year ended December 31, 2020		
	Notes	Accounts	Total
	receivable	receivable	
Balance at January 1	\$ -	\$ 390	\$ 390
Expected credit loss	-	933	933
Balance at December 31	<u>\$ -</u>	<u>\$ 1,323</u>	<u>\$ 1,323</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

December 31, 2021	Less than 1 year	Between 1 and 2 year(s)	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 934,295	\$ -	\$ -	\$ -
Accounts payable (including current portion)	471,935	-	-	-
Other payables	307,358	-	-	-
Lease liability	527	-	-	-
Bonds payable	1,950	1,950	5,850	3,003,900
Long-term borrowings (including current portion)	10,602	127,807	481,277	-
Guarantee deposits received	457	-	-	-
December 31, 2020	Less than 1 year	Between 1 and 2 year(s)	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 996,534	\$ -	\$ -	\$ -
Accounts payable (including current portion)	129,302	-	-	-
Other payables	171,698	-	-	-
Lease liability	959	530	-	-
Long-term borrowings (including current portion)	264,469	1,819,947	309,704	-
Guarantee deposits received	564	-	-	-

iii. For non-derivative financial liabilities, the Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the

asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, other non-current financial assets, short-term borrowings, accounts payable (including related parties), other payables, lease liabilities, long-term borrowings (including current portion) and guarantee deposits received) are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis on the nature, characteristics and risks of the assets and liabilities at December 31, 2021 and 2020 are as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
<u>Assets:</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 41,179	\$ -	\$ -	\$ 41,179
Beneficiary certificates	10,179	-	-	10,179
	<u>51,358</u>	<u>-</u>	<u>-</u>	<u>51,358</u>
Financial assets at fair value through other comprehensive income				
Equity securities	377,084	-	-	377,084
	<u>\$ 428,442</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,442</u>
December 31, 2020	Level 1	Level 2	Level 3	Total
<u>Assets:</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 95,081	\$ -	\$ -	\$ 95,081
Beneficiary certificates	6,245	-	-	6,245
	<u>101,326</u>	<u>-</u>	<u>-</u>	<u>101,326</u>
Financial assets at fair value through other comprehensive income				
Equity securities	371,841	-	-	371,841
	<u>\$ 473,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,167</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

- (a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

E. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

F. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

G. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

(4) Other

In response to the Covid-19 pandemic, the Group has complied with various preventive measures imposed by the government in accordance with the "Guidelines for the Continued Operation of Enterprises in Response to Severe and Special Infectious Pneumonia Epidemics". The factory operates in a way of diversion and warehousing, and there is no significant adverse effect on all operations.

13. Supplementary Disclosures

(According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2021)

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Purchases and sales between the Company and investees in Mainland China are eliminated when preparing consolidated financial statements. Information on significant transactions, such as purchases and sales, receivables and payables, provision of endorsements and guarantees and financing, between the Company and investees in Mainland China is provided in Note 13(1)A, B and J.

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. Segment Information

Not applicable.

CHUN YU WORKS & CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 50
Checking accounts		123
Demand deposits - NTD		226,107
Demand deposits - Foreign	USD 674 thousand, exchange rate: 27.68	18,667
currency	EUR 104 thousand, exchange rate: 31.32	3,281
	CNY 1 thousand, exchange rate: 4.3458	3
	JPY 1 thousand, exchange rate: 0.241	1
		<u>\$ 248,232</u>

CHUN YU WORKS & CO., LTD.
STATEMENT OF NOTES RECEIVABLE, NET
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Cheng Hong Industrial Co., Ltd.	Notes receivable	\$ 5,789	—
Others (each item not exceeding 5%)	"	98,167	
		<u>\$ 103,956</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
E-SHENG STEEL CO., LTD.	Accounts receivable	\$ 325,405	—
Chi Rei Co., Ltd.	"	65,265	—
Others (each item not exceeding 5%)	"	<u>710,855</u>	—
		1,101,525	
Less: Allowance for uncollectible accounts		(<u>2,840</u>)	
		<u>\$ 1,098,685</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE DUE FROM RELATED PARTIES, NET
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Ofco Industrial Corp.	Accounts receivable	\$ 133,381	—
Chun Yu Works (USA) Inc.	"	32,927	—
Others (each item not exceeding 5%)	"	2,999	—
		<u>\$ 169,307</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	Net Realisable Value	
Raw materials	\$ 1,058,726	\$ 1,137,129	Refer to Note 4(7) for determination of net realisable value method.
Supplies	162,187	170,301	
Work in progress	527,848	746,336	
Finished goods	647,957	705,123	
	2,396,718	\$ 2,758,889	
Less: Allowance for inventory valuation loss	(15,946)		
	\$ 2,380,772		

