Stock Code:8374

ACE PILLAR CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

Address: 2F, No. 7, Lane 83, Sec. 1, Guangfu Rd., Sanchong Dist., New Taipei City 241, Taiwan
Telephone: 886-2-2995-8400

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Ace Pillar Co., Ltd. as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Ace Pillar Co., Ltd. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Ace Pillar Co., Ltd.
Chairman: Chang-Hong Lee
Date: March 2, 2022

Independent Auditors' Report

To the Board of Directors of Ace Pillar Co., Ltd.

Opinion

We have audited the consolidated financial statements of Ace Pillar Co., Ltd. and subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Valuation of inventories

Please refer to notes 4(h), 5, and 6(f) for the subsequent measurement of the inventory accounting policy, "Critical accounting judgements and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and "Inventories" for the related disclosures, respectively, of the notes to the consolidated financial statements.

<u>Key Audit Matters Explanation</u>

The Group's inventories are industrial transmission and automatic control components as well as systematic products. Inventories are measured at the lower of cost and net realizable value. Since the industrial environment changes rapidly, the stock level of the inventory may be high or the inventory is out-of-date, leading to the price decline or obsolescence of inventory. Accordingly, the valuation of inventory is identified as the key audit matter.

How the matter was addressed in our audit

In relation to the key audit matter above, our principal audit procedures included reviewing the inventory of aging report, inspecting the accuracy of aging report as well as analyzing the fluctuation of inventory aging; selecting and testing the evaluation report of lower of cost and net realizable value for inventories; examining the valuation of inventories had complied with the related accounting policy; evaluating the reasonableness of obsolete inventories losses.

Other Matter

Ace Pillar Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's fina

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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.

The engagement partners on the audit resulting in this independent auditors' report are Wei-Ming Shih and Mei-Yen Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 2, 2022

ACE PILLAR CO., LTD. AND SUBSIDIARRIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollar)

		December 31, 2021		December 31, 2020	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 493,109	16	876,458	32
1150-1170	Notes and accounts receivable, net (note 6(d), (r), 7 and 8)	1,082,865	36	907,737	33
1200	Other receivables (note 6(e))	13,360	-	6,412	-
130X	Inventories (note 6(f))	665,979	22	451,797	16
1461	Non-current assets held for sale (note 6(g))	312,601	10	-	-
1410-1470	Prepayments and other current assets	42,847	2	17,700	1
	Total current assets	2,610,761	86	2,260,104	82
	Non-current assets:				
1600	Property, plant and equipment (notes 6(h))	362,497	12	411,767	15
1755	Right-of-use assets (note 6(i))	24,670	1	43,488	2
1780	Intangible assets (note 6(j))	4,167	-	-	-
1840	Deferred income tax assets (note 6(n))	9,234	-	11,599	-
1980	Other financial assets – non-current	17,077	-	18,324	1
1990	Other non-current assets	24,711	1	14,698	-
	Total non-current assets	442,356	14	499,876	18
	Total assets	**$ 3,053,117**	**100**	**2,759,980**	**100**

		December 31, 2021		December 31, 2020	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(k) and 8)	$ 87,723	3	98,876	4
2123	Current financial liabilities at fair value through profit or loss (notes 6(b))	-	-	288	-
2130	Contract liabilities – current (note 6(r))	113,435	4	69,627	3
2150-2170	Notes and accounts payable (note 7)	551,096	18	395,249	14
2200	Other payables (note 7)	99,402	3	96,652	4
2230	Current tax payables	48,747	2	31,233	1
2280	Lease liabilities – current (note 6(l) and 7)	9,881	-	12,535	-
2300	Other current liabilities	7,345	-	9,836	-
	Total current liabilities	917,629	30	714,296	26
	Non-current liabilities:				
2570	Deferred tax liabilities (note 6(n))	74,358	3	61,148	2
2580	Lease liabilities – non-current (note 6(l) and 7)	8,036	-	14,121	1
	Total non-current liabilities	82,394	3	75,269	3
	Total liabilities	1,000,023	33	789,565	29
	Equity attributable to owners of parent (notes 6(c) and (o)):				
3110	Common stocks	1,122,505	37	1,122,505	41
3200	Capital surplus	315,077	10	315,077	11
3300	Retained earnings	672,018	22	591,473	21
3400	Other equity	(56,506)	(2)	(58,640)	(2)
	Total equity	2,053,094	67	1,970,415	71
	Total liabilities and equity	**$ 3,053,117**	**100**	**2,759,980**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. LTD AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Expect for Earnings Per Share)

		2021		2020	
		Amount	%	Amount	%
4000	**Operating revenues (note 6(r), 7 and 14)**	$ 3,554,986	100	2,754,448	100
5000	**Operating costs (notes 6 (f), and 7)**	(2,917,817)	(82)	(2,274,067)	(83)
	Gross profit from operations	637,169	18	480,381	17
	Operating expenses (notes 6(d), (h), (i), (j), (l), (m), (s) 7, and 12):				
6100	Selling expenses	(299,249)	(9)	(268,249)	(9)
6200	Administrative expenses	(152,102)	(4)	(133,259)	(5)
6450	Gain of reversal of expected credit	3,920	-	46,316	2
	Total operating expenses	(447,431)	(13)	(355,192)	(12)
	Net operating income	189,738	5	125,189	5
	Non-operating income and expenses (note 6(l), (t), and 7):				
7100	Interest Income	1,161	-	2,053	-
7010	Other Income	3,340	-	2,205	-
7020	Other gains and losses, net	(845)	-	(11,076)	(1)
7050	Finance costs	(4,357)	-	(9,226)	-
	Total non-operating income and expenses	(701)	-	(16,044)	(1)
	Income before income tax	189,037	5	109,145	4
7950	**Less: Income tax expenses (note 6(n))**	(41,142)	(1)	(21,965)	(1)
	Net income	147,895	4	87,180	3
	Other comprehensive (loss) income (note 6(o)):				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	-	-	1,955	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		-	-	1,955	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation	2,134	-	(10,063)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		2,134	-	(10,063)	-
	Other comprehensive income (loss)	2,134	-	(8,108)	-
	Total Comprehensive income	**$ 150,029**	**4**	**79,072**	**3**
	Net income attributable to:				
8610	Shareholders of the Company	**$ 147,895**	**4**	**87,180**	**3**
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	**$ 150,029**	**4**	**79,072**	**3**
	Earnings per share (in New Taiwan Dollars) (note 6(q))				
9750	**Basic earnings per share**	**$**	**1.32**		**0.78**
9850	**Diluted earnings per share**	**$**	**1.32**		**0.78**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the shareholders of the Company										
			Retained earnings				Other equity				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange difference of translation of foreign financial statement	Unrealized gains (loss) from financial assets measured at fair value through other comprehensive income	Total	Equity attributed to the shareholders of the Company	Total equity
Balance on January 1, 2020	$ 1,122,255	314,792	247,286	78,028	190,015	515,329	(48,577)	20,677	(27,900)	1,924,476	1,924,476
Net income in 2020	-	-	-	-	87,180	87,180	-	-	-	87,180	87,180
Other comprehensive income in 2020	-	-	-	-	-	-	(10,063)	1,955	(8,108)	(8,108)	(8,108)
Total comprehensive income in 2020	-	-	-	-	87,180	87,180	(10,063)	1,955	(8,108)	79,072	79,072
Appropriation and distribution of retained earnings:											
Cash dividends on ordinary shares	-	-	-	-	(33,668)	(33,668)	-	-	-	(33,668)	(33,668)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	22,632	22,632	-	(22,632)	(22,632)	-	-
Employee stock options exercised	250	285	-	-	-	-	-	-	-	535	535
Balance on December 31, 2020	1,122,505	315,077	247,286	78,028	266,159	591,473	(58,640)	-	(58,640)	1,970,415	1,970,415
Net income in 2021	-	-	-	-	147,895	147,895	-	-	-	147,895	147,895
Other comprehensive income in 2021	-	-	-	-	-	-	2,134	-	2,134	2,134	2,134
Total comprehensive income in 2021	-	-	-	-	147,895	147,895	2,134	-	2,134	150,029	150,029
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	10,981	-	(10,981)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(67,350)	(67,350)	-	-	-	(67,350)	(67,350)
Balance on December 31, 2021	$ 1,122,505	315,077	258,267	78,028	335,723	672,018	(56,506)	-	(56,506)	2,053,094	2,053,094

