

Stock Code:4950



Mutto Optronics Corporation

2021 Annual Report

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw/>

Company Web Site: <http://www.muttoinc.com>

Publication Date: **March 31, 2022**

I. Name, Title and Contact Information for the Company's Spokesperson and Deputy Spokesperson

General manager		Spokesperson	
Name:	Chun-Yi Chang	Name:	Jui-Hsi Cheng
Title:	General manager	Title:	Spokesperson
Tel.:	(02)2700-6958	Tel:	(02)2700-6958
E-mail:	spokesman@muttoinc.com	E-mail:	Ray.Cheng@muttoinc.com

II. Contact Information of the Company's Headquarters, Branches and Plant

Unit	Address	Telephone
Headquarters	8F., No. 109, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City, Taiwan	+886-2-27006958
Zhubei Plant	4F., No. 199, Zhonghe St., Zhubei City, Hsinchu County, Taiwan	+886-3-5516106
China Plant	No. 899 Jin Xiu Road, High Tech Zone, Tongzhou Area, Nantong City, Jingsu Province, China	+86-513-86591688

III. Contact Information of Share Transfer Agent

Name: Transfer Agent Department of Horizon Securities Co., Ltd.
Address: 3F., No. 236, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 106, Taiwan
Website: <http://www.honsec.com.tw>
Telephone: (02) 2326-8818

IV. Contact Information of Auditing CPA

Name of CPA: Hui-Lin, Pan, CPA and Pei-Chuan, Huang, CPA
CPA Firm: PricewaterhouseCoopers Taiwan
Address: 27F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan
Telephone: (02) 2729-6666
Website: <https://www.pwc.tw/>

V. Names of Stock Exchanges where Foreign Securities are Listed and Inquiry on the Information of Foreign Securities: None.

VI. The Company's Web Site: <http://www.muttoinc.com>

Contents

I.	Letter to Shareholders	1
1.1	Operating Performance in 2021	1
1.2	Business Plan for 2021	2
1.3	Business Future Development Strategy, the Effect of External Competition, the Legal Environment, and the Overall Business Environment	2
II.	Company Profile	3
2.1	Date of Incorporation	3
2.2	Company History	3
III.	Corporate Governance Report	5
3.1	Organization.....	5
3.2	Board of Directors and Management Team	8
3.3	Remuneration of Directors, President, and Vice President	15
3.4	Implementation of Corporate Governance	22
3.5	Information Regarding the Company’s Audit Fee	54
3.6	Information on CPA Changes	54
3.7	Company’s Chairman, President or Finance/Accounting Manager Held Positions in the Company’s Audit Firm or its Affiliates within the Past Year	55
3.8	Transfer of Equity Interests and/or Pledge of or Changes in Equity Interests by Directors, Supervisors, Managers or Major Shareholders with a Stake of More than 10 Percent	55
3.9	Relationship among the Top Ten Shareholders	59
3.10	Ownership of Shares in Affiliated Enterprises	60
IV.	Capital Overview	61
4.1	Capital and Shares	61
4.2	Bonds	67
4.3	Preferred Shares.....	67
4.4	Global Depository Receipts	67
4.5	Employee Stock Options	68
4.6	Issuance of New Restricted Employee Shares.....	68
4.7	Status of New Shares Issuance in Connection with Mergers and Acquisitions	68
4.8	Financing Plans and Implementation.....	68
V.	Operational Highlights	69
5.1	Business Activities.....	69
5.2	Market and Sales Overview	72
5.3	Human Resources	75
5.4	Environmental Protection Expenditure.....	76
5.5	Labor Relations.....	76

5.6	Information Communication Security Management	78
5.7	Important Contracts	79
VI.	Financial Information	80
6.1	Five-Year Condensed Balance Sheets and Statements of Comprehensive Income	80
6.2	Five-Year Financial Analysis	84
6.3	Audit Committee’s Report for the Most Recent Year	88
6.4	Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020.	88
6.5	Parent Company Only Financial Statements for the Years Ended December 31, 2021 and 2020.....	89
6.6	Financial Difficulties for the Company and its Affiliates	89
VII.	Review of Financial Conditions, Financial Performance, and Risk Management..	89
7.1	Analysis of Financial Status	89
7.2	Analysis of Financial Performance	90
7.3	Analysis of Cash Flow.....	91
7.4	Analysis of Major Capital Expenditures and its Impact on Finance and Operations..	91
7.5	Investment Policies, Reasons for Profit or Loss, Plans for Improvement, and Future Investment Plan	92
7.6	Analysis of Risk Management	92
7.7	Other Significant Items	94
VIII.	Special Disclosure	95
8.1	Affiliates	95
8.2	Private Placement of Securities in 2021 up to Publication Date of this Annual Report in 2022	98
8.3	Holding or Disposal of the Company’s Shares by its Subsidiaries in 2021 up to Publication Date of this Annual Report in 2022	98
8.4	Other Supplementary Information	98
IX.	Events Defined under Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which Significantly Impacted Shareholders' Equity or Security Prices, have Occurred in 2021 up to Publication Date of this Annual Report in 2022.....	98

I. Letter to Shareholders

1.1 Operating Performance in 2021

1.1.1 2021 Business plan execution and achievement

The current main business of the Company is manufacture and sales of stainless steel kitchen utensils and refined cutlery set. At the end of 2020, the TP Division was established to return to the touch panel market.

Since the entry of the new management team and the adjustment of operations, the company has benefited from the new orders placed by customers in the America hypermarket, and the orders have been very prosperous. The consolidated net income in 2021 was NTD\$412,128 thousand in SSK Division, the consolidated net income was NTD\$32,719 thousand in TP Division, the total operating revenue was NTD\$ 444,847 thousand, which increased 338.10% comparing with the consolidated net income of NTD\$101,541,000 in 2020, resulting in gross profit was NTD\$ 93,058 thousand, net operating profit was NTD\$ 13,645 thousand, after adding other net non-operating income and expenditure of NTD\$ 9,565 thousand and deducting income tax expense of NTD\$717 thousand, the net profit after tax for the year was NTD\$22,493 thousand in 2021, which was the first time turned a profit after the past four years.