CHUN YU WORKS & CO., LTD.
STATEMENT OF NON-CURRENT FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name of Financial Assets	Beginning Balance (Note)		Addition		Decrease		Ending Balance		Collateral	Note
	Number of shares (In thousands)	Amount	Number of shares (In thousands)	Amount	Number of shares (In thousands)	Amount	Number of shares (In thousands)	Amount		
Listed stocks:										
Taiwan Styrene Monomer Corporation	11,678	\$ 258,939	-	\$ -	-	\$ -	11,678	\$ 258,939	None	—
China Ecotek Corporation	4,333	29,167	-	-	-	-	4,333	29,167	None	—
Unlisted stocks:										
King Kong Iron Works, Ltd.	304	772	-	-	-	-	304	772	None	—
Pacific Electric Wire & Cable Co., Ltd.	14	-	-	-	-	-	14	-	None	—
Ascentek Venture Capital Corporation	14	141	-	-	(14)	(141)	-	-	None	—
	<u>16,343</u>	<u>289,019</u>	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>(141)</u>	<u>16,329</u>	<u>288,878</u>		
Valuation adjustment		<u>82,822</u>		<u>22,317</u>		<u>(16,933)</u>		<u>88,206</u>		
		<u>\$ 371,841</u>		<u>\$ 22,317</u>		<u>(\$ 17,074)</u>		<u>\$ 377,084</u>		

CHUN YU WORKS & CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name of Investees	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value			
	Number of shares (In thousands)	Amount	Number of shares (In thousands)	Amount	Number of shares (In thousands)	Amount	Number of shares (In thousands)	Shareholding	Amount	Unit price	Total Amount	Collateral	Footnote
Chun Bang Precision Co., Ltd. (Note)	4,500	\$ 97,848	10,500	\$ 111,004	-	(\$ 9,338)	15,000	100.00%	\$ 199,514	\$ 13.18	\$ 197,748	None	—
Chun Yu Works (USA) Inc.	3,800	246,876	-	44,060	-	(7,514)	3,800	100.00%	283,422	75.18	285,680	None	—
Chun Yu Investment Corp.	50,184	62,665	6,122	78,670	-	(2,217)	56,306	100.00%	139,118	14.76	830,866	None	—
Chun Yu Bio-Tech Corp.	6,996	89,692	3,004	53,477	-	(6,997)	10,000	100.00%	136,172	13.60	136,028	None	—
Scholar Holdings Ltd.	33,183	956,222	-	43,963	-	-	33,183	100.00%	1,000,185	30.28	1,004,750	None	—
Sunny City International Limited	1,000	260,514	-	35,781	-	(39,852)	1,000	100.00%	256,443	256.89	256,893	None	—
Pt Moon Lion Industries Indonesia	14,370	423,928	-	220,016	-	(66,650)	14,370	71.85%	577,294	40.17	577,294	None	—
Chun Zu Machinery Industry Co., Ltd.	28,822	440,188	-	38,994	-	(23,764)	28,822	47.81%	455,418	17.02	490,537	None	—
	<u>142,855</u>	<u>\$ 2,577,933</u>	<u>19,626</u>	<u>\$ 625,965</u>	<u>-</u>	<u>(\$ 156,332)</u>	<u>162,481</u>		<u>\$ 3,047,566</u>		<u>\$ 3,779,796</u>		

(Note) It changed its name from Hi-Ace Trading Co., Ltd. to Chun Bang Precision Co., Ltd. on May 20, 2020.

CHUN YU WORKS & CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT - COST
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Information relating to property, plant and equipment is provided in Note 6(7).

CHUN YU WORKS & CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND
EQUIPMENT
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Information relating to property, plant and equipment is provided in Note 6(7). Information relating to depreciation methods and useful lives is provided in Note 4(12).