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flow

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Income before tax income	$ 189,037	109,145
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	27,420	31,471
Amortization expense	1,307	-
Expected credit gain	(3,920)	(46,316)
Net loss on financial liabilities at fair value through profit or loss	(288)	288
Interest expense	4,357	9,226
Interest revenue	(1,161)	(2,053)
Loss (Gain) on disposal of property, plant and equipment	349	(290)
Gain on the changes in lease	(1)	(222)
Total adjustments to reconcile profit	28,063	(7,896)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable	(171,208)	(51,987)
Other receivables	(6,948)	(1,979)
Inventories	(214,182)	134,147
Prepayments and other current assets	(25,095)	2,182
Net change in operating assets	(417,433)	82,363
Changes in operating liabilities:		
Notes and accounts payable	155,847	(60,132)
Other payables	2,856	3,271
Contract liabilities	43,808	(2,358)
Other current liabilities	(2,491)	2,570
Net change in operating liabilities	200,020	(56,649)
Total changes in operating assets and liabilities	(217,413)	25,714
Total adjustments	(189,350)	17,818
Cash inflow generated from operations	(313)	126,963
Interest received	1,161	2,053
Dividend received	(7,398)	(21,484)
Net cash flows from operating activities	(6,550)	107,532

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flow
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	26,410
Acquisition of property, plant and equipment	(265,237)	(3,601)
Disposal of property, plant and equipment	18	785
Acquisition of intangible assets	(5,474)	-
Decrease in financial assets at amortized cost-current	-	45,326
Decrease (Increase) in other financial assets – non-current	1,247	(1,945)
Increase in other non-current assets	(10,013)	(4,873)
Net cash flows used in investing activities	(279,459)	62,102
Cash flows from financing activities:		
Increase in short-term borrowings	244,957	236,905
Decrease in short-term borrowings	(256,161)	(452,849)
Payment of lease liabilities	(14,549)	(16,352)
Cash dividends paid	(67,350)	(33,668)
Proceeds from exercise of employee stock options	-	535
Interest paid	(4,463)	(9,081)
Net cash flows from financing activities	(97,566)	(274,510)
Effect of foreign exchange rate changes	226	(18,819)
Net increase in cash and cash equivalents	(383,349)	(123,695)
Cash and cash equivalents at beginning of period	876,458	1,000,153
Cash and cash equivalents at end of period	$ **493,109**	**876,458**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

ACE PILLAR CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business

Ace Pillar Co., Ltd. (the Company) was incorporated on March 31, 1984, as a company limited by shares under the laws of the Republic of China ("R.O.C") and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 2F, No. 7, Lane 83, Sec. 1, Guangfu Rd., Sanchong Dist., New Taipei City 241, Taiwan. The Company and subsidiaries (collectively the "Group") are engaged in the tests, processing, sales, repairment, as well as the electromechanical integration for the automatic control and industrial transmission system.

(2) Approval Date and Procedures of the Consolidated Financial Statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 2, 2022.

(3) New standards, amendments and interpretations adopted

(a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC")

In preparing the accompanying consolidated financial statements, the Group adopted the following revised International Financial Reporting Standards ("IFRS") on January 1, 2021, without causing any material impact on the consolidated financial statements.

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
- Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In preparing the accompanying consolidated financial statements, the Group adopted the following revised International Financial Reporting Standards ("IFRS") on April 1, 2021, without causing any material impact on the consolidated financial statements.

- Covid-19-Related Rent Concessions (Amendment to IFRS 16)

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Reference to the Conceptual Framework (Amendments to IFRS 3)

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC.

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group expects that following new and amended standards, which haven't yet to be endorsed by the FSC, don't have a significant impact on its consolidated financial statements.

- Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture (Amendments to IRFS 10 and IAS 28)
- Insurance Contracts (IFRS 17 and Amendments to IFRS 17)
- The Disclosure of Accounting Policies (Amendments to IAS 1)
- The Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

(4) Summary of Significant Accounting Policies

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

The Group's accompanying consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (collectively as "Taiwan-IFRSs")

(b) Basis of preparation

1.Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments); and

2) Financial assets measured at fair value through comprehensive income.

2.Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. Except when otherwise indicated, all financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

1. Principle of preparation of the consolidated financial statements

The accompanying consolidated financial statements incorporate the financial statements of the Company and its controlled entities (the subsidiaries) in which the Company is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company transactions, balances and resulting unrealized income and loss are eliminated on consolidation. Total comprehensive income (loss) of a subsidiary is attributed to the shareholders of the Company and the non-controlling interests even if this results in the non-controlling interests have a deficit balance.

When necessary, financial statements of subsidiaries are adjusted to align the accounting policies with those adopted by the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the adjustment of the non-controlling interests and fair value of the consideration paid or received is recognized in equity and attributed to the shareholders of the Company.

(Continued)

2. List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business and products	Shareholding December 31, 2021	Shareholding December 31, 2020
The Company	Cyber South Management Ltd. (Cyber South, Samoa)	Holding activity	100.00%	100.00%
The Company/Proton	Tianjin Ace Pillar Co., Ltd. (TJ ACE, China)	Sales of automation mechanical transmission system and component	100.00%	100.00%
The Company	Hong Kong Ace Pillar Enterprise Company Limited (HK ACE, Hong Kong)	Sales of automation mechanical transmission system and component	100.00%	100.00%
Cyber South	Proton Inc. (Proton, Samoa)	Holding activity	100.00%	100.00%
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek, Hong Kong)	Holding activity	100.00%	100.00%
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. (SZ ACE, China)	Process and technical service for mechanical transmission and control products	100.00%	100.00%
Cyber South	Grace Transmission (Tianjin) Co., Ltd. (Grace Transmission, China)	Manufacturer and process of mechanical transmission product	100.00%	100.00%
Cyber South	Xuchang Ace AI Equipment Co., Ltd. (Xuchang Ace, China)	Wholesale and retail of industrial robot-related products	100.00%	100.00%
Ace Tek	Advancedtek ACE (TJ) Inc. (AD ACE, China)	Integrate the electronic system	100.00%	100.00%

3. List of subsidiaries which are not included in the consolidated interim financial statements: None.

(d) Foreign Currency

1. Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period (“the reporting date”), monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at the date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(Continued)

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group's consolidated financial statements at the exchange rates at the reporting date. Except for the highly economic inflation, the income and expenses of foreign operations, are translated into the presentation currency of the Group's consolidated financial statements at the average exchange rate. All resulting exchange difference are recognized in other comprehensive income.

When disposal of a foreign operation leads to lost control, joint control, or significant influence, the accumulated exchange difference related to that foreign operation is reclassified to profit or loss. When the partial disposal includes subsidiaries of foreign operations, the relevant accumulated exchange difference shall be in proportion reattributed to non-controlling interest. For a partial disposal of the Group's ownership interest in an associate or joint venture, the proportionate share of the accumulated exchange differences in equity is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

1. It is expected to be realized, or intended to be sold or consumed in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when one of the following criteria is met; all other liabilities are classified as non-current liabilities:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the aforesaid criteria and are held for investing purpose are also recognized as cash equivalents.

(g) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. An accounts receivable without a significant financing component is initially measured at the transaction price.

1. Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL). A regular way purchases or sales of financial assets is recognized or derecognized on a trade-date basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

• it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, these assets are measured at amortized cost, using the effective interest method less impairment loss. Interest income, foreign exchange gains and losses, and recognition (reversal) of impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized

(Continued)

as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income. On derecognition, other comprehensive income accumulated in equity is reclassified to retained earnings and is never reclassified to profit or loss.

Dividend income derived from equity investment is recognized on the date that the Group's right to receive the dividends is established (usually the ex-dividend date).

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition measured at fair value, the transaction cost is recognized as profit or loss when occurred. The assets are subsequently measured at fair value, and net gains and losses, including any dividend and interest income, are recognized in profit or loss.

4) Assessment whether contractual cash flows are solely payments of principle and interest

For the purpose of this assessment, "principle" is defined as the fair value of the financial assets on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with principle amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments for principle and interest, the Group considers contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that doubt change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses ("ECL") on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss ECL, except for the following which are measured as 12-month ECL.

- bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECL.

(Continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This information includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment and including forward-looking information.

ECLs are a probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets, and loss allowance or reversal amount is recognized in profit or loss.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirely or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset are terminated, when the Group transfers substantially all the risks and rewards of ownership of the financial asset to other enterprise, or when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2. Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions of a financial liabilities and an equity instrument.