1.1.2 Budget implementation

As the Company does not need to prepare 2021 financial prediction, it is not applicable.

1.1.3 Financial revenue and expense and profitability analysis

Item		2020	2021	Increase (decrease) in amount
Financial structure (%)	Debt ratio	18.37	23.22	4.85
	Ratio of long-term capital to property, plant and equipment	2,248.22	1,341.10	(907.12)
Solvency (%)	Current ratio	760.37	472.45	(287.92)
	Quick ratio	653.05	386.80	(266.25)
Profitability (%)	Return on total assets	(27.08)	5.53	32.61
	Return on stockholders' equity	(46.31)	6.73	53.04
	Profit ratio	(188.51)	5.06	193.57
	Earnings per share(NT\$)	(4.18)	0.49	4.67

1.1.4 Research and development

The Company is devoted to the improvement of product manufacturing processes and innovative design, continuously providing customers with best service and creating the maximum value for shareholders since it has been established. In the future, we will continue to proceed the development and investment of prospective technology and innovative application based on the technical business capabilities of the entire management to optimize the competitiveness of the Company consistently.

1.2 Business Plan for 2021

1.2.1 SSK Division

The company has been focusing on the manufacturing and development of stainless steel knives for many years, and has rich experience in mass production to provide customers with high-quality products and improve customer dependence. In addition to actively developing new customers, we continue to develop high value-added products to avoid price-cutting competition with peers. Besides, actively maintain a good partnership with upstream and downstream manufacturers and get their full cooperation to make the product cost more competitive.

At this stage, the company focuses on researching and developing new products, improving product yield and quality, improving production efficiency, inspecting products and development trends at any time to keep up with market demand and enter into a high-growth product supply chain.

In addition to continuing to serve existing customers, the Company will positively explore new customers and gain recognition from new customers this year, so as to gradually reduce the risk of sales concentration.

1.2.2 TP Divion

Since the TP Division established at the end of 2020, the company has focused on the lamination process of touch panels. At this stage, the full lamination process capacity of each manufacturer is about 15 inches or less, our company focused on the full lamination process of medium and large sizes (15 inches to 43 inches) at the beginning, on the one hand, we use technology to get rid of competitors, at the same time, cooperating strategically with customers to meet customer needs with flexible and fast services, injecting new vitality into the growth momentum of subsequent performance.

1.3 Business Future Development Strategy, the Effect of External Competition, the Legal Environment, and the Overall Business Environment

In addition to continuous delving into the improvement of production processes to improve production efficiency and reduce production cost, the Company will focus on the development of automation production and rationally distributing the products to be self-made or outsourcing as the principle to maximize the profits. Also, we will actively program other operating projects based on the technical business capabilities of the entire management to ensure the interests of all shareholders.

Looking forward to 2022, the relationship between the United States and China are still deteriorating, the Russian-Ukrainian war has occurred, which will affect the cost of raw materials and freight transportation. However, due to the weakening of the COVID-19, countries around the world have lifted the blockade, expecting to bring a boost to the recovery of the world economy. The IMF expect that the global economy will grow by 4.4% this year. However, there is still have great uncertainty, depending on the follow-up development of various countries, the company will continue to pay attention to relevant environmental changes and adjust development plans in response.

Best wishes for good health and prosperity!

Chairman: Shen-Shun Tseng

General Manager: Chun-Yi Chang

Accounting Officer: Ya-Ping Huang

II. Company Profile

2.1 Date of Incorporation

October 24, 2008.