CHUN YU WORKS & CO., LTD.
STATEMENT OF CHANGES IN DEFERRED TAX ASSETS
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Information relating to income tax is provided in Note 6(26).

CHUN YU WORKS & CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Nature</u>	<u>Description</u>	<u>Ending Balance</u>	<u>Contract Period</u>	<u>Range of Interest</u>	<u>Credit Line</u>	<u>Collateral</u>	<u>Footnote</u>
Unsecured borrowings	Export–Import Bank of the Republic of China	\$ 200,000	2021.04.14～2022.04.14	Note	\$ 200,000	Note	—
	DBS Bank (Taiwan) Ltd.	158,645	2021.11.30～2022.03.22	Note	312,500	Note	—
	HSBC Bank (Taiwan)	128,525	2021.08.24～2022.02.25	Note	330,000	Note	—
	First Commercial Bank	79,467	2021.11.30～2022.03.21	Note	220,000	Note	—
	KGI Bank	74,556	2021.08.27～2022.03.17	Note	600,000	Note	—
	CTBC Bank	59,049	2021.12.21～2022.06.24	Note	80,000	Note	—
	Bank of Taiwan	57,957	2021.08.20～2022.05.20	Note	180,000	Note	—
	Hua Nan Bank	39,297	2021.12.24～2022.01.21	Note	300,000	Note	—
	Chang Hwa Bank	36,660	2021.09.13～2022.03.12	Note	300,000	Note	—
	Entie Commercial Bank	34,047	2021.12.03～2022.03.17	Note	100,000	Note	—
	Land Bank of Taiwan	30,031	2021.11.02～2022.05.01	Note	200,000	Note	—
	Taiwan Business Bank	21,315	2021.07.20～2022.01.13	Note	100,000	Note	—
	Taipei Fubon Bank	13,000	2021.12.24～2022.01.21	Note	100,000	Note	—
		<u>\$ 932,549</u>					

Note: Interest rate ranged from 0.68% to 1.33%.

CHUN YU WORKS & CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Suppliers Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
E-SHENG STEEL CO., LTD.	Accounts payable	\$ 343,647	—
Others (each item not exceeding 5%)	"	116,622	—
		<u>\$ 460,269</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Annual bonus payable		\$ 74,940	—
Processing expenses payable		51,306	—
Wages and salaries payable		34,080	—
Employees' compensation and directors' remuneration		33,962	—
Others (each item not exceeding 5%)		113,070	—
		<u>\$ 307,358</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Items	Guarantee bank	Issue date	Date of interest repayment	Coupon rate	Amount				Repayment term	Collateral	Note
					Total issue amount	Repayment	Ending balance	Book value			
1th Guarantee ordinary bonds payable in 2021	First Commercial Bank	2021.10.15	(Note)	(Note)	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000	(Note)	(Note)	-

(Note) Please refer to Note 6(12) for the information related to bonds payable.

CHUN YU WORKS & CO., LTD.
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract Period</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Note</u>
10 banks including First Commercial Bank	Secured borrowings	<u>\$ 590,000</u>	2020.12.25~2025.3.30	1.80%	Demand deposits, land and buildings and structures	(Note 1) (Note 2)

(Note 1) The Company entered into a syndicated loan agreement with 10 banks including First Commercial Bank, the managing bank; Tranche A: The facility can be drawn multiple times within 12 months from the date of first drawdown. Any facility which remained undrawn after the expiry of drawdown period shall be automatically cancelled and no drawdown can be made. Tranches B and C: The facilities are revolving during the facility period.

(Note 2) The first installment is upon the expiry of 36 months after the date of first drawdown, quarterly installments, totalling 9 installments. Principal is repayable on the repayment date, which is the expiry date of each installment. For the first eight installments, 5% of actual drawn principal amount is repayable at each installment, and 60% of actual drawn principal or any remaining principal is repayable at the ninth installment.

CHUN YU WORKS & CO., LTD.
STATEMENT OF DEFERRED TAX LIABILITIES
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Information relating to income tax is provided in Note 6(26).