(Continued)

2) Equity transaction

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognized at the amount of consideration received, less, the direct issuing cost.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognizing of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been fulfilled or cancelled or has expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis only when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(h) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories consists of all costs of purchase and other costs incurred in bringing them to the location and condition ready for sale, and the cost is calculated using the weighted-average-cost formula. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be primarily recovered through a sale transaction, rather than through continuing use, are reclassified as non-current assets held for sale. Such non-current assets or disposal groups must be ready for sale immediately under the current situation, and they can be sold out within a year with a high possibility. The evaluation base of non-current assets held for sale would be lower of the carrying amount and the fair value which deducts selling costs; the depreciation or amortization will be suspended.

(j) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalized borrowing cost, less, accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

2. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

3. Depreciation

Depreciation is calculated on the cost of an asset less their residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated. Other estimated useful lives are as follows. Transportation equipment is around 3 to 5 years; other equipment is around 3 to 10 years. In addition, the estimated useful life of the building is based on the primary components, including building is around 10 to 54 years, and machinery and other engineering are 10 years.

The depreciation methods, useful lives, and residual values are reviewed at each reporting date , with the effect of any changes in estimate accounted for on a prospective basis.

(k) Leases

At the inception of a contract, the Group evaluates whether a contract belongs to or contains lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

1) fixed payments, including in-substance fixed payments;

2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

1) there is a change in future lease payments arising from the change in an index or rate; or

2) there is a change in the lease term resulting from a change of the Group's assessment on whether it will exercise an option to purchase the underlying asset, or

3) there is any lease modifications in lease subject, scope of the lease or other terms.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment properties, and lease liabilities as a separate line item respectively in the consolidated balance sheets.

The Group has elected not to recognize the right of use assets and lease liabilities leases that is transportation equipment, short-term lease, or the lease of the low-value asset. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

For operating lease, the Group recognizes rental income on a straight-line basis over the lease term.

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(l) Intangible assets

The Group acquires an intangible asset is shown as the costs deducted by accumulated depreciation and accumulated impairment. Amortization is recognized in profit or loss using the straight-line method over the estimated useful lives; acquired software – 3 years.

The residual value, amortization period, and amortization method are reviewed at least at each reporting date, with the effect of any changes in estimate accounted for an on a prospective basis.

(m) Impairment – non-financial assets

Except for the inventories and deferred tax assets, the Group assesses at the end of each reporting date whether there is any indication that the carrying amounts of non-financial assets may be impaired and estimates the asset's recoverable amount based on the impaired indication. When it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, and the Group recognizes impairment loss. The impairment loss is recognized immediately in profit or loss.

The Group should assess at the end of each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset (other than goodwill) may no longer exist or may have decreased. If any such indication exists, an impairment loss shall be reversed and increase the carrying amount of the single asset or CGU to the recoverable amount. However, the reversal amount should not exceed the carrying amount that would have been determined, net of depreciation or amortization in the event of no impairment loss had been recognized in prior periods.

(n) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

1. Sale of goods

The Group recognizes revenue when control of the goods has been transferred to the customer, being when the goods are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Deliver occurs when the customer has accepted the goods in accordance with the terms of sales, the risks of obsolescence and loss have been transferred to the customer, and the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

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2. Financing components

The Group expects that any contracts where the period between the transfer of the promised goods to the customer and the payment by the customer do not exceed one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed during the year in which employees render services.

2. Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period in which employees render services. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to make payments as a result of past service provided by the employees, and the obligation can be estimated reliably.

(p) Share-based payment

Share-based payment awards granted to employees are measured at fair value at the date of grant. The fair value determined at the grant date is expensed over the period that the employees become unconditionally entitled to the awards, with a corresponding increase in equity. The compensation cost is adjusted to reflect the number of awards given to employees for which the performance and non-market conditions are expected to be met, such that amount ultimately recognized shall be based on the number of equity instruments that eventually have vested.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they relate to business combinations or items recognized directly in equity or other comprehensive income.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred income taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred taxes are not recognized for:

(Continued)

1. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

2. Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

3. Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

2. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   1) the same taxable entity; or

   2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share ("EPS")

The basic and diluted EPS attributable to stockholders of the Company are disclosed in the consolidated financial statements. The Group's basic EPS is calculated by dividing net income attributable to shareholders of the Company by the weighted-average number of common shares outstanding. The diluted EPS is calculated by dividing net income attributable to shareholders of the Company by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential common shares. The Group's dilutive potential common shares are employee stock options and employee compensation in the form of common stock.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with

(Continued)

other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions on the allocation of resources to the segment and to assess its performance for which discrete financial information is available. Each operating segment has its own financial information.

(5) Major Sources of Accounting Assumptions, Judgments and Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and Taiwan-IFRSs requires management to make judgements, estimates, and assumptions that affect the application of the accounting policies and reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, and future periods affected.

Information about judgements made in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements is as follows.

Valuation of inventory

Since the inventories are measured at the lower of cost and net realizable value, the management needs to decide the net realizable value at the reporting date by judgement and estimation. At the reporting date, management evaluates the declining amount due to the obsolescence of inventory and the slump in the market price, and reduce the cost of inventory to the net realizable value. As the industry's life cycle is uncertain, the valuation of inventory may have significant fluctuations arising from the changes in product demand during the specific period. Please refer to note 6(f).

(6) Explanation to Significant Accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 270	321
Saving accounts and checking accounts	492,839	876,137
	$ 493,109	**876,458**

(b) Financial liabilities at fair value through profit or loss

	December 31, 2021	December 31, 2020
Financial liabilities at fair value through profit or loss		
Foreign currency forward contracts	$ -	**288**

The Group entered into derivative contracts to manage foreign currency exchange risk resulting from its operating activities. The derivative financial instruments that did not conform to the criteria for hedge accounting, so it was reported as the financial liabilities at fair value through profit or loss. At the reporting date, the outstanding derivative contracts consisted of the following:

(Continued)

1.Foreign currency forward contracts

	December 31, 2020	
	Contract amount (in thousands)	Maturity
USD Buy/ CNY Sell	USD 2,540	2021.01

Refer to note 6(t) for the amount of gain (loss) recognized related to financial liabilities measured at fair value.

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

The Group disposed of the above strategic investment in July 2020 because of the operating strategy. The investment sold for $26,410; the gain on disposal was $22,632, transferred from other equity to retained earnings.

(d) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable – resulting from the business	$ 297,594	286,907
Accounts receivable - measured as amortized cost	812,859	660,591
Less: loss allowance	(27,588)	(39,761)
	$ 1,082,865	907,737

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. Analysis of expected credit losses in Taiwan on notes and accounts receivable was as follows:

	December 31, 2021		
	Gross carrying amount	**Weighted Expected loss rate**	**Loss allowance provision**
Current	$ 453,694	0.00%	-
Past due 1 – 90 days	21,213	0.01%~0.04%	-
Past due 91 – 180 days	23	0.4%~26%	-
Over 271 days past due	1,935	100%	1,935
	$ 476,865		1,935

(Continued)

	December 31, 2020			
	Gross carrying amount		Weighted Expected loss rate	Loss allowance provision
Current	$	387,075	0.045%	176
Past due 1 – 90 days		6,327	0.43%~20%	157
Past due 91 – 180 days		5	21%	1
Past due 181 – 270 days		55	36%~55%	26
Over 271 days past due		6,643	100%	6,643
	$	400,105		7,003

Analysis of expected credit losses in China on notes and accounts receivable was as follows:

	December 31, 2021			
	Gross carrying amount		Weighted Expected loss rate	Loss allowance provision
Current	$	541,237	0.21%	1,121
Past due 1 – 90 days		66,355	3%~20%	3,122
Past due 91 – 180 days		7,033	34%~69%	2,547
Past due 181 – 270 days		647	75%~100%	547
Over 271 days past due		18,316	100%	18,316
	$	633,588		25,653

	December 31, 2020			
	Gross carrying amount		Weighted Expected loss rate	Loss allowance provision
Current	$	474,796	0.57%	2,711
Past due 1 – 90 days		42,349	9%~19%	4,286
Past due 91 – 180 days		7,197	39%~55%	3,077
Past due 181 – 270 days		1,608	66%~100%	1,241
Over 271 days past due		21,443	100%	21,443
	$	547,393		32,758

The movement in the allowance for notes and accounts receivable was as follows:

		2021	2020
Balance at January 1	$	39,761	114,704
Impairment loss reversal		(3,920)	(46,316)
Amounts written off		(8,381)	(27,467)
Effect of exchange rate changes		128	(1,160)
Balance at December 31	$	27,588	39,761

(Continued)

For the condition of above pledged receivables, please refer to note 8.

(e) Other receivables

		December 31, 2021	December 31, 2020
Other receivables	$	13,360	6,412
Less: loss allowance		-	-
	$	13,360	6,412

There was no expected credit loss for the above other receivables.

