Stock Code: 6125

KENMEC MECHANICAL ENGINEERING CO., LTD.

Separate Financial Report with Independent Auditors' Report

2021 and 2020

Address: 1F., No. 69, Ruifang Industrial Park, Dingping Rd., Ruifang Dist., New Taipei City, Taiwan (R.O.C.)
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Independent Auditors' Report

To KENMEC MECHANICAL ENGINEERING CO., LTD.:

Audit opinion

We audited the separate balance sheets of KENMEC MECHANICAL ENGINEERING CO., LTD. as of December 31, 2021 and 2020, the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the periods from January 1 to December 31, 2021 and 2020, and the notes to the separate financial statements (including the summary of significant accounting policies).

In our opinion, the said separate financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the separate financial positions of KENMEC MECHANICAL ENGINEERING CO., LTD. as of December 31, 2021 and 2020, and the separate financial performance and cash flows for the periods from January 1 to December 31, 2021 and 2020.

Basis of Audit Opinions

The audit is conducted in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibilities under such standards are further described in the "CPA's responsibility for the audit of the separate financial statements" section in this report. We were independent of KENMEC MECHANICAL ENGINEERING CO., LTD. in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all the other responsibilities thereunder. We believe that we acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the separate financial statements of KENMEC MECHANICAL ENGINEERING CO., LTD. for the year of 2021. Such matters were addressed during the overall audit of the separate financial statements and the process of forming the audit opinions, and thus we did not provide opinions separately regarding such matters.

The key audit matters in the audit of the separate financial statements of KENMEC MECHANICAL ENGINEERING CO., LTD. for the year of 2021 are as follows:

Project incomes recognized on the basis of stage of completion

As KENMEC is mainly engaged in contracting automation projects, its project income is recognized based on the degree of the completion of contracts. The estimated total cost of projects is an important factor in calculating the percentage of completion. The estimated total costs of projects and contract items are evaluated and judged by management based on the nature of projects, estimated contract amounts, project approaches and work methods. However, due to the long duration of the work period, the contracts are likely to be affected by fluctuations in prices of raw materials and labor, as well as addition/reduction of projects, making them subject to inherent risks of complexity. As there is a certain degree of subjectivity in these estimates, the calculation of the percentage of revenue from the completion of some projects may have errors or have a significant impact on the misinterpretation of revenue in each period. Therefore, the total estimated cost for project contracts is a material estimate and judgement of the Company, hence it is considered a key audit item. For accounting policies and disclosure information relevant to the recognition of construction incomes, see Notes 4, 5 and 24 to the financial statements.

For the above key audit matters, the audit procedures we performed are as follows:

1. To understand and test the Company’s internal control procedures relevant to the preparation of the estimated total project cost.
2. To select samples and examine the documents of the Company’s projects to confirm the reasonableness of the estimated total project cost.

Responsibility of the management and governance unit for the separate financial statements

The management was responsible for preparation of the separate financial reports with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintaining the necessary internal control related to the preparation of the separate financial statements to ensure that the separate financial statements were free of material misstatement due to fraud or error.

During preparation of the separate financial statements, the management was also responsible for evaluating KENMEC MECHANICAL ENGINEERING CO., LTD.’s ability as a going concern, disclosure of relevant matters, and application of the going concern basis of accounting unless the management intended to liquidate KENMEC MECHANICAL ENGINEERING CO., LTD. or terminate its operations, or there were no other actual or feasible solutions other than liquidation or termination of its operations.

KENMEC MECHANICAL ENGINEERING CO., LTD.’s governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

Responsibilities of the Accountants for the Audit of the Separate Financial Statements

The purpose of our audit of the separate financial statements is to obtain reasonable assurance about whether the separate financial statements were free of material misstatements due to fraud or error, with an audit report issued thereafter. Reasonable assurance refers to a high level of assurance. However, we could not guarantee the detection of all material misstatements in the separate financial statements with the audit conducted based on the generally accepted auditing standards. The misstatements might be due to fraud or error. If an individual or total amount misstated was reasonably expected to have an impact on the economic decision-making of users of the separate financial statements, the misstatement was deemed as material.

We used our professional judgment to be skeptical during the audit conducted based on the generally accepted auditing standards. We also performed the following works:

1. We identified and assessed the risk of any misstatement in the separate financial statements due to fraud or error, designed and implemented response measures suitable for the evaluated risks, and acquired sufficient and appropriate audit evidence to use as the basis of our audit opinions. Fraud may involve collusion, forgery, omission on purpose, fraudulent statements

or violation of internal control, and we did not find that the risk of material misstatement due to fraud was higher than the same due to error.

2. We understood the internal control related to the audit to an extent necessary to design audit procedures applicable to the current circumstances. However, the purpose of such work was not to express opinions regarding the effectiveness of KENMEC MECHANICAL ENGINEERING CO., LTD.'s internal control.
3. We evaluated the appropriateness of the accounting policies adopted by management and the rationality of the accounting estimates and relevant disclosure made by management.
4. We drew a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether the events or circumstances which might cause major doubts about KENMEC MECHANICAL ENGINEERING CO., LTD.'s ability as a going concern had material uncertainties. If any material uncertainty was deemed to exist in such event or circumstance, we must provide a reminder in the separate financial statements for the users to pay attention to relevant disclosures therein, or amend our audit opinions when such disclosures were inappropriate. Our conclusion was drawn based on the audit evidence acquired as of the date of this audit report. However, future events or circumstances might result in a situation where KENMEC MECHANICAL ENGINEERING CO., LTD. would no longer have the ability to continue as a going concern.
5. We evaluated the overall presentation, structure, and contents of the separate financial statements (including relevant notes), and whether the separate financial statements presented the relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence for the financial information of the entities forming KENMEC MECHANICAL ENGINEERING CO., LTD. to provide opinions regarding the separate financial statements. We were responsible for instruction, supervision and implementation of the audit cases, as well as formation of the audit opinions on KENMEC MECHANICAL ENGINEERING CO., LTD.

The matters for which we communicated with the governance unit include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of the internal control identified during the audit).

We also provided a declaration of independence to the governance unit, which assured that we complied with the requirements related to independence in the Norm of Professional Ethics for Certified Public Accountant, and communicated all relationships and other matters (including relevant protective measures) which we deemed to be likely to cause an impact on the independence of CPAs to the governance unit.

We determined the key audit matters to be audited in KENMEC MECHANICAL ENGINEERING CO., LTD.'s separate financial statements in 2021 based on the matters communicated with the governance unit. We specified such matters in the audit report except when public disclosure of certain matters was prohibited by related laws or regulations, or when, in very exceptional circumstances, we determined not to cover such matters in the audit report as we could reasonably expect that the negative impact of the coverage would be greater than the public interest brought thereby.

Deloitte & Touche Taiwan

CPA HUI-MING CHEN	CPA LI-HUANG LI
Approval No. from the Securities and Futures Commission Tai-Cai-Zheng-Liu-Zi No. 0920123784	Approval No. from the Securities and Futures Commission Tai-Cai-Zheng-Liu-Zi No. 0930128050

March 30, 2022

KENMEC MECHANICAL ENGINEERING CO., LTD.
Separate Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

Code	Assets	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 6)	$ 371,626	6	$ 207,070	4
1110	Financial assets measured at fair value through profit or loss – current (Note 7)	411,171	7	330,895	6
1136	Financial assets measured at amortized cost – current (Note 9)	197,076	3	206,071	4
1140	Contract assets – current (Notes 22 and 24)	314,344	5	256,168	4
1150	Notes receivable – non-related parties (Note 10)	436	-	275	-
1170	Accounts receivable – non-related parties (Note 10)	122,309	2	157,718	3
1180	Accounts receivable – related parties (Notes 10 and 33)	2,637	-	12,184	-
1200	Other receivables (Note 10)	3,162	-	1,475	-
1210	Other receivables – related parties (Notes 10 and 33)	806,093	14	1,053,495	19
1220	Current income tax assets (Note 26)	-	-	7,595	-
130X	Inventory (Note 11)	49,796	1	20,392	-
1429	Prepayments (Note 16)	44,214	1	50,357	1
1470	Other current assets (Notes 16 and 34)	143,018	3	165,084	3
11XX	Total current assets	2,465,882	42	2,468,779	44
	Non-current assets				
1510	Financial assets measured at fair value through profit or loss – non-current (Note 7)	74,100	1	44,141	1
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 8)	35,805	1	28,145	-
1535	Financial assets measured at amortized cost – non-current (Note 9)	33,904	1	26,752	-
1550	Investment under the equity method (Note 12)	1,284,261	22	1,393,853	25
1600	Property, plants and equipment (Notes 13 and 34)	1,116,827	19	1,119,159	20
1755	Right-of-use assets (Note 14)	365,128	7	8,979	-
1780	Other intangible assets (Note 15)	4,949	-	7,168	-
1840	Deferred income tax assets (Note 26)	187,834	3	201,308	4
1990	Other non-current assets (Notes 10, 16 and 34)	247,051	4	328,813	6
15XX	Total non-current assets	3,349,859	58	3,158,318	56
1XXX	Total assets	$ 5,815,741	100	$ 5,627,097	100
Code	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Note 17)	$ 20,000	1	$ 200,000	4
2130	Contract liabilities – current (Notes 22 and 24)	971,393	17	522,798	9
2150	Notes payable – non-related parties (Note 18)	231	-	208	-
2170	Accounts payable – non-related parties (Note 18)	334,361	6	147,885	3
2180	Accounts payable – related parties (Note 18 and 33)	12,734	-	2,962	-
2219	Other payables (Note 19)	129,969	2	106,503	2
2220	Other payables – related parties (Notes 19 and 33)	-	-	138	-
2230	Current income tax liabilities (Note 26)	5,225	-	14,842	-
2250	Liability reserve – current (Note 20)	12,985	-	19,580	-
2280	Lease liabilities – current (Note 14)	397	-	4,792	-
2320	Long-term loans maturing within one year (Note 17)	54,323	1	11,784	-
2399	Other current liabilities	3,793	-	3,100	-
21XX	Total current liabilities	1,545,411	27	1,034,592	18
	Non-current liabilities				
2540	Long-term loans (Note 17)	477,715	8	446,817	8
2580	Lease liabilities – non-current (Note 14)	264,811	5	-	-
2570	Deferred income tax liabilities (Note 26)	60,605	1	56,330	1
2640	Net defined benefit liabilities – non-current (Note 21)	72,246	1	86,165	2
2670	Other non-current liabilities (Note 19)	5,733	-	5,837	-
25XX	Total non-current liabilities	881,110	15	595,149	11
2XXX	Total liabilities	2,426,521	42	1,629,741	29
	Equity (Note 23)				
3110	Common stock capital	2,490,112	43	2,490,112	44
3200	Capital reserves	604,226	10	903,455	16
	Retained earnings				
3310	Legal reserves	134,786	2	134,786	2
3320	Special reserves	328,572	6	328,572	6
3350	Undistributed earnings	144,392	2	419,348	8
3300	Total retained earnings	607,750	10	882,706	16
	Other equity				
3410	Exchange differences on translation of financial statements of foreign operations	(256,306)	(4)	(264,268)	(5)
3420	Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income	(6,966)	-	(14,649)	-
3400	Total of other equity	(263,272)	(4)	(278,917)	(5)
3500	Treasury stocks	(49,596)	(1)	-	-
31XX	Total equity	3,389,220	58	3,997,356	71
	Total liabilities and equity	$ 5,815,741	100	$ 5,627,097	100

The attached notes are part of the separate financial reports.

Chairman: CHING-FU HSIEH Manager: CHING-FU HSIEH Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Separate Statement of Comprehensive Income
January 1 to December 31, 2021 and 2020

Unit: NTD thousand; %
LPS unit: NT dollars

Code		2021 Amount	2021 %	2020 Amount	2020 %
	Operating revenue (Notes 5, 24 and 33)				
4100	Sales revenue	$ 5,839	-	$ 4,030	-
4520	Project income	1,292,735	96	869,235	92
4600	Service income	51,556	4	77,319	8
4000	Total operating revenue	1,350,130	100	950,584	100
	Operating expenses (Notes 11, 21 and 33)				
5110	Cost of sales	(2,707)	-	(1,872)	-
5520	Project cost	(964,489)	(72)	(660,008)	(69)
5600	Service cost	(38,344)	(3)	(47,600)	(5)
5800	Other operating expenses	(5,809)	-	(25,643)	(3)
5000	Total operating expenses	(1,011,349)	(75)	(735,123)	(77)
5900	Operating gross profit	338,781	25	215,461	23
5910	Unrealized profits/losses from subsidiaries, associates and joint ventures (Note 33)	(23,978)	(2)	(9,051)	(1)
5920	Realized profits/losses from subsidiaries, associates and joint ventures (Note 33)	25,900	2	35,482	4
5950	Realized operating gross profit	340,703	25	241,892	26
	Operating expenses (Notes 10, 21 and 33)				
6100	Marketing expense	(105,537)	(8)	(100,474)	(11)
6200	Administrative expense	(143,441)	(10)	(126,611)	(13)
6300	R&D expense	(70,168)	(5)	(63,436)	(7)
6450	Expected credit impairment losses	(27,871)	(2)	(149)	-
6000	Total operating expenses	(347,017)	(25)	(290,670)	(31)

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Code		2021 Amount	2021 %	2020 Amount	2020 %
6900	Operating loss – net	($ 6,314)	-	($ 48,778)	(5)
	Non-operating revenue and expenses (Notes 25 and 33)				
7100	Interest income	34,214	3	41,581	4
7010	Other revenue	48,749	4	57,743	6
7020	Other profits and losses	33,125	2	(13,118)	(1)
7050	Financial costs	(11,241)	(1)	(10,338)	(1)
7070	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	(360,373)	(27)	(117,517)	(12)
7000	Total non-operating revenue and expenses	(255,526)	(19)	(41,649)	(4)
7900	Net profit (loss) before tax	(261,840)	(19)	(90,427)	(9)
7950	Income tax expense (Note 26)	(21,027)	(2)	(6,725)	(1)
8200	Current net loss	(282,867)	(21)	(97,152)	(10)
	Other comprehensive income (Notes 21 and 23)				
	Titles not reclassified as profit or loss:				
8311	Remeasurement of defined benefit plans	9,305	1	4,852	1

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Code		2021 Amount	2021 %	2020 Amount	2020 %
8316	Unrealized valuation profit/loss on investment in equity instruments measured at fair value through other comprehensive income	7,660	-	(7,917)	(1)
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures under the equity method	468	-	796	-
8349	Income tax relating to non-reclassified items	(1,862)	-	(970)	-
8310		15,571	1	(3,239)	-
	Titles likely to be reclassified as profit or loss subsequently:				
8361	Exchange differences on translation of financial statements of foreign operations	$ 6,511	-	($ 1,774)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures under the equity method	(2,833)	-	3,518	-

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Code		2021 Amount	2021 %	2020 Amount	2020 %
8399	Income tax related to items likely to be reclassified	(1,302)	-	355	-
8360		2,376	-	2,099	-
8300	Total other comprehensive income (net) for the year	17,947	1	(1,140)	-
8500	Total comprehensive income for the year	($ 264,920)	(20)	($ 98,292)	(10)
	Loss per share (Note 27)				
9710	Basic	($ 1.14)		($ 0.39)	
9810	Diluted	($ 1.14)		($ 0.39)	

The attached notes are part of the separate financial reports.

Chairman: CHING-FU HSIEH　　Manager: CHING-FU HSIEH　　Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Separate Statement of Changes in Equity
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

		Share capital			Retained earnings			Other equity			
Code		Number of shares (thousand shares)	Amount	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income	Treasury stocks	Total equity
A1	Balance on January 1, 2020	249,011	$ 2,490,112	$ 887,095	$ -	$ 119,346	$ 1,347,856	($ 265,996)	($ 6,731)	($ 31,113)	$ 4,540,569
	Allocation and distribution of earnings in 2019										
B1	Legal reserves	-	-	-	134,786	-	(134,786)	-	-	-	-
B3	Special reserves	-	-	-	-	209,226	(209,226)	-	-	-	-
B5	Cash dividends to shareholders	-	-	-	-	-	(492,022)	-	-	-	(492,022)
	Other changes in capital reserves										
M5	Actual acquisition or disposal of part of interests in subsidiaries	-	-	54	-	-	-	(371)	(1)	-	(318)
M7	Changes in ownership interests in subsidiaries	-	-	12	-	-	-	-	-	-	12
D1	Net loss in 2020	-	-	-	-	-	(97,152)	-	-	-	(97,152)
D3	Other comprehensive income after tax in 2020	-	-	-	-	-	4,678	2,099	(7,917)	-	(1,140)
D5	Total comprehensive income in 2020	-	-	-	-	-	(92,474)	2,099	(7,917)	-	(98,292)
N1	Employee stock options issued by the Company	-	-	16,294	-	-	-	-	-	45,881	62,175
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(14,768)	(14,768)
Z1	Balance on December 31, 2020	249,011	2,490,112	903,455	134,786	328,572	419,348	(264,268)	(14,649)	-	3,997,356
	Other changes in capital reserves										
C15	Cash dividends distributed from capital reserves	-	-	(370,517)	-	-	-	-	-	-	(370,517)
M5	Actual acquisition or disposal of part of interests in subsidiaries	-	-	66,032	-	-	-	5,586	23	-	71,641
M7	Changes in ownership interests in subsidiaries	-	-	5,256	-	-	-	-	-	-	5,256
D1	Net loss in 2021	-	-	-	-	-	(282,867)	-	-	-	(282,867)
D3	Other comprehensive income after tax in 2021	-	-	-	-	-	7,911	2,376	7,660	-	17,947
D5	Total comprehensive income in 2021	-	-	-	-	-	(274,956)	2,376	7,660	-	(264,920)
L1	Treasury stocks purchased	-	-	-	-	-	-	-	-	(49,596)	(49,596)
Z1	Balance on December 31, 2021	249,011	$ 2,490,112	$ 604,226	$ 134,786	$ 328,572	$ 144,392	($ 256,306)	($ 6,966)	($ 49,596)	$ 3,389,220

The attached notes are part of the separate financial reports.

Chairman: CHING-FU HSIEH Manager: CHING-FU HSIEH Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Separate Statement of Cash Flow
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Code		2021	2020
	Cash flow from operating activities		
A10000	Net loss before tax in the year	($ 261,840)	($ 90,427)
A20010	Profit and expense/loss:		
A20100	Depreciation expenses	50,310	52,624
A20200	Amortization expenses	4,427	4,554
A20300	Expected credit impairment losses	27,871	149
A20400	Net loss (profit) on financial assets and liabilities measured at fair value through profit or loss	(49,537)	79
A20900	Financial costs	11,241	10,338
A21200	Interest income	(34,214)	(41,581)
A21300	Dividend revenue	(1,955)	(1,811)
A21900	Compensation cost of employee stock options	-	15,586
A22400	Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	360,373	117,517
A23700	Loss on inventory devaluation and obsolescence	227	300
A23900	Unrealized profits/losses from subsidiaries, associates and joint ventures	23,978	9,051
A24000	Realized profits/losses from subsidiaries, associates and joint ventures	(25,900)	(35,482)
A29900	Profit (loss) on lease modification	(5)	(1)
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(61,257)	(20,460)
A31130	Notes receivable	(161)	10,772
A31150	Accounts receivable	7,538	(5,514)
A31160	Accounts receivable – related parties	9,547	(2,373)
A31180	Other receivables	(977)	140
A31190	Other receivables – related parties	(224)	5,171
A31200	Inventory	(29,631)	(8,190)
A31230	Prepayments	6,143	(34,942)
A31240	Other current assets	32,366	69,133
A31250	Other non-current assets	11,619	(338)
A32125	Contract liabilities	448,595	32,918
A32130	Notes payable	23	(2,199)

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Code		2021	2020
A32150	Accounts payable	$ 186,476	($ 3,626)
A32160	Accounts payable – related parties	9,772	(1,413)
A32180	Other payables	28,430	(128,963)
A32190	Other payables – related parties	(138)	(802)
A32200	Liability reserve	(6,595)	(2,814)
A32230	Other current liabilities	693	(2,018)
A32240	Net defined benefit liabilities	(4,614)	(1,259)
A33000	Cash generated from operations	742,581	(55,881)
A33100	Interest received	34,296	41,819
A33300	Interest paid	(11,241)	(10,338)
A33500	Income tax paid	(8,464)	(1,131)
AAAA	Net cash inflow (outflow) from operating activities	757,172	(25,531)
	Cash flows from investing activities		
B00050	Disposal of financial assets measured at amortized cost	1,843	186,041
B00100	Acquisition of financial assets measured at fair value through profit or loss	(1,820,801)	(1,620,042)
B00200	Disposal of financial assets measured at fair value through profit or loss	1,775,103	1,404,147
B01800	Acquisition of investment under the equity method	(168,608)	(91,333)
B02000	Increase in prepayments for investment	-	(15,000)
B02300	Net cash inflow from disposal of subsidiaries	792	-
B02700	Purchase of property, plants and equipment	(40,913)	(255,659)
B03700	Increase in guarantee deposits paid	-	(16,977)
B03800	Decrease in guarantee deposits paid	116,734	-
B04100	Other receivables	(792)	12,298
B04300	Other receivables – related parties	247,626	351,706
B04500	Purchase of intangible assets	(2,208)	(5,854)
B05350	Acquisition of right-of-use assets	(97,572)	-
B07100	Decrease (increase) in prepayments for equipment	(61,286)	543
B07600	Dividends received	1,955	1,811
BBBB	Net cash outflow from investing activities	(48,127)	(48,319)
	Cash flows from financing activities		
C01700	Repayment of long-term loans	(26,563)	(64,946)
C01600	Borrowing of long-term loans	100,000	350,000

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Code		2021	2020
C00200	Decrease in short-term loans	(180,000)	-
C00100	Increase in short-term loans	-	130,000
C03000	Increase in guarantee deposits received	-	380
C03100	Decrease in guarantee deposits received	($ 104)	$ -
C04020	Repayment of the principal of leases	(17,709)	(4,931)
C04500	Payment of dividends	(370,517)	(492,022)
C09900	Purchase of treasury stocks	(49,596)	(14,768)
C05100	Purchase of treasury stocks by employees	-	45,753
CCCC	Net cash outflow from financing activities	(544,489)	(50,534)
EEEE	Net increase (decrease) in cash and cash equivalents	164,556	(124,384)
E00100	Balance of cash and cash equivalents at beginning of the year	207,070	331,454
E00200	Balance of cash and cash equivalents at ending of the year	$ 371,626	$ 207,070

The attached notes are part of the separate financial reports.