CHUN YU WORKS & CO., LTD.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Volume (ton)	Amount	Note
Annealing wires	53,167	\$ 1,813,358	—
Taps	14,753	1,203,453	—
Polished wires	30,752	774,631	—
Screws	14,814	752,753	—
Steel billet	36,635	701,479	—
Black oxide coating	14,488	420,391	—
Nuts	4,881	310,550	—
Processing fees revenue		11,448	—
Others		1,997	—
Total sales revenue		5,990,060	
Less: Sales returns	65	(5,766)	
Sales discounts and allowances		(5,925)	
		<u>\$ 5,978,369</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Beginning raw materials	\$ 304,292
Add: Raw materials purchased	4,309,996
Less: Transfers to expenses	(68)
Ending raw materials	(1,058,726)
Raw materials used in the year	<u>3,555,494</u>
Beginning supplies	156,156
Add: Supplies purchased	342,013
Ending supplies	(162,187)
Supplies used in the year	<u>335,982</u>
Direct labor	207,501
Manufacturing expense	<u>1,224,313</u>
Manufacturing cost	5,323,290
Beginning work in progress	436,692
Add: Transfers from finished goods	23,643
Ending work in progress	(527,848)
Cost of finished goods	5,255,777
Beginning finished goods	623,640
Add: Finished goods purchased	119,272
Less: Transfers to work in progress	(23,643)
Ending finished goods	(647,957)
Cost of goods sold	5,327,089
Loss on decline in market value	(4,323)
Revenue from sales of scraps	(36,078)
Operating costs	<u>\$ 5,286,688</u>

CHUN YU WORKS & CO., LTD.
STATEMENT OF MANUFACTURING EXPENSE
YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Processing expense		\$ 263,646	—
Indirect labor		146,541	—
Fuel expense		106,766	—
Depreciation charge		98,021	—
Utilities expense		97,123	—
Repairs and maintenance expense		55,717	—
Others (each item not exceeding 5%)		<u>456,499</u>	—
		<u>\$ 1,224,313</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Export expense		\$ 78,378	—
Freight		36,840	—
Wages and salaries		30,536	—
Other expenses (each item not exceeding 5%)		<u>18,803</u>	—
		<u>\$ 164,557</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Wages and salaries		\$ 59,503	—
Directors' remuneration		23,191	—
Depreciation charge		10,354	—
Other expenses (each item not exceeding 5%)		<u>42,402</u>	—
		<u>\$ 135,450</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		\$ 7,749	—
Contracted research expense		2,516	—
Insurance expense		660	—
Other expenses (each item not exceeding 5%)		<u>1,885</u>	—
		<u>\$ 12,810</u>	

CHUN YU WORKS & CO., LTD.
STATEMENT OF OTHER INCOME
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Information relating to other income is provided in Note 6(21).

CHUN YU WORKS & CO., LTD.
STATEMENT OF FINANCE COST
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Information relating to finance costs is provided in Note 6(23).

CHUN YU WORKS & CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND
AMORTISATION EXPENSES BY FUNCTION
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Information relating to expenses by nature is provided in Note 6(24). Information relating to employee benefit expense is provided in Note 6(25).

Chun Yu Works & Co., Ltd.

Loans to others

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					balance during the year ended 2021								Item	Value			
0	Chun Yu Works & Co., Ltd.	Chun Yu (Dongguan) Metal Products Co., Ltd.	Other receivables - related parties	Y	\$ 307,401	\$ -	\$ -	-	2	\$ -	Additional operating capital	\$ -	-	\$ -	\$ 1,577,391	\$ 1,577,391	-

(Note 1) The numbers filled in for the nature of loan are as follows:

1. Trading Partner

2. Short-term financing.

(Note 2) Limit on loans granted to a single party is as follows:

1. For business transaction: Limit is the higher of purchase or sales with the Company during the most recent year or the current year as of the date of financing.

2. For short-term financing:

Amount granted by the Company: Limit is 40% of the Company’s current net assets.

(Note 3) Ceiling on total loans granted is as follows:

Amount granted by the Company: Ceiling is 40% of the Company’s current net assets.

(Note 4) Foreign currencies are translated into New Taiwan dollars. Exchange rate of foreign currencies indicated as of report date were as follow: RMB:NTD 1:4.3458.