(f) Inventories

		December 31, 2021	December 31, 2020
Finished goods	$	665,979	451,797

The details of operating cost were as follows:

		2021	2020
Cost of goods sold	$	2,985,833	2,306,444
Gain on recovery		(105,535)	(32,377)
Obsolescence loss		37,519	-
	$	2,917,817	2,274,067

The Group recognized gain from the inventory recovery was caused by selling the obsolescence inventory, so the gain was recognized within the range of the original inventory amount and the write-down of inventory to net realizable value.

(g) Non-current assets held for sale

On May 21, 2021, the board made a resolution to sell the land and building in Sanchong Dist. and expected to complete the transaction within one year; the relevant real estate of $73,452 was transferred to non-current assets held for sale. The aforementioned assets were partially sold on January 25, 2022. The sale price and carrying amount were $24,876 and $17,191, respectively.

The board of TJ ACE made a resolution on December 23, 2021 to sell the plant in Tianjin Pilot Trade Zone, and expected to complete the transaction within one year; the relevant real estate of $239,149 (RMB $55,035 in thousands) was transferred to non-current assets held for sale.

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(h) Property, plant and equipment

		Land	Buildings	Transportation equipment and other equipment	Construction in progress	Total
Cost:						
Balance at January 1, 2021	$	89,594	202,638	72,479	228,086	592,797
Additions		181,650	79,483	3,999	105	265,237
Disposals		-	-	(7,417)	-	(7,417)
Reclassified to non-current assets held for sale		(51,476)	(35,159)	-	(229,710)	(316,345)
Effect of movements in exchange rates		-	86	369	1,519	1,974
Balance at December 31, 2021	$	219,768	247,048	69,430	-	536,246
Balance at January 1, 2020	$	89,594	203,909	85,314	226,545	605,362
Additions		-	-	2,504	1,097	3,601
Disposals		-	-	(15,485)	-	(15,485)
Effect of movements in exchange rates		-	(1,271)	146	444	(681)
Balance at December 31, 2020	$	89,594	202,638	72,479	228,086	592,797
Accumulated depreciation:						
Balance at January 1, 2021	$	-	(118,226)	(62,804)	-	(181,030)
Depreciation		-	(9,073)	(3,461)	-	(12,534)
Disposals		-	-	7,050	-	7,050
Reclassified to non-current assets held for sale		-	13,183	-	-	13,183
Effect of movements in exchange rates		-	(92)	(326)	-	(418)
Balance at December 31, 2021	$	-	(114,208)	(59,541)	-	(173,749)
Balance at January 1, 2020	$	-	(109,880)	(74,326)	-	(184,206)
Depreciation		-	(9,012)	(3,323)	-	(12,335)
Disposals		-	-	14,998	-	14,998
Effect of movements in exchange rates		-	666	(153)	-	513
Balance at December 31, 2020	$	-	(118,226)	(62,804)	-	(181,030)
Carrying amounts:						
Balance at December 31, 2021	$	219,768	132,840	9,889	-	362,497
Balance at December 31, 2020	$	89,594	84,412	9,675	228,086	411,767

(Continued)

(i) Right-of-use assets

		Land	Buildings	Transportation equipment	Total
Cost:					
Balance at January 1, 2021	$	17,723	39,772	2,674	60,169
Additions		-	8,106	2,323	10,429
Reclassified to non-current assets held for sale		(10,429)	-	-	(10,429)
Disposals		-	(15,569)	(1,944)	(17,513)
Effect of movements in exchange rates		(29)	145	-	116
Balance at December 31, 2021	$	7,265	32,454	3,053	42,772
Balance at January 1, 2020	$	17,991	56,823	1,491	76,305
Additions		-	15,338	1,182	16,520
Disposals		-	(32,476)	-	(32,476)
Effect of movements in exchange rates		(268)	87	1	(180)
Balance at December 31, 2020	$	17,723	39,772	2,674	60,169
Accumulated depreciation:					
Balance at January 1, 2021	$	856	14,268	1,557	16,681
Depreciation		406	13,370	1,110	14,886
Disposals		-	(11,310)	(1,517)	(12,827)
Reclassified to non-current assets held for sale		(716)	-	-	(716)
Effect of movements in exchange rates		(2)	75	5	78
Balance at December 31, 2021	$	544	16,403	1,155	18,102
Balance at January 1, 2020	$	434	25,011	629	26,074
Depreciation		429	17,782	925	19,136
Disposals		-	(28,674)	-	(28,674)
Effect of movements in exchange rates		(7)	149	3	145
Balance at December 31, 2020	$	856	14,268	1,557	16,681
Carrying amounts:					
Balance at December 31, 2021	$	6,721	16,051	1,898	24,670
Balance at December 31, 2020	$	16,867	25,504	1,117	43,488

(Continued)

(j) Intangible assets

		Software
Cost:		
Balance at January 1, 2021	$	-
Additions		5,474
Balance at December 31, 2021	$	5,474
Amortization and impairment:		
Balance at January 1, 2021	$	-
Amortization		1,307
Balance at December 31, 2021	$	1,307
Carrying amount:		
Balance at December 31, 2021	$	4,167

(k) Short-term borrowings

		December 31, 2021	December 31, 2020
Unsecured bank loans	$	69,527	59,318
Secured bank loans		18,196	39,558
	$	87,723	98,876
Unused credit facilities	$	2,259,307	1,816,947
Range of interest rates		2.4%~4.25%	0.75%~4%

Refer to note 8 for a description of the Group's assets pledged as collateral to secure the bank loans.

(l) Lease liabilities

Lease liabilities of the Group carrying amounts were as follows:

		December 31, 2021	December 31, 2020
Current	$	9,881	12,535

		December 31, 2021	December 31, 2020
Non-current	$	8,036	14,121

Please refer to note 6 (v) for the maturity analysis.

The amounts recognized in profit or loss were as follows:

		2021	2020
Interest on lease liabilities	$	727	1,005
Expenses relating to short-term leases	$	9,999	5,258
Expenses relating to leases of low-value	$	-	55

(Continued)

The amounts recognized in the statement of cash flows for the Group were as follows:

		2021	2020
Total cash outflow for leases	$	25,275	22,670

1.Real estate leases

The Group leases land and buildings for its office, storage, and factory. The lease term of land is 50 years, and that of office, factory, and storage are 3 to 5 years.

2.Other leases

The Group leases transportation equipment for 1 to 3 years. In addition, regarding the lease of short-term transportation equipment and low-value office equipment, the Group has chosen to apply for exemption and not to recognize right-of-use assets and lease liabilities.

(m) Employee benefits

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act ("Defined Contribution Plan"). Foreign subsidiaries comply with local regulations to contribute to employee's pensions. Under these plans, the Group contributes a fixed amount based on the related policy; the Group does not pay for the extra regulated amount or presumed obligation.

For the years ended December 31, 2021, and 2020, the Group set aside $16,074 and $5,861, respectively, under the defined contribution plan to the Bureau of the Labor Insurance.

(n) Income taxes

1. Income tax expense recognized in profits or losses

		2021	2020
Current income tax expenses			
Current tax benefit	$	25,536	13,047
Adjustment for prior periods		31	(1,280)
		25,567	11,767
Deferred income tax expenses			
Origination and reversal of temporary differences		15,575	10,198
Income tax expense	$	41,142	21,965

In 2021 and 2020, there was no income tax recognized directly in equity or other comprehensive income.

Reconciliation of tax expense and income before tax for 2021 and 2020 was as follows:

		2021	2020
Income before income tax	$	189,037	109,145
Income tax using the Company's statutory tax rate	$	37,807	21,829
Effect of different tax rates in foreign jurisdictions		3,662	58
Changes of unrecognized taxable deficit		(235)	(2,179)
Adjustment of the prior income tax		31	(1,280)
Others		(123)	3,537
	$	41,142	21,965

2. Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

As the Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021, and 2020; the management believes that it is possible that temporary differences will not reverse in the foreseeable future, such temporary differences are not recognized as deferred income tax liabilities. In addition, as the Company determined that it is not probable that future taxable profits will be available against which the temporary differences and operating loss carryforwards can be utilized, these items were not recognized as deferred income tax assets.