2.2 Company History

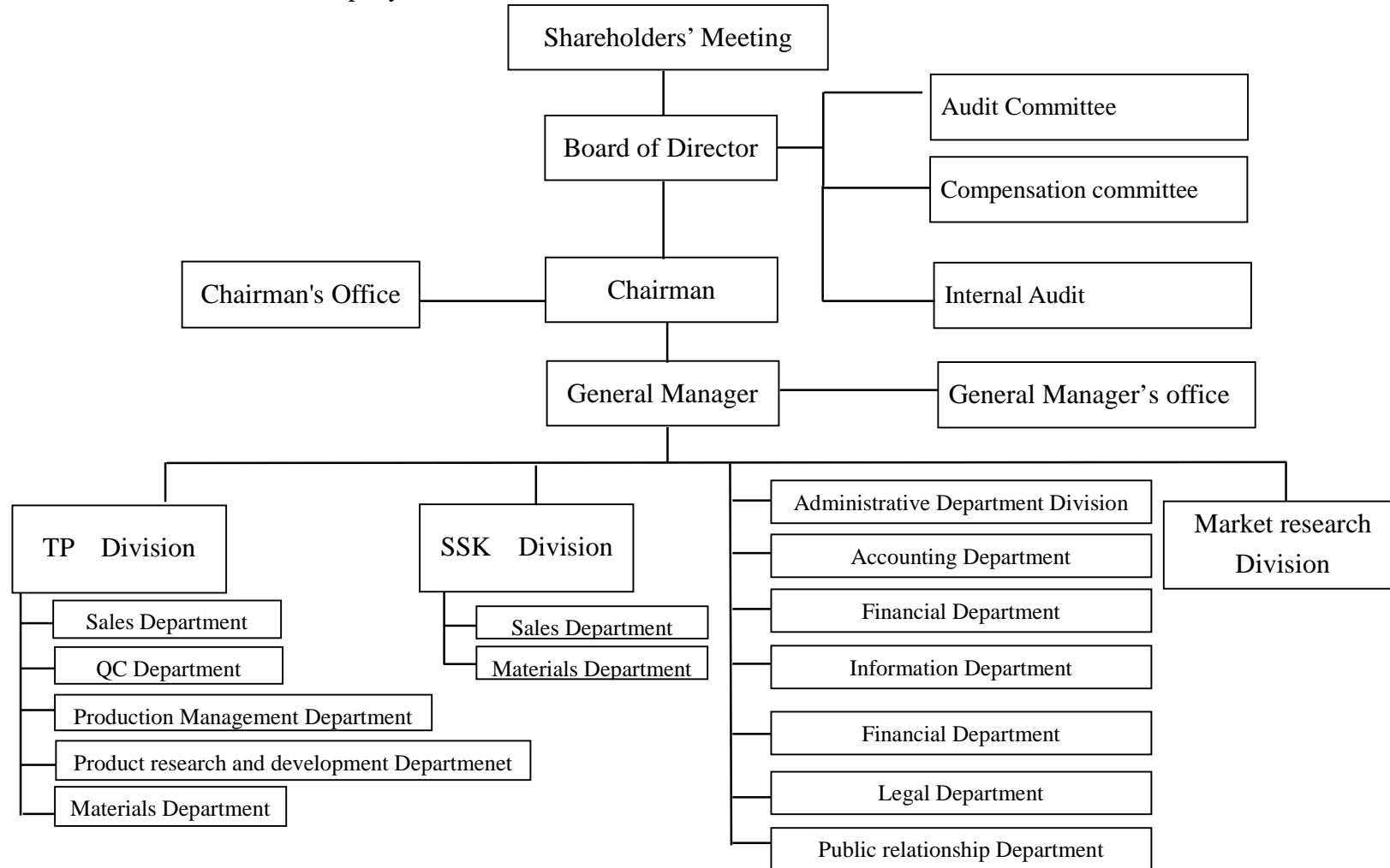
October 2007	Mutto Optronics Group Limited (abbreviated below as MOGL) set up registration in British Virgin Islands.
May 2008	Mutto Optronics Group Limited (abbreviated below as Mutto Group) set up registration in British Virgin Islands, and invested in 100% of the equity of Mutto Optronics (Suzhou) Co., Ltd. (abbreviated below as Mutto Suzhou), as its primary manufacturing factory.
June 2008	Mutto Suzhou began construction on its clean room.
July 2008	Completion of the ISO9001 verification on the Mutto Group and Mutto Suzhou.
August 2008	The clean room in the Mutto Suzhou factory started operations.
September 2008	Completion of the ISO 14000 verification on the Mutto Group and Mutto Suzhou.
October 2008	Completion of the IECQ HSPM(QC080000) verification on the Mutto Group and Mutto Suzhou.
October 2008	Mutto Optronics Corporation (abbreviated below as the Company or Mutto Taipei) set up registration, paid-up capital stood at NT\$10 million, Mutto Taipei was a 100% owned subsidiary of Mutto Group, primarily in charge of R&D of touch display panels and business information collection.
September 2009	The Company applied for a capital increase of NT\$10 million, paid-up capital amount after increase stood at NT\$20 million.
October 2009	Mutto Group initiated group organization adjustment for competitiveness enhancement and operational requirements.
October 2009	The Company acquired a Microsoft Windows 7 technical assessment verification.
December 2009	The Company applied for capital increase of NT\$380 million, paid-up capital amount after increase stood at NT\$400 million
February 2010	The Company applied for capital increase of NT\$100 million, paid-up capital amount after increase stood at NT\$500 million
March 2010	The Company acquired 100% of MOGL equity, indirectly investing in Mutto Suzhou, the Company officially became MOGL's parent company, group organization adjustment was complete.
April 2010	The Company applied for capital increase of NT\$100 million, paid-up capital amount after increase stood at NT\$600 million.
May 2010	The Company applied for public stock offering.
June 2010	The Company was listed at emerging stock market on June 29, 2010.
December 2010	Expansion of Mutto Suzhou Factory 2 was completed, monthly production capacity was upgraded to 7 million pieces per month (at 3.5 inches).
March 2011	The Company applied for capital increase of NT\$100 million, paid-up capital amount after increase stood at NT\$700 million.

April 2012	The Company was listed at the over-the-counter market on April 27, 2012, also applied for capital increase of NT\$68,760 thousand at the same time, paid-up capital amount after increase stood at NT\$768,760 thousand.
November 2013	Approval of the equity disposition case of MOGL, the Company's fully-owned subsidiary through an extraordinary shareholders' meeting.
March 2014	The Company completed the alteration registration process of the sale of MOGL's equity on March 28, 2014.
August 2014	Acquired 100% equity of The King Cut International Co., Ltd. and Sheaffer Manufacturing Co., Ltd. (including its subsidiary, Shanghai Sihe Stainless Steel Products Co., Ltd.) on August 26, 2014.
April 2016	The Company experienced a reduction of capital in the treasury shares, paid-up capital amount after reduction stood at NT\$479 million.
May 2016	The subsidiary CS Solution Holding Limited was set up in the British Virgin Islands, and the company invested in CS Solutions Technology Ltd, started conducting hard disk repair services.
August 2017	The Company bought back its shares for cancellation, paid-up capital after capital reduction stood at NT\$457,790 thousand.
October 2017	The subsidiary Shanghai Sihe Stainless Steel Products Co., Ltd. moved its factory to another subsidiary, Nantong Sihe Stainless Steel Products Co., Ltd. to continue production and operation.
December 2019	1. The reinvested business in service of hard disk repair ended its operations and began the dissolution and liquidation procedures of sub-subsidiary CS Solution Holding Limited.
March 2020	The board of directors passed the reduction of capital of subsidiaries, Sheaffer Manufacturing Co., Ltd. and Honest Mount Investments Limited.
December 2020	1. The Company set up the Optoelectronic Business Division and office, appointed the division head, and adjusted the organizational chart. 2. The board of directors passed the reduction of capital of subsidiaries, Sheaffer Manufacturing Co., Ltd. and Honest Mount Investments Limited.
March 2021	The company moved to 8F., No. 109, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 106430, Taiwan
March 2021	TP Division set up the Zhubei Plant.
March 2021	The amount of authorized share capital reached NT\$462,847,500 after the stock option was exercised to convert into 505,750 shares of common stock (yet to be registered).
June 2021	Exercising of employee stock option 475,00share, paid-up capital after capital increase stood at NT\$467,597 thousand.
August 2021	The board of directors passed the reduction of capital of subsidiaries, Shanghai Sihe Stainless Steel Products Co., Ltd
November 2021	The board of directors passed the reduction of capital of subsidiaries, Sheaffer Manufacturing Co., Ltd.
February 2022	