Chun Yu Works & Co., Ltd.
Provision of endorsements and guarantees to others
Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 1)											
0	Chun Yu Works & Co., Ltd.	Chun Yu Works (USA) Inc.	2	\$ 2,366,086	\$ 199,745	\$ 193,760	\$ -	\$ -	4.91%	\$ 3,154,782	Y	N	N	(Note 2)
0	Chun Yu Works & Co., Ltd.	Chun Yu (Dongguan) Metal Products Co., Ltd.	2	2,366,086	998,725	968,800	497,371	-	24.57%	3,154,782	Y	N	Y	(Note 2)
0	Chun Yu Works & Co., Ltd.	Shanghai Uchee Hardware Products Ltd.	2	2,366,086	43,863	43,458	-	-	1.11%	3,154,782	Y	N	Y	(Note 2)
1	Chun Zu Machinery Industry Co., Ltd.	Shanghai Chun Zu Machinery Industry Ltd.	2	410,405	-	-	-	-	-	513,006	Y	N	Y	(Note 3)

(Note 1) The numbers filled in for the relationship with the Company are as follows:

1. Having business relationship.
2. The Company direct and indirect owns over 50% ownership of the investee company.

(Note 2) The total amount of transactions of endorsement equals to 80% of the Company's net worth, the limit of endorsement for any single entity is 60% of the Company's net worth, and all of the related transactions are to be submitted to the stockholders' meeting for reference.

(Note 3) The total amount of transactions of endorsement equals to 50% of its net worth for Chun Zu Machinery Industry Co., Ltd., the limit of endorsement for any single entity is 40% of its net worth, and all of the related transactions are to be submitted to the stockholders' meeting for reference.

(Note 4) Foreign currencies are translated into New Taiwan dollars. Exchange rate of foreign currencies indicated as of report date were as follow: USD:NTD 1:27.68, RMB:NTD 1:4.3458.

Chun Yu Works & Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2021

Table 3

Expressed in thousands of NTD

		As of December 31, 2021						
		Relationship with the securities issuer	General ledger account (Note 1)	Number of shares (In thousands of shares or units)	Book value	Ownership (%)	Fair value	Footnote
Securities held by	Marketable securities							
Chun Yu Works & Co., Ltd.	Stocks - Gloria Material Technology Corporation	Other related party	1	1,876	\$ 41,179	0.41	\$ 41,179	-
	Stocks - Taiwan Styrene Monomer Corporation	—	2	11,678	203,198	2.21	203,198	-
	Stocks - China Ecotek Corporation	—	2	4,333	173,114	3.50	173,114	-
	Stocks - King Kong Iron Works, Ltd.	—	2	304	772	0.55	772	-
	Stocks - Pacific Electric Wire & Cable Co., Ltd.	—	2	14	-	-	-	-
	Beneficiary certificates - Yuanta Taiwan High-yield Leading Company Fund	—	1	500	7,140	-	7,140	-
	Beneficiary certificates - PGIM USD High Yield Bond Fund-USD	—	1	300	3,039	-	3,039	-
Chun Bang Precision Co., Ltd.	Stocks - The First Insurance Co., Ltd.	—	1	10	146	-	146	-
	Stocks - Taiwan Styrene Monomer Corporation	—	2	6,440	112,056	1.22	112,056	-
Chun Yu Investment Corp.	Stocks - Chun Yu Works & Co., Ltd.	The Company	1	22,314	691,748	7.75	691,748	(Note 2) (Note 3)
	Stocks - Taiwan Styrene Monomer Corporation	—	2	6,529	113,605	1.24	113,605	-
Chun Yu Bio-tech Corp.	Stocks - Chun Zu Machinery Industry Co., Ltd.	Subsidiary	2	9	191	0.01	191	-
	Stocks - Taiwan Styrene Monomer Corporation	—	2	1,500	26,100	0.28	26,100	-

(Note 1) The code number explanation is as follows:

1. Financial assets at fair value through profit or loss - current.
2. Financial assets at fair value through other comprehensive profit or loss- non-current.

(Note 2) The Company's stocks held by Chun Yu Investment Corporation, shown as 'Financial assets at fair value through profit or loss - Current', were measured at fair value. The fair value changes were recognised in profit or loss for the current year.

(Note 3) The cost of \$267,195 was recognised by the Company under 'Treasury shares'.