Deferred tax assets have not been recognized in respect of the following items:

Unrecognized deferred tax assets:

		December 31, 2021	December 31, 2020
Tax losses	$	54,864	87,389

Unrecognized deferred tax liabilities:

		December 31, 2021	December 31, 2020
Income from investment of subsidiaries	$	10,191	10,191

As of December 31, 2021, the unrecognized tax loss and the respective expiry years were as follows:

Year of Occurrence		Operating Loss Carry Forwards	Year of Expiration
2017	$	11,988	2022
2018		17,062	2023
2019		102,098	2024
2020		43,328	2025
2021		42,435	2026
	$	216,911	

(Continued)

2) Recognized deferred tax assets and liabilities

Deferred Tax Assets:

		Allowance of Inventory Valuation Loss	Allowance for Doubtful Accounts	Others	Total
Balance at January 1, 2021	$	4,741	5,698	1,160	11,599
Recognized as a profit (loss)		(1,736)	(684)	55	(2,365)
Balance at December 31, 2021	**$**	**3,005**	**5,014**	**1,215**	**9,234**
Balance at January 1, 2020	$	4,933	5,858	1,199	11,990
Recognized as a profit (loss)		(192)	(160)	(39)	(391)
Balance at December 31, 2020	**$**	**4,741**	**5,698**	**1,160**	**11,599**

Deferred Tax Liabilities:

		Income from investment of subsidiaries
Balance at January 1, 2021	$	61,148
Recognized as a profit (loss)		13,210
Balance at December 31, 2021	**$**	**74,358**
Balance at January 1, 2020	$	51,341
Recognized as a profit (loss)		9,807
Balance at December 31, 2020	**$**	**61,148**

3) The Company' tax returns for the years through 2019 were examined and approved by the Taipei National Tax Administration.

(o) Capital and other equity

1. Common stock

As of December 31, 2021, and 2020, the Company's authorized shares of common stock consisted of 200,000,000 shares, of which 112,250,000 shares were issued and outstanding. The par value of the Company's common stock is $10 (dollars) per share.

On September 23, 2019, the board resolved to issue 23,000,000 shares in the private placement for DFI Inc. at $20 (dollars) per share, amounting to $460,000. The share's par value is $10 (dollars) per share, and the record date of cash capital increase was October 7, 2019. The related regulatory registration had completed.

The aforementioned common stock in the private placement and the transfer of the freely distributed shares should comply with Article 43-8 of the Securities and Exchange Act; after three years of the privately placed securities' delivery date (November 1, 2019), the Company should apply to FSC for the public offer. Then, the Company applies to Taiwan Stock Exchange for going public trading.

(Continued)

The conciliation of outstanding shares are as follows:

	Common stocks (thousands)	
	2021	2020
Balance at January 1	112,250	112,225
Execution of employee stock options	-	25
Balance at December 31	112,250	112,250

2. Capital surplus

	December 31, 2021	December 31, 2020
New stocks issued at premium	$ 278,081	278,081
Employee stock options	7,354	7,354
Unclaimed share dividends transfer to capital surplus	107	107
Treasury stocks transactions	29,454	29,454
Others	81	81
	$ 315,077	315,077

Pursuant to the Company Act, any realized capital surplus is initially used to cover an accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends based on the original shareholding ratio or distributed as cash dividends based on a resolution approved by the stockholders. Realized capital surplus includes the premium derived from the issuance of share of stock in excess of par value and donations from stockholders received by the Company. In accordance with the Regulations Governing the Offering and Issuance of Society by Securities Issuers, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

3. Retained earnings

The Company's article of incorporation stipulates that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors is approved during the stockholders' meeting. According to the Company's article of incorporation amended on June 12, 2020, the abovementioned distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and should be reported to the Company's shareholders in its meeting.

According to the requirement of before the new article amended on August 24th, 2021, the earning distribution policy shall be in line with the Company's operation and growth needs, after considering capital expenditures and capital needs in the future; of which, the proportion of cash dividends shall not be lower than the total dividends of 20% in the current year. According to the new article amend on August 24th, 2021, the Company's distributable dividend policy is in line with the Company's operation and growth needs. After considering the capital expenditures and capital needs in the future, when the Company has earnings of final general accounts and the distributable earnings reach 2% of the capital amount in the current year, the distributable dividends shall not be lower than 10% of distributable earnings in the current year; of which the proportion of cash dividends shall not be lower than the total amount of 20%.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reserve

When the Company made the first-time adoption the IFRSs ("IFRS 1") endorsed by FSC, the Company chose to adopt the exemption items of IFRS 1. At the date of transition, the Company transferred the accumulated translation adjustment amount of $78,330 to retained earnings. The Company made the same amount to special reserve, resulting from first-time adoption. When the related assets were used, disposed, or reclassified, the Company should proportionally reserve the original special reserve contribution and distribute it as earnings. The aforementioned special reserve was $78,028 as of December 31, 2021, and 2020, respectively.

In addition, FSC requires that a portion of current-period earnings and unappropriated prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of unappropriated prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The amount of cash dividends of appropriations of earnings for 2020 and 2019 that had been approved in the meeting of the board of directors on April 29, 2021, and June 12, 2020, respectively. The resolved appropriation of the dividend per share were as follows:

	2020		2019	
	Dividend per share (dollars)	**Amount**	**Dividend per share (dollars)**	**Amount**
Cash	$ 0.6	**67,350**	0.3	**33,668**

(Continued)

The above earnings distribution information can be searched on the Market Observation Post System.

4. Other equity, net of tax

		Foreign currency translation differences	Unrealized gains (losses) on financial assets measured at FVOCI
Balance at January 1, 2021	$	(58,640)	-
Exchange differences on foreign operations		2,134	-
Balance at December 31, 2021	$	(56,506)	-
Balance at January 1, 2020	$	(48,577)	20,677
Exchange differences on foreign operations		(10,063)	-
Unrealized gains (losses) on financial assets measured at FVOCI		-	1,955
Disposal of financial assets measured at FVOCI		-	(22,632)
Balance at December 31, 2020	$	(58,640)	-

(p) Share-based payment

The Company issued 3,000 units of the employee stock options in August 2014, please refer to the following information:

Grant date	August 2014
Number of units granted	3,000 units
Exercise price per share	NTD 22.4 dollars
Subscribed common stocks per unit	1,000 units
Contract term	6 years
Vesting condition	Within 2 to 4 years to exercise the right based on the issuing policy when the granted date is expired.
Granted target	The Company and subsidiaries' employees, who satisfying the condition.

The information of employee stock options outstanding are as follows:

	2020		
	Number (units)		Weighted-average exercise price per share
Outstanding, beginning of year	958	$	21.40
Invalidated	(933)		21.40
Exercised	(25)		21.40
Outstanding, end of year	-		

The employee stock option plan was terminated in August 2020 because the contract expired.

(Continued)

(q) Earnings per share

1. Basic earnings per share

	2021	2020
Profit (loss) attributable to common stockholders of the Company	$ 147,895	87,180
Weighted average number of ordinary shares (thousands)	112,250	112,235
Basic earnings per share (dollars)	$ 1.32	0.78

2. Diluted earnings per share

	2021	2020
Profit (loss) attributable to common stockholders of the Company	$ 147,895	87,180
Weighted-average number of ordinary shares (thousands)	112,250	112,235
Effect of dilutive potential common stock:		
Effect of employee share compensations	140	86
Weighted-average number of ordinary shares (thousands) (including effect of dilutive potential common stock)	112,390	112,321
Diluted earnings per share (deficit) (dollar)	$ 1.32	0.78

(r) Revenue from contracts with customers

1. Disaggregation of revenue

	2021			
	Taiwan operating segment	China operating segment	Other segment	Total
Major products/services:				
Automatic control	$ 1,307,319	780,655	-	2,087,974
Industrial transmission	308,249	1,145,206	8,366	1,461,821
Others	3,503	1,688	-	5,191
	$ 1,619,071	1,927,549	8,366	3,554,986

	2020			
	Taiwan operating segment	China operating segment	Other segment	Total
Major products/services:				
Automatic control	$ 1,023,354	576,053	-	1,599,407
Industrial transmission	307,598	838,303	5,628	1,151,529
Others	3,145	367	-	3,512
	$ 1,334,097	1,414,723	5,628	2,754,448

(Continued)

2. Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivables	$ 1,110,453	947,498	924,138
Less: loss allowance	(27,588)	(39,761)	(114,704)
Total	$ 1,082,865	907,737	809,434

	December 31, 2021	December 31, 2020	January 1, 2020
Contracts liabilities－advance receipt	$ 113,435	69,627	71,985

Refer to note 6(d) for notes and accounts receivable and the impairment.

The amount of revenue recognized for the years ended December 31, 2021, and 2020 that were included in the contract liability balance on January 1, 2021, and 2020 were $52,514 and $51,781, respectively.