Chairman: CHING-FU HSIEH   Manager: CHING-FU HSIEH   Accounting Manager: CHIN-I LAI

KENMEC MECHANICAL ENGINEERING CO., LTD.
Notes to the Separate Financial Statements
January 1 to December 31, 2021 and 2020
(All amounts are in NTD thousand unless otherwise specified.)

I. Company milestones

KENMEC MECHANICAL ENGINEERING CO., LTD. (hereinafter referred to as the Company) was established in July 1976 focusing on the design, machining, manufacturing and trading of industrial machines and steel angle frames; import and export of machinery, hardware, office equipment, and electric machinery; machining, manufacturing and trading of transfer lines, robot production lines, flexible manufacturing systems, automatic conveyors, automatic pallet stackers, automatic warehousing equipment, unmanned trucks, and robotic arms; manufacturing, machining and trading of computer and optical communication products and their components; agent of domestic and foreign manufacturers for manufacturing, trading, quoting and bidding of the aforementioned products.

The Company has traded on Taipei Exchange as of January 23, 2002.

The separate financial report is expressed in New Taiwan dollars, the functional currency of the Company.

II. Approval date and procedures of the financial report

The separate financial reports were approved at the Board meeting on March 18, 2022.

III. Application of new and amended standards and interpretation

(I) The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC) and the statements of interpretation (SIC) (hereinafter collectively referred to as "IFRSs") approved and released by the Financial Supervisory Commission (hereinafter referred to as "FSC") are applied for the first time.

The Company expected no material changes to the accounting policies of the Company after adopting the amended IFRSs approved and released by the FSC.

(II) FSC-approved IFRSs to be applied in 2022

New/Amended/Revised Standards and Interpretation	Effective Date per IASB
"Annual improvements – 2018-2020 cycle"	January 1, 2022 (Note 1)
Amendments to IFRS 3, "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendment to IFRS 9 will be applied to the exchange of financial liabilities or provision amendment occurred during annual reporting periods beginning on or after January 1, 2022. The amendment to IAS 41 "Agriculture" will be applied to fair value measurement during annual reporting periods beginning on or after January 1, 2022. The amendment to IFRS 1 "First-time Adoption of IFRSs" will be retrospectively applied to annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendment will be applied to business mergers with an acquisition date during annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendment is applied to the plants, property and equipment in the location and condition necessary to achieve the operation as expected by management after January 1, 2021.

Note 4: The amendment will be applied to the contracts in which all the obligations have not been performed on January 1, 2022.

Up to the approval and release date of the separate financial report, the Company assessed that the effects of the amendments to other standards and interpretations will not have a material impact on the financial position and financial performance.

(III) IFRSs issued by the IASB but not yet approved and released by the FSC

New/Amended/Revised Standards and Interpretation	Effective Date per IASB (Note 1)
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and their Associate or Joint Venture"	Undetermined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17, "Initial application of IFRS 17 and IFRS 9 – Comparative Information"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1, "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendment to IAS 12, "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless otherwise specified, the above-mentioned new/amended/revised standards or interpretation shall become effective in the annual reporting periods beginning on or after each effective date for such standards or interpretation.

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

Note 3: The amendment will be applied to the changes in accounting estimates and accounting policies during annual reporting periods beginning on or after January 1, 2023.

Note 4: The amendments apply to transactions that occur after January 1, 2022, except for the recognition of deferred tax for all temporary differences related to leases and decommissioning obligations as of January 1, 2022.

1. Amendments to IAS 1, “Classification of Liabilities as Current or Non-current”

   The amendment specifies that when determining whether liabilities are classified as non-current liabilities, it shall be assessed whether the Company, at the end of a reporting period, has a right to extend the due date of the liabilities by at least 12 months after the reporting period. If the Company has such right at the end of the reporting period, the liabilities are classified as non-current liabilities no matter whether the Company is expected to exercise the right. The amendment clarifies that if the Company shall complete certain requirements to have the right to defer the settlement of liabilities, the Company must have followed the requirements before the end of a reporting period; the same shall apply even if the lender checks the Company’s compliance with such requirements on a later date.

   The amendment regulates that, for the purpose of liability classification, the aforementioned settlement of liabilities refers to a transfer of cash, other economic resources or the Company’s equity instruments to the counterpart to eliminate the liabilities. However, if the terms and conditions of liabilities may, at the option of the counterparty, result in settlement of the liabilities by the transfer of the Company’s equity instruments, and the option is recognized as equity separately in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms and conditions do not affect the classification of the liabilities.

2. Amendments to IAS 1, “Disclosure of Accounting Policies”

   The amendments require the Company to determine the significant accounting policy information to be disclosed according to the definition of materiality. If the accounting policy information is reasonably expected to have an impact on the decision made by the main user of general-purpose financial statements who uses these financial statements to make such decision, the accounting policy information is deemed material. The amendments also clarify the following:

   - The accounting policy information related to insignificant transactions or other matters or circumstances is not material and the Company is not required to disclose this accounting policy.
   - The Company may make judgment according to the nature of a transaction or other matters or circumstances and determine that related accounting policy information is material, even if the amount is insignificant.
   - The accounting policy information not related to significant transactions or other matters or circumstances is material.

   In addition, the amendments give an example to explain that the accounting policy information related to significant transactions or other matters or circumstances may be material in the following cases:

   (1) The Company changes the accounting policy during the reporting period and the change leads to material changes of the information in the financial statements;
   (2) The Company selects applicable accounting policies from the options allowed in the Standards;
   (3) In case there is no specific standards to follow, the Company adopts the accounting policies established according to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”;
   (4) The Company discloses the accounting policies that are determined using significant judgments or assumptions; or

(5) Complicated accounting treatment rules are involved and the user of the financial statements relies on the information to understand significant transactions or other matters or circumstances.

3. Amendments to IAS 8, "Definition of Accounting Estimates"

The amendments define accounting estimates as the currency amount affected by measurement uncertainty in the financial statements. When applying accounting policies, the Company may need to measure the items in the financial statements using the currency amount that cannot be observed directly and must be estimated. When measuring the effect of the changes in technique or input value on accounting estimates, they shall be the changes in accounting estimates if they are not the correction of the previous errors.

Except for the above-mentioned effects, up to the approval and release date of the separate financial reports, the Company assesses the effects of the amendments to other standards and interpretations on the financial position and performance on a continuous basis. The relevant effects are disclosed after the assessment.

IV. Summary of significant accounting policies

(I) Statement of compliance

The separate financial reports were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(II) Basis for preparation

Except for the financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of the planned assets, the separate financial reports were prepared on the basis of historical cost.

Fair value measurements are classified into Levels 1, 2, and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: refer to quoted prices in an active market for identical assets or liabilities that are accessible on the measurement date (before adjustment).
2. Level 2 inputs: refer to the inputs, other than the quoted prices included in Level 1, that are observable for assets or liabilities directly (namely, the price) or indirectly (namely, presumed from the price).
3. Level 3 inputs: refer to the inputs that are not observable for assets or liabilities.

During preparation of the separate financial reports, the Company adopted the equity method for investment in subsidiaries, associates, or joint ventures. To align the profit or loss, other comprehensive income and equity of the period in the separate financial reports with the profit or loss, other comprehensive income and equity of the year attributable to the owner of the Company in the separated financial reports, the differences between the accounting treatments under the separate and consolidated bases were treated through adjustment of related equity items, including "investment under the equity method," "share of profit/loss of subsidiaries, associates and joint ventures under the equity method," "share of other comprehensive income of subsidiaries, associates, and joint ventures".

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

Current assets include:

1. assets held mainly for the purpose of trading;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. liabilities held mainly for the purpose of trading;
2. liabilities to be settled within 12 months after the balance sheet date, (irrelevant whether any long-term re-financing or payment re-arrangement agreement has been completed after the balance sheet date and before the date of release of financial reports; such liabilities are still current liabilities); and
3. liabilities whose due date cannot be unconditionally extended by more than 12 months after the balance sheet date. However, the terms and conditions of the liabilities that may, at the option of the counterparty, result in settlement of the liabilities by issuance of equity instruments do not affect the classification of liabilities.

Assets or liabilities that are not the above-mentioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

For the part of the Company responsible for the construction work with an operating cycle longer than a year, assets and liabilities with respect to the construction business are classified as current or non-current with the normal operating cycle as the standard.

(IV) Foreign currency

During preparation of the financial reports, the transactions using currencies other than the Company's functional currency (foreign currencies) were stated in the functional currency record based on the exchange rate on the date of transaction.

Monetary foreign currency items are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items are recognized as profit or loss in the current period.

Non-monetary foreign currency items measured at fair value are translated at the exchange rate on the date of determining the fair value, and the exchange differences resulting therefrom are recognized as profit or loss in the current period. However, when changes in the fair value are recognized as other comprehensive income, the exchange differences arising therefrom are stated as the same.

Non-monetary foreign currency items measured at historical cost are translated at the exchange rate on the date of transaction and are not retranslated.

During preparation of the separate financial reports, the assets and liabilities of foreign operations (including the subsidiaries, associates, joint ventures or branches with countries in which they operate or currencies they use different from those of the Company) were translated into NTD at the exchange rate on each balance sheet date. The income and expense items are translated at the average exchange rate of the period, and the exchange differences resulting therefrom are recognized as other comprehensive income.

If the Company disposes all the interests of foreign operations or disposes their partial interest in a subsidiary and lose the control thereover, or the retained equity interest after disposal of the joint agreements or associates of the foreign operations is stated as financial assets and treated with the same accounting policy as the one for financial instruments, all the accumulated exchange differences related to the foreign operations are reclassified as profit or loss.

When partial disposal of the subsidiary of the foreign operations does not lead to loss of control, any accumulated exchange differences are incorporated in proportion in the calculation of equity transactions but not recognized as profit or loss. For any other partial disposal of foreign operations, any accumulated exchange differences are reclassified as profit or loss based on the proportion of the disposal.

(V) Inventory

Inventory included raw materials, work-in-progress goods and finished goods. The inventory is measured based on the lower of the cost or net realizable value. The cost and the net realizable value are compared on the basis of the individual items except for the inventories of the same type. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventory cost.

(VI) Investment in subsidiaries

The Company deals with the investment in subsidiaries using the equity method.

A subsidiary refers to an entity (including a structured entity) controlled by the Company.

Under the equity method, the investment is initially recognized at its costs, and the amount of increase or decrease in the book value of such investment after the date of acquisition depends on the Company’s shares of profits/ losses and other comprehensive income in subsidiaries and the distributed profits. In addition, changes to the Company’s equity in the subsidiaries are recognized based on the shareholding ratio.

Changes to the Company’s equity ownership in the subsidiaries are deemed equity transactions when they do not result in loss of control. The difference between the book value of investment and the fair value of paid or received consideration is directly recognized in equity.

When the Company’s shares of losses in the subsidiaries are equal to or exceed our equity in the subsidiaries (including the subsidiary’s carrying amount under the equity method and other long-term equities that in nature are part of the net investment portfolio made by the Company in the subsidiary concerned) , we continue recognition for losses based on our shareholding ratio.

When the acquisition cost exceeds the Company’s shares of the net fair value of the subsidiaries’ identifiable assets and liabilities comprising part of the business on the date of acquisition, such excess is recognized in goodwill which is included in the book value of such investment and may not be amortized; when the Company’s shares of the net fair value of the subsidiaries’ identifiable assets and liabilities comprising part of the business on the date of acquisition exceed the acquisition cost, such excess is recognized in profit of the period.

For impairment evaluation, the Company took the entire cash generating units in the financial reports into account and made a comparison between the recoverable amount and the book value thereof. If the recoverable amount of assets increases hereafter, the reversal of impairment losses is recognized in profit. However, the assets’ book value after the reversal of the impairment losses shall not exceed the assets’ book value, without recognition of the impairment losses, less amortization. Impairment losses attributable to goodwill shall not be reversed in the subsequent periods.

If the Company lost control of subsidiaries, the residual investment in the former subsidiaries was measured at the fair value on the date of loss of control. The difference between the fair value of the residual investment and any disposal proceeds and the investment book value on the date of loss of control was recognized in the profit or loss of the period. In addition, the total amounts related to the subsidiaries and recognized in other comprehensive income are dealt with in the accounting system on the basis which our direct disposal of relevant assets or liabilities shall be subject to.

The unrealized profit or loss from the downstream transactions between the Company and subsidiaries is removed in the separate financial reports. The profit or loss generated from the upstream and side stream transactions between the Company and subsidiaries is recognized in the separate financial reports only when such profit or loss is irrelevant to the Company's equity in the subsidiaries.

(VII) Property, plant and equipment

The property, plant and equipment are recognized in accordance with the cost and subsequently measured based on the cost net of accumulated depreciation and impairment losses.

The property, plant and equipment under construction are recognized based on the cost net of accumulated impairment losses. The cost includes professional service fees and the loan costs eligible for capitalization. Once the assets are completed and ready for their intended use, the assets are classified as appropriate items under property, plant and equipment, and the depreciation of the assets starts.

Except for the self-owned land, each significant part of the property, plant and equipment is separately depreciated on the straight-line basis over its useful life. The Company reviews the estimated useful life, residual value and method of depreciation at least on the end day of each year and prospectively recognizes the effect from changes in accounting estimates.

For derecognition of the property, plant and equipment, the difference between the net disposal proceeds and the asset book value is recognized as profit or loss.

(VIII) Intangible assets

1. Acquired separately

Intangible assets with limited useful life acquired separately are initially measured in accordance with the cost and subsequently based on the cost net of accumulated amortization and impairment losses. Intangible assets are amortized on the straight-line basis over its useful life. The Company reviews the estimated useful life, residual value and method of amortization at least on the end day of each year and prospectively recognizes the effect from changes in accounting estimates. Intangible assets with indefinite useful life are recognized based on the cost net of accumulated impairment losses.

2. Derecognition

For derecognition of the intangible assets, the difference between the net disposal proceeds and the asset book value is recognized as profit or loss of the period.

(IX) Impairments of property, plant and equipment, right-of-use assets, intangible assets, and contract cost related assets

The Company assess whether there are any signs indicating that any property, plant and equipment, right-of-use assets, and intangible assets may be impaired on each balance sheet date. If there is any of such signs, the recoverable amount of the assets is estimated. When the recoverable amount of individual assets cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment at least annually or when there is any sign of impairment.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than the book value, the book value of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the impairment loss is recognized as profit or loss.

The impairment for the inventory, property, plant and equipment as well as intangible assets recognized due to customer contrasts is first recognized in accordance with the inventory impairment regulations and the aforesaid requirements. The excess of the book value of contract cost-related assets over the consideration that can be received for providing relevant goods or services net of relevant direct costs is recognized as impairment losses thereafter. The book value of the contract cost-related assets is then included in the cash-generating unit to which the assets belong in order to perform impairment assessment for the cash-generating unit.

When the impairment loss is reversed subsequently, the book value of the asset, cash-generating unit or contract cost-related assets is adjusted up to the revised recoverable amount. However, the increased book value does not exceed the book value (less the amortization or depreciation) determined under the circumstance that the impairment loss of the assets, cash-generating unit or contract cost-related assets is not recognized in the previous year. The reversal of the impairment loss is recognized as profit or loss.

(X) Financial instruments

Financial assets and financial liabilities are recognized in the separate balance sheet when the Company became a party of the financial instrument contract.

For initial recognition of the financial assets and financial liabilities, when the financial assets or financial liabilities are not measured at fair value through profit or loss, the assets or liabilities are measured at the fair value plus any transaction cost directly attributable to acquisition or issuance of the financial assets or financial liabilities. Any transaction cost measured at fair value through profit or loss directly attributable to the acquisition or issuance of the financial assets or financial liabilities is immediately recognized as profit or loss.

1. Financial assets

The regular transactions of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Type of measurements

The financial assets held by the Company are those measured at fair value through profit or loss and at amortized cost as well as investment in equity instruments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets mandatorily and designated to be measured at fair value through profit and loss. The financial assets mandatorily and designated to be measured at fair value through profit and loss include the investment in equity instruments that the Company does not designate to be measured at fair value through other comprehensive income, and the investment in liability instruments that are not qualified to be classified as those measured at amortized cost or measured at fair value through other comprehensive income.

The financial assets measured at fair value through profit or loss are measured at fair value. The produced dividend and interest are recognized in other income and interest income, respectively. The profit or loss generated from remeasurement is recognized in other profit or loss. For determination of the fair value, please refer to Note 34.

B. Financial assets measured at amortized cost

When the Company's invested financial assets meet both of the following two conditions, they are classified as financial assets measured at amortized cost:

a. The financial assets held under a business model with the purpose of holding these assets to collect contractual cash flows; and

b. The contractual terms generate cash flows on a specific date that are solely payments of principal and interest.

After the initial recognition, the financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable measured at amortized cost) are measured based on the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any profit or loss from foreign currency translation is recognized as profit or loss.

Except for the following two circumstances, the interest income is calculated as the effective interest rate times the total book value of financial assets:

a. a. For purchased or originated credit-impaired financial assets, the interest income is calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.

b. For financial assets originally not purchased or originated credit-impaired but subsequently becoming credit-impaired, the interest income is calculated as the effective interest rate times the amortized cost of the financial assets in the next reporting period after the credit impairment.

Credit-impaired financial assets represent significant financial difficulties confronting the issuer or debtor, default, the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization, or that the active market of financial assets disappears due to financial difficulties.

Cash equivalents include highly liquid time deposits that can be converted into defined amounts of cash at any time within 3 months after the date of acquisition and are subject to an insignificant risk of changes in value, and are used to meet short-term cash commitments.

C. Investment in equity instruments measured at fair value through other comprehensive income

At initial recognition, the Company may make an irrevocable election to measure the investment in equity instruments held not for trading and not recognized by the acquirer in a business merger or with consideration at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. For disposal of the investment, any cumulative profits or losses are directly transferred to retained earnings and not reclassified as profit or loss.

After the Company's right to receive dividends is determined, the dividends of investment in equity instruments measure at fair value through other comprehensive income are recognized in profit or loss except that such dividends apparently represent a partial return of the investment cost.

(2) Impairment of financial and contractual assets

The Company assesses impairment losses on financial assets (including accounts receivable) measured at amortized cost, investment in liability instruments measured at fair value through other comprehensive income and contract assets based on the expected credit losses on each balance sheet date.

Loss allowances for accounts receivable and contract assets are recognized based on the lifetime-expected credit losses. The Company first assesses whether the credit risk on other financial assets significantly increases after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized based on the 12-month expected credit losses; when the increase is significant, it is recognized based on the lifetime-expected credit losses.

The expected credit losses are the average credit losses weighted by the risk of default. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime-expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, financial assets are deemed to be defaulted when the following circumstance occurred, without consideration of the collateral held:

A. Any internal or external information indicates that a debtor is impossible to pay off the debts.

B. Any payment is overdue more than 365 days, unless any reasonable and supportable information makes it appropriate to postpone the default criteria.

The impairment loss on all financial assets is deducted from the book value of the financial assets through allowance accounts. However, the loss allowance of the investment in liability instruments measured at fair value through other comprehensive income is recognized as other comprehensive income, and the book value thereof is not reduced.

(3) Derecognition of financial assets

The Company removes financial assets only when the contractual rights to the cash flows from the assets become invalid, or the financial assets and almost all the risks and returns over the ownership of the financial assets are transferred to other companies.

For removal of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration were recognized in profit or loss. Upon derecognition of the entire investment in liability instruments measured at fair value through other comprehensive income, the difference between its book value, and the total amount of the consideration received plus any cumulative gain or loss recognized as other comprehensive profit or loss is recognized as profit or loss. Upon derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

The debt and equity instruments issued by the Company are classified as financial liabilities or equity based on the definition of real and financial liabilities as well as equity instruments under the terms and conditions of the contracts.

The equity instruments issued by the Company are recognized at the payment net of the direct cost of issuance.

When a reacquired equity instrument is originally owned by the Company, the re-acquisition is recognized as a deduction from equity. Purchase, sale, issuance or cancellation of the equity instruments owned by the Company are not recognized as profit or loss.

3. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost under the effective interest method.

(2) Derecognition of financial liabilities

For derecognition of financial liabilities, the differences between the book value and the consideration paid (including any non-cash assets transferred and any liabilities assumed) are recognized as profit or loss.