Chun Yu Works & Co., Ltd.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2021

Table 4 Expressed in thousands of NTD

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			Transaction								
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases	Amount	Percentage of	Credit term	Unit price	Credit term	Balance	Percentage of	Footnote
			(sales)		total purchases					total notes/accounts receivable (payable)	
Chun Yu Works & Co., Ltd.	Ofco Industrial Corporation	Other related party	(Sales)	(\$ 542,899)	(9%)	1 month	-	3 ~ 5 months	\$ 133,381	10%	-
Chun Yu (Dongguan) Metal Products Co., Ltd.	Shanghai Uchee Hardware Products Ltd.	Subsidiary	(Sales)	(377,824)	(18%)	3 months	-	(Note 1)	-	-	-
Shanghai Uchee Hardware Products Ltd.	Chun Yu (Dongguan) Metal Products Co., Ltd.	Subsidiary	(Sales)	(203,484)	(24%)	3 months	-	(Note 1)	505	1%	-
Chun Yu (Dongguan) Metal Products Co., Ltd.	Shanghai Uchee Hardware Products Ltd.	Subsidiary	Purchases	203,484	10%	3 months	-	(Note 2)	505	1%	-
Shanghai Uchee Hardware Products Ltd.	Chun Yu (Dongguan) Metal Products Co., Ltd.	Subsidiary	Purchases	377,824	53%	3 months	-	(Note 2)	-	-	-

(Note 1) The credit terms to third parties are 1 ~ 3 months after the sale.
(Note 2) The payment terms to third parties are 3 ~ 6 months after the acceptance.
(Note 3) Foreign currencies are translated into New Taiwan Dollars using the following exchanges: Ending balance of receivable and payable are translated using the exchange rates as of report date (USD:NTD 1:27.68, RMB:NTD 1:4.3458), and the transactions amounts are translated into New Taiwan dollars at the average exchange rate for the year ended December 31, 2021 (USD:NTD 1:28.0088, RMB:NTD 1:4.3414).

Chun Yu Works & Co., Ltd.
Receivables from related parties reaching \$100 million or 20% of the Company's paid-in capital
Year ended December 31, 2021

Table 5

Expressed in thousands of NTD

Company Name	Name of the counterparty	Relationship	Receivables from related party			Overdue receivables				
			General ledger account	Amount	Turnover rate	Amount	Action taken for overdue accounts	Subsequent collections	Allowance for doubtful accounts	
Chun Yu Works & Co., Ltd.	Ofco Industrial Corporation	Other related party	Accounts receivable	\$ 133,381	5.53	\$ -	-	\$ 69,671	\$ -	

Chun Yu Works & Co., Ltd.
Significant inter-company transactions during the reporting period
Year ended December 31, 2021

Table 6

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction				Percentage of consolidated total operating revenue or total assets (Note 4)
				General ledger account	Amount	Transaction terms		
0	Chun Yu Works & Co., Ltd.	Chun Yu Works (USA) Inc.	1	Sales	\$ 89,967	4 months		1%
			1	Accounts receivable	32,927	-		-
			1	Provision of endorsements and guarantees	193,760	-		2%
		Chun Yu (Dongguan) Metal Products Co., Ltd.	1	Provision of endorsements and guarantees	968,800	-		8%
		Shanghai Uchee Hardware Products Ltd.	1	Provision of endorsements and guarantees	43,458	-		-
1	Chun Bang Precision Co., Ltd.	Chun Yu Works & Co., Ltd.	2	Sales	51,365	3 months		-
			2	Accounts receivable	11,872	-		-
		Chun Zu Machinery Industry Co., Ltd.	3	Sales	12,457	3 months		-
2	Chun Zu Machinery Industry Co., Ltd.	Chun Yu Works & Co., Ltd.	2	Sales	21,624	3 months		-
		Chun Yu (Dongguan) Metal Products Co., Ltd.	3	Sales	29,634	3 months		-
			3	Accounts receivable	18,009	-		-
		Pt Moon Lion Industries Indonesia	3	Sales	12,757	3 months		-
		Shanghai Chun Zu Machinery Industry Ltd.	3	Other receivables	13,032	-		-
3	Shanghai Chun Zu Machinery Industry Ltd.	Chun Zu Machinery Industry Co., Ltd.	3	Sales	18,632	3 months		-
4	Chun Yu (Dongguan) Metal Products Co., Ltd.	Scholar Holdings Ltd.	3	Other receivables	20,994	-		-
		Shanghai Uchee Hardware Products Ltd.	3	Sales	377,824	5 months		4%
			3	Other receivables	34,706	-		-
5	Shanghai Uchee Hardware Products Ltd.	Chun Yu (Dongguan) Metal Products Co., Ltd.	3	Sales	203,484	3 months		2%

(Note 1) Transactions among the company and subsidiaries with amount over NT\$10 million and one side of them are disclosed.