(s) Rewards of employees, directors and supervisors

The Company's amended article of incorporation requires that earnings (income after deducting the remuneration of employees and directors and before income tax expenses) shall first to be offset against any deficit, including unadjusted undistributed surplus, then, a range from 2% to 20% will be distributed as remuneration to its employees and no more than 1% to its directors. Employees are entitled to receive the abovementioned employee remuneration in shares or cash, while the directors are entitled to receive the remuneration in cash.

For the year ended December 31, 2021, and December 31, 2020, the Company estimated its remuneration to employees amounting to $3,818 and $2,221, respectively; and the remuneration to directors and supervisors amounting to $1,909, and $1,110, respectively. The abovementioned estimated amounts are calculated based on the income before tax (after deducting the remuneration to employees, directors, and supervisors) and multiplied by a certain percentage of the remuneration to employees, directors, and supervisors following the article of incorporation. The amount shall be reported as operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares on the day preceding the Board of Directors.

There was no difference between the actual distribute amounts as determined by the Board of Directors and those recognized in the Company's financial statements of the years ended December 31, 2021, and 2020. All compensation were paid in cash. The related information can refer to the Market Observation Post System.

(t) Non-operating income and expenses

1. Interest income

		2021	2020
Interest income from bank deposit	$	1,161	2,053

2. Other income

		2021	2020
Miscellaneous income	$	3,340	2,205

3. Other gains and losses, net

		2021	2020
Foreign currency exchange gains (losses)	$	1,030	15,299
Loss on financial instruments at fair value through profit or loss		(499)	(24,704)
Others		(1,376)	(1,671)
	$	(845)	(11,076)

4. Finance costs

		2021	2020
Interest expense of bank loans	$	(3,630)	(8,221)
Interest expense on lease liabilities		(727)	(1,005)
	$	(4,357)	(9,226)

(u) Financial instruments

1. Categories of financial instruments

1) Financial assets

	December 31, 2021	December 31, 2020
Financial assets at amortized cost:		
Cash and cash equivalents	493,109	876,458
Notes and accounts receivable	1,082,865	907,737
Other receivables	13,360	6,412
Other financial assets – non-current	17,077	18,324
	$ 1,606,411	1,808,931

(Continued)

2) Financial liabilities

	December 31, 2021	December 31, 2020
Financial liabilities measured at FVTPL:		
Foreign currency forward contracts	$ -	288
Financial liabilities measured at amortized cost:		
Short-term borrowings	87,723	98,876
Notes and accounts payable	551,096	395,249
Other payables	99,402	96,652
Lease liabilities (including current and non-current)	17,917	26,656
	$ 756,138	617,721

2. Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amount of financial assets and financial liabilities measured at amortized cost approximate their fair value.

2) Financial instruments measured at fair value

When measuring the fair value of financial instruments, the Group usually uses market observable data. The table below analyze financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	December 31, 2020				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Derivative instrument - Foreign currency forward contracts	$ (288)	-	(288)	-	(288)

3) Valuation techniques and assumptions used in fair value measurement

Derivative financial instrument

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants. The fair value of foreign currency forward contracts is valued by the current forward rate.

(Continued)

(v) Financial risk management

The Group is exposed to credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and other market price risk). The Group has disclosed the information on exposure to the aforementioned risks and the Group's policies and procedures to measure and manage those risks as well as the quantitative information below.

The Company's Board of Directors is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to the controls. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's operations.

The Group's management monitors and reviews financial activities in accordance with procedures required by relevant regulations and internal controls. Internal auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Company's Board of Directors.

1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, receivables from customers, and other receivables. The maximum exposure to credit risk is equal to the carrying amount of the Group's financial assets.

The Group's cash is deposited in several financial institutions with reputable credit; as a result, it may not arise a significant credit risk.

The Group has established a credit policy under which each customer is analyzed individually for creditworthiness for the purpose of setting the credit limit. Additionally, the Group continuously evaluates the credit quality of customers and utilizes insurance to minimize the credit risk.

Due to numerous customers and a wide geographical spread, the Group does not concentrate on a single customer for the transactions. As a result, the Group believes that there is no significant concentration of credit risk.

For the credit exposure of notes and accounts receivables, please refer to note 6(d). For the financial assets measured at amortized cost, including other receivables and certificate of deposit (reported at other financial assets – non-current), since the financial assets are low credit risk, the loss allowance is measured using 12-months ECL. Please refer to note 6(e) for the ECL.

2. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid to long-term cash demand, maintaining adequate cash and baking facilities, and ensuring compliance with the terms of the loan agreements. As of December 31, 2021, and 2020, the Group had unused credit facilities of $2,259,307 and $1,816,947, respectively.

(Continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest:

	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
December 31, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	$ 88,146	88,146	-	-	-
Notes and accounts payable	551,096	551,096	-	-	-
Other payables	99,402	99,402	-	-	-
Lease liabilities	18,516	10,334	6,398	1,784	-
	$ 757,160	748,978	6,398	1,784	-
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	$ 100,336	100,336	-	-	-
Notes and accounts payable	395,249	395,249	-	-	-
Other payables	96,652	96,652	-	-	-
Lease liabilities	27,722	13,223	13,967	532	-
Derivative financial liabilities:					
Foreign currency forward contract:					
Outflow	73,003	73,003	-	-	-
Inflow	(72,715)	(72,715)	-	-	-
	$ 620,247	605,748	13,967	532	-

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

3. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The functional currencies of the Group entities are mainly the New Taiwan Dollar and China Yuan; the transactions of the non-functional currencies are the mainly the US Dollar, Japanese Yen, and China Yuan.

At the reporting date, the carrying amount of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

(Continued)

Unit: thousands of dollars

	December 31, 2021					
		Foreign currency (thousands of dollars)	Exchange rate	TWD	Change in magnitude	Effect on profit or loss (before tax)
Financial assets						
Monetary items						
CNY	$	4,658	4.35	20,262	1%	203
USD		8,690	27.68	240,539	1%	2,405
JPY		31,877	0.2404	7,663	1%	77
Financial liabilities						
Monetary items						
USD		7,951	27.68	220,084	1%	2,201
JPY		26,577	0.2404	6,389	1%	64

	December 31, 2020					
		Foreign currency (thousands of dollars)	Exchange rate	TWD	Change in magnitude	Effect on profit or loss (before tax)
Financial assets						
Monetary items						
CNY	$	21,057	4.32	90,966	1%	910
USD		6,878	28.35	194,991	1%	1,950
JPY		66,283	0.2749	18,221	1%	182
Financial liabilities						
Monetary items						
USD		6,424	28.35	182,120	1%	1,821
JPY		23,251	0.2749	6,392	1%	64

As the Group deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2021, and 2020 were $1,030 and $15,299, respectively.

2) Interest rate risk

The Group's short-term borrowings carried floating interest rates. To manage the interest rate risk, the Group periodically assesses the interest rates of bank loans and maintain good relationships with financial institution to obtain lower financing costs. The Group also strengthens the management of working capital to reduce the dependence on bank loans as well as the risk arising from fluctuation of interest rates.

Regarding the exposure to interest rates of the Group's financial liabilities has descripted in the note of the liquidity risk management. The following sensitivity analysis is based on the risk exposure to floating-interest-rate liabilities on the reporting date. The sensitivity analysis assumes

(Continued)

the liabilities recorded at the reporting date had been outstanding for the entire period. The change in interest rate reported to the key management in the Group is based on 100 basis points (1%), which is consistent with the assessment made by the key management in respect of the possible change in interest rate.

If the interest rate had been 100 basis points (1%) higher/lower with all other variables held constant, pre-tax income for the years ended December 31, 2021, and 2020 would have been $877 and $989, respectively, lower/higher, which mainly resulted from the borrowings with floating interest rates.

(w) Capital management

In consideration of the industrial characteristics and future developments, as well as external environment factors, the Group plans its capital management to ensure that it has necessary financial resources and operating plan to fund the working capital needs, capital expenditures, repayment of debts, dividend payments, etc. The management uses the appropriate liability/equity ratio to decide the appropriate capital. Based on maintaining the robust capital, the Group would increase the shareholder's return by optimizing debt and equity balance.