(XI) Liability reserve

The amount recognized as a liability reserve is the best estimate of the expenses needed to settle the obligation on the balance sheet date in consideration of the risks and uncertainty of the obligation. The liability reserves are measured based on the estimated discounted cash flow for settlement of the obligation.

1. Onerous contract

When the unavoidable cost for fulfillment of contractual obligations is expected to exceed the expected economic benefit from the contract, the present obligation deriving from the onerous contract is recognized as liability reserve.

2. Warranty

The warranty obligation to guarantee that products conform to the agreed specification is recognized based on the best estimate made by the management for the expenses needed to settle the Company's obligation when the revenue of the relevant commodities is recognized.

(XII) Recognition of revenue

After our recognition of performance obligations under a contract with clients, we allocate the transaction price to each performance obligation and recognize the allocated amount in revenue after each performance obligation is met.

For the contract in which transfer of commodities or services and collection of considerations are conducted at an interval within 1 year, the transaction price is not adjusted for significant financing components.

1. Revenue from sale of commodities

Revenue from sale of commodities is generated from the sales of products. Once the products are delivered to the customer-designated location and accepted by the customer, the customer is entitled to the products' price determination and right of use, has the main responsibility to resell the products, and takes the risk that the products might become outdated. Therefore, the revenue and accounts receivable are recognized at that point of time.

2. Service income

Service income derives from repair of equipment.

With provision of the equipment repair service from the Company, the customer acquires and consumes the benefit from performance of the contract. Related income is recognized when services are provided. Involvement of technicians is need for repair of equipment. The Company measures the progress of the work based on the percentage of the incurred man-hours in the estimated total man-hours. Since payment is made after completion of the repair as agreed in the contract, the Company recognizes the service income as contract assets when the service is provided and transfer it to account receivable when the repair is completed.

3. Project income

Since the cost of construction is directly related to the percentage of fulfillment of the contractual obligation, the Company measures the progress based on the percentage of the actually invested cost in the estimated total cost. The Company progressively recognizes contract assets during the construction and transfers them to accounts receivable when billing. If the construction project proceeds received exceed the revenue recognized, the difference is recognized as contract liabilities. Construction retainage retained by customers according to contractual terms and conditions is to ensure that the Company fulfills all the contractual obligation thereof and is recognized as contract assets before the fulfillment of the contract.

If the result of the fulfillment cannot be measured reliably, the contract income is recognized only within the scope of the actually incurred contract fulfillment cost expected to be recovered.

(XIII) Lease

We assess whether an agreement is (or contains) a lease on the date of entering into the agreement.

1. The Company is the lessor

A lease is classified as finance leases when almost all the risks and returns attached to the ownership of assets are transferred to the lessee according to the terms and conditions, and all the other leases are classified as operating leases.

The lease payment under operating leases less lease incentives is recognized as profit on the straight-line basis over the lease term. The original direct cost generated from the acquisition of the operating leases plus the book value of underlying assets is recognized as expenses on the straight-line basis over the lease term. The lease agreement with the lessee is dealt with as a new lease from the effective date of lease modification.

2. The Company is the lessee

The lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and short-term lease is recognized as expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

The right-of-use assets are initially measured based on the cost (including the initial recognized amount of lease liabilities, the lease payment paid before the lease commencement date less the lease incentives received, the initial direct cost and the cost estimated to restore the underlying asset) and subsequently measured based on the cost net of accumulated depreciation and accumulated impairment losses, and then the remeasurement of the lease liabilities is adjusted. The right-of-use assets are separately presented in the separate balance sheet.

The right-of-use assets are depreciated on the straight-line basis over the period from the lease commencement date to the expiration of the useful life or the lease period, whichever is sooner.

The lease liabilities were initially measured based on the present value of lease payments (including fixed payments). If the interest rate implicit in a lease could be readily determined, the lease payments were discounted at the interest rate. When such interest rate cannot be readily determined, the lessee's incremental borrowing rate of interest is used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term. When any changes in the lease term resulted in changes to the future lease payments, we remeasured the lease liabilities and adjusted the right-of-use assets accordingly. However, the residual remeasurement was recognized in profit or loss when the book value of right-of-use assets was reduced to zero. For the lease modification not dealt with as a single lease, the remeasurement of the lease liabilities due to reduction of the lease scope is conducted to reduce the right-of-use assets and recognized in profit or loss in terms of termination of any part of all of the lease; the remeasurement of the lease liabilities due to other modifications is conducted for adjustment of the right-of-use assets. The lease liabilities are separately presented in the separate balance sheet.

(XIV) Government grants

The government subsidies shall only be recognized when it is reasonable to ensure that the Company will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively.

Government subsidies related to any gains are recognized in other revenue on a systematic basis within the period when the costs to be subsidized by the government are recognized in expenses by the Company. Government grants for which the acquisition of non-current assets in a purchase or building manner or in other manners by the Company is necessary are recognized as deferred income and transferred to profit or loss on a reasonable and systematic basis over the useful life of the relevant assets.

If the government subsidies are used to make up the expenses or losses that have occurred, or immediately support the finance of the Company and there is no future cost, such subsidies are recognized in profit or loss during the period when they can be received.

(XV) Employee benefits

1. Short-term employee benefits

   Liabilities related to employee benefits are measured at non-discounted amount expected to be paid against the services to be provided by the employees.

2. Retirement benefits

   Every pension fund contributed under the defined pension appropriation plan is recognized as expenses during the period when employees provide services.

   Defined retirement benefit costs (including servicing costs, net interest, and remeasurement) under the defined retirement benefit plan are calculated actuarially using the projected unit credit method. Service costs (including current service costs) and net interest on net defined benefit liabilities (assets) were recognized in employee benefit expenses when they were incurred. Remeasurement (including actuarial profits or losses and return on plan assets net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It is not reclassified as profit or loss in the subsequent periods.

Net defined benefit liabilities (assets) represent the contribution deficit (surplus) in the defined retirement benefit plan. Net defined benefit assets shall not exceed the present value of contribution refunded from the defined retirement benefit plan or future deductible contribution.

(XVI) Share-based payment arrangement

Employee stock options for employees

The employee stock options are recognized as expenses based on the fair value of equity instruments on the grant date and the best estimate of the vested amount on the straight-line basis over the vesting period, while the capital reserve – employee stock options is adjusted. If the amount is immediately vested on the grant date, it is recognized as expenses on that date. The Company may transfer treasury stocks to employees. The grant date is the date of notification to employees.

(XVII) Income tax

The income tax expenses are the total of current and deferred income taxes.

1. Current income tax

The Company determines the current revenue (loss) in accordance with the laws and regulations of the jurisdiction where the income tax returns are filed and, with this as a basis, calculates the income tax payable (receivable).

The additional income tax on undistributed earnings calculated according to the Income Tax Act of the Republic of China is recognized in the year when the related resolution is made at the shareholders' meeting.

The adjustments to the income tax payable in the previous year are recognized in the current income tax.

2. Deferred income tax

The deferred income taxes are calculated based on the temporary difference between the book value of assets and liabilities in the book and the tax base for calculation of taxable income.

Deferred income tax liabilities are generally recognized based on all taxable temporary differences; deferred income tax assets are recognized when we are likely to have taxable income available to offset the income tax arising from deductible temporary differences, loss carryforwards, purchase of machinery/equipment, R&D and talent training.

Taxable temporary differences generated from investment in subsidiaries, associates and joint arrangements are recognized in deferred income tax liabilities except where the Company can control the timing of reversal of the taxable temporary differences, and where such differences are not likely to be reversed in the foreseeable future. Deductible temporary differences related to such investment are recognized, to the extent that they are expected to be reversed in the foreseeable future, as deferred income tax assets only when we are likely to have taxable income adequate to realize the temporary differences.

The book value of deferred income tax assets is reviewed at each balance sheet date. When any of the deferred income tax assets is not likely to have taxable income adequate to return all or part of the assets anymore, the book value thereof is reduced. Those that are not originally recognized as deferred income tax assets are reviewed at each balance sheet date. When any of those is likely to generate taxable income adequate to return all or part of the assets in the future, the book value thereof is increased.

The deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized. The tax rate is subject to the tax rate and tax laws legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets are measured to reflect the tax on the balance sheet date arising from the method that we expect to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

The current and deferred income taxes are recognized as profit or loss other than those related to the titles stated as other comprehensive income or as equity directly, which are recognized in other comprehensive income separately or in equity directly.

V. Major sources of uncertainty of significant accounting judgments, estimates, and assumptions

For adoption of the accounting policies, our management must make judgments, estimates and assumptions related to the information that cannot be readily acquired from other sources based on historical experience and other relevant factors. The actual results may differ from those estimates.

The Company deems the effect of the COVID-19 on the economy as a consideration of significant accounting estimates. The management will continue to review the estimates and basic assumptions. When the amendments to the estimates only affect the current period, they are recognized in the period in which they are made; when the amendments to the estimates affect the current and future periods at the same time, they are recognized in the period in which they are made and the future period.

Main sources of uncertainties of estimates, and assumptions

Construction contracts

The construction profit or loss of a construction contract is recognized in revenue and cost with reference to the completion level of the contractual activities. The completion level is measured based on the percentage of the contract cost incurred to the completed works up to now in the estimated total contract cost.

Since the estimated total cost and contract items are derived by management from assessment and judgment of the nature of individual products, expected outsourcing price, project period, construction project, and construction method, they may affect the calculation of the completion percentage and construction profit/loss. (Please refer to Note 24.)

VI. Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and working capital	$ 1,104	$ 1,124
Bank check and demand deposit	188,281	119,792
Cash equivalents (investment with an initial maturity date within 3 months)		
Time deposit	182,241	86,154
	$ 371,626	$ 207,070

Interest rate range of bank deposits on the balance sheet date

	December 31, 2021	December 31, 2020
Bank deposit	0.001% ~ 0.50%	0.001% ~ 0.30%
Bank deposit with an initial maturity date within 3 months	0.12% ~ 2.35%	0.26% ~ 2.00%

VII. Financial instruments measured at fair value through profit or loss

	December 31, 2021	December 31, 2020
Financial assets – current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
－Overseas listed (OTC) stocks	$ 31,061	$ 9,957
－Fund beneficiary certificates	380,110	320,938
	$ 411,171	$ 330,895
Financial assets – non-current		
Mandatory measurement at fair value through profit or loss		
Non-derivative financial assets		
－Domestic non-listed (non-OTC) stocks	$ 74,100	$ 44,141

VIII. Financial assets measured at fair value through other comprehensive income

Investment in equity instruments

	December 31, 2021	December 31, 2020
Non-current		
Domestic investment		
Non-listed (Non-OTC) stock		
Common stock of United Information System Service Co., Ltd.	$ 34,905	$ 27,245
Common stock of Ecatch Automation Co., Ltd.	900	900
	$ 35,805	$ 28,145

The Company invested in the common stocks of United Information System Service Co., Ltd. and Ecatch Automation Co., Ltd. according to our medium and long-term strategies and expected to gain profits through long-term investment. Since the Company's management deemed that the recognition of short-term changes in the investment's fair value in profit or loss was not consistent with the said long-term investment plan, they opted to have the investment measured at fair value through other comprehensive income.

IX. Financial assets measured at amortized cost

	December 31, 2021	December 31, 2020
Current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 197,076	$ 206,071
Less: Loss allowance	-	-
	$ 197,076	$ 206,071
Non-current		
Domestic investment		
Time deposit with an initial maturity date over 3 months(I)	$ 33,904	$ 26,752
Less: Loss allowance	-	-
	$ 33,904	$ 26,752

(I) As of December 31, 2021 and 2020, the interest rate range of time deposits with an initial maturity date over 3 months was 0.04%–0.815% and 0.04%–1.09%, respectively.

(II) For more information on the pledge of the financial assets measured at amortized cost, please refer to Note 34.

X. Notes/accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Notes receivable		
Measurement at amortized cost		
Total book value	$ 436	$ 275
Less: Loss allowance	-	-
	$ 436	$ 275

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	December 31, 2021	December 31, 2020
Accounts receivable		
Measurement at amortized cost		
Total book value	$ 122,545	$ 157,867
Less: Loss allowance	(236)	(149)
	$ 122,309	$ 157,718
Accounts receivable – related parties (Note 33)	$ 2,637	$ 12,184
Overdue receivables (booked in other non-current assets)	$ 2,877	$ -
Less: Loss allowance	(2,877)	-
	$ -	$ -
Other receivables		
Interest receivable	$ 336	$ 418
Proceeds receivable from disposal of investments	792	-
Others	2,034	1,057
	$ 3,162	$ 1,475
Other receivables – related parties (Note 33)	$ 806,093	$ 1,053,495

(I) Notes and accounts receivable

The Company provides an O/A 30-to-90-day credit period on average for sale of commodities, and interest does not accrue on accounts receivable. When determining the recoverability of accounts receivable, the Company considers any changes in their credit quality from the original credit date to the balance sheet date. Since the historical experience tells that the accounts receivable overdue for more than 1 year are not recoverable, the Company recognizes the accounts receivable of more than 1 year in 100% loss allowance. As for the loss allowance of the accounts receivable within 1 year, the amount not recoverable is estimated with reference to the previous default record current financial status of the counterparty.

We recognize the loss allowance for accounts receivable based on the lifetime expected credit losses. The lifetime expected credit losses are calculated using a provision matrix with consideration of customers' historical default records and current financial position, industrial and economic environments, GDP forecasts and industrial prospects. Since our historical experience of credit losses show no significant difference in the type of loss between different clients, the customers are not further classified in the provision matrix. We only set the expected credit loss rate based on the days overdue of accounts receivable.

When there is any evidence showing that the trading counterparty is facing serious financial difficulties and we cannot estimate a reasonable recoverable amount (for example, the trading counterparty is undergoing liquidation or any debt has been overdue for more than 365 days), the Company directly write off related accounts receivable, continue to claim for payment, and recognize the recovered amount therefrom in profit or loss.

Our loss allowance for notes and accounts receivable measured using the provision matrix are as follows:

December 31, 2021

	Not overdue	Overdue 1-90 days	Overdue 91-180 days	Overdue 181-365 days	Overdue Over 365 days	Individual evaluation of impairment	Total
Percentage of expected credit losses	0%	0%	0%	0%	100%	100%	
Total book value	$ 125,382	$ -	$ -	$ -	$ -	$ 236	$ 125,618
Loss allowance (lifetime expected credit losses)	-	-	-	-	-	(236)	(236)
Amortized cost	$ 125,382	$ -	$ -	$ -	$ -	$ -	$ 125,382

December 31, 2020

	Not overdue	Overdue 1-90 days	Overdue 91-180 days	Overdue 181-365 days	Overdue Over 365 days	Individual evaluation of impairment	Total
Percentage of expected credit losses	0%	0%	0%	0%	100%	100%	
Total book value	$ 170,177	$ -	$ -	$ -	$ -	$ 149	$ 170,326
Loss allowance (lifetime expected credit losses)	-	-	-	-	-	(149)	(149)
Amortized cost	$ 170,177	$ -	$ -	$ -	$ -	$ -	$ 170,177

Changes in loss allowance for notes and accounts receivable and overdue receivables are as follows:

	2021	2020
Balance – beginning of the year	$ 149	$ 489
Add: Impairment loss appropriated in the year	3,113	149
Less: Actual amount written off in the year	(149)	(489)
Balance – ending of the year	$ 3,113	$ 149

(II) Other receivables

The interest of the loans that the Company provides to related parties is calculated with reference to the market rate. Interest does not accrue on other receivables. When determining the recoverability of other receivables, the Company considers any changes in their credit quality from the original credit date to the balance sheet date. Since the historical experience tells that other receivables overdue for more than 1 year are not recoverable, the Company recognizes other receivables of more than 1 year in 100% loss allowance. As for the loss allowance of other receivables within 1 year, the amount not recoverable is estimated with reference to the previous default record current financial status of the counterparty.

XI. Inventory

	December 31, 2021	December 31, 2020
Work in process	$ 12,011	$ 2,032
Raw material	37,538	17,215
Finished goods	247	1,145
	$ 49,796	$ 20,392

The cost of sales related to the inventories in 2021 and 2020 was NTD 8,516,000 and NTD 27,515,000, respectively. The cost of sales included inventory devaluation loss of NTD 227,000 and NTD 300,000, respectively.

XII. Investment under the equity method

Investment in subsidiaries

	December 31, 2021	December 31, 2020
Publicly quoted company		
Tainergy Tech. Co., Ltd.	$ 391,554	$ 440,316
Non-publicly quoted entity		
KENTEC INC.	476,596	499,857
KENMEC VIETNAM COMPANY LIMITED	122,358	109,348
Kenmec International Holding (BVI) Co., Ltd.	136,359	230,053
Ample Assets Holdings Ltd	117,454	113,439
TAISIC MATERIALS CO.	20,376	840
Hua-Xia Construction Co., Ltd.	18,669	-
Chief Global Logistics Co., Ltd.	895	-
	$ 1,284,261	$ 1,393,853

Name of the subsidiary	Proportion of Ownership and Voting Right December 31, 2021	December 31, 2020
Tainergy Tech. Co., Ltd.	27.19%	28.83%
KENTEC INC.	89.16%	89.16%
Kenmec International Holding (BVI) Co., Ltd.	100%	100%
Ample Assets Holdings Ltd	100%	100%
KENMEC VIETNAM COMPANY LIMITED	100%	100%
TAISIC MATERIALS CO.	8.6%	10%
Hua-Xia Construction Co., Ltd.	100%	-
Chief Global Logistics Co., Ltd.	100%	-

The Company has a shareholding of 27.19% in Tainergy Tech. Co., Ltd., but, nevertheless, has substantial control over the company. It is thus incorporated as a subsidiary of the Company.

The company has a shareholding of 8.6% in Taisic Materials Co. and Tainergy Tech. Co., Ltd., a subsidiary of the Company, has a shareholding of 55.41% in Taisic Materials Co. Since the Company has substantial control over the Taisic Materials Co., it is incorporated as a subsidiary of the Company.

For the share of profit or loss and other comprehensive income of subsidiaries using the equity method for 2021 and 2020, except for Hua-Xia Construction Co., Ltd. and Chief Global Logistics Co., Ltd. that were not audited by CPAs, the rest have been recognized according to the audited financial reports of each subsidiary for the same period.

XIII. Property, plant and equipment

	Land	House and building	Machinery and equipment	Transport equipment	Office equipment	Leasehold improvement	Other equipment	Uncompleted construction	Total
Cost									
Balance on January 1, 2021	$ 865,945	$ 429,847	$ 158,589	$ 40,936	$ 44,971	$ 8,391	$ 3,029	$ 15,288	$ 1,566,996
Addition	-	8,663	1,676	1,410	10,100	167	-	13,933	35,949
Disposal	-	-	(10,221)	(3,687)	(1,634)	(90)	-	-	(15,632)
Reclassification	-	15,088	3,081	-	-	-	-	(15,088)	3,081
Balance on December 31, 2021	$ 865,945	$ 453,598	$ 153,125	$ 38,659	$ 53,437	$ 8,468	$ 3,029	$ 14,133	$ 1,590,394
Accumulated depreciation and impairment									
Balance on January 1, 2021	$ -	$ 253,919	$ 121,700	$ 26,313	$ 36,107	$ 8,164	$ 1,634	$ -	$ 447,837
Depreciation expenses	-	20,773	10,522	5,139	3,995	213	720	-	41,362
Disposal	-	-	(10,221)	(3,687)	(1,634)	(90)	-	-	(15,632)
Balance on December 31, 2021	$ -	$ 274,692	$ 122,001	$ 27,765	$ 38,468	$ 8,287	$ 2,354	$ -	$ 473,567
Net on December 31, 2021	$ 865,945	$ 178,906	$ 31,124	$ 10,894	$ 14,969	$ 181	$ 675	$ 14,133	$ 1,116,827
Cost									
Balance on January 1, 2020	$ 608,839	$ 358,202	$ 148,667	$ 35,162	$ 40,862	$ 8,391	$ 3,124	$ 2,684	$ 1,205,931
Addition	158,905	69,151	7,375	5,774	5,599	-	-	15,288	262,092
Disposal	-	-	(1,454)	-	(1,490)	-	(95)	-	(3,039)
Reclassification	98,201	2,494	4,001	-	-	-	-	(2,684)	102,012
Balance on December 31, 2020	$ 865,945	$ 429,847	$ 158,589	$ 40,936	$ 44,971	$ 8,391	$ 3,029	$ 15,288	$ 1,566,996
Accumulated depreciation and impairment									
Balance on January 1, 2020	$ -	$ 232,915	$ 113,913	$ 21,993	$ 34,121	$ 7,925	$ 886	$ -	$ 411,753
Depreciation expenses	-	21,046	9,199	4,320	3,476	239	843	-	39,123
Disposal	-	-	(1,454)	-	(1,490)	-	(95)	-	(3,039)
Reclassification	-	(42)	42	-	-	-	-	-	-
Balance on December 31, 2020	$ -	$ 253,919	$ 121,700	$ 26,313	$ 36,107	$ 8,164	$ 1,634	$ -	$ 447,837
Net amount on December 31, 2020	$ 865,945	$ 175,928	$ 36,889	$ 14,623	$ 8,864	$ 227	$ 1,395	$ 15,288	$ 1,119,159

Since there was no sign of impairment in 2021 and 2020, the Company did not conduct impairment assessment.