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational structure of the company



3.1.2 Major Corporate Functions

Department	Scope of responsibilities
Chairman	<ol style="list-style-type: none"> 1. To execute the Board’s resolution, held accountable by all the shareholders. 2. To ensure the Company’s operations and future directions of development. 3. To approve the Company’s significant decisions and signing of important contracts.
General Manger	<ol style="list-style-type: none"> 1. To execute the Board’s resolution, held accountable by all the shareholders. 2. To promote the Company’s important business/project and execute plans. 3. To compile inter-departmental tasks and exert team operational synergy. 4. To approve the Company’s significant decisions and signing of important contracts,
Internal Audit	<ol style="list-style-type: none"> 1. To inspect individual operational procedures. 2. To review the self-assessment of internal control systems. 3. To prepare audit reports and review follow-up reports. 4. To make public announcements and reporting for annual routine items.
TP Division	<ol style="list-style-type: none"> 1.Operational management and business development of TP Division. 2. R&D, production, sales, and after-sales services of TP Division products. 3. Material requirements planning, procurement, and execution of TP Division production. 4. Establishment and maintenance of the quality system of TP Division.
SSK Division	<ol style="list-style-type: none"> 1. Operational management and business development of SSK Division. 2. R&D, production, sales, and after-sales services of SSK Division products. 3. Material requirements planning, procurement, and execution of SSK Division production. 4. Establishment and maintenance of the quality system of SSK Division.

Department	Scope of responsibilities
Administrative Department	<ol style="list-style-type: none"> 1. Administrative and general affairs management, company logistics support planning and management. 2. The formulation and implementation of the annual human budget, human resource development and salary management.
Accounting Department	<ol style="list-style-type: none"> 1. Budget preparation and control. 2. Accounting processing of various transactions, preparation and analysis of financial statements. 3. Tax planning and reporting.
Financial Department	<ol style="list-style-type: none"> 1. Cashier operations such as collection and payment operations. 2. Fund planning, scheduling and utilization, and effectively control the company's funds. 3. Businesses related to the board of directors and shareholders' meetings and corporate governance. 4. Stock related operations.
Information Department	<ol style="list-style-type: none"> 1. Information system planning. 2. Application maintenance and development, database management and maintenance, network planning and management, other information and network related work. 3. Information security management.
Legal Department	Legal compliance and other related business.
Public relationship Department	Maintenance of the company's public relations image and investor relations.
Market research Department	<ol style="list-style-type: none"> 1. Survey of industry/market trends and market opportunities. 2. Research of business opportunities and collection of information.

3.2 Board of Directors and Management Team

3.2.1 Board of Directors

As of March.31,2022 unit: shares

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Remarks
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Shen-Shun Tseng	Male	2021.09.29	3	2021.07.20	44,000	0.09	54000	0.12	0	0	0	0	Bachelor of Engineering , National Taiwan Ocean University	Director (Legal Representative) of the Company Director and General Manager of Jetwell Computer Co., Ltd Chairman of Yi-Zong International Investment Limited Director (Legal Representative) of the Leadership Inc.	None	None	None	None
															Lecturer of Jhong-Ying Computer Co., Ltd.	None	None	None	Note	
General Manager	R.O.C.	Long Yi International Co., Ltd.	N.A.	2021.09.29	3	2021.02.05	320,000	0.68	255,000	0.55	0	0	0	0	N.A.	N.A.	None	None	None	None
		Representative: Chun-Yi Chang	Male	2021.09.29	3	2021.07.06 (Note 1)	0	0	3000	0.01	0	0	0	0	0	Department of Mathematics National Cheng Kung University (undergraduate) Vice President of Ministry of Commerce , Dong Guan Solytech Electronics Corp.	Chairman Assistant of Nantong SIHE Stainless Steel Products Co., Ltd.	None	None	None
Director	R.O.C.	Yuelai Investment Co., Ltd.	N.A.	2021.09.29	3	2021.02.05	1,000,000	2.14	1,200,000	2.14	0	0	0	0	N.A.	N.A.	None	None	None	None
		Representative: Jui-His Cheng	Male	2021.09.29	3	2021.02.05	0	0	0	0	0	0	0	0	0	Doctor of Business Administration, Nankai University Supervisor of Action Electronics Co., Ltd.	Director (Legal Representative) of the Company Spokesman of the Company	None	None	None
Director	R.O.C.	Yi-Zong International Ivestment Limited	N.A.	2021.09.29	3	2021.09.29	120,000	0.26	620,000	1.33	0	0	0	0	N.A.	N.A.	None	None	None	None
		Representative: Shiou-Yuh Liaw	Male	2021.09.29	3	2020.11.23	0	0	0	0	0	0	0	0	0	Master of Laws, National Taiwan University	Chairman (Legal Representative) and acting G.M. of the Company Director of Liaw & Associates	None	None	None
Director	R.O.C.	Rui Kang Asset Co., Ltd.	N.A.	2021.09.29	3	2021.09.29	2,000	0	1,000	0	0	0	0	0	N.A.	N.A.				
Independent Director	R.O.C.	Yung-Tai Tsai	Male	2021.09.29	3	2021.09.29	110,000	0.24	110,000	0.24	0	0	0	0	Bachelor of Engineering , National Taiwan Ocean University Final Test Factory Manager of Philips Semiconductors (Kaohsiung) Director of Test Technology Dept., NXP Semiconductors (Kaohsiung) Supervisor of Jetwell Computer Co., Ltd	Supervisor of Excelsius Medical Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	Ben Liu	Male	2021.09.29	3	2021.09.29	0	0	0	0	0	0	0	0	J.S.D. of National Chengchi University Lawyer of Lee and Li Lawyer of Perkins Coie Director of Taiwan	Lawyer of InfoShare Tech Law Office Independent Director of ABC-KY Independent Director of Taiwan Aulisa Medical Devices Technologies, Inc. Director of Aowei Medical Technology Inc. Supervisor of iCare Diagnostics International Co. Ltd.	None	None	None	None
Independent Director	R.O.C.	Hung-Chung Liu	Male	2021.09.29	3	2021.09.29	0	0	0	0	0	0	0	0	Bachelor of Cooperative Economics, Feng Chia University Manager of Cathay United Bank	Chairman (Legal Representative) of Villa.like manor Corp.	None	None	None	None

Note 1: Director Chun-Yi Chang, appointed by the director of the legal person on 2021.07.06 and resigned after the legal person reassigned representative on 2021.08.12.