(x) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes			
	January 1, 2021	**Cash flows**	**Effect of foreign exchange rate**	**Lease liabilities increase**	**Lease liabilities decrease**	**December 31, 2021**
Short-term borrowings	$ 98,876	(11,204)	51	-	-	87,723
Lease liabilities	26,656	(14,549)	67	10,429	(4,686)	17,917
Total	$ 125,532	(25,753)	118	10,429	(4,686)	105,640

			Non-cash changes			
	January 1, 2020	**Cash flows**	**Effect of foreign exchange rate**	**Lease liabilities increase**	**Lease liabilities decrease**	**December 31, 2020**
Short-term borrowings	$ 322,075	(215,944)	(7,255)	-	-	98,876
Lease liabilities	30,578	(16,352)	(66)	16,520	(4,024)	26,656
Total	$ 352,653	(232,296)	(7,321)	16,520	(4,024)	125,532

(Continued)

(7) Related-Party Transactions

(a) Parent company and ultimate controlling party

DFI Inc. (“DFI”) has become the Company’s parent company and holds outstanding common stocks of 48.06% and 32.41% , respectively for the years ended December 31, 2021, and 2020; Qisda Corporation (“Qisda”) is the ultimate controlling party of the Company. DFI and Qisda have prepared the consolidated financial reports for the public use.

(b) Names and relationship with related parties

Name of related party	Relationship with the Group
Qisda Corporation	The Company’s ultimate controlling party
DFI Inc.	The Company’s parent company
Qisda Optronics (Suzhou) Co., Ltd.	Qisda’s subsidiary
BenQ Material Corp.	Qisda’s subsidiary
BenQ Co., Ltd. (“BQC”)	Qisda’s subsidiary
BenQ Technology (Shanghai) Co., Ltd. (“BQls”)	Qisda’s subsidiary
BenQ Asia Pacific Corp.	Qisda’s subsidiary
BenQ ESCO Corp.	Qisda’s subsidiary
BenQ Healthcare Corporation	Qisda’s subsidiary
BenQ Guru Corp.	Qisda’s subsidiary
Guru Systems (Suzhou) Co., Ltd.	Qisda’s subsidiary
BenQ Intelligent Technology (Shanghai) Co., Ltd.	Qisda’s subsidiary
SYSAGE TECHNOLOGY CO., LTD.(“SYSAGE”)	Qisda’s subsidiary
Advancedtek International Corp.	Qisda’s subsidiary
Golden Spirit Co., Ltd.	Qisda’s subsidiary
Darfon Electronics Corp.	Qisda’s associate
AU Optronics Corp. (“AU”)	Related enterprise of Qisda/Corporate director valuing Qisda under equity approach (Note)
AU Optronics (Kunshan) Co., Ltd	AU’ subsidiary (Note)
AU Optronics (Xiamen) Corp.	AU’ subsidiary (Note)
AU Optronics (Suzhou) Corp., Ltd.	AU’ subsidiary (Note)
AUO Crystal Corp.	AU’ subsidiary (Note)
AUO Education Service Corp.	AU’ subsidiary (Note)
Darwin Precisions Corporation	AU’ subsidiary (Note)

Name of related party	Relationship with the Group
Aewin Technologies Co., Ltd.	DFI' subsidiary
Yan Ying Hao Trading (Shenzhen) Co., Ltd.	DFI' subsidiary
Darfon Electronics (Suzhou) Co., Ltd.	Darfon's subsidiary
Global Intelligence Network Co., Ltd.	STC's subsidiary

Note: AU has been the director of Qisda using the equity method since May 12th, 2021.

(c) Related-party transactions

1. Sales revenue

		2021	2020
Ultimate controlling party	$	6,295	2,170
Other related parties		12,384	18,844
	$	18,679	21,014

The above-mentioned related parties' sales price and transaction conditions depend on the economic environment and market competition in each region, so they cannot compare with normal sales price and transaction conditions.

2. Purchases

		2021	2020
Parent company	$	9,558	6,692
Other related parties		17,607	24,702
	$	27,165	31,394

There were no significant differences between the purchase prices of related parties and those for third-party vendors. The payment terms of 2 months showed no significant difference between related parties and third-party vendors.

3. Receivables from related parties

Account item	Related-party categories		December 31, 2021	December 31, 2020
Accounts receivable	Ultimate controlling party	$	6,407	2,279
	Other related parties		6,716	4,880
		$	13,123	7,159

4. Payables to related parties

Account item	Related-party categories		December 31, 2021	December 31, 2020
Accounts payable	Ultimate controlling party	$	3,953	589

Account item	Related-party categories	December 31, 2021	December 31, 2020
	Other related parties	7,407	4,742
Other payables	Ultimate controlling party	263	593
	Parent company	700	700
	Other related parties	92	182
		$ 12,415	6,806

5. Lease

The Company leased an office from BQC in June 2020, and the rent is paid monthly with reference to the nearby office rental rates. In 2021 and 2020, the interest expenses were $107 and $85, respectively. As of December 31, 2021, and 2020, the lease liabilities were $1,805, and $2,995, respectively.

(d) Compensation for key management personnel

	2021	2020
Short-term employee benefits	$ 24,578	20,591
Post-employment benefits	268	287
	$ 24,846	20,878

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	December 31, 2021	December 31, 2020
Notes receivable	Short-term borrowings	$ 18,196	39,558

(9) Significant Contingencies and Commitments

On December 31, 2021, and 2020, the Group issued the secured promissory note of $1,938,400 and $1,270,000, respectively, as collateral for obtaining credit facilities from banks.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events:

In order to enhance semiconductor arrangement, expansion of business, as well as provide wide range of products and services to clients, the Board of Directors came up a resolution on January 4, 2022, by paying NTD 187,000,000 dollars to acquire Standard Technology Corporation's 4,680,000 common shares, which shareholding is 60% of Standard Technology Corporate after split-off. The stock purchase payment and shares transfer were completed on March 1, 2022.

(12) Others

(a) Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

	2021	2020
Employee benefits		
Salary	$ 244,402	215,494
Labor and health insurance	24,194	21,627
Pension	16,074	5,861
Others employee benefits	8,523	7,907
Depreciation	27,420	31,471
Amortization	1,307	-

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	TJ ACE	Other receivable from related parties	Yes	250,560	249,120	166,080	0%-4.35%	2	-	Operating requirements	-		-	410,619	821,237
0	The Company	SZ ACE	Other receivable from related parties	Yes	28,530	27,680	27,680	-	2	-	Operating requirements	-		-	410,619	821,237
1	Cyber South	SZ ACE	Other receivable from related parties	Yes	15,692	-	-	1.15%	2	-	Operating requirements	-		-	626,514	626,514
2	Grace Transmission	AD ACE	Other receivable from related parties	Yes	2,614	-	-	1.8%	2	-	Operating requirements	-		-	7,018	7,018
2	Grace Transmission	TJ ACE	Other receivable from related parties	Yes	13,044	-	-	1.8%	2	-	Operating requirements	-		-	7,018	7,018
3	HK ACE	TJ ACE	Other receivable from related parties	Yes	17,344	-	-	1.8%	2	-	Operating requirements	-		-	39,722	39,722

Note 1: The aggregate financing amount of the Company to others shall not exceed 40% of the most recent worth of the Company; the individual financing amount of the Company to foreign subsidiaries shall not exceed 20% of the most recent worth of the Company.

Note 2: The aggregate financing amount of subsidiaries to others shall not exceed 10% of the most recent worth of the subsidiary; the individual financing amount of the subsidiaries to others shall not exceed 5% of the most recent worth of the subsidiary.

Note 3: For foreign subsidiaries that directly or indirectly hold 100% by the Company and the parent company that directly or indirectly holds 100% of the Company, due to the necessity of financing funds, the amount is not subject to the Note 1 and 2. However, the aggregate financing amounts and the individual financing amount shall not exceed the most recent worth of the subsidiary.

Note 4: Purposes of fund financing are as follows:

1. Business transaction purpose.
2. Short-term financing purpose.

Note 5: The above loans have been eliminated when preparing the consolidated financial statements.

(Continued)

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollar)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	TJ ACE	2	821,237	327,500	188,400	56,490	-	9.18%	1,026,547	Y	N	Y

Note 1: The aggregate endorsement / guarantee amount provide by the Company and its subsidiaries shall not exceed 50% of the most recent worth of the company; the amount to the individual entity shall not exceed 40% of the most recent worth of the company
Note2: Relationship between the guarantor and guarantee:
2. Companies that directly or indirectly hold 50% by the Company

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and Building	2021/7/7	262,270	Paid off	Zhongmao Asset Development Limited Company	-	-	-	-	-	Negotiating according to the appraisal report	Office	None

Note : The transaction includes sales tax.