The depreciation expense was calculated on the straight-line basis over the following useful lives:

House and building	
Main factory building	34-50 years
Machinery and equipment	
Mechanical & electric power equipment	8-10 years
Engineering equipment	4-6 years
Solar power system	16 years
Auto warehouse equipment	16 years
Cleanroom equipment	10-12 years
Machine tool/machinery	5-6 years
Instrument	6 years
Transport equipment	6 years
Office equipment	3-11 years
Leasehold improvement	6 years
Other equipment	4-6 years

For the amount of the property, plant and equipment pledged as collateral for loans, please refer to Note 34.

XIV. Lease agreement

(I) Right-of-use assets

	December 31, 2021	December 31, 2020
Book value of right-of-use assets		
Building	$ 365,128	$ 8,979

	2021	2020
Addition of right-of-use assets	$ 373,583	$ -
Disposal of right-of-use assets	($ 229)	($ 81)
Depreciation expense of right-of-use assets		
Building	$ 8,948	$ 13,501
Capitalization of depreciation expenses	$ 8,257	$ -

The Company built equipment on the leased right-of-use asset. During construction, depreciation and interest expenses incurred were capitalized to repayment of equipment. For capitalization of interest expenses, please refer to Note 25.

Since there was no sign of impairment in 2021 and 2020, the Company did not conduct impairment assessment.

(II) Lease liabilities

	December 31, 2021	December 31, 2020
Book value of lease liabilities		
Current	$ 397	$ 4,792
Non-current	264,811	-
	$ 265,208	$ 4,792

The discount rate for lease liabilities is as follows:

	December 31, 2021	December 31, 2020
Building	1.68%~2.1%	2.1%

(III) Other lease information

	2021	2020
Short-term lease and lease expense of low-value assets	$ 4,679	$ 2,238
Total cash (outflow) amount for lease	($ 22,436)	($ 7,317)

The Company opts to apply the exemption of recognition to the lease of property which is qualified as a short-term lease or a lease of low-value assets, and does not recognize right-of-use assets and lease liabilities with respect to such lease.

XV. Other intangible assets

	Computer software cost
Cost	
Balance on January 1, 2021	$ 25,910
Acquired separately	2,208
Balance on December 31, 2021	$ 28,118
Accumulated amortization	
Balance on January 1, 2021	$ 18,742
Amortization expenses	4,427
Balance on December 31, 2021	$ 23,169
Net on December 31, 2021	$ 4,949
Cost	
Balance on January 1, 2020	$ 20,056
Acquired separately	5,854
Balance on December 31, 2020	$ 25,910
Accumulated amortization	
Balance on January 1, 2020	$ 14,188
Amortization expenses	4,554
Balance on December 31, 2020	$ 18,742
Net amount on December 31, 2020	$ 7,168

Since there was no sign of impairment in 2021 and 2020, the Company did not conduct impairment assessment.

The amortization expense was calculated on the straight-line basis over the following useful lives:

Computer software cost	1-3 years

Summary of amortization expenses by function:

	2021	2020
Operating costs	$ 2,959	$ 3,273
Marketing expense	896	877
Administrative expense	429	404
R&D expense	143	-
	$ 4,427	$ 4,554

XVI. Other assets

	December 31, 2021	December 31, 2020
Current		
Prepayments		
Prepayments for purchase (Note 33)	$ 9,280	$ 43,081
Prepaid expenses	34,934	7,276
	$ 44,214	$ 50,357
Other current assets		
Other financial assets – reserve account (Note 34)	$ 110,735	$ 142,973
Construction guarantee deposits paid	32,283	21,983
Payments for others	-	128
	$ 143,018	$ 165,084
Non-current		
Other non-current assets		
Prepayment for equipment	$ 80,618	$ 8,727
Guarantee deposits paid	6,001	133,035
Prepayment for investment	-	15,000
Overdue receivables	2,877	-
Loss allowance – overdue receivables	(2,877)	-
Other financial assets – reserve account (Note 34)	156,982	168,601
Others	3,450	3,450
	$ 247,051	$ 328,813

(I) Other financial assets

The other financial assets of the Company mainly come from the project contract that we won. Please refer to Note 34 for the pledged current deposits and the bank account.

(II) Guarantee deposits paid

The Company's guarantee deposits paid are mainly the lease security money of NTD 128,400,000 under the Zhongli plant lease contract entered into by the Company and Delta Electronics Inc. in June 2019 and the guarantee deposit paid for the equipment construction bidding project, contract performance, and warranty service. Please refer to Note 34.

(III) Prepayment for equipment

The Company's prepayments for equipment are the prepayments made for purchasing property, plant and equipment needed for production of the commodities or services to be supplied according to the purchase contracts.

(IV) Overdue receivables

The Company's overdue receivables are the receivables overdue more than 1 year, and 100% of the loss allowance with respect to such overdue receivables are recognized. Please refer to Note 10.

XVII. Loan

(I) Short-term loans

	December 31, 2021	December 31, 2020
Secured loan (Note 34)		
Bank loans	$ 20,000	$ 200,000

The interest rate of working loans on December 31, 2021 and 2020 was 1.30% and 1.17%, respectively.

(II) Long-term loans

	Maturity date	Material terms	Effective interest rate	December 31, 2021	December 31, 2020
Unsecured loans					
Taiwan Business Bank	February 5, 2026	The loan totals NTD 100,000,000 for a period of 5 years (non-revolving) without a grace period. It is disbursed on a lump-sum basis or in installments. The interest is paid every month. The installments of the principal is paid in equal each month from the date of automatic repayment of principal.	2.10%	$ 85,271	$ -
Secured loan (Note 34)					
Hua Nan Bank	December 29, 2023	The loan totals NTD 54,000,000 and is repaid on a monthly basis from January 29, 2011. The interest is paid every month.	1.60%	9,341	13,900
First Commercial Bank	October 13, 2032	The loan totals NTD 110,000,000 with a grace period of 2 years. It is disbursed on a lump-sum basis or in installments. The installments of the principal are calculated from the expiry date of the grace period at an interval of 1 month. The principal is amortized in 168 installments.	1.73%	87,426	94,701
Taiwan Business Bank	January 10, 2035	The loan totals NTD 260,000,000 for a period of 15 years (non-revolving) with a grace period of 2 years. It is disbursed on a lump-sum basis. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period at an interval of 3 months. The principal is amortized in 52 installments.	1.45%	260,000	260,000
The Shanghai Commercial & Savings Bank	July 27, 2025	The loan totals NTD 90,000,000 for a period of 5 years (non-revolving) with a grace period of 2 years. It is disbursed on a lump-sum or installment basis. The interest is paid every month. The installments of the principal are calculated from the expiry date of the grace period in 3-month intervals. The principal is amortized in 12 installments.	1.68%	90,000	90,000
				532,038	458,601
Less: Due within one year				(54,323)	(11,784)
Long-term loans				$ 477,715	$ 446,817

XVIII. Notes and accounts payable

	December 31, 2021	December 31, 2020
Notes payable		
From operation	$ -	$ 2
Not from operation	231	206
	$ 231	$ 208
Accounts payable		
From operation – non-related parties	$ 334,361	$ 147,885
From operation – related party (Note 33)	12,734	2,962
	$ 347,095	$ 150,847

Accounts payable

The average credit period for purchasing raw materials, materials and commodities is 30 – 120 days. Interest is not included in the accounts payable recognized with respect to such purchase. The Company establishes the financial risk management policies to ensure that all payables can be paid back within the agreed term of credit.

XIX. Other liabilities

	December 31, 2021	December 31, 2020
Current		
Other payables		
Salary and bonus payable	$ 85,585	$ 63,502
Equipment payment payable	1,979	6,943
Expenses payable	38,886	29,993
Business tax payable	3,519	2,911
Remuneration payable to employees, directors and supervisors	-	3,154
	$ 129,969	$ 106,503
Other payables – related parties (Note 33)	$ -	$ 138
Non-current		
Other liabilities		
Guarantee deposits received	$ 5,733	$ 5,837

XX. Liability reserve

	December 31, 2021	December 31, 2020
Current		
Warranty	$ 10,945	$ 17,627
Onerous contract	2,040	1,953
	$ 12,985	$ 19,580

The warranty liability reserve is the best estimate for any future outflow of economic benefits due to warranty obligation by the Company's management according the agreements in contracts for sale of commodities. The estimate is based on the Company's historical warranty experience and adjusted in consideration of new raw materials, procedural changes or other factors that influence the quality of the products.

XXI. Retirement benefit plan

(I) Defined contribution plan

The pension system specified in the "Labor Pension Act" adopted by the Company is the defined pension appropriation plan managed by the government. A pension equal to 6% of an employee's monthly wage shall be appropriated to the individual labor pension account at the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension system adopted by the Company according to the "Labor Standards Act" is the defined retirement benefit plan managed by the government. The years of service rendered and the average wage of six months prior to the approved retirement date shall be the reference for calculation of the pension to be paid to the employee. We appropriate 2% of the total monthly wage of an employee as the pension and remit the amount to the labor pension reserve funds account at the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, we will make up the difference in one appropriation before the end of March the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor and we do not have the right to influence the investment management strategies.

Amounts related to the defined benefit plan and included in the separate balance sheet are listed as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligation	$ 168,551	$ 188,969
Fair value of plan assets	(96,305)	(102,804)
Net defined benefit liabilities	$ 72,246	$ 86,165

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
January 1, 2020	$ 204,476	($ 112,200)	$ 92,276
Service cost			
Current service cost	135	-	135
Interest expense (income)	1,534	(851)	683
Recognition in profit or loss	1,669	(851)	818
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(3,801)	(3,801)
Actuarial loss (profit)			
－Changes in demographic assumption	3	-	3

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
—Changes in financial assumption	4,312	-	4,312
—Experience adjustments	(5,366)	-	(5,366)
Recognition in other comprehensive income	(1,051)	(3,801)	(4,852)
Contribution by employer	-	(2,077)	(2,077)
Payment of benefits	(16,125)	16,125	-
December 31, 2020	188,969	(102,804)	86,165
Service cost			
Current service cost	135	-	135
Interest expense (income)	945	(520)	425
Recognition in profit or loss	1,080	(520)	560
Remeasurement			
Return on plan assets (except for any amount included in net interest)	-	(1,415)	(1,415)
Actuarial loss (profit)			
—Changes in demographic assumption	5,160	-	5,160
—Changes in financial assumption	(18,307)	-	(18,307)
—Experience adjustments	5,257	-	5,257
Recognition in other comprehensive income	(7,890)	(1,415)	(9,305)
Contribution by employer	-	(2,126)	(2,126)
Payment of benefits	(10,560)	10,560	-
Company account payment	(3,048)	-	(3,048)
December 31, 2021	$ 168,551	($ 96,305)	$ 72,246

The amounts of the defined benefit plan recognized in profit or loss are summarized by function as follows:

	2021	2020
Operating costs	$ 892	$ 854
Marketing expense	277	356
Administrative expense	(976)	(656)
R&D expense	367	264
	$ 560	$ 818

The Company is exposed to the following risks due to the pension system under the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Funds, Ministry of Labor separately has invested the labor pension fund in domestic (foreign) equity and debt securities, and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the Company's plan assets shall be calculated with an interest rate not below the interest rate for a 2-year time deposit with local banks.
2. Interest rate risk: A decrease in the interest rates of government bonds and corporate bonds leads to increase the present value of the defined benefit obligation, and the return on debt investment of the plan assets will be increased accordingly. The net defined benefit liabilities may be partially offset by both increases.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salary of the plan participants. Therefore, the present value of the defined benefit obligation will be increased due to an increase in the plan participants' salary.

The Company's present value of the defined benefit obligation is calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.625%	0.5%
Anticipated salary increase rate	2.50%	2.75%

If there were any reasonably possible changes to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

	December 31, 2021	December 31, 2020
Discount rate		
Increase by 0.25%	($ 3,688)	($ 4,311)
Decrease by 0.25%	$ 3,810	$ 4,463
Anticipated salary increase rate		
Increase by 0.25%	$ 3,706	$ 4,293
Decrease by 0.25%	($ 3,606)	($ 4,170)

Since the actuarial assumptions might be correlated to each other, and it was unlikely that the changes were only in a single assumption, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2021	December 31, 2020
Expected contribution within 1 year	$ 2,144	$ 2,234
Average maturity of defined benefit obligations	8.8 years	9.2 years

XXII. Maturity analysis on asset liabilities

The assets and liabilities of the Company with respect to the construction business are classified as current or non-current with the operating cycle as the standard. The related amount recognized based on the amount anticipated to be recovered or reimbursed within a year and more than a year after the balance sheet date is as follows:

	Within 1 year	More than 1 year	Total
December 31, 2021			
Assets			
Contract assets	$ 22,299	$ 292,045	$ 314,344
Liability			
Contract liabilities	$ 18,606	$ 952,787	$ 971,393
December 31, 2020			
Assets			
Contract assets	$ 7,437	$ 248,731	$ 256,168
Liability			
Contract liabilities	$ 18,450	$ 504,348	$ 522,798

XXIII. Equity

(I) Share capital

Common stock

	December 31, 2021	December 31, 2020
Number of authorized shares (thousand shares)	402,000	402,000
Authorized capital	$ 4,020,000	$ 4,020,000
Number of shares issued and fully paid (thousand shares)	249,011	249,011
Issued capital	$ 2,490,112	$ 2,490,112

(II) Capital reserves

	December 31, 2021	December 31, 2020
Available for makeup of loss, distribution of cash dividends or transfer into capital (1)		
Stock issuance in excess of par value	$ 429,656	$ 800,173
Treasury stock trading	68,626	68,626
Difference between the actual price for acquisition of equity in subsidiaries and the book value	81,364	15,332
Only available for makeup of loss (2)		
Recognition of changes in equity ownership in subsidiaries	24,580	19,324
	$ 604,226	$ 903,455

1. These capital reserves may be used to make up losses or to distribute cash dividends or be transferred into the capital if the Company does not incur a loss. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.
2. These capital reserves are the equity transaction effects recognized by the Company as a result of the changes of the equity in subsidiaries when the Company does not actually acquire or dispose the equity of the subsidiaries, or the adjustments for the Company to recognize subsidiaries' capital reserves under the equity method.

(III) Retained earnings and dividend policy

The Company approved the Articles of Incorporation through the resolution made at the shareholders' meeting on June 23, 2020. They expressly specify that the Company authorizes the Board of Directors to distribute the distributable dividends and bonuses in the form of cash and report at the shareholders' meeting.

According to the Company's earnings distribution policy specified in the amendments of the Articles of Incorporation, if the Company has a profit at the year's final accounting, it shall first pay the income tax and make up any cumulative losses in accordance with laws, and then make a 10% contribution of the balance to the legal reserve, and also make provision/reversal of special reserves pursuant to the laws. Any balance thereof shall, together with the accumulated undistributed earnings and the "adjusted amount of the annual undistributed profits," be submitted by the Board of Directors in the form of an earnings distribution proposal to the shareholders' meeting for ratification. For the distribution policy of employee and director/supervisor remuneration regulated in the Company's Articles of Incorporation, please refer to (VII) Remuneration to employees, directors, and supervisors in Note 25 (VII).

The Company's business is currently in the stage of operational growth, requiring profits to be retained as funding necessary for operational growth and investments. Therefore, the Company currently adopts a "balance as dividend" policy, giving consideration to the distribution of a balanced dividend equaling at least 50% of the annual net profits after tax. The Board of Directors may, however, submit a proposal for distribution to the shareholders' meeting for decision after taking into account the actual funding situation of the Company.

Profits may be distributed in the form of a combination of cash and stock dividends, provided that cash dividend is at least 20% of the total dividend. The shareholders' meeting may, however, make adjustment thereto based on future funding plans.

Legal reserves shall be prepared to the amount at which the balance of the legal reserves reaches to the total paid-in capital. Legal reserves may be used to make up loss. Where the Company does not sustain loss, the part of the legal reserves that exceeds the total paid-in capital by 25% may be appropriated as capital or distributed by cash.

The Company held annual general meetings on August 27, 2021, and June 23, 2020. Earnings distribution proposals in 2020 and 2019 approved at the said meetings are as follows:

	2020	2019
Legal reserves	$ -	$ 134,786
Special reserves	$ -	$ 209,226
Cash dividend	$ -	$ 492,022
Cash dividends from capital reserves	$ 370,517	$ -
Cash dividend per share (NTD)	$ -	$ 2.0
Cash dividends from capital reserves per share (NTD)	$ 1.5	$ -

The proposal for distribution of earnings in 2021 resolved by the Board of Directors on March 18, 2022 is as follows:

	2021
Special reserves	($ 9,455)
Cash dividends from capital reserves	$ 395,218
Cash dividends from capital reserves per share (NTD)	$ 1.6

The proposal for distribution of earnings in 2021 is to be resolved at the annual shareholders' meeting to be held on June 24, 2022.

(IV) Special reserves

	2021	2020
Balance – beginning of the year	$ 328,572	$ 119,346
Earnings set aside as special reserve	-	209,226
Balance – ending of the year	$ 328,572	$ 328,572

The special reserve set aside for the land when IFRSs are applied for the first time may be reversed at the time of disposal or reclassification. The special reserve set aside for the exchange differences from the translation of foreign operations' financial statements (including subsidiaries) is reserved according to the percentage of disposal. It will be completely reversed when the Company loses the significant influence. When earnings are distributed, a special reserve shall be set aside for the difference between the net deduction of other shareholder's equities stated on the end date of the reporting period and the special reserve set aside when IFRSs are applied for the first time. If there is any reversal of the decrease in shareholders' equity, the earnings may be distributed based on the reversal proportion.

(V) Other equity

1. Exchange differences on translation of financial statements of foreign operations:

	2021	2020
Balance – beginning of the year	($ 264,268)	($ 265,996)
Amounts incurred in the year		
Exchange differences from foreign operations	5,209	(1,419)
Share of subsidiary under the equity method	(2,833)	3,518
Other comprehensive income for the year	2,376	2,099
Acquisition of partial equity in subsidiaries	5,586	(371)
Balance – ending of the year	($ 256,306)	($ 264,268)

2. Unrealized profit/loss on valuation of financial assets measured at fair value through other comprehensive income

	2021	2020
Balance – beginning of the year	($ 14,649)	($ 6,731)
Amounts incurred in the year		
Unrealized profit/loss		
Equity instruments	7,660	(7,917)
Acquisition of partial equity in subsidiaries	23	(1)
Balance – ending of the year	($ 6,966)	($ 14,649)

(VI) Treasury stocks

Cause of repurchase	Transfer of shares to employees (thousand shares)
Number of shares on January 1, 2020	2,000
Increase in the year	1,000
Decrease in the Year	(3,000)
Number of shares on December 31, 2020	-
Number of shares on January 1, 2021	-
Increase in the year	2,000
Number of shares on December 31, 2021	2,000

According to the Securities and Exchange Act, the number of shares repurchased may not exceed ten percent of the Company's total number of issued shares; the total amount of the repurchased shares may not exceed the amount of retained earnings plus premium on capital stock and realized capital reserve. The shares repurchased by the Company as mentioned above shall be transferred within 3 years of the repurchase date. Otherwise, the shares shall be deemed as not issued by the Company, and amendment registration shall be processed.

On August 17, 2020, the Company transferred 2,000,000 treasury shares and 1,000,000 common stocks to the employees at a price of NTD 15.56 and NTD 14.77 per share, respectively. The Company recognized NTD 15,586,000 in compensation cost on the grant date. The total transfer price was NTD 45,890,000. The difference of NTD 15,458,000 after deduction of the treasury stock trading cost of NTD 137,000 and the treasury stock buyback cost of NTD 45,881,000 was credited under capital reserve – treasury stock trading. In addition, for the outstanding vested stock options held by Kentec's employees, a change of NTD 836,000 in equity was recognized. The record date was August 17, 2020.

The Black-Scholes valuation model was used for the employee stock options granted by the Company in August 2020. The inputs used in the valuation model are as follows:

	August 2020
Price on grant date	NTD 20.8
Exercise price	NTD 15.56/14.77
Anticipated volatility	39.17
Lifetime	0.068 years
Expected dividend rate	-
Risk-free interest rate	0.1165

The anticipated volatility is based on the historical stock price volatility over the past year. It is acquired by calculating the daily natural log return during the sample period based on the daily adjusted stock price and multiplying the daily return standard deviation by the radical 243.

According to the Securities and Exchange Act, the treasury stock held by the Company shall not be pledged and entitled to any dividends and voting rights.

XXIV. Revenue

	2021	2020
Revenue from contracts with customers		
Revenue from sale of commodities	$ 5,839	$ 4,030
Service income	51,556	77,319
Project income	1,292,735	869,235
	$ 1,350,130	$ 950,584

(I) Description of contracts with customers

1. Revenue from sale of commodities

Revenue from sale of commodities is generated from the sales of products. Once the products are delivered to the customer-designated location and accepted by the customer, the customer is entitled to the products' price determination and right of use, has the main responsibility to resell the products, and takes the risk that the products might become outdated. Therefore, the revenue and accounts receivable are recognized at that point of time.

2. Service income

Service income derives from repair of equipment.

With provision of the equipment repair service from the Company, the customer acquires and consumes the benefit from performance of the contract. Related income is recognized when services are completely provided. Since payment is made after completion of the repair as agreed in the contract, the Company recognizes the service income as contract assets when the service is provided and transfer it to account receivable when the repair is completed.

3. Project income

Since the cost of construction is directly related to the percentage of fulfillment of the contractual obligation, the Company measures the progress based on the percentage of the actually invested cost in the estimated total cost. The Company progressively recognizes contract assets during the construction and transfers them to accounts receivable when billing. If the construction project proceeds received exceed the revenue recognized, the difference is recognized as contract liabilities. Construction retainage retained by customers according to contractual terms and conditions is to ensure that the Company fulfills all the contractual obligation thereof and is recognized as contract assets before the fulfillment of the contract.