Major shareholders of the institutional shareholders

Name of Institutional Shareholders	Major Shareholders
Long Yi International Co., Ltd.	Long Yi International Co., Ltd. (100%)
Yuelai Investment Co., Ltd.	Jiong-Jun Wu (80%) 、 Chen-Yi Peng (20%)
Yi-Zong International Investment Limited	Shen-Shun Tseng (68.97%) 、 I-Hsuan Tseng (31.03%)
Rui Kang Asset Co., Ltd.	Long Yi International Co., Ltd. (100%)

Major shareholders of companies mentioned on the right hand side of the table above

Company	Major Shareholders
Long Yi International Co., Ltd.	Hui-Yu Yeh (100%)

Professional qualifications and independence analysis of directors

Name	Professional qualifications and experience	Independence situation	Number of independent directors of other public companies
Chairman Shen-Shun Tseng	<ul style="list-style-type: none"> ➤ Education : Bachelor of Engineering , National Taiwan Ocean University ➤ Work experience : Lecturer of Jhong-Ying Computer Co., Ltd. ➤ General Manager of Jetwell Electronics Ltd. ➤ Manager of Jetwell Computer Co., Ltd ➤ Professional ability : Business management, leadership decision-making, industry knowledge and analysis, marketing promotion. 	None of Article 30 of the Company Act	0
Director Chun-Yi Chang	<ul style="list-style-type: none"> ➤ Education : Department of Mathematics National Cheng Kung University (undergraduate) ➤ Work experience : Vice President of Ministry of Commerce , Dong Guan Solytech ElectronicsCorp. ➤ Professional ability : Operation management, enterprise integration, business development, leadership decision-making, etc., factory management. 	None of Article 30 of the Company Act	0
Director Jui-His Cheng	<ul style="list-style-type: none"> ➤ Education : Doctor of Business Administration, Nankai University ➤ Work experience : Assistant Vice President, HuaNan Securities, Da-an Branch ➤ Professional ability : Financial analysis, investor relationship maintenance. 	None of Article 30 of the Company Act	0
Director Shiou-Yuh Liaw	<ul style="list-style-type: none"> ➤ Education : Master of Laws, National Taiwan University ➤ Work experience : Director of Liaw & Associates ➤ Professional ability : Legal expertise of lawyers, corporate governance, compliance with corporate laws. 	None of Article 30 of the Company Act	0

Classification Name	Professional qualifications and experience	Independence situation	Number of independent directors of other public companies
Rui Kang Asset Co., Ltd Representative: Chu-Wen Chen	<ul style="list-style-type: none"> ➤ Education : Bachelor of Engineering , National Taiwan Ocean University ➤ Work experience : Chairman of Chuang Pin International Co., Ltd. ➤ Professional ability : Business management, business promotion. 	None of Article 30 of the Company Act	Not applicable
Independent Director Yung-Tai Tsai	<ul style="list-style-type: none"> ➤ Education : Bachelor of Engineering , National Taiwan Ocean University ➤ Work experience : Final Test Factory Manager of Philips Semiconductors (Kaohsiung) ➤ Professional ability : Factory management, R&D technology management 	Compliance of Independence Criteria (Note)	0
Independent Director Ben Liu	<ul style="list-style-type: none"> ➤ Education : J.S.D. of National Chengchi University ➤ Work experience : Lawyer of InfoShare Tech Law Office ➤ Professional ability : Legal expertise, venture capital business establishment and investment management, company mergers and acquisitions, company law and related laws and regulations. 	Compliance of Independence Criteria (Note)	2
Independent Director Hung-Chung Liu	<ul style="list-style-type: none"> ➤ Education : Bachelor of Cooperative Economics, Feng Chia University ➤ Work experience : Chairman (Legal Representative) of Villa.like manor Corp., Manager of Cathay United Bank ➤ Professional ability : Operation management, internal audit, financial and accounting management. 	Compliance of Independence Criteria (Note)	0

Note: The directors elected during the prior two years in the term of office are all meets the following independence assessment criteria:

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates (not applicable in cases where the person is concurrently serving as an independent director of the company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3.

5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) or supervisor(s) serving on the company's board based on Article 27, paragraph 1 or 2 of the Company Law (not applicable in cases where the person is concurrently serving as an independent director of the company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
6. Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company (not applicable in cases where the person is concurrently serving as an independent director of the company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
7. Not a director, supervisor, or employee of a company of which the chairman or general manager (or equivalent) themselves or their spouse also serve as the company's chairman or general manager (or equivalent) (not applicable in cases where the person is concurrently serving as an independent director of the company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the company's issued shares, and is concurrently serving as an independent director of the company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof. This does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
11. Not a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law

Diversity and independence of the Board of Directors

A. Diversity of the Board of Directors:

Pursuant to relevant regulations of corporate governance, the composition of the Board of Directors shall be determined by taking diversity into consideration. Regarding the scale of the Company's operation and development, the necessary knowledge, skills, and competencies to perform the duties required for the Company's business operations need to be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture, etc. Among them, the ratio of female directors should reach one-third of the Board seats.
- II. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

For the Board of Directors of the Company to achieve the ideal goal of corporate governance, it shall possess the following abilities:

- 1. Ability to make operational judgments.
- 2. Ability to perform accounting and financial analysis.
- 3. Ability to conduct management administration.
- 4. Ability to conduct crisis management.
- 5. Knowledge of the industry.
- 6. An international market perspective.
- 7. Ability to lead and make policy decisions.
- 8. Decision-making in policies