(Continued)

(vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

Name of Company	Related Parties	Nature of Relationship	Transaction details				Transactions with terms different from others		Notes/ Accounts receivables (payables)		Note
			Purchase /Sale	Amount	Percentage of total purchases /sales	Payment term	Unit price	Payment terms	Ending Balance	Percentage of total notes /accounts receivables (payables)	
AD ACE	TJ ACE	Affiliates	(Sales)	(455,128)	(100.00) %	T/T 30	-		61,680	97.98%	
TJ ACE	AD ACE	Affiliates	Purchase	455,128	33.37 %	T/T 30	-		(61,680)	(30.75)%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of capital stock:

(In Thousands of New Taiwan Dollar)

Name of Company	Related Parties	Nature of Relationship	Ending Balance	Turnover days	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	TJ ACE	Parent/Subsidiary	166,080	-	-		-	-

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount (Note 3)	Trading terms	Percentage of the consolidated net revenue or total assets (Note 4)
0	The Company	TJ ACE	1	Other Receivable-loan	166,080	One year	5.44%
1	AD ACE	TJ ACE	3	Revenue	455,128	T/T 30	12.80%
1	AD ACE	TJ ACE	3	Accounts Receivable	61,680	T/T 30	2.02%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:
1. “0” represent the Company
2. Subsidiaries are numbered from “1”

Note 2: The relationships with counter party are as follows:
No. “1” represents the transactions from the Company to the subsidiary.
No. “2” represents the transactions from the subsidiary to the Company.
No. “3” represents the transactions between subsidiaries.

Note 3: Intercompany relationship and significant intercompany transactions are only disclosed only for the sales and accounts receivable that account for more than 1%(inclusive) of consolidated operating revenue or consolidated assets. The corresponding purchases and accounts payables are not disclosed.

Note 4: Base on the transaction amount divided by consolidated operating revenue or consolidated assets.

Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollar)

Name of Company	Name of investee	Location	Main business and product	Original investment amount (note)		Balance as of December 31, 2021			Highest balance during the year		Net income (loss) of investee	Share of profit/loss of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Investee	Carrying Value	Shares/Units (thousands)	Percentage of ownership			
The Company	Cyber South	SAMOA	Investment and holding activity	107,041	107,041	4,669	100.00%	626,514	4,669	100.00%	56,442	56,442	
The Company	HK ACE	Hong Kong	Sales of automation mechanical transmission system and component	5,120	5,120	1,200	100.00%	39,722	1,200	100.00%	(259)	(259)	
Cyber South	Proton Inc.	SAMOA	Investment and holding activity	527,665	527,665	17,744	100.00%	511,706	17,744	100.00%	44,403	44,403	
Cyber South	Ace Tek (HK) Holding Co., Ltd.	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00%	(598)	150	100.00%	3,661	3,661	

Note: Original investment amount included surplus capital increase.
Note 1: The investment below have been eliminated when preparing the consolidated financial statements.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollar)

Name of Investee	Main business and product	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (looses) of the investee	Percentage of ownership	Highest balance during the year		Investment income (looses)	Book value at December 31,2021	Accumulated remittance of earnings in current period
					Outflow	Inflow	(Note1)			Shares/ Units (thousands)	Percentage of ownership			
TIANJIN ACE PILLAR CO., LTD.	Sales of mechanical transmission system and component	USD 35,300,000	Direct and Indirect investment	53,976 (USD 1,950,000)	-	-	53,976 (USD 1,950,000)	56,121	100.00 %	(Note 3)	100.00%	56,121	611,067	125,533
Grace Transmission (Tianjin) Co., Ltd.	Manufacture and process of mechanical transmission product	CNY1,670,000	Indirect Investment	4,429 (USD 160,000)	-	-	4,429 (USD 160,000)	(219)	100.00 %	(Note 3)	100.00%	(219) (USD 8,000)	7,018 (USD 254,000)	-
ADVANCEDTEX ACE(TJ) INC.	Integrate the electronic system	USD 300,000	Indirect Investment	4,152 (USD 150,000)	-	-	4,152 (USD 150,000)	3,662	100.00 %	(Note 3)	100.00%	3,662 (USD 131,000)	(622) (USD (22,000))	-
SUZHOU SUPER PILLAR AUTOMATION EQUIPMENT CO., LTD.	Process and technical service for mechanical transmission and control products	USD 1,450,000	Indirect Investment	(Note 2)	-	-	(Note 2)	10,511	100.00 %	(Note 3)	100.00%	10,511 (USD 375,000)	98,569 (USD 3,561,000)	-
Xuchang Ace AI Equipment Co., Ltd.	Wholesale and retail of industrial robot-related products	USD 300,000	Indirect Investment	(Note 2)	-	-	(Note 2)	(711)	100.00 %	(Note 3)	100.00%	(711) (USD(25,000))	2,156 (USD 78,000)	-

(Note 1) Including the amount remitted through the overseas holding company.
The exchange rate of US dollar to Taiwan dollar is 1:27.68.
(Note 2) It was reinvested and established by Cyber South.
(Note 3) It is a limited company with no share data.
(Note 4) Xuchang Ace was dissolved by the resolution of the board of directors on November 23, 2021, and the liquidation procedure is still in progress.
(Note 5) Investment income(looses) and book value at December 31, 2021 were audited by the auditor of the parent company.

(Continued)

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
141,694 (USD 5,119,000)	141,694 (USD 5,119,000)	1,231,856

Note: The investment of Delta Greentech(China) Co., Ltd was authorized by MOEA to invest USD 2,859,000. The Company's shares of the company were sold in 2011, and submitted to the MOEA on August 5, 2011 to complete the filing. However, the investment quota has not yet been cancelled.

(iii) Significant transactions

The Company's significant transactions with investees in Mainland China, please refer to Note13(a).

(d) Major shareholders

Shareholding Shareholder's Name	Shares	Percentage
DFI INC.	53,958,069	48.06%
Hanyu Investment Co., Ltd.	10,176,013	9.06%
Qifu Investment Co., Ltd.	7,329,443	6.52%
Ruiduo Investment Co., Ltd.	5,711,538	5.08%

(14) Segment Information

(a) General information

The Group's reportable segments are Taiwan operating segment and China operating segment. Taiwan operating segment is responsible for selling the variable-frequency driver, automatic driver, and transmission system as an agent in Taiwan. China operating segment acts as an agent in China to sell the automatic system of machinery transmission and the industrial robots of wholesale and retail. Other segments, which do not meet the quantitative reporting threshold, mainly engage in acting as agents in other regions to sell the automatic control system of machinery transmission.

The Group, the organizational operation of the business activities is divided by the sales regions. Since customer attribution and the marketing strategy's need is different in each sales region, the Group manages them respectively.

There was no material inconsistency between the accounting policies adopted for the operating segments and the accounting policies described in note 4. The operating segment's profit or loss is measured at income before tax and use as the basis of evaluating performance. The reporting amount is the same as the management's report. In the Group, the transaction and transfer between the segments are viewed as third-party transactions.

The Group's operating segment information and reconciliation are as follows:

	2021				
	Taiwan operating segment	**China operating segment**	**Other segment**	**Adjustment and elimination**	**Total**
External revenue	$ 1,619,071	1,927,549	8,366	-	3,554,986
In-group revenue	7,490	467,819	-	(475,309)	-
Total segment revenue	$ 1,626,561	2,395,368	8,366	(475,309)	3,554,986
Segment profit (loss)	$ 119,319	72,989	(259)	(3,012)	189,037

	2020				
	Taiwan operating segment	**China operating segment**	**Other segment**	**Adjustment and elimination**	**Total**
External revenue	$ 1,334,097	1,414,723	5,628	-	2,754,448
In-group revenue	23,683	178,676	-	(202,359)	-
Total segment revenue	$ 1,357,780	1,593,399	5,628	(202,359)	2,754,448
Segment profit (loss)	$ 58,669	49,799	1,599	(922)	109,145

(Continued)

(b) Product and service information

Revenue from external customers is shown as follows:

Product and Service		2021	2020
Automatic control	$	2,087,974	1,599,407
Industrial transmission		1,461,821	1,151,529
Other		5,191	3,512
	$	**3,554,986**	**2,754,448**

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Region		2021	2020
Revenue from external customers:			
China	$	1,927,549	1,414,723
Taiwan		1,619,071	1,334,097
Other		8,366	5,628
	$	**3,554,986**	**2,754,448**

Non-current assets:

Region		December 31, 2021	December 31, 2020
China	$	64,241	311,437
Taiwan		339,584	144,267
Other		12,220	14,249
	$	**416,045**	**469,953**

The non-current assets consisted of property, plant and equipment, right-of-use assets and other assets while it did not include financial instruments and deferred tax assets.

(d) Major customer information

In 2021 and 2020, the Group did not have a single customer, accounted for 10% of consolidated sales revenue in the consolidated statements of comprehensive income.