If the result of the fulfillment cannot be measured reliably, the contract income is recognized only within the scope of the actually incurred contract fulfillment cost expected to be recovered.

(II) Balance of contract amount

	December 31, 2021	December 31, 2020	January 1, 2020
Accounts and notes receivable (Note 10)	$ 125,382	$ 170,177	$ 173,211
Contract assets – current			
Construction of automated equipment	$ 314,344	$ 256,168	$ 239,519
Contract liabilities – current			
Construction of automated equipment	$ 971,393	$ 522,798	$ 489,880

Changes in loss allowance for contract assets are as follows:

	2021	2020
Balance – beginning of the year	$ -	$ -
Add: Impairment loss appropriated in the year	24,758	-
Less: Actual amount written off in the year	(24,758)	-
Balance – ending of the year	$ -	$ -

(III) Customer contract income breakdown

	2021	2020
Point in time for revenue recognition		
Contract fulfilled at a point in time	$ 57,953	$ 85,168
Contract fulfilled over time	1,292,177	865,416
	$ 1,350,130	$ 950,584

(IV) Customer contracts not fully performed

As of December 31, 2021 and 2020, the trading price amortized to the obligations that had not been fulfilled was NTD 971,393000 and NTD 522,798,000, respectively, in aggregate sums. The Company will recognize them in project income in the coming 1 or 2 years.

XXV. Net profit of continuing operations

(I) Interest income

	2021	2020
Interest income		
Bank deposit	$ 2,023	$ 4,028
Loans to related parties (Note 33)	32,191	37,553
	$ 34,214	$ 41,581

(II) Other revenue

	2021	2020
Lease revenue		
Rental income from operating lease (Note 33)	$ 27,360	$ 24,056
Dividend revenue	1,955	1,811
Government subsidy income (Notes 28)	16,527	31,293
Others	2,907	583
	$ 48,749	$ 57,743

(III) Other profits and losses

	2021	2020
Net foreign exchange loss	($ 16,437)	($ 15,955)
Loss (gain) on financial assets		
Financial assets mandatorily measured at fair value through profit or loss	49,537	(79)
Others	25	2,916
	$ 33,125	($ 13,118)

(IV) Financial costs

	2021	2020
Bank loan interest	$ 11,193	$ 10,190
Interest on lease liabilities	48	148
	$ 11,241	$ 10,338

Information on capitalization of interest:

	2021	2020
Capitalization of interest – amount	$ 2,348	$ -
Capitalization of interest – interest rate	1.88%	-

(V) Depreciation and amortization

	2021	2020
Summary of depreciation expenses by function		
Operating costs	$ 25,053	$ 24,062
Operating expenses	25,257	28,562
	$ 50,310	$ 52,624
Summary of amortization expenses by function		
Operating costs	$ 2,959	$ 3,273
Operating expenses	1,468	1,281
	$ 4,427	$ 4,554

(VI) Employee benefit expense

	2021	2020
Short-term employee benefits	$ 357,617	$ 325,811
Retirement benefits		
Defined contribution plan	13,784	13,790
Defined benefit plan (Note 21)	560	818
	14,344	14,608
Share-based payment (Note 23)	-	15,586
Total of employee benefit expenses	$ 371,961	$ 356,005
Summarized by function		
Operating costs	$ 135,920	$ 140,313
Operating expenses	236,041	215,692
	$ 371,961	$ 356,005

(VII) Remuneration to employees, directors and supervisors

After deducting the profit before tax of the current year prior to distribution of the remuneration to employees, directors and supervisors, the amount to the percentage of 5%–15% was distributed as remuneration to employees and 1%–3% was distributed as the remuneration to directors and supervisors.

Since there are losses before tax in 2021 and 2020, no estimates were made for the remuneration to employees and directors/supervisors.

There was no discrepancy between the actual distribution of the remuneration to employees and directors/supervisors in 2020 and 2019 and the amount recognized in the separate financial reports in 2020 and 2019.

If there were any changes in the amount after the approval and release date of annual separate financial reports, the change was treated as a change in accounting estimates and accounted for in the following year.

The information about the remuneration to employees and directors/supervisors in 2021 and 2020 resolved by the Board of Directors may be viewed on the Market Observation Post System of the TWSE.

(VIII) Foreign exchange (loss) gain

	2021	2020
Total profit from translation of foreign currencies	$ -	$ 26,645
Total loss from translation of foreign currencies	(16,437)	(42,600)
Net loss	($ 16,437)	($ 15,955)

XXVI. Income tax of continuing operations

(I) Income tax recognized in profit or loss

Major components of income tax expenses are as follows:

	2021	2020
Current income tax		
Tax incurred in the year	$ 6,442	($ 911)
Additional tax levied on undistributed earnings	-	16,115
Adjustments for the previous year	-	(3,923)
Deferred income tax		
Tax incurred in the year	14,585	(4,556)
Income tax expenses recognized in profit or loss	$ 21,027	$ 6,725

The adjustment of the accounting income and income tax expenses are as follows:

	2021	2020
Net profit (loss) before tax	($ 261,840)	($ 90,427)
Income tax expense on net profit before tax calculated at the statutory tax rate	($ 52,368)	($ 18,085)
Expense and loss not deductible from tax	60,388	105
Non-taxable income	(10,060)	(13,836)
Unrecognized deductible temporary difference	16,625	26,349
Basic tax payable difference	6,442	-
Additional tax levied on undistributed earnings	-	16,115
Adjustment to income tax expenses of the previous year in the year	-	(3,923)
Income tax expenses recognized in profit or loss	$ 21,027	$ 6,725

(II) Income tax recognized in other comprehensive income

	2021	2020
Deferred income tax		
Incurred in the year		
－Translation from foreign operations	$ 1,302	($ 355)
－Remeasurement of defined benefits plans	1,862	970
Income tax expenses recognized in other comprehensive income	$ 3,164	$ 615

(III) Current income tax assets and liabilities

	December 31, 2021	December 31, 2020
Current income tax assets		
Income tax refund receivable	$ -	$ 7,595
Current tax liabilities		
Income tax payable	$ 5,225	$ 14,842

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2021

Deferred income tax assets	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Discrepancy in pension recognition	$ 17,236	($ 312)	($ 1,862)	$ 15,062
Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	135,104	-	-	135,104
Unrealized gains among associates	10,767	5	-	10,772
Liability reserve	3,525	(869)	-	2,656
Exchange differences from foreign operations	12,872	-	(1,302)	11,570
Loss carryforwards	16,819	(8,195)	-	8,624
Others	4,985	(939)	-	4,046
	$ 201,308	($ 10,310)	($ 3,164)	$ 187,834
Deferred income tax liabilities				
Temporary difference				
Financial assets measured at fair value through profit or loss	($ 222)	($ 4,275)	$ -	($ 4,497)
Land incremental tax	(56,108)	-	-	(56,108)
	($ 56,330)	($ 4,275)	$ -	($ 60,605)

2020

Deferred income tax assets	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Discrepancy in pension recognition	$ 18,459	($ 253)	($ 970)	$ 17,236
Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	135,104	-	-	135,104
Unrealized gains among associates	12,044	(1,277)	-	10,767
Liability reserve	4,345	(820)	-	3,525
Exchange differences from foreign operations	12,517	-	355	12,872
Loss carryforwards	-	16,819	-	16,819
Others	14,676	(9,691)	-	4,985
	$ 197,145	$ 4,778	($ 615)	$ 201,308

Deferred income tax liabilities	Balance – beginning of the year	Recognition in profit or loss	Recognition in other comprehensive income	Balance – ending of the year
Temporary difference				
Financial assets measured at fair value through profit or loss	$ -	($ 222)	$ -	($ 222)
Land incremental tax	(56,108)	-	-	(56,108)
	($ 56,108)	($ 222)	$ -	($ 56,330)

(V) Deductible temporary difference of the deferred income tax assets unrecognized in separate balance sheet

	December 31, 2021	December 31, 2020
Deductible temporary difference		
Share of profit/loss of subsidiaries, associates and joint ventures under the equity method	$ 108,904	$ 92,261

(VI) Authorization of income tax

The Company's profit-seeking business income tax filings up until 2019 have been approved by the tax authority.

XXVII. LPS

Unit: NTD per share

	2021	2020
Basic LPS		
From continuing operations	($ 1.14)	($ 0.39)
Diluted LPS		
From continuing operations	($ 1.14)	($ 0.39)

The net loss and weighted average number of common stocks used for the calculation of LPS are as follows:

Current net loss

	2021	2020
Net loss for calculation of basic LPS	($ 282,867)	($ 97,152)
Net loss for calculation of diluted LPS	($ 282,867)	($ 97,152)

Number of shares

Unit: thousand shares

	2021	2020
Weighted average number of common stocks used for calculating basic loss per share	247,226	247,218
Effect of potential diluted common stocks:		
Remuneration to employees	-	-
Weighted average number of common stocks used for calculating diluted loss per share	247,226	247,218

When the Company can select stocks or cash as the remuneration to employees, it is assumed that the employee's remuneration is paid with stocks when the diluted EPS is calculated. The weighted average outstanding common stocks are added when the potential common stocks have diluting capability to calculate the diluted EPS. The diluting capability of the potential common stocks is referenced in the next year when the Board of Directors resolved to calculate the diluted EPS prior to payment of the employee's remuneration with stocks.

XXVIII. Government grants

The Company applied for subsidies of wage and working capital for the struggling companies in the manufacture and technical service industries affected by severe pneumonia with novel pathogens, and, as of December 31, 2021 and 2020, received grants amounting to NTD 16,527,000 and NTD 31,293,000 from the Ministry of Economic Affairs.

XXIX. Partial acquisition of invested subsidiaries – control not affected

The Company acquired more equities in Tainergy Tech. Co., Ltd. in 2020 and the shareholding ratio rose from 28.77% to 28.83%.

The Company acquired more shareholding in Tainergy Tech. Co., Ltd. and Taisic Materials in 2021 and the shareholding ratio decreased from 28.83% and 10% to 27.19% and 8.6%, respectively.

Since these trades do not change the control of the Company over Tainergy Tech. Co., Ltd., the Company deals with them as transaction of equity. For the description on partial acquisition of Tainergy Tech. Co., Ltd., please refer to Note 35 "Transaction of equity with respect to non-controlling equity" to the 2021 consolidated financial reports of the Company.

XXX. Information on cash flow

(I) Non-cash transactions

In addition to those disclosed in other notes, the Company was engaged in the following non-cash investment and financing activities in 2021 and 2020:

1. The Company reclassified contract assets to the category of property, plant and equipment to the amount of NTD 3,081,000 and NTD 3,811,000, respectively, in 2021 and 2020.
2. The payment to be made by the Company for purchase of the property, plant and equipment decreased by NTD 4,964,000 and increased by NTD 6,433,000 respectively, in 2021 and 2020.
3. The Company reclassified NTD 15,000,000 of prepaid investments to financial assets at fair value through profit or loss—non-current in 2021.
4. The Company reclassified the prepayment for equipment into the category of property, plant and equipment to the amount of NTD 98,201,000 in 2020.

(II) Changes in liabilities from financing activities

2021

			Non-cash change				
	January 1, 2021	Cash flow	New lease	Lease modification	Interest expenses	Interest payment	December 31, 2021
Lease liabilities	$ 4,792	($ 15,357)	$ 276,011	($ 234)	$ 2,396	($ 2,396)	$ 265,208

2020

			Non-cash change			
	January 1, 2020	Cash flow	Lease modification	Interest expenses	Interest payment	December 31, 2020
Lease liabilities	$ 9,805	($ 4,931)	($ 82)	$ 148	($ 148)	$ 4,792

XXXI. Capital risk management

The Company conducts capital management to ensure all the business of the Company can keep operating while maximizing shareholders’ return by optimizing the liability and equity balances. The overall strategy of the Company is currently not changed.

The capital structure of the Company is comprised of their net liabilities (i.e. loans minus cash and cash equivalents) and shareholders’ equity (i.e. capital stock, capital reserves, retained earnings, and other equities).

The Company did not need to observe external capital requirements.

The key management of the Company conducts monthly review of the Company’s capital structure, including the cost of capital and relevant risks. Observing the suggestions of the management, the Company balanced the overall capital structure by paying dividends, issuing new stocks, repurchasing stocks, and issuing new corporate bonds, or repaying existing liabilities.

XXXII. Financial instruments

(I) Fair value information – financial instruments not measured at fair value

As of December 31, 2021 and 2020, the Company did not have any financial assets and liabilities having major difference between book and fair values.

(II) Fair value information – financial instruments measured at fair value on a repetitive basis

1. Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Overseas listed (OTC) and emerging stocks	$ 31,061	$ -	$ -	$ 31,061
Domestic non-listed (non-OTC) stocks	-	-	74,100	74,100
Fund beneficiary certificate	380,110	-	-	380,110
Total	$ 411,171	$ -	$ 74,100	$ 485,271
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
－Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 35,805	$ 35,805

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Overseas listed (OTC) and emerging stocks	$ 9,957	$ -	$ -	$ 9,957
Domestic non-listed (non-OTC) stocks	-	-	44,141	44,141
Fund beneficiary certificate	320,938	-	-	320,938
Total	$ 330,895	$ -	$ 44,141	$ 375,036
Financial assets measured at fair value through other comprehensive income				
Investment in equity instruments				
－Domestic non-listed (non-OTC) stocks	$ -	$ -	$ 28,145	$ 28,145

There were no transfers of fair value measurements between Level 1 and Level 2 in 2021 and 2020.

2. Adjustments to the financial instruments measured at Level 3 fair value

2021

Financial assets	Measurement at fair value through profit or lossat fair value through profit or loss	Financial assets measured at fair value through other comprehensive incomeat fair value throughother comprehensive income	Total
	Equity instruments	Equity instruments	
Balance – beginning of the year	$ 44,141	$ 28,145	$ 72,286
Reclassification (Note 30)	15,000	-	15,000
Recognition in profit or loss (other profits and losses)	14,959	-	14,959
Recognized in other comprehensive income (unrealized profit/loss from the financial assets measured at fair value through other comprehensive income)	-	7,660	7,660
Balance – ending of the period	$ 74,100	$ 35,805	$ 109,905

2020

Financial assets	Measurement at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
	Equity instruments	Equity instruments	
Balance – beginning of the year	$ 42,622	$ 36,062	$ 78,684
Recognition in profit or loss (other profits and losses)	1,519	-	1,519
Recognized in other comprehensive income (unrealized profit/loss from the financial assets measured at fair value through other comprehensive income)	-	(7,917)	(7,917)
Balance – ending of the period	$ 44,141	$ 28,145	$ 72,286

3. Evaluation technology and inputs measured at Level 3 fair value

The fair value of non-listed (non-OTC) equity instruments is estimated based on the analysis of the financial status and operating outcome of the investee, the latest transaction price, the quotation of the same equity instruments on active markets, the quotation of similar instruments on active markets, comparable company valuation multiples, and other assumptions that cannot be supported by the observable market price or interest rate. The significant unobservable inputs are as follows. The fair value of the investment increases when the long-term revenue growth rate and pre-tax operating margin increase.

(III) Type of financial instruments

	December 31, 2021	December 31, 2020
Financial assets		
Measurement at fair value through profit or loss		
Mandatory measurement at fair value through profit or loss	$ 485,271	$ 375,036
Financial assets measured at amortized cost (Note 1)	1,843,244	2,131,632
Financial assets measured at fair value through other comprehensive income		
Investment in equity instruments	35,805	28,145
Financial liabilities		
Measurement at amortized cost (Note 2)	1,035,066	922,134

Note 1: The balance includes financial assets measured at amortized cost such as cash and cash equivalents, investment in liability instruments, notes and accounts receivable, other receivables, guarantee deposits paid and other financial assets.

Note 2: The balance includes financial liabilities measured at amortized cost such as short-term loans, notes and accounts payable, other payables, long-term liabilities mature within one year, guarantee deposits received, long-term loans, and other financial liabilities.

(IV) Financial risk management purpose and policy

The Company's main financial instruments include investments in equity, accounts receivable, accounts payable, borrowings, and lease liabilities. Our financial management department is responsible for provision of services for business units, planning and coordination of investments in domestic and international financial markets, analysis of internal risk exposure based on the risk level and scope, and reporting, supervision, and management of the financial risks related to the Company's operations. The said risks include the market risk (such as exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

The Company uses derivative financial instruments to avoid risk exposure and mitigate the impact of such risks. Derivative financial instruments are subject to the policies adopted at the meeting of the Board of Directors of the Company. These policies include the exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the written current funds investment principle. Internal reviewers review the compliance of the policies and the exposure limits on an ongoing basis. The Company did not conduct transactions of financial instruments (including derivative financial instruments) for speculation purposes.

The finance management department reports to the Risk Management Committee of the Company every quarter. The Committee is an independent organization dedicated to monitoring risks and implementing policies to mitigate risk exposure.

1. Market risk

The major financial risks that the operating activities imposed on the Company are exchange rate fluctuation risk (see (1) below), interest rate fluctuation risk (see (2) below), and other price risks (see (3) below). The Company is engaged in various derivative financial instruments to manage the imposed foreign exchange rate and interest rate risk, including:

A. Forward foreign exchange contracts or exchange rate options for avoidance of the exchange rate risk due to difference of currencies in collection, payment, and purchase of (raw) materials;

B. Maintenance of an adequate portfolio of fixed and variable interest rates to mitigate the fluctuation risk of cash flow and fair value.

The Company did not change the risk exposure on the financial instrument market or the methods for management and measurement of such exposure.

(1) Exchange rate risk

The Company was engaged in sales and purchase transactions in foreign currency. These transactions exposed the Company to the exchange rate fluctuation risk. About 11% of the sales amount of the Company is not valuated with the functional currency. About 3% of the cost amount is not valuated with the functional currency. The Company uses forward foreign exchange contracts or exchange rate options to manage the exchange rate risk within the policies.

Refer to Note 36 for the book value of the monetary assets and liabilities of the Company valued with non-functional currency on the balance sheet date and the book value of the derivative instruments exposed to exchange rate risk.

Sensitivity analysis

The Company is affected primarily by the fluctuation in the exchange rate of USD and RMB.

The sensitivity analysis of the Company in the exchange rate of NTD (functional currency) to any related foreign currencies increasing or decreasing by 3% is described in the following table. This 3% is the sensitivity ratio used by the Company when reporting the exchange rate risk to the key management. It also indicates the assessment of the management on the reasonable potential fluctuation of the exchange rate. The sensitivity analysis only included the outstanding foreign currency items. The translation thereof at the end of the year is adjusted by an increase or decrease of 3% in the exchange rate. The positive number in the following table means the reduced amount of the post-tax net loss or the increased amount of the prost-tax profit when NTD depreciates by 3% against related currency; when NTD appreciates by 3% against related currency, the effect on the post-tax net profit or loss is represented with a negative number of the same amount.

	Effect of USD		Effect of RMB	
	2021	2020	2021	2020
Profit or loss	$ 10,434 (i)	$ 9,574 (i)	$ 8,963 (i)	$ 13,547 (i)

(i) The profit or loss was mainly generated from the Company's accounts receivable, accounts payable, and loans valued in USD and RMB which were outstanding on the balance sheet date and were not hedged against the cash-flow risk.

The sensitivity of the Company to the USD exchange rate increased this year due to an increase in the accounts receivable in USD; the sensitivity to the RMB exchange rate decreased due to a decrease in accounts receivable in RMB. Management found that the sensitivity analysis could not represent the inherent risk of exchange rate, as the foreign currency risk exposure on the balance sheet date could not reflect the exposure in the year.

(2) Interest rate risk

The interest rate risk exposure occurs as the Company's entities borrow funds at fixed and floating rates at the same time. The Company maintains an adequate portfolio of fixed and floating interest rates to manage the interest rate risk. The Company assesses hedging activities on a regular basis to keep consistent in their opinions on interest rate and their given risk preference to ensure adoption of most cost-efficient hedging strategies.

The book values of the financial assets and liabilities of the Company exposed to the interest rate risk on the balance sheet date are as follows:

	December 31, 2021	December 31, 2020
With fair value interest rate risk		
－Financial assets	$ 230,980	$ 232,823
－Financial liabilities	265,208	4,792
With cash flow interest rate risk		
－Financial assets	639,343	518,644
－Financial liabilities	552,038	658,601

The Company is exposed to cash flow interest rate risk due to holding bank loans at variable interest rate. This conforms to the policy of the Company to reduce the interest rate fair value risk by maintaining the loans at floating interest rate. The cash flow interest rate risk of the Company is primarily due to the fluctuated benchmark interest rate of the loans valued in NTD.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposure of the derivative instruments and non-derivative instruments on the balance sheet date. As for the liabilities at floating interest rate, the analysis is made with the assumption that the outstanding liability amount on the balance sheet date is completely in circulation during the reporting period. The variable interest rate used by the Company when reporting the interest rate to the key management is the interest rate plus or minus 1%. It also indicates the assessment of the management on the reasonable potential fluctuation of the interest rate.

If the interest rate decreased/increased by 1%, with all other variables held constant, the net loss after tax of the Company in 2021 increased/decreased by NTD 698,000, primarily due to the exposure of the Company's loans at variable rate to interest rate risk.

If the interest rate increased/decreased by 1%, with all other variables held constant, the net loss after tax of the Company in 2020 increased/decreased by NTD 1,120,000, primarily due to the exposure of the Company's loans at variable rate to interest rate risk.