The implementation of the diversity of the current Board members is as follows:

Name	Gender	Age			Independent director Tenure			Concurrently empolyee	core project							Industry/Field of Work					Expertise				
		40-50	51-60	61-70	Under 3 years	3 years to 9 years	Above 9 years		Operational Judgment	Accounting and financial analysis skills	Management ability	Crisis management ability	Industry knowledge	international market view	leadership	Decision-making in policies	Financial, Bank, Insurance	Information Tele-communications Media	manufacturing, investment, other	Lawyer, Accountant, Lecturer	Management	D and Manufacturing	Finance and Accounting	Legal	Business and Marketing
Chairman Shen-Shun Tseng	Male			V					V	V	V	V	V	V	V		V	V		V	V	V			V
Legal representative: Chun-Yi Chang	Male	V						V	V	V	V	V	V	V			V	V		V	V	V			V
Legal representative: Shiou-Yuh Liaw	Male		V						V	V	V	V	V	V				V	V				V		
Legal representative: Jui-His Cheng	Male		V					V	V	V	V	V	V	V	V	V		V	V			V			V
Legal representative: Chu-Wen Chen	Male	V							V	V	V	V	V	V				V							V
Independent Director Yung-Tai Tsai	Male			V	V				V	V	V	V	V	V			V	V							
Independent Director Ben Liu	Male		V		V				V	V	V	V	V	V				V	V				V		
Independent Director Hung-Chung Liu	Male		V		V				V	V	V	V	V	V	V	V		V					V		V

- (1) The members of the Board of Directors of the Company generally possess the abilities of operational judgments, accounting and financial analysis, management administration, crisis management, knowledge of the industry, an international market perspective, leadership and decision-making in policies. The diversity and complementarity of the professional background of the Board of Directors has been implemented. In the future, the diversity policy will be revised in a timely manner based on the circumstances of the operation of the Board of Directors, business models, and the development requirements to ensure that the Board members shall generally possess the knowledge, skills, and competencies necessary to perform their duties.
- (2) There are currently 8 members of the Board of Directors of the Company, including 2 Board members with employee status, accounting for 25% of the total Board members. As of March 31, 2022, the date of publication of the Annual Report, there are 2 directors aged between 40 and 50 years old, 4 between 51 and 60, and 2 between 61 and 70. In the future, the Company will consider including women in the Board of Directors to join as its members.

B. Independence of the Board of Directors:

There are currently 8 members of the Board of Directors of the Company, including 3 independent directors, accounting for 37.5% of the total Board members. The independent directors of the Company comply with the regulations of the Securities and Futures Bureau, Financial Supervisory Commission concerning independent directors. For the relevant independence, please refer to page 10 to 12 of this Annual Report.

3.2.2 Management Team

As of March 31, 2021 Unit: Shares

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	Chun-Yi Chang	Male	2021.10.07	3000	0	0	0	0	0	Department of Mathematics National Cheng Kung University (undergraduate) Vice President of Ministry of Commerce, Dong Guan Solytech Electronics Corp.	Nantong Sihe Stainless Steel Products Co., Ltd. Executive Director - Legal Representative Shanghai Sihe Stainless Steel Products Co., Ltd. Executive Director - Legal Representative	None	None	None	Note 3
Accounting Manager	R.O.C.	Ya-Ping Huang	Female	2021.10.07	0	0	0	0	0	0	Bachelor of Finance Department, Lunghwa University of Science and Technology Accounting and Statistics Section, Chungyu University of Film and Arts Accounting Section Chief, LEADTEK Research Inc. Assistant Vice President of Accounting, TEKOM Technologies, Inc	Nantong Sihe Stainless Steel Products Co., Ltd. Supervisor Shanghai Sihe Stainless Steel Products Co., Ltd. Supervisor	None	None	None	None
Financial Manager	R.O.C.	I-Hsuan Lin	Female	2021.03.29	0	0	0	0	0	0	Bachelor of Business Administration, Lunghwa University of Science and Technology Financial Administrator, Apex Medical Corp. Senior Financial Administrator, China Petrochemical Development Corp.	None	None	None	None	None
Internal Audit Manager	R.O.C.	Li-Cing Guo	Female	2021.02.02	0	0	0	0	0	0	Master of Science, National Yunlin University of Science and Technology Internal Audit Manager, Tensall Bio-Tech Co., Ltd Audit Supervisor, Future Intelligence Technology Inc.	None	None	None	None	None

3.3 Remuneration of Directors, President, and Vice President

3.3.1 Remuneration of Directors

Unit: NT\$ thousand

Title	Name (During employment in 2021)	Remuneration								Ratio of Total Remuneration (A+B+C+D) and Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) and Net Income (%)		Compensation Paid to Directors from Non- consolidated Affiliates or Parent Company		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)								
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Chairman	Qiming Technologies Holding Limited (2021/2/5 dismissed)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative : Shiou-Yuh Liaw	0	0	0	0	0	0	0	0	0	0	187	187	0	0	0	0	0	0	0	0	187	0.83%	0
Chairman	Long Yi International Co., Ltd (2021/2/5-2021/09/29)	70	70	0	0	0	0	20	20	90	90	0	0	0	0	0	0	0	0	0	0	90	90	0
	Representative : Shiou-Yuh Liaw	0	0	0	0	0	0	0	0	0	0	1,425	1,425	0	0	0	0	0	0	0	0	1,425	1,425	0
Director	Jen-Yeong Yu	34	34	0	0	0	0	20	20	54	54	0	0	0	0	0	0	0	0	0	0	54	54	0
Director	Hui Yi Asset Management Consultant Ltd. (2021/2/5dismissed)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative : Yu-Hong Lu	0	0	0	0	0	0	0	0	0	0	193	193	0	0	0	0	0	0	0	0	193	193	0
Director	Long Yi International Co., Ltd (2021/2/5 until now)	70	70	0	0	0	0	20	20	90	90	0	0	0	0	0	0	0	0	0	0	90	90	0
	Representative : Jui-Hsi Cheng (2021/2/5-2021/07/20)	0	0	0	0	0	0	0	0	0	0	311	311	0	0	0	0	0	0	0	0	311	311	0
	Representative : Shen-Shun Tseng (2021/7/20-2021/9/29)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative : Chun-Yi Chang (2021/9/29 until now)	0	0	0	0	0	0	0	0	0	0	2,599	2,599	0	0	0	0	0	0	0	0	2,599	2,599	0
Director	Yu-Hong Lu (2021/2/5-2021/4/22)	2	2	0	0	0	0	0	0	2	2	254	254	0	0	0	0	0	0	0	0	258	258	0