(Note 2) The transaction information of the Company and the consolidated subsidiaries should be noted in column "Number". The number means:

1. Number 0 presents the Company.
2. The consolidated subsidiaries are in order from number 1.

(Note 3) The relationships among the transation parties are as follows:

1. The Company to the consolidated subsidiary.
2. The consolidated subsidiary to the Company.
3. The consolidated subsidiaryto another consolidated subsidiary.

(Note 4) The percentage of transaction amount over consolidated total revenues or total assets is as follows: Assets and liabilities are calculated using the ending balance over the consolidated total assets at period end; Sales is calculated using the amount of the period over the consolidated total revenue of the period.

(Note 5) For the amounts denominated in foreign currencies, the balances of notes/accounts receivable (payable) are translated into New Taiwan dollars at the exchange rate (USD 1 : NTD 27.68; RMB 1 : NTD 4.3458)

prevailing at the financial reporting date, and the transactions amounts are translated into New Taiwan dollars at the average exchange rate for the year ended December 31, 2021 (USD 1 : NTD 28.0088; RMB 1 : NTD 4.3414).

Chun Yu Works & Co., Ltd.
Information on investees
Year ended December 31, 2021

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Chun Yu Works & Co., Ltd.	Chun Bang Precision Co., Ltd.	Taiwan	Manufacture and trade of moulds	\$ 125,344	\$ 20,344	15,000,000	100.00	\$ 199,514	\$ 3,422	\$ 6,004	A subsidiary (Note 1)
	Chun Yu Works (U.S.A.) Inc.	U.S.A.	Import and export of hardware products	114,728	114,728	3,800,000	100.00	283,422	44,141	44,060	A subsidiary
	Chun Yu Investment Corporation	Taiwan	Professional investment	267,652	267,652	56,306,791	100.00	139,118	259,356	70	A subsidiary
	Chun Yu Bio-tech Corporation	Taiwan	Powder metallurgy	90,260	60,220	10,000,000	100.00	136,172	25,606	25,612	A subsidiary
	Scholar Holdings Ltd.	Virgin Islands	Reinvestment and import and export trade	2,581,891	2,581,891	33,183,211	100.00	1,000,185	44,749	47,800	A subsidiary
	Sunny City International Ltd	Samoa	Reinvestment and import and export trade	84,824	84,824	1,000,000	100.00	256,443	35,781	35,781	A subsidiary
	Pt Moon Lion Industries Indonesia	Indonesia	Manufacture and trade of screws and nuts	154,760	154,760	14,370,000	71.85	577,294	306,215	220,016	A subsidiary
	Chun Zu Machinery Industry Co., Ltd.	Taiwan	Manufacture and trade of machinery	52,598	52,598	28,821,939	47.81	455,418	83,778	38,994	A subsidiary
Chun Zu Machinery Industry Co., Ltd.	Lion City Management Ltd.	Virgin Islands	Professional investment	55,360	55,360	-	100.00	627,761	86,590	-	A subsidiary (Note 2)

(Note 1) It changed its name from Hi-Ace Tranding Co., Ltd. to Chun Bang Precision Co., Ltd. on May 20, 2020.

(Note 2) According to the related regulations, it is not required to disclose income (loss) recognized by the Company.

(Note 3) Foreign currencies are translated into New Taiwan Dollars using the following exchanges: Ending balance of receivable and payable are translated using the exchange rates as of report date (USD:NTD 1:27.68, RMB:NTD 1:4.3458), and the transactions amounts are translated into New Taiwan dollars at the average exchange rate for the year ended December 31, 2021 (USD:NTD 1:28.0088, RMB:NTD 1:4.3414).