The sensitivity of the Company to interest rate decreased this year due to increased borrowings at variable rate.

(3) Other price risks

The Company sustains exposure to securities price risk due to investment in equity securities and fund beneficiary certificates.

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk exposure on the balance sheet date.

If the equity price increased/decreased by 3%, the profit or loss after tax in 2021 and 2020 increased/decreased by NTD 3,155,000 and NTD 1,623,000, respectively, due to increases/decreases of the fair value of the financial assets measured at fair value through profit or loss. Other comprehensive income after tax in 2021 and 2020 increased/decreased by NTD 1,074,000 and NTD 844,000, respectively, due to changes in the fair value of the financial assets measured at fair value through other comprehensive income.

The sensitivity of the Company to the price risk decreased in the current period due to an increase of the investment in equity securities.

2. Credit risk

The credit risk refers to the risk in the financial loss of the Company due to the counterparty delays in the fulfillment of the contractual obligations. Up to the balance sheet date, the Company's potential highest credit risk exposure due to failure of the counterparty to fulfill its obligations and the financial loss brought about by the financial guarantee that the Company provided was mainly derived from the following:

(1) The book value of the financial assets recognized in the separate balance sheet.

(2) The Company did not take into account the highest amount likely to be paid by the Company due to provision of financial guarantee.

Receivables are to be collected from many customers. They belong to different industries and are located in different geographic areas. The Company continuously assesses the financial status of the customers from which receivables shall be recovered.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support business B.V. operation and reduce the effect of the fluctuating cash flow. The management of the Company monitors the use of financing facility and ensures compliance with the terms of the loan contract.

Bank loans are one of the important sources of liquidity. For the financing facility that the Company has not used, refer to description of financing facility in (2) below.

(1) Liquidity and interest rate risks of non-derivative financial liabilities

The remaining contractual maturity analysis of the non-derivative financial liabilities is compiled based on the earliest repayment date required to the Company and the non-discounted cash flow of the financial liabilities (including the principal and estimated interest). Hence, the bank loan which the Company may be requested to repay immediately is listed in the earliest period on the table without consideration of the possibility of the bank to exercise this right immediately; the maturity analysis of other non-derivative financial liabilities is compiled based on the agreed repayment date.

For the cash flow of the interest paid at floating rate, the non-discounted interest amount is derived from the yield curve on the balance sheet date.

December 31, 2021

	Weighted average effective interest rate (%)	Less than 1 year	1-3 years	4-5 years	Over 5 years
Non-derivative financial liability					
Non-interest-bearing liabilities					
Notes payable		$ 231	$ -	$ -	$ -
Accounts payable		347,095	-	-	-
Other payables		129,969	-	-	-
Guarantee deposits received		5,733	-	-	-
Floating interest rate instruments					
Short-term loans	1.3	20,260	-	-	-
Long-term loans	1.643	54,769	128,052	136,545	244,156
Lease liabilities		400	33,740	38,979	246,716
		$ 558,447	$ 161,792	$ 175,524	$ 490,872

More information on the maturity analysis of lease liabilities:

	Less than 1 year	1 to 5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 400	$ 72,719	$ 97,449	$ 97,449	$ 51,818	$ -

December 31, 2020

	Weighted average effective interest rate (%)	Less than 1 year	1-3 years	4-5 years	Over 5 years
Non-derivative financial liability					
Non-interest-bearing liabilities					
Notes payable		$ 208	$ -	$ -	$ -
Accounts payable		150,847	-	-	-
Other payables		106,641	-	-	-
Guarantee deposits received		5,837	-	-	-
Floating interest rate instruments					
Short-term loans	1.17	202,340	-	-	-
Long-term loans	1.56	11,876	99,284	108,297	267,945
Lease liabilities		4,792	-	-	-
		$ 482,541	$ 99,284	$ 108,297	$ 267,945

More information on the maturity analysis of lease liabilities:

	Less than 1 year	1 to 5 years	5-10 years	10-15 years	15-20 years	Over 20 years
Lease liabilities	$ 4,792	$ -	$ -	$ -	$ -	$ -

(2) Financing facility

	December 31, 2021	December 31, 2020
Unsecured bank loan limit (reviewed every year)		
－Employed capital	$ 100,000	$ -
－Unemployed capital	80,000	86,324
	$ 180,000	$ 86,324

(Next page)

(Continued from previous page)

	December 31, 2021	December 31, 2020
Unsecured other loan limit		
—Employed capital	$ -	$ -
—Unemployed capital	30,000	-
	$ 30,000	$ -
Secured bank loan limit (extension possible under mutual agreement)		
—Employed capital	$ 534,000	$ 714,000
—Unemployed capital	403,723	397,602
	$ 937,723	$ 1,111,602

XXXIII. Related party transaction

In addition to those disclosed in other notes, transactions between the Company and other related parties are described as follows.

(I) Names of related parties and their relationship with the Company

Name of Related Party	Relationship with the Company
VIETNERGY COMPANY LIMITED	Subsidiary
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Subsidiary
Tainergy Technology (Kunshan) Co., Ltd.	Subsidiary
Tainergy Tech. Co., Ltd.	Subsidiary
KENTEC INC.	Subsidiary
TAISIC MATERIALS CO.	Subsidiary
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Subsidiary
Zhong-Shi Consulting Co., Ltd.	De facto related party (becoming non-related party after reelection of directors and supervisors on August 5, 2020)
Qie-Yi Co., Ltd.	De facto related party
Long-Zi Co., Ltd.	De facto related party
Shun-Zhong Investment Co., Ltd.	De facto related party
CHING-FU HSIEH	The Company's Chairman
Star Solar New Energy Co., Ltd.	Associate

(II) Operating revenue

Account Title	Type of Related Party	2021	2020
Sales revenue	Subsidiary	$ 116	$ 363
Project income	Subsidiary	121,126	29,593
Service income	Subsidiary	1,765	2,227
		$ 123,007	$ 32,183

There is no significant difference from other customers in the trading conditions and credit period applicable to the sale of goods between the Company and related parties.

(III) Purchase

Type of Related Party	2021	2020
Subsidiary	$ 87,956	$ 44,626
Associate	1,135	-
	$ 89,091	$ 44,626

There is no significant difference from other suppliers in the trading conditions and credit period applicable to the purchase of goods between the Company and related parties.

(IV) Accounts receivable from related parties (excluding loans to related parties and contract assets)

Account Title	Type of Related Party	December 31, 2021	December 31, 2020
Accounts receivable	Subsidiary	$ 2,637	$ 12,184

No guarantee was requested for the outstanding accounts receivable from related parties. No loss allowance was set aside for the accounts receivable from related parties in 2021 and 2020.

(V) Accounts payable to related parties (excluding loans from related parties)

Account Title	Type of Related Party	December 31, 2021	December 31, 2020
Accounts payable	Subsidiary	$ 12,692	$ 2,962
	Associate	42	-
		$ 12,734	$ 2,962

The outstanding balance of the accounts payable to related parties was not guaranteed.

(VI) Prepayments

Type/Name of Related Party	December 31, 2021	December 31, 2020
Subsidiary	$ 373	$ 39,898

(VII) Acquisition of property, plant and equipment

	Acquisition Price	
Type/Name of Related Party	2021	2020
Subsidiary	$ -	$ 90

(VIII) Disposal of property, plants and equipment

The unrealized profit (recognized in investment under the equity method) from contracting and selling the plant and equipment to subsidiaries was subject to amortization in years based on the useful life of the plant and equipment.

	2021					
Goods sold	Unrealized profit – beginning of the year	Sales price of the current period	Sales cost of the current period	Increase of unrealized profit	Amortization of the current period	Unrealized profit – ending of the year
System and equipment construction	$ 78,768	$ 121,549	$ 97,571	$ 23,978	($ 25,900)	$ 76,846

	2020					
Goods sold	Unrealized profit – beginning of the year	Sales price of the current period	Sales cost of the current period	Increase of unrealized profit	Amortization of the current period	Unrealized profit – ending of the year
System and equipment construction	$ 105,199	$ 26,367	$ 17,316	$ 9,051	($ 35,482)	$ 78,768

(IX) Lease agreement

Account Title	Type of Related Party	December 31, 2021	December 31, 2020
Lease liabilities – current	De facto related party	$ -	$ 4,535

Type of Related Party	2021	2020
Interest expenses		
De facto related party	$ 44	$ 138

2021				
Type of Related Party	Premises	Lease Period	Determination of Rent	Monthly Rental
De facto related party	No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City	12.31.2018 – 12.31, 2021	Negotiation	$ 196
De facto related party	No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City	12.31.2018 – 12.31, 2021	Negotiation	186

2020				
Type of Related Party	Premises	Lease Period	Determination of Rent	Monthly Rental
De facto related party	No. 21, Xindu Rd., Qianzhen Dist., Kaohsiung City	12.31.2018 – 12.31, 2021	Negotiation	$ 196
De facto related party	No. 12, Xinda Rd., Qianzhen Dist., Kaohsiung City	12.31.2018 – 12.31, 2021	Negotiation	186

(X) Endorsements/Guarantees

Endorsements/Guarantees for Others

For more information on the endorsement and guarantee made by the Company for related parties, please refer to Table 2 “Endorsements/guarantees for others”.

Acquisition of endorsements/Guarantees

Type/Name of Related Party	December 31, 2021	December 31, 2020
The Company’s Chairman		
CHING-FU HSIEH		
Amount guaranteed	$ 490,000	$ 340,000

(XI) Loans to related parties

Type of Related Party	December 31, 2021	December 31, 2020
Other receivables		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	$ 549,360	$ 648,150
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	160,728	227,604
KENTEC INC.	-	105,000
TAISIC MATERIALS CO.	-	60,000
VIETNERGY COMPANY LIMITED	83,040	-
	$ 793,128	$ 1,040,754

Type of Related Party	2021	2020
Interest income		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	$ 19,336	$ 20,357
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	6,408	12,008
Tainergy Tech. Co., Ltd.	816	3,767
KENTEC INC.	1,826	1,250
TAISIC MATERIALS CO.	1,190	171
VIETNERGY COMPANY LIMITED	2,615	-
	$ 32,191	$ 37,553

The Company provides short-term loans for subsidiaries at a rate of 2%–3.5% close to the market interest rate. All the loans to the subsidiaries in 2021 and 2020 were unsecured.

(XII) Related party transactions

Lease revenue

2021

	Premises	Lease Period	Determination of Rent	Monthly Rental	Lease revenue
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	11.01, 2020 – 10.31.2025	Negotiation	$ 1,330	$ 15,960
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	11.01, 2020 – 10.31.2025	Negotiation	570	6,840
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	2021.8.1-2022.7.31	Negotiation	5	25
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	11.01, 2020 – 10.31.2023	Negotiation	20	240
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	11.01, 2020 – 10.31.2023	Negotiation	25	300
					$ 23,365

2020

	Premises	Lease Period	Determination of Rent	Monthly Rental	Lease revenue
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	05.01, 2016 – 07.31.2021	Negotiation	$ 100	$ 4,000
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	06.01, 2018 – 05.31.2021	Negotiation	5,350	14,550
Subsidiary	No. 5, Ziqiang 1st Rd., Zhongli City	11.01, 2020 – 10.31.2025	Negotiation	1,900	3,800
Subsidiary	3F., No. 97, Sec. 2, Nangang Rd., Taipei City, Taiwan	06.01, 2018 – 05.31.2021	Negotiation	30	300
Subsidiary	No. 68, Rueifang Industrial Park, Dingping Road, New Taipei City	04.22, 2019 – 04.22. 2039	Negotiation	3	18
Subsidiary	3F., No. 97, Sec. 2, Nangang Rd., Taipei City, Taiwan	11.01, 2020 – 10.31.2023	Negotiation	25	300
Subsidiary	6F., No. 97, Sec. 2, Nangang Rd., Taipei City	11.01, 2020 – 10.31.2023	Negotiation	20	40
De facto related party	3F., No. 97, Sec. 2, Nangang Rd., Taipei City, Taiwan	08.01, 2020 – 07.31.2021	Negotiation	20	140
					$ 23,148

Other profits, expenses, and losses

	Type of Related Party	2021	2020
Operating expenses	De facto related party	$ 2	$ 658
Manufacturing expense	De facto related party	$ 3,792	$ 4,288
Manufacturing expense	Subsidiary	$ 227	$ 29

Other creditor's rights and debts

Type of Related Party	December 31, 2021	December 31, 2020
Other receivables from related parties		
Subsidiary	$ 12,965	$ 12,741
Other payables to related parties		
Subsidiary	$ -	$ 138

(XIII) Remuneration to key management

	2021	2020
Short-term employee benefits	$ 48,382	$ 39,761
Retirement benefits	850	814
Share-based Payment	-	3,464
	$ 49,232	$ 44,039

The remuneration to the directors and key management was decided by the Remuneration Committee subject to personal performance and market trend.

XXXIV. Pledged and mortgaged assets

The following assets were provided as collaterals for loans, purchase or import of equipment, and performance bond under construction contracts. The details are as follows:

	December 31, 2021	December 31, 2020
Pledged C/D (stated as financial assets measured at amortized cost – current)	$ 195,000	$ 206,071
Pledged C/D (stated as financial assets measured at amortized cost – non-current)	33,904	26,752
Other financial assets－current	110,735	142,973
Other financial assets – Non-current	156,982	168,601
Property, plant and equipment		
Land	862,633	862,633
House and building	174,883	173,899
Guarantee deposits paid	38,284	155,018
	$ 1,572,421	$ 1,735,947

XXXV. Significant contingent liability and unrecognized contractual commitment

In addition to those described in other notes, the Company's significant commitments and contingencies on the balance sheet date are as follows:

(I) Significant commitments

1. The amount under the letters of guarantee that the Company authorized banks to issue for performance of construction contracts or warranty of works in 2021 and 2020 totaled NTD 893,014,000 and NTD 963,056,000, respectively.
2. As of December 31, 2020, the balance of the Company's unused letters of credits amounted to JPY 26,268,000.

(II) Contingency

In March 2022, Mr. Chun-Ming Chen filed a lawsuit against the Company at the Civil Court of Shilin District Court, Keelung, claiming that the Company should repay a sum of RMB 15,000,000. A hearing was yet to be held as of March 30, 2022. The Company claimed that it did not borrow funds from Chun-Ming Chen. After evaluation, the lawsuit should not have a material impact on the Company's financial and business affairs. Additionally, based on the letter replied by a professional law firm, it is difficult to support the idea that the Company has borrowed funds from Mr. Chen based on the evidence provided by him.

XXXVI. Information on foreign currency assets and liabilities with significant effect

The following information is summarized and stated based on the foreign currencies other than the Company's functional currency. The disclosed exchange rate represents the rate of such foreign currencies to the functional currency. Foreign currency assets and liabilities with significant effect are as follows:

December 31, 2021

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
Monetary items			
USD	$ 15,910	27.680 (USD : NTD)	$ 440,389
RMB	89,502	4.344 (RMB : NTD)	388,797
			$ 829,186
Non-monetary items			
Investment under the equity method			
RMB	58,428	4.344 (RMB : NTD)	$ 253,813
VND	101,965,000	0.0012 (VND : NTD)	122,358
			$ 376,171
Foreign liabilities			
Monetary items			
USD	203	27.680 (USD : NTD)	$ 5,619
RMB	3,535	4.344 (RMB : NTD)	15,356
EUR	323	31.320 (EUR : NTD)	10,116
			$ 31,091

December 31, 2020

	Foreign currency	Exchange rate	Book value
Foreign currency assets			
Monetary items			
USD	$ 14,159	28.480 (USD : NTD)	$ 403,262
RMB	130,206	4.377 (RMB : NTD)	569,913
			$ 973,175
Non-monetary items			
Investment under the equity method			
RMB	78,477	4.377 (RMB : NTD)	$ 343,492
VND	98,511,712	0.00111 (VND : NTD)	109,348
			$ 452,840
Foreign liabilities			
Monetary items			
USD	153	28.480 (USD : NTD)	$ 4,344
RMB	1,247	4.377 (RMB : NTD)	5,457
			$ 9,801

Profit or loss (realized and unrealized) from foreign currency translation with significant effect is as follows:

	2021		2020	
Foreign currency	Exchange rate	Net translation profit (loss)	Exchange rate	Net translation profit (loss)
USD	27.680 (USD : NTD)	($ 9,962)	28.480 (USD : NTD)	($ 26,710)
RMB	4.344 (RMB : NTD)	(7,619)	4.377 (RMB : NTD)	10,500
EUR	31.320 (EUR : NTD)	589	35.020 (EUR : NTD)	38
JPY	0.2405 (JPY : NTD)	407	0.2763 (JPY : NTD)	73
Others		148		144
		($ 16,437)		($ 15,955)

37. Disclosures of notes

(I) Major transaction matters:

1. Loans to others. (Table 1)
2. Endorsements/Guarantees for Others (Table 2)
3. Securities – ending (excluding those controlled by invested subsidiaries, associates and joint ventures). (Table 3)
4. Aggregate purchases or sales of the same securities reaching NTD 300 million or more than 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate reaching NTD 300 million or more than 20% of the paid-in capital. (None)
6. Disposal of property reaching NTD 300 million or more than 20% of the paid-in capital. (None)
7. Purchases or sales of goods from and to related parties reaching NTD 100 million or more than 20% of the paid-in capital. (Table 5)
8. Accounts receivable from related parties reaching NTD 100 million or more than 20% of the paid-in capital. (Table 6)
9. Trading in derivative instruments. (None)

(II) Information on investees. (Table 7)

(III) Information on investments in Mainland China:

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, investment book value at the end of the period, profit or loss received from investments, and limit on the amount of investment in Mainland China. (Table 8)

2. Any of the following significant transactions with investees in Mainland China, either directly or indirectly through a third area, and their prices, payment conditions, and unrealized profit/loss: (Table 9)
   (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
   (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
   (3) The amount of property transactions and the amount of resulting profits or losses.
   (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
   (5) The highest balance, the end-of-period balance, the interest rate range, and total current interest with respect to financing of funds.
   (6) Other transactions that have a material effect on the profit or loss of the period or on the financial position, such as the rendering or receiving of services.

(IV) Information on major shareholders: The name, shareholding, and shareholding ratio of the shareholders with an equity ratio of 5% or more. (Table 10)

KENMEC MECHANICAL ENGINEERING CO., LTD.
Loans to Others
2021

Table 1

Unit: NTD and foreign currency (thousand)

No. (Note 1)	Lending company	Borrowing company	Current account	Related party	Maximum balance in current period	Balance – ending of the period	Drawdown	Range of interest rates %	Nature of loaning of funds	Transaction amount	Reasons for the need of short-term financing	Appropriated allowance for bad debt	Collateral		Ceiling of loans to a single borrower (Notes 2 to 10)	Ceiling of total loaning of funds (Notes 2 to 10)
													Name	Value		
0	KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	$ 717,200	$ 660,080	$ 549,360	3.0%~3.5%	Needs for short-term financing	$ -	Working funds	$ -	-	$ -	$ 677,844	$ 1,355,688
		KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Other receivables	Y	321,456	160,728	160,728	3.50%	〃	-	〃	-	-	-	677,844	1,355,688
		VIETNERGY COMPANY LIMITED	Other receivables	Y	139,800	138,400	83,040	3.00%	〃	-	〃	-	-	-	677,844	1,355,688
		KENTEC INC.	Other receivables	Y	150,000	50,000	-	2.00%	〃	-	〃	-	-	-	677,844	1,355,688
		Tainergy Tech. Co., Ltd.	Other receivables	Y	100,000	-	-	2.00%	〃	-	〃	-	-	-	677,844	1,355,688
		TAISIC MATERIALS CO.	Other receivables	Y	210,000	-	-	2.00%	〃	-	〃	-	-	-	677,844	1,355,688
1	KENMEC AUTOMATION ENGINEERING (KUNSHAN)	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	208,560 RMB 48,000	205,732 RMB 47,360	205,732 RMB 47,360	4.75%	〃	-	〃	-	-	-	209,111 RMB 48,138	209,111 RMB 48,138
2	KENMEC TECHNOLOGY (FUQING) CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	96,448 RMB 22,000	95,568 RMB 22,000	95,568 RMB 22,000	4.75%	〃	-	〃	-	-	-	119,938 RMB 27,610	119,938 RMB 27,610
3	KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	KENTEC (SUZHOU) INC.	Other receivables	Y	26,160 RMB 6,000	26,064 RMB 6,000	26,064 RMB 6,000	4.35%	〃	-	〃	-	-	-	94,760 RMB 21,814	94,760 RMB 21,814
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	212,931 RMB 48,570	147,696 RMB 34,000	147,696 RMB 34,000	4.35%	〃	-	〃	-	-	-	94,760 RMB 21,814	94,760 RMB 21,814
4	Fraternity Trade Development (KunShan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	106,531 RMB 24,300	105,559 RMB 24,300	105,559 RMB 24,300	4.75%	〃	-	〃	-	-	-	117,358 RMB 27,016	117,358 RMB 27,016
5	Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	Other receivables	Y	228,280	138,400	-	3.00~5.00%	〃	-	〃	-	-	-	338,845	677,690
		Tainergy Technology (Kunshan) Co., Ltd.	Other receivables	Y	65,760	-	-	3.50~5.00%	〃	-	〃	-	-	-	338,845	677,690
6	Tainergy Technology (Kunshan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	28,236	28,236	28,236	4.48%	〃	-	〃	-	-	-	264,948	264,948
		Suzhou Kenmec Property Development Ltd.	Other receivables	Y	293,728	160,728	160,728	4.48%~4.85 %	〃	-	〃	-	-	-	264,948	264,948
		Kunshan SENSIC Electronic Materials Co., Ltd.	Other receivables	Y	2,180	2,172	2,172	4.35%	〃	-	〃	-	-	-	264,948	264,948

7	KENTEC INC.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Other receivables	Y	92,268	91,344	91,344	3.00%	〃	-	〃	-	-	-	107,343	214,687
		VIETNERGY COMPANY LIMITED	Other receivables	Y	92,268	91,344	91,344	3.00%	〃	-	〃	-	-	-	107,343	214,687

Note 1: Number column description:
(1) 0 is reserved for the issuer.
(2) Each invested company is numbered in sequential order starting from 1.