Title	Name (During employment in 2021)	Remuneration								Ratio of Total Remuneration (A+B+C+D) and Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) and Net Income (%)		Compensation Paid to Directors from Non-consolidated Affiliates or Parent Company		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)								
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			
Director	Ing-Ker International Co., Ltd. (2021/2/5-2021/9/29)	235	235	0	0	0	0	50	50	285 (1.27%)	285 (1.27%)	0	0	0	0	0	0	0	0	0	0	285 (1.27%)	285 (1.27%)	0
	Representative : Chiu-Chi Liu	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0	0	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0
Director	Chaozheng Investment Co., Ltd.	234	234	0	0	0	0	40	40	275 (1.22%)	275 (1.22%)	0	0	0	0	0	0	0	0	0	0	275 (1.22%)	275 (1.22%)	0
	Representative : Kuo-Huei Ning	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0	0	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0
	Representative : Chung-Yuan Lan	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0	0	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0
Director	Yuelai Investment Co., Ltd. (2021/2/5- until now)	10	10	0	0	0	0	10	10	20 (0.08%)	20 (0.08%)	0	0	0	0	0	0	0	0	0	0	20 (0.08%)	20 (0.08%)	0
	Representative : Fu-Chuan Chien (2021/2/5-2021/6/21)	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	729	729	0	0	0	0	0	0	0	0	729 (3.24%)	729 (3.24%)	0
	Representative : Chen-Yi Peng (2021/6/21-2021/7/6)	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0	0	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0
	Representative : Chun-Yi Chang (2021/7/9-2021/8/12)	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0	0	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0
	Representative : Jui-His Cheng (2021/8/12- until now)	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	95	95	0	0	0	0	0	0	0	0	95 (0.42%)	95 (0.42%)	0
Director	Shen-Shun Tseng (2021/9/29- until now)	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	884	884	0	0	0	0	0	0	0	0	3.93%	3.93%	0
Director	Yi-Zong International Investment Limited (2021/9/29- until now)	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0	0	0	0	0	0	0	0	0	0	0	0	0
	Representative : Shiou-Yuh Liaw	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	49	49	0	0	0	0	0	0	0	0	0.22%	0.22%	0
Director	Rui Kang Asset Co., Ltd. (2021/9/29- until now)	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0	0	0	0	0	0	0	0	0	0	0 (0%)	0 (0%)	0
	Representative : Chu-Wen Chen	0	0	0	0	0	0	15	15	15 (0.06%)	15 (0.06%)	0	0	0	0	0	0	0	0	0	0	15 (0.06%)	15 (0.06%)	0
Director	Mao-Wei Hung	288	288	0	0	0	0	60	60	348 (1.55%)	348 (1.55%)	0	0	0	0	0	0	0	0	0	0	348 (1.55%)	348 (1.55%)	0
Independent Director	Wei-Chyun Yan	288	288	0	0	0	0	50	50	338 (1.5%)	338 (1.5%)	0	0	0	0	0	0	0	0	0	0	338 (1.5%)	338 (1.5%)	0

Title	Name (During employment in 2021)	Remuneration								Ratio of Total Remuneration (A+B+C+D) and Net Income (%)	Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) and Net Income (%)	Compensation Paid to Directors from Non- consolidated Affiliates or Parent Company		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)			Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)							
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements			The company	Companies in the consolidated financial statements
Independent Director	Bruce Ho	313	313	0	0	0	0	60	60	373 (1.66%)	373 (1.66%)	0	0	0	0	0	0	0	0	373 (1.66%)	373 (1.66%)	0
Independent Director	Yung-Tai Tsai	123	123	0	0	0	0	0	0	123 (0.55%)	123 (0.55%)	0	0	0	0	0	0	0	0	123 (0.55%)	123 (0.55%)	0
Independent Director	Ben Liu	123	123	0	0	0	0	0	0	123 (0.55%)	123 (0.55%)	0	0	0	0	0	0	0	0	123 (0.55%)	123 (0.55%)	0
Independent Director	Hung-Chung Liu	123	123	0	0	0	0	0	0	123 (0.55%)	123 (0.55%)	0	0	0	0	0	0	0	0	123 (0.55%)	123 (0.55%)	0

Note 1: Independent Directors' remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent:
Independent Directors' remuneration and compensation are paid according to the Company's Articles of Incorporation. Regardless of the Company's profit or loss, the board of directors is authorized to decide the compensation to directors after the remuneration committee makes recommendations, according to each director's contribution to the operation and involvement in the operation of the Company, and comparing to domestic and foreign peer's levels. In addition, in accordance with Article 22 of the Articles of Incorporation, a certain ratio of the profits shall be set aside as directors' compensation and shall be approved by the board of directors then submitted to the shareholders' meeting. The business execution allowance is paid according to the situation in which the independent director attends the meeting in person, pay per attendance.