Table 8

Chun Yu Works & Co., Ltd.													
Information on investments in Mainland China													
Year ended December 31, 2021													
Expressed in thousands of NTD													
Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chun Yu (Dongguan) Metal Products Co., Ltd.	Manufacture and trade of screws and nuts	\$ 1,784,834 (Note 1)	(Note 3)	\$ 1,333,982	\$ -	\$ -	\$ 1,333,982	\$ 44,895	100%	\$ 44,895	\$ 1,028,950	\$ -	(Note 9)
Shanghai Uchee Hardware Products Ltd.	Trade of screws and nuts	27,680	(Note 4)	27,680	-	-	27,680	35,820	100%	35,820	254,813	48,468 (Note 7)	(Note 9)
Chunyu Group Shanghai Tongsheng Trade Co., Ltd.	Trade of screws and nuts	7,363	(Note 5)	-	-	-	-	151	100%	151	(4,018)	-	(Note 9)
Shanghai Chun Zu Machinery Industry Ltd.	Manufacture and trade of machinery	235,280 (Note 2)	(Note 6)	55,360	-	-	55,360	86,581	47.82%	41,403	295,373	340,842 (Note 8)	(Note 9)
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 10)										
Chun Yu Works & Co., Ltd.	\$ 1,564,280	\$ 1,564,280	\$ 2,800,747										
Chun Zu Machinery Industry Co., Ltd.	55,360	179,920	615,607										

(Note 1) The investment in Chun Yu (Dongguan) Metal Products Co., Ltd. amounted to US\$64,481 thousand, consisting of US\$48,193 thousand that has been reported to the Investment Commission and US\$16,288 thousand from an investment loan from Scholar Holdings Ltd.

(Note 2) The paid-in capital of Shanghai Chun Zu Machinery Industry Ltd. amounted to UD\$8,500 thousand, consisting of UD\$4,000 thousand from remittance from Chun Zu Machinery Industry Co., Ltd. through its subsidiary, Lion City Management Ltd. and US\$4,500 thousand from capitalisation of retained earnings of Shanghai Chun Zu Machinery Industry Ltd., which were reported to the Investment Commission. In addition, proceeds from capital reduction of Lion City Management Ltd. in 2008 amounting to US\$2,000 thousand were reported to the Investment Commission.

(Note 3) Indirect investment in PRC through the existing company (Scholar Holdings Ltd.) located in the third area.

(Note 4) Indirect investment in PRC through the existing company (Sunny City International Ltd.) located in the third area.

(Note 5) Indirect investment in PRC through the existing company (Shanghai Uchee Hardware Products Ltd.) located in PRC.

(Note 6) Indirect investment in PRC through the existing company (Lion City Management Ltd.) located in the third area.

(Note 7) It is the cash dividends totaling US\$1,751 thousand distributed by Shanghai Uchee Hardware Products Ltd. to Sunny City International Ltd., which then remitted to the Company and Chun Bang Precision Co., Ltd.

(Note 8) It is the cash dividends amounting to US\$25,700 thousand distributed by Shanghai Chun Zu Machinery Industry Ltd. to Lion City Management Ltd., which then remitted to Chun Zu Machinery Industry Co., Ltd.

(Note 9) Investment gains or losses were recognised based on audited financial statements.

(Note 10) The ceiling is calculated based on the 60% of the investor’s net assets or consolidated net assets (whichever is higher).

(Note 11) For the amounts denominated in foreign currencies, the paid-in capital, amount of remittance from Taiwan and book value as of December 31, 2021 are translated into New Taiwan dollars at the exchange rate (USD 1 : NTD 27.68; RMB 1 : NTD 4.3458) prevailing at the financial reporting date, and the net profit (loss) of the investee and investment income (loss) recognised by the Group for the year ended December 31, 2021 are translated into New Taiwan dollars at the average exchange rate for the year ended December 31, 2021 (USD 1 : NTD 28.0088; RMB 1 : NTD 4.3414).

Chun Yu Works & Co., Ltd.
Major shareholders information
December 31, 2021

Table 9 Unit: shares

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Bai Jia Yuan Investment Co., Ltd.	80,209,000	27.87%
Jin Jhih Fu Assets Management Co., Ltd.	26,717,000	9.28%
Chun Yu Investment Co., Ltd.	22,314,450	7.75%

(Note) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may be different from the actual number of shares issued in dematerialised form due to the different calculation basis.