Note 2: KENMEC MECHANICAL ENGINEERING CO., LTD.'s limit of loans to others is calculated as follows:
Ceiling of loans to particular borrower: 20% of the Company's net value: $3,389,220×20%=677,844
Ceiling of total loaning of funds: 40% of the Company's net value: $3,389,220×40%=1,355,688

Note 3: KENMEC AUTOMATION ENGINEERING (KUNSHAN)'s limit of loans to others is calculated as follows:
Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 48,138×40%＝RMB 19,255
The limit of total loaning of funds: 40% of the Company's net value: RMB 48,138×40%＝RMB 19,255
For the loaning of funds between the foreign companies that belong to the same parent company as the Company and whose 100% voting shares are held by the Company directly and indirectly, its amount is not subject to 40% of the net value.
Ceiling of loans to a single borrower: 100% of the Company's net value: RMB 48,138×100%＝RMB 48,138
The limit of total loaning of funds: 100% of the Company's net value: RMB 48,138×100%＝RMB 48,138

Note 4: KENMEC TECHNOLOGY (FUQING) CO., LTD.'s limit of loans to others is calculated as follows:
Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 27,610×40%＝RMB 11,044
The limit of total loaning of funds: 40% of the Company's net value: RMB 27,610×40%＝RMB 11,044
For the loaning of funds between the foreign companies that belong to the same parent company as the Company and whose 100% voting shares are held by the Company directly and indirectly, its amount is not subject to 40% of the net value.
Ceiling of loans to a single borrower: 100% of the Company's net value: RMB 27,610×100%＝RMB 27,610
The limit of total loaning of funds:100% of the Company's net value: RMB 27,610×100%＝RMB 27,610

Note 5: KENMEC TECHNOLOGY (SUZHOU) CO., LTD.'s limit of loans to others is calculated as follows:
Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 54,534×40%＝RMB 21,814
The limit of total loaning of funds:40% of the Company's net value: RMB 54,534×40%＝RMB 21,814
The closing balance of loaning of funds by Kenmec Technology (Suzhou) Co., Ltd. to Suzhou Kenmec Property Development Ltd. exceeded the limit of a single loan due to the refund of shares by capital reduction in June 2021. The company submitted an improvement plan at the Board meeting held on March 18, 2022. As of March 18, 2022, a sum of RMB 15,000,000 has been repaid.

Note 6: Fraternity Trade Development (KunShan) Co., Ltd.'s limit of loans to others is calculated as follows:
Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 27,016×40%＝RMB 10,806
The limit of total loaning of funds:40% of the Company's net value: RMB 27,016×40%＝RMB 10,806
For the loaning of funds between the foreign companies that belong to the same parent company as the Company and whose 100% voting shares are held by the Company directly and indirectly, its amount is not subject to 40% of the net value.
Ceiling of loans to a single borrower: 100% of the Company's net value: RMB 27,016×100%＝RMB 27,016
The limit of total loaning of funds:100% of the Company's net value: RMB 27,016×100%＝RMB 27,016

Note 7: Tainergy Tech. Co., Ltd.'s limit of loans to others is calculated as follows:
Ceiling of loans to particular borrower: 20% of the Company's net value: 1,694,225×20%＝338,835
Ceiling of total loaning of funds: 40% of the Company's net value: 1,694,225×40%＝677,690

Note 8: Tainergy Technology (Kunshan) Co., Ltd.'s limit of loans to others is calculated as follows:
Ceiling of loans to a single borrower: 40% of the Company's net value: RMB 152,479×40%＝RMB 60,992
The limit of total loaning of funds: 40% of the Company's net value: RMB 152,479×40%＝RMB 60,992

Note 9: Kentec Inc.'s limit of loans to others is calculated as follows:
Ceiling of loans to particular borrower: 20% of the Company's net value: $536,717×20%＝107,343
Ceiling of total loaning of funds: 40% of the Company's net value: $536,717×40%＝214,687

Note 10: The net value is determined based on the financial statements audited and certified by CPAs in the most recent year.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Endorsements/Guarantees for Others
2021

Table 2

Unit: NTD thousand

No. (Note 1)	Endorser/guarantor	Endorsee/guarantee		Limits on individual endorsements/ guarantees	Current maximum endorsement/ guarantee balance	Current endorsement/ guarantee balance – ending	Drawdown	Endorsement/ guarantee amount secured with property	Ratio of the cumulative endorsement/ guarantee amount to the net worth in the most recent financial statements (%)	Maximum endorsement/ guarantee limit	Endorsements/ guarantees made by the parent company for subsidiaries	Endorsements/ guarantees made by the subsidiaries for parent company	Endorsements/ guarantees made for the operations in Mainland China
		Company name	Relationship (Note 2)										
0	KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	(3)	$ 2,711,376 (Note 3)	$ 106,800	$ 76,120	$ 48,440	$ 15,224 (Current deposit – reserve account)	2.25%	$ 2,711,376 (Note 4)	Y	N	Y
		KENTEC INC.	(2)	2,711,376 (Note 3)	315,397	148,540	39,555	-	4.38%	2,711,376 (Note 4)	Y	N	N
1	Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	(2)	1,355,380 (Note 7)	232,400	160,544	157,412	2,768	9.48%	1,355,380 (Note 8)	Y	N	N
		Star Solar New Energy Co., Ltd.	(2)	1,355,380 (Note 7)	36,307	-	-	-	-	1,355,380 (Note 8)	Y	N	N
		TAISIC MATERIALS CO.	(2)	1,355,380 (Note 7)	150,000	150,000	150,000	-	8.85%	1,355,380 (Note 8)	Y	N	N

Note 1: The number column is completed in the following manners:
(1) 0 is reserved for the issuer.
(2) Each invested company is numbered in sequential order starting from 1.

Note 2: The relationship between the endorser/guarantor and endorsee/guarantee is classified into six categories as follows. It is only necessary to mark the type:
(1) A company which the Company has business dealings with.
(2) A company with over 50% of the shares with voting rights held directly and indirectly by the Company.
(3) A company directly and indirectly holding over 50% of the shares with voting rights of the Company.
(4) A company with over 90% of the shares with voting rights held directly and indirectly by the Company.
(5) A company needing mutual guarantee pursuant to an agreement in the same industry or between joint proprietors for undertaking engineering projects.
(6) A company that received endorsements/guarantees from the shareholders proportionally to their shareholding due to a joint venture relationship.
(7) Escrow and joint and several guarantee of the contracts in the same industry that involve the transaction of pre-sale houses according to the Consumer Protection Act.

Note 3: Limits on individual endorsements/guarantees: No more than 80% of the Company's net value on December 31, 2021: $3,389,220×80%=2,711,376

Note 4: Maximum endorsement/guarantee limit: No more than 80% of the Company's net value on December 31, 2021: $3,389,220×80%=2,711,376

Note 5: Limits on individual endorsements/guarantees: No more than 80% of Tainergy Tech. Co. Ltd.'s net value on December 31, 2021: 1,694,225×80%=1,355,380

Note 6: Maximum endorsement/guarantee limit: No more than 80% of Tainergy Tech Co. Ltd.'s net value on December 31, 2021: 1,694,225×80%=1,355,380

Note 7: The net value is determined based on the financial statements audited and certified by CPAs in the most recent year.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Securities Held at the End of the Period
2021

Table 3

Unit: NTD and foreign currency (thousand)

Holding company	Type and name of securities	Relationship with the Issuer of Securities	Account title	At the end of the period				Remarks
				Number of shares	Book value	Shareholding percentage	Fair value	
KENMEC MECHANICAL ENGINEERING CO., LTD.	Fund beneficiary certificate							
	KGI Victory Money Market Fund	None	Financial assets mandatorily measured at fair value through profit or loss – current	5,986,159.09	$ 69,991		$ 69,991	
	TCB Money Market Fund	〃	〃	2,928,132.22	30,028		30,028	
	FSITC Taiwan Money Market	〃	〃	18,103,877.60	280,091		280,091	
					$ 380,110		$ 380,110	
	Domestic non-listed (non-OTC) stocks							
	Chunghwa Picture Tubes, Ltd.	〃	〃	45,869	$ -		$ -	
	Overseas listed (OTC) stocks							
	EBS	〃	〃	39,800	$ 535		$ 535	
	SDT	〃	〃	33,120	358		358	
	PAN	〃	〃	64,687	2,988		2,988	
	SC5	〃	〃	34,848	924		924	
	HRC	〃	〃	35,000	2,226		2,226	
	HAC	〃	〃	93	2		2	
	IPA	〃	〃	309,000	24,028		24,028	
					$ 31,061		$ 31,061	
	Domestic non-listed (non-OTC) stocks							
	TeraSolar Energy Materials Corp.	The Company is a corporate director of the company	Financial assets mandatorily measured at fair value through profit or loss – non-current	1,776,637	$ 30,380	10.01%	$ 30,380	
	Tao Garden Hotel Co., Ltd.	〃	〃	5,000,000	28,950	16.64%	28,950	
	TMY Technology Inc.	None	〃	535,714	14,770	1.50%	14,770	
					$ 74,100		$ 74,100	
	United Information System Service Co., Ltd.	The Company is a corporate director of the company	Investment in equity instruments measured at fair value through other comprehensive income – non-current	780,000	$ 34,905	14.29%	$ 34,905	
	Ecatch Automation Co., Ltd.	〃	〃	90,000	900	15.00%	900	
					$ 35,805		$ 35,805	
KENTEC INC.	Domestic non-listed (non-OTC) stocks							
	3EGREEN TECHNOLOGY, INC.	〃	〃	155,000	$ -	7.37%	$ -	
	International non-listed stocks							
	MEDICUSTEK INTERNATIONAL INC.	〃	〃	1,333,333	$ -	2.42%	$ -	

Note: For more information on the investment in subsidiaries, affiliates and joint ventures, please refer to Table 9 and Table 10.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Aggregate Purchases or Sales of the Same Securities Reaching NTD 300 Million or More Than 20% of the Paid-in Capital
2021

Table 4

Unit: NTD thousand
unless otherwise specified

Trading company	Type and name of securities	Account title	Counterparty	Relationship	At the beginning of the period		Purchase		Sale				At the end of the period	
					Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Selling price	Book cost	Losses and gains on disposal	Number of shares (thousand shares)	Amount
KENMEC MECHANICAL ENGINEERING CO., LTD.	Franklin Templeton Sinoam Money Market Fund	Financial assets measured at fair value through profit or loss – current	-	-	14,411	$ 150,286	32,563	$ 340,000	46,974	$ 490,509	$ 490,025	$ 484	-	$ -
	TCB Money Market Fund	〃	-	-	1,956	20,027	29,272	300,000	28,300	290,051	289,995	56	2,928	30,028
	FSITC Taiwan Money Market	〃	-	-	7,792	120,259	27,812	430,000	17,500	270,328	270,032	296	18,104	280,091
	KGI Victory Money Market Fund	〃	-	-	-	-	26,534	310,000	20,548	240,070	240,027	43	5,986	69,991

KENMEC MECHANICAL ENGINEERING CO., LTD.
Purchases or sales of goods from and to related parties reaching NTD 100 million or more than 20% of the paid-in capital
2021

Table 5

Unit: NTD thousand
unless otherwise specified

Purchaser/seller	Counterparty	Relationship	Transaction				Trading conditions different from those of regular transactions and reasons thereof (Note 1)		Notes/accounts receivable (payable)		Remarks (Note 2)
			Purchase (sale)	Amount	Percentage in total purchases (sales)	Loan period	Unit price	Loan period	Balance	Percentage in total notes/accounts receivable (payable)	
Tainergy Tech. Co., Ltd.	VIETNERGY COMPANY LIMITED	Subsidiary	Processing fee	$ 422,002	25.33%	T/T 30 days upon invoice date	-	-	($ 58,437)	44.08%	Part of the processing cost amounting to NTD 15,902,000 is recognized in other payables, accounting for 35.29% of other total payables.

Note 1: If the conditions of trading with related parties are different from those of regular transactions, the difference and the reasons thereof shall be indicated in the “price” and “loan period” columns.
Note 2: In case of receipts in advance or prepayments, the reasons, agreed terms and conditions, amount, and the different from regular transactions shall be indicated in the “Remark” column.
Note 3: Cost of raw materials for processing has been written off.
Note 4: Related transactions and period-end balances were removed from the consolidated financial statements.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Accounts Receivable from Related Parties Reaching NTD 100 Million or More Than 20% of Paid-in Capital
2021

Table 6

Unit: NTD and foreign currency (thousand)

Company Booking Accounts Receivable	Counterparty	Relationship	Balance of accounts receivable from related parties	Turnover Rate	Overdue Accounts Receivable from Related Parties		Subsequent recovered amount of Recovered amount after the period	Appropriated allowance Loss amount
					Amount	Treatment		
KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Subsidiary	Other receivables $ 557,398 RMB 50,527 USD 12,208	(Note 1)	$ -	-	$ -	$ -
KENMEC MECHANICAL ENGINEERING CO., LTD.	KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Subsidiary	Other receivables 164,017 RMB 37,757	(Note 1)	-	-	-	-
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Fellow subsidiary	Other receivables 219,221 RMB 50,465	(Note 1)	-	-	-	-
			Accounts receivable 104,377 RMB 24,028		-	-	-	-
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	Suzhou Kenmec Property Development Ltd.	Fellow subsidiary	Other receivables 154,453 RMB 35,555	(Note 1)	-	-	-	-
Tainergy Technology (Kunshan) Co., Ltd.	Suzhou Kenmec Property Development Ltd.	Fellow subsidiary	Other receivables 161,460 RMB 37,169	(Note 1)	-	-	-	-
Fraternity Trade Development (KunShan) Co., Ltd.	KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Fellow subsidiary	Other receivables 109,851 RMB 25,288	(Note 1)	-	-	-	-

Note 1: This is the amount from loaning of funds, its interest is recognized in other receivables and not incorporated in the calculation of turnover rate.
Note 2: Related transactions and period-end balances were removed from the consolidated financial statements.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Name and Territory of Investees and Other Relevant Information
2021

Table 7

Unit: NTD and foreign currency (thousand)

Name of investor	Name of investee	Territory	Main business operation	Original investment amount		Held at the end of the period			Current profit (loss) of investee	Profit (loss) from investments recognized in the current period	Remarks
				End of current period	End of last year	Number of shares	Ratio (%)	Book value			
KENMEC MECHANICAL ENGINEERING CO., LTD.	Kenmec International Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 362 Road Town Tortola British Virgin Islands	Investment holding business	$ 1,268,529 USD 41,039	$ 1,268,529 USD 41,039	41,038,752	100	$ 136,359	($ 88,829)	($ 92,048)	Subsidiary
	Ample Assets Holdings Ltd	Portcullis Trusnet Chambers,P.O. Box 1225,Apia,Samoa	Investment holding business	138,746 USD 4,650	138,746 USD 4,650	4,650,000	100	117,454	4,867	4,868	〃
	Tainergy Tech. Co., Ltd.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Research, design, manufacture and sale of solar cells and module-related systems	1,943,443	1,841,367	61,172,856	27.19	391,554	(861,798)	(241,698)	〃
	KENMEC VIETNAM COMPANY LIMITED	Plant B, Thach That – Quoc Oai Industrial Zone, Hanoi City, Vietnam	Manufacturing of electric water heater, engineering machinery	122,347 USD 3,800	122,347 USD 3,800	-	100	122,358	3,964	3,964	〃
	KENTEC INC.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Manufacture of electronics parts and components	1,724,554	1,724,554	47,252,154	89.16	476,596	(8,252)	(9,300)	〃
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Manufacturing and sales of electronic parts and components	37,000	3,000	3,700,000	8.6	20,376	(157,918)	(13,741)	〃
	Chief Global Logistics Co., Ltd.	5F, No. 95, Nangang Sec., Nangang Dist., Taipei City	Warehousing	1,000	-	100,000	100	895	(105)	(105)	〃
	Hua-Xia Construction Co., Ltd.	4F., No. 76, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City	Comprehensive Construction	30,980	-	3,000,000	100	18,669	241	(12,311)	〃
KENTEC INC.	Kenmec Communication Holding (BVI) Co., Ltd.	Wickhams Cay 1 P.O. BOX 3444 Road Town Tortola British Virgin Islands	Investment holding business	930,336 USD 28,087	1,371,086 USD 43,287	28,086,868	100	236,894	(28,483)	(28,483)	〃
Tainergy Tech. Co., Ltd.	Tainergy Tech Holding (Samoa) Co., Ltd.	TrustNet Chambers Lotemau Centre, P.O. BoX 1225, Apia, Samoa.	Investment business	2,211,921 RMB 456,201	2,211,921 RMB 456,201	-	100	662,393	(77,971)	(77,908)	〃
	VIETNERGY COMPANY LIMITED	Plant B, Thach That – Quoc Oai Industrial Zone, Quoc Oai District, Ha Noi City, Vietnam	Manufacture of high-tech solar cells and related cell components	1,465,491 USD 46,500	1,339,468 USD 42,000	-	100	268,714	(574,866)	(576,155)	〃
	Star Solar New Energy Co., Ltd.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Solar power generation and sale of solar power systems	5,000	5,000	500,000	35.71	1,010	(10,445)	(3,726)	Associate
	TAISIC MATERIALS CO.	No. 5, Ziqiang 1st Rd., Zhongli Industrial Park Service Center, Fuxing Vil., Zhongli Dist., Taoyuan City, Taiwan	Manufacturing and sales of electronic parts and components	238,280	19,320	23,828,000	55.41	136,781	(157,918)	(92,802)	Subsidiary

Note 1: For more information on the investees in Mainland China, please refer to Table 8.
Note 2: Related transactions and period-end balances were removed from the consolidated financial statements.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Information on Investments in Mainland China
2021

Table 8

Unit: NTD and foreign currency (thousand)

1. Information about investees in Mainland China, such as the name, main business operations, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment profit/loss, book value of investment, investment gain or loss having been remitted back:

Name of Chinese investees	Main business operation	Paid-in capital	Method of investment (Note 1)	Accumulated amount of investments from Taiwan at the beginning of the current period	Amount of investments remitted or recovered in current period		Accumulated amount of investments from Taiwan at the end of current period	Current profit (loss) of investee	The Company's shareholding of direct or indirect investment (%)	Profit (loss) from investments recognized in the current period (Note 2)	Book value of investment at ending	Profit received from investments as of end of current period	Remarks
					Remittance	Return							
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	T.F.T. process equipment, semiconductor process equipment, industrial conveying machinery, and automatic storage equipment.	$ 1,198,618 USD 38,800 (Note 3)	(2)-(1)	$ 1,076,543 USD 34,900	$ -	$ -	$ 1,076,543 USD 34,900	($ 90,987) (RMB 20,958)	100	($ 90,987) (RMB 20,958) (2) - B	($ 183,850) (RMB 42,323)	$ -	
KENMEC TECHNOLOGY (FUQING) CO., LTD.	Development, production and sales of new electronic components (chip components), digital audio and video coding equipment, portable microcomputers, new flat-panel displays.	99,765 USD 3,000	(2)-(1)	99,765 USD 3,000	-	-	99,765 USD 3,000	1,929 RMB 444	100	1,929 RMB 444 (2) - B	119,937 RMB 27,610	-	
Fraternity Trade Development (KunShan) Co., Ltd.	Tourism and leisure industry, such as management of hot spring hotels, health and leisure clubs, and slow living and light bite tourism	134,189 USD 4,500	(2)-(2)	134,189 USD 4,500	-	-	134,189 USD 4,500	4,866 RMB 1,121	100	4,866 RMB 1,121 (2) - B	117,358 RMB 27,016	-	
Suzhou Kenmec Property Development Ltd.	Real estate business	1,157,582 RMB 252,000 (Note 4)	(2)-(3)	-	-	-	-	(54,819) (RMB 12,649)	76.88	(58,524) (RMB 13,498) (2) - B	663,651 RMB 152,774	-	
KENMEC AUTOMATION ENGINEERING (KUNSHAN)	Automated flow line equipment and supporting equipment, display production equipment, semiconductor production equipment, etc.	266,914 RMB 60,000	(2)-(1)	266,914 RMB 60,000	-	-	266,914 RMB 60,000	382 RMB 88	100	382 RMB 88 (2) - B	209,112 RMB 48,138	-	
KENTEC (SUZHOU) INC.	New electronic components (chip components), digital sounds, etc.	31,181 RMB 7,160	(2)-(7)	-	-	-	-	9,106 RMB 2,091	39.8	3,451 RMB 792	15,974 RMB 3,677	-	
KENMEC TECHNOLOGY (SUZHOU) CO., LTD.	New electronic components (chip components), digital sounds, etc.	855,358 USD 26,800 (Note 6)	(2)-(4)	1,107,451 USD 35,900	- -	347,960 USD 12,000	759,491 USD 23,900	(28,663) (RMB 6,561)	90.34	(25,893) (RMB 5,927)	214,004 RMB 49,264	-	
Tainergy Technology (Kunshan) Co., Ltd.	R&D, design, production of high-tech green cells (solar cells) and their components	2,206,989 USD 70,000	(2)-(5)	2,206,989 USD 70,000	-	-	2,206,989 USD 70,000	(77,970) (RMB 17,959)	27.19	(21,200) (RMB 4,883) (2) - B	180,098 RMB 41,459	-	
Kunshan SENSIC Electronic Materials Co., Ltd.	Sales and manufacture of electronic materials and parts	19,242 USD 4,500 (Note 5)	(2)-(6)	-	-	-	-	(13,287) (RMB 3,054)	27.19	(3,613) (RMB 830) (2) - B	1,278 RMB 294	-	

Kunshan Jichang Energy Technology Co., Ltd.	Manufacture and sale of solar power equipment	-	(2)-(6)	-	-	-	-	-	27.19	-	-	-	

Note 1: Investment is carried out through the following 3 means:
(1) Engaged in direct investment in Mainland China.
(2)-(1) Invested in Mainland China through Kenmec International Holding (BVI) Co., Ltd.
(2)-(2) Invested in Mainland China through Ample Assets Holdings Ltd.
(2)-(3) Invested in Mainland China jointly through Kenmec Mecha-Tronics (Suzhou) Co., Ltd. and Tainergy Technology (Kunshan) Co., Ltd.
(2)-(4) Invested in Mainland China through Kenmec Communication Holding (BVI) Co., Ltd.
(2)-(5)Invested in Mainland China through Tainergy Tech Holding (Samoa) Co., Ltd.
(2)-(6) Invested in Mainland China through Tainergy Technology (Kunshan) Co., Ltd.
(2)-(7) Invested in Mainland China through Kenmec Automation Engineering (Kunshan).
(3) Other means.

Note 2: In the “Profit (loss) from investments recognized in the current period” column:
(1) An indication is needed if the investment is under preparation and there is no profit or loss.
(2) There are the following three profit/loss recognition bases. The appropriate one must be indicated.
A. The financial statements audited and approved by an international accounting firm that has a collaboration relationship with an accounting firm in the Republic of China.
B. The financial statements audited and approved by a CPA of the parent company in Taiwan.
C. Other (the unaudited financial statements of the aforesaid investees for the same period).

Note 3: The earnings of the liquidated invested KENMEC Automation Engineering (Suzhou) Co., Ltd. Amounting to USD 3.90 million were used for capital increase.

Note 4: The operating funds of the invested KENMEC MECHA-TRONICS (SUZHOU) CO., LTD. were used for reinvestment amounting to RMB 172 million and the operating funds of the invested Tainergy Technology (Kunshan) Co., Ltd. were used for investment amounting to RMB 80 million.

Note 5: The operating funds of the invested Tainergy Technology (Kunshan) Co., Ltd. were used for reinvestment amounting to RMB 4.5 million.

Note 6: In June 2021, Kenmec Technology (Suzhou) Co., Ltd. reduced its capital and refunded USD 15.2 million in shares.

2. Limit on the amount of investments in Mainland China:

Unit: foreign currency thousand/NTD thousand

Accumulated amount of investments from Taiwan to Mainland China at the end of current period (Note 7)	Investment amount approved by the Investment Commission, MOEA	Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA (Note 8)
$ 4,543,891 (USD 136,300、RMB 60,000)	$ 5,010,168 (USD 161,700、RMB 123,000) (Exchange rate:USD 27.68、RMB 4.344)	$ 2,033,532

Note 7: Including Huang Pin Electronics (Suzhou) Co Ltd. after its liquidation in February 2012, the accumulated amount of investments from Taiwan that had not been remitted back was NTD 23,395,000 (USD 657,000).

Note 8: The Company recognizes the loss on the investment in Tainergy Tech. Co., Ltd. and Kentec Inc. under the equity method and exceeds the limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Any of the Following Significant Transactions with Investees in Mainland China, Either Directly or Indirectly, through a Third Area, and Their Prices, Payment Conditions, and Unrealized Profit/Loss
2021

Table 9

Unit: NTD and foreign currency (thousand)

Name of Chinese investees	Trading type	Purchase (sale)		Price	Trading conditions		Notes/accounts receivable (payable)		Unrealized profit/loss	Remarks
		Amount	Percentage		Payment terms	Compared to regular transactions	Amount	Percentage		
Tainergy Technology (Kunshan) Co., Ltd.	Sale	$ 66,974	4.02%	No major difference from regular customers	No major difference from regular customers	No major difference	Accounts receivable $ -	-	$ -	
	Purchase	18,627	1.18%	No major difference from regular customers	No major difference from regular customers	No major difference	Accounts payable -	-	-	

Note 1: Refer to Table 1 for related information on the highest balance, the end-of-period balance, the interest rate range, and total current interest with respect to financing of funds to any investees in Mainland China, either directly or indirectly, through a third area.

Note 2: Refer to Table 2 for related information on the endorsement, guarantee or collateral provided to any investees in Mainland China, either directly or indirectly, through a business in a third area for financing in favor of such subsidiaries.

Note 3: The amount of property transactions with any investees in Mainland China, either directly or indirectly, through a business in a third area and the amount of the resulting profits or losses: None

Note 4: Related transactions and period-end balances were removed from the consolidated financial statements.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Information on Major Shareholders
2021

Table 10

Names of major shareholders	Shares	
	Number of shares held	Shareholding percentage
CHING-FU HSIEH	24,079,707	9.67%
YUEH-CHEN LIN	18,181,345	7.30%

Note 1: The information on major shareholders is acquired from the data of Taiwan Depository & Clearing Corporation with respect to the shareholders holding aggregately 5% or more of the common and special stocks of the Company that have been registered and delivered in dematerialized form (including treasury stocks) on the last business day at the end of the current quarter. The capital stock stated in the consolidated financial reports of the Company may be different from the number of stocks that have been actually registered and delivered in dematerialized form due to different bases of compilation and calculation.

Note 2: In case any shareholder who transferred their stocks to a trustee, the information on such shareholder was disclosed based on the account of the principal subject to the trust account opened by the trustee. As for a shareholder who declares insider shares of more than 10% shareholdings pursuant to the securities and exchange regulations, the number of shares held includes the shares of the shareholder and the shares that he/she transferred to a trustee and for which he/she has the right to determine the application of the trust property. For more information on the declaration of insider shares, refer to the MOPS.

§Statements of Major Accounting Items§

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Cash and Cash Equivalents
December 31, 2021

Statement 1 Unit: NTD thousand

Item	Summary	Amount
Cash on hand		$ 804
Working fund		300
Bank deposit		
Check and demand deposit		171,535
Foreign currency demand deposit	Including USD 271,000 @27.68	16,746
	JPY 9,381,000 @0.2405	
	VND 6,079,000 @0.0012	
	RMB 1,2140,000 @4.344	
	EUR 55,000 @31.32	
	THB 8,000 @0.8347	
Cash equivalents		
Foreign currency time deposit with an initial maturity date within 3 months	Including USD 3,301,000 @27.680	182,241
	RMB 20,000,000 @4.344	
	NTD 4,000,000	
		$ 371,626

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Financial Assets Measured at Fair Value through Profit or Loss – Current
December 31, 2021

Statement 2

Unit: NTD thousand
unless otherwise specified

Name	Number of shares or unit	Par value	Amount	Unit price	Total
Current					
Domestic fund beneficiary certificate					
TCB Money Market Fund	2,928,132.22	-	$ 30,028	10.26	$ 30,028
FSITC Taiwan Money Market	18,103,877.60	-	280,091	15.47	280,091
KGI Victory Money Market Fund	5,986,159.09	-	69,991	11.69	69,991
			380,110		380,110
Domestic non-listed (non-OTC) stocks:					
Chunghwa Picture Tubes, Ltd.	45,869	10	-		-
Overseas listed (OTC) stocks:					
HRC	35,000	-	2,226	63.60	2,226
EBS	39,800	-	535	13.44	535
HAC	93	-	2	19.68	2
SC5	34,848	-	924	26.52	924
PAN	64,687	-	2,988	46.20	2,988
SDT	33,120	-	358	10.80	358
IPA	309,000	-	24,028	77.76	24,028
			31,061		31,061
			$ 411,171		$ 411,171

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Accounts Receivable
December 31, 2021

Statement 3 Unit: NTD thousand

Name of Customer	Summary	Amount
Non-related party accounts:		
Taiwan Taoyuan International Airport	Project income	$ 31,968
Shih Hsiang Auto Parts Co., Ltd.	〃	20,335
Medfirst Healthcare Services, Inc.	〃	13,409
Hong Da Logistics Co., Ltd.	〃	13,266
momo.com Inc.	〃	8,450
Innolux Corporation Operator	〃	7,122
Sunmake Enterprise Co., Ltd.	〃	6,437
Others (Note)	〃	21,558
Less: Loss allowance		(236)
		122,309
Related party accounts:		
Tainergy Tech. Co., Ltd.	Project income	2,460
VIETNERGY COMPANY LIMITED	〃	177
		2,637
		$ 124,946

Note: The balance of all the accounts did not exceed 5% of the balance under this account.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Inventories
December 31, 2021

Statement 4 Unit: NTD thousand

Item	Summary	Amount	Cost and market price (whichever is lower)	
			Cost	Market price
Raw material	Project material	$ 37,538	$ 38,661	$ 37,415
Work in process		12,011	12,011	12,011
Finished goods		247	247	247
		$ 49,796	$ 50,919	$ 49,673

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Prepayments
December 31, 2021

Statement 5 | Unit: NTD thousand

Item	Summary	Amount
Prepayment for purchase		$ 9,280
Prepaid expenses	Service fee	24,516
	Insurance premium	1,574
	Others (Note)	6,963
Inventory of supplies		1,881
		$ 44,214

Note: The balance of all the customers did not exceed the 5% of the balance of this item.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Changes in Financial Assets Measured at Fair Value through Profit or Loss – Non-current
2021

Statement 6 | Unit: NTD thousand

Name of investee	At the beginning of the period		Increase in the current period		Decrease in the current period		Fair value valuation	At the end of the period			Provided as guarantee or pledge
	Number of pieces	Book value	Number of pieces	Amount	Number of pieces	Amount		Number of pieces	Shareholding ratio %	Book value	
Domestic non-listed (non-OTC) common stocks											
TeraSolar Energy Materials Corp.	1,776,637	$ 26,241	-	$ -	-	$ -	$ 4,139	1,776,637	10.01	$ 30,380	None
Tao Garden Hotel Co., Ltd.	5,000,000	17,900	-	-	-	-	11,050	5,000,000	16.64	28,950	〃
TMY Technology Inc.	-	-	535,714	15,000	-	-	(230)	535,714	1.50	14,770	〃
		$ 44,141		$ 15,000		$ -	$ 14,959			$ 74,100	

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income – Non-current
2021

Statement 7

Unit: NTD thousand

	At the beginning of the period		Increase in the current period		Decrease in the current period			At the end of the period			Provided as guarantee or pledge
Name of investee	Number of pieces	Book value	Number of pieces	Amount	Number of pieces	Amount	Fair value valuation	Number of pieces	Shareholding ratio %	Book value	
Domestic non-listed (non-OTC) common stocks											
United Information System Service Co., Ltd.	780,000	$ 27,245	-	$ -	-	$ -	$ 7,660	780,000	14.29	$ 34,905	None
Ecatch Automation Co., Ltd.	90,000	900	-	-	-	-	-	90,000	15.00	900	〃
		$ 28,145		$ -		$ -	$ 7,660			$ 35,805	

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Changes in Investment under Equity Method
2021

Statement 8

Unit: NTD thousand

Name of investee	Balance – beginning of the period: Number of shares	Balance – beginning of the period: Amount	Increase in the current period: Number of shares	Increase in the current period: Amount	Decrease in the current period (Note 2): Number of shares	Decrease in the current period (Note 2): Amount	Investment profit (loss) (Note 2)	Unrealized profit/loss	Exchange differences on translation of financial statements of foreign operations	Net remeasurement of defined benefits plan	Other (Note 3)	Number of shares	Shareholding ratio at the end of the period %	Amount	Market price or net equity (Note 4): Unit price (NTD)	Market price or net equity (Note 4): Total price	Provided as guarantee or pledge
Publicly quoted common stocks																	
Tainergy Tech. Co., Ltd.	57,666,119	$ 440,316	3,526,737	$ 102,628	(20,000)	($ 792)	($ 241,700)	$ 3,656	$ 11,505	$ 107	$ 75,834	61,172,856	27.19	$ 391,554	39.7	$ 391,554	None
Non-publicly quoted common stocks																	
Kenmec International Holding (BVI) Co., Ltd.	41,038,752	230,053	-	-	-	-	(92,048)	405	(1,682)	-	(369)	41,038,752	100	136,359	3.32	136,359	None
Ample Assets Holdings Ltd	4,650,000	113,439	-	-	-	-	4,868	-	(853)	-	-	4,650,000	100	117,454	25.26	117,454	None
KENMEC VIETNAM COMPANY LIMITED	-	109,348	-	-	-	-	3,964	-	9,046	-	-	-	100	122,358	-	122,358	None
KENTEC INC.	47,252,154	499,857	-	-	-	-	(9,300)	16	(14,338)	361	-	47,252,154	89.16	476,596	10.09	476,596	None
TAISIC MATERIALS CO.	300,000	840	3,400,000	34,000	-	-	(13,741)	(2,155)	-	-	1,432	3,700,000	8.6	20,376	5.51	20,376	
Hua-Xia Construction Co., Ltd.	-	-	3,000,000	30,980	-	-	(12,311)	-	-	-	-	3,000,000	100	18,669	6.22	18,669	
Chief Global Logistics Co., Ltd.	-	-	100,000	1,000	-	-	(105)	-	-	-	-	100,000	100	895	8.95	895	
		$ 1,393,853		$ 168,608		($ 792)	($ 360,373)	$ 1,922	$ 3,678	$ 468	$ 76,897			$ 1,284,261		$ 1,284,261	

Note 1: The decrease for the year was mainly due to the sale of Tainergy.
Note 2: Except for Hua-Xia Construction Co., Ltd. and Chief Global Logistics Co., Ltd. that were not audited by CPAs, the rest have been audited according to the calculation of the 2021 financial statements.
Note 3: This was the actually acquired partial equity in subsidiaries of NTD 71,641,000 and changes in equity ownership in subsidiaries of NTD 5,256,000.
Note 4: The net worth of equity of the non-publicly quoted common stocks was calculated based on the shareholders' equity of the investees and the shareholding ratio of the Company.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Short-term Loans
December 31, 2021

Statement 9

Unit: NTD thousand

Type of loan	Creditor	Balance – ending of the period	Contract period	Interest rate range (%)	Financing facility	Mortgage or guarantee
Secured loans	Taiwan Business Bank, Nangang Branch.	$ 20,000	2021/12/30-2022/3/30	1.30	$ 20,000	Refer to Note 34 for more information

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Accounts Payable
December 31, 2021

Statement 10 Unit: NTD thousand

Name of Customer	Summary	Amount
Non-related party accounts:		
Others (Note)	Payment for purchase	$ 334,361
Related party accounts:		
KENMEC MECHA-TRONICS (SUZHOU) CO., LTD.	Payment for purchase	12,692
Others (Note)	“	42
		12,734
		$ 347,095

Note: The balance of all the accounts did not exceed 5% of the balance under this account.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Operating Revenue
2021

Statement 11 Unit: NTD thousand

Item	Quantity	Amount
Sales revenue	-	$ 5,839
Project income	-	1,292,735
Service income	-	51,556
Total		$ 1,350,130

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Operating Costs
2021

Statement 12 Unit: NTD thousand

Item	Amount
Project cost	
Construction inventory – beginning	$ 21,287
Add: Purchase in current period	371,730
Construction in progress transferred-in	3,783
Return of residual material	2,612
Less: Cost to sell materials	(2,707)
Construction inventory – ending	(50,919)
Consumables in the current period	345,786
Contract work	517,243
Direct personnel	82,632
Manufacturing expense	151,212
Investment in the current period	1,096,873
Construction in progress – beginning	1,567,520
Add: Project income recognized under the percentage of completion method	1,292,177
Less: Advance construction payment receipts written off under the percentage of completion method	(904,306)
Transfer to construction repair cost	3,365
Transfer to Property, plant and equipment	(3,081)
Transfer to semi-finished goods	(3,783)
Abnormal capacity	(7,293)
Construction in progress – ending	(2,035,274)
	1,006,198
Other operating expenses	
Cost to sell materials	2,707
Repair cost	(3,365)
Inventory devaluation loss	227
Revenue from sale of scraps	(1,711)
Abnormal capacity	7,293
	5,151
	$ 1,011,349

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Operating Expenses
2021

Statement 13 Unit: NTD thousand

Item	Marketing expense	Management and general affairs expense	Research and development expenses	Total
Salary expense	$ 66,955	$ 81,769	$ 69,360	$ 218,084
Depreciation	6,277	18,980	-	25,257
Insurance premium	5,574	7,866	29	13,469
Bad debt expense	-	27,871	-	27,871
Postage and phone/Fax expense	7,708	1,455	3	9,166
Others (Note)	19,023	33,371	776	53,170
	$ 105,537	$ 171,312	$ 70,168	$ 347,017

Note: The balance of all the accounts did not exceed 5% of the balance under this account.

KENMEC MECHANICAL ENGINEERING CO., LTD.
Statement of Current Employee Benefits, Depreciation and Amortization Expenses by Function
2021 and 2020

Statement 14 Unit: NTD thousand

	2021			2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Salary expense	$ 110,911	$ 209,652	$ 320,563	$ 115,571	$ 190,763	$ 306,334
Insurance expense	16,056	11,696	27,752	15,944	12,074	28,018
Remuneration to directors	-	3,775	3,775	-	3,675	3,675
Pension expense	5,912	8,432	14,344	6,249	8,359	14,608
Other employee benefit expenses	3,041	2,486	5,527	2,549	1,745	4,294
	$ 135,920	$ 236,041	$ 371,961	$ 140,313	$ 216,616	$ 356,929
Depreciation expenses	$ 25,053	$ 25,257	$ 50,310	$ 24,062	$ 28,562	$ 52,624
Amortization expenses	$ 2,959	$ 1,468	$ 4,427	$ 3,273	$ 1,281	$ 4,554

Notes:

1. The number of employees in the current year and in the previous year was 339 and 344, respectively, and the number of directors who were not employees was 3 in both years.
2. The company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the information as follow:
   (1) The average employee benefit expenses in the current year were NTD 1,080,000 ("Total employee benefit expenses in the current year - total remuneration to directors" / "Number of employees in the current year - number of directors who were not employees").
   The average employee benefit expenses in the previous year were NTD 1,036,000 ("Total employee benefit expenses in the previous year - total remuneration to directors" / "Number of employees in the previous year - number of directors who were not employees").
   (2) The average employee salary expenses in the current year were NTD 954,000 (Total salary expenses in the current year / "Number of employees in the current year - number of directors who were not employees").
   The average employee salary expenses in the previous year were NTD 898,000 (Total salary expenses in the previous year / "Number of employees in the previous year - number of directors who were not employees").
   (3) The average employee salary expenses changed by 4.25% ("Average employee salary expense in the current year - average employee salary expense in the previous year" / average employee salary expense in the previous year).
   (4) The remuneration of NTD 0 to supervisors in the year and the remuneration of NTD 0 to supervisors in the previous year. (The Company has established the Audit Committee.)
3. Remuneration policy:
   Director remuneration policy
   The Articles of Incorporation of the Company shall apply. The remuneration distribution of the Company's annual profit is determined with reference to the office term of the directors, the number of times directors attend board meetings, and their contribution to the Company (including but not limited to the number of the Company's shares held and provision of endorsement/guarantee for the Company).
   Employee and managerial officer remuneration policy:
   To enhance the remuneration system applicable to the directors and managerial officers of the Company, the Remuneration Committee of the Company assesses the remuneration policy and system with regard to the directors and managerial officers of the Company from the objective and professional point of view. At least two meetings are held every year and extraordinary meetings can be held whenever necessary to assist the Board of Directors in assessing and monitoring the overall remuneration policy and raise proposals as a reference for the Board of Directors to make decision.

The Remuneration Committee of the Company shall refer to the remuneration level and payment status of other companies in the industry as well as the business operations of the Company, personal performance of the employee, and the operating risk in the future, and shall not induce directors and managerial officers to engage in activities beyond the risk tolerance of the Company for the purpose of pursuing remuneration. With respect to the time to distribute bonus in proportion with the short-term performance of directors and managerial officers, or remuneration that is partially variable, the Remuneration Committee shall consider the characteristics of the industry and the nature of the Company's business to decide the proper time to pay. The Remuneration Committee shall faithfully exercise the following duties with the due care of a good administrator and submit the suggestions to the Board of Directors for discussion:

(1) Ensure the level of the remuneration meets the requirement of labor laws and regulations and is good enough to attract the best talents.
(2) Establish and periodically review the policy, system, standard and structure with respect to the performance evaluation of directors and managerial officers and the level of remuneration.
(3) Establish and periodically evaluate the performance of the directors and managerial officers and the remuneration to them.
(4) The contents and amounts of the remuneration to the directors and managerial officers shall be determined in consideration of its reasonableness. The remuneration to the directors and managerial officers shall not substantially deviate from the financial performance.