Note 2: Other than those disposed in the Table above, remuneration received by directors in the recent year for services provided to a company as mentioned in the financial statements (e.g. serving as consultant not as an employee at parent company / all companies in the financial report / reinvestment business):
Director Kuo-Huei Ning received a remuneration of NT\$186,000 for concurrently serving as a consultant to the Company during his term of office.
After Shiou-Yuh Liaw stepped down as general manager on Oct 7 2021, was received NT\$110,000 for serving as a director of subsidiary of the group.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
NT\$0 ~ NT\$999,999	Qiming Technologies Holding Limit and representative : Shiou-Yuh Liaw ; Long Yi International Co., Ltd.and representative : Shiou-Yuh Liaw ; Shen-Shun Tseng ; Jen-Yeong Yu ; Hui Yi Asset Management Consultant Ltd.and representative : Yu-Hong Lu ; Long Yi International Co., Ltd.and representative : Jui-Hsi Cheng 、 Shen-Shun Tseng 、 Chun-Yi Chang ; Yu-Hong Lu ; Ing-Ker International Co., Ltd.and representative : Chiu-Chi Liu ; Chaozheng Investment Co., Ltd.and representative : Kuo-Huei Ning 、 Chung-Yuan Lan ; Yuelai Investment Co., Ltd.and representative : Fu-Chuan Chien 、 Chen-Yi Peng 、 Chun-Yi Chang 、 Jui-Hsi Cheng ; Yi-Zong International Ivestment Limitedand representative : Shiou-Yuh Liaw ; Rui Kang Asset Co., Ltd.and representative : Chu-Wen Chen ; Mao-Wei Hung ; Wei-Chyun Yan ; Bruce Ho ; Yung-Tai Tsai ; Ben Liu ; Hung-Chung Liu	Qiming Technologies Holding Limit and representative : Shiou-Yuh Liaw ; Long Yi International Co., Ltd.and representative : Shiou-Yuh Liaw ; Shen-Shun Tseng ; Jen-Yeong Yu ; Hui Yi Asset Management Consultant Ltd.and representative : Yu-Hong Lu ; Long Yi International Co., Ltd.and representative : Jui-Hsi Cheng 、 Shen-Shun Tseng 、 Chun-Yi Chang ; Yu-Hong Lu ; Ing-Ker International Co., Ltd.and representative : Chiu-Chi Liu ; Chaozheng Investment Co., Ltd.and representative : Kuo-Huei Ning 、 Chung-Yuan Lan ; Yuelai Investment Co., Ltd.and representative : Fu-Chuan Chien 、 Chen-Yi Peng 、 Chun-Yi Chang 、 Jui-Hsi Cheng ; Yi-Zong International Ivestment Limitedand representative : Shiou-Yuh Liaw ; Rui Kang Asset Co., Ltd.and representative : Chu-Wen Chen ; Mao-Wei Hung ; Wei-Chyun Yan ; Bruce Ho ; Yung-Tai Tsai ; Ben Liu ; Hung-Chung Liu	Qiming Technologies Holding Limit and representative : Shiou-Yuh Liaw ; Long Yi International Co., Ltd. ; Shen-Shun Tseng ; Jen-Yeong Yu ; Hui Yi Asset Management Consultant Ltd.and representative : Yu-Hong Lu ; Long Yi International Co., Ltd.and representative : Jui-Hsi Cheng 、 Shen-Shun Tseng Yu-Hong Lu ; Ing-Ker International Co., Ltd.and representative : Chiu-Chi Liu ; Chaozheng Investment Co., Ltd.and representative : Kuo-Huei Ning 、 Chung-Yuan Lan ; Yuelai Investment Co., Ltd.and representative : u-Chuan Chien 、 Chen-Yi Peng 、 Chun-Yi Chang 、 Jui-Hsi Cheng ; Yi-Zong International Ivestment Limitedand representative : Shiou-Yuh Liaw ; Rui Kang Asset Co., Ltd.and representative : Chu-Wen Chen ; Mao-Wei Hung ; Wei-Chyun Yan ; Bruce Ho ; Yung-Tai Tsai ; Ben Liu ; Hung-Chung Liu	Qiming Technologies Holding Limit and representative : Shiou-Yuh Liaw ; Long Yi International Co., Ltd. ; Shen-Shun Tseng ; Jen-Yeong Yu ; Hui Yi Asset Management Consultant Ltd.and representative : Yu-Hong Lu ; Long Yi International Co., Ltd.and representative : Jui-Hsi Cheng 、 Shen-Shun Tseng Yu-Hong Lu ; Ing-Ker International Co., Ltd.and representative : Chiu-Chi Liu ; Chaozheng Investment Co., Ltd.and representative : Kuo-Huei Ning 、 Chung-Yuan Lan ; Yuelai Investment Co., Ltd.and representative : u-Chuan Chien 、 Chen-Yi Peng 、 Chun-Yi Chang 、 Jui-Hsi Cheng ; Yi-Zong International Ivestment Limitedand representative : Shiou-Yuh Liaw ; Rui Kang Asset Co., Ltd.and representative : Chu-Wen Chen ; Mao-Wei Hung ; Wei-Chyun Yan ; Bruce Ho ; Yung-Tai Tsai ; Ben Liu ; Hung-Chung Liu
NT\$1,000,000 ~ NT\$1,999,999		-	Long Yi International Co., Ltd. representative : Shiou-Yuh Liaw	Long Yi International Co., Ltd. representative : Shiou-Yuh Liaw
NT\$2,000,000 ~ NT\$3,499,999	-	-	Long Yi International Co., Ltd. representative : Chun-Yi Chang	Long Yi International Co., Ltd. representative : Chun-Yi Chang
NT\$3,500,000 ~ NT\$4,999,999	-	-	-	-
NT\$5,000,000 ~ NT\$9,999,999	-	-	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-	-	-
NT\$30,000,000~ NT\$49,999,999	-	-	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	18	18	18	18

3.3.2 **Remuneration of the President and Vice President**

Title	Name (During his tenure)	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) and net income (%)		Compensation paid from Non- consolidated Affiliates or Parent Company The company Ratio of total compensation
		The company Salary	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manger	Shiou-Yuh Liaw (2021/10/7 dismissed)	1,661	1,661	0	0	2	2	0	0	0	0	1,663 (7.25%)	1,663 (7.25%)	None
General Manger	Chun-Yi Chang (2021/10/7 take office)	530	530	0	0	2,069	2,069	0	0	0	0	2,599 (11.55%)	2,599 (11.55%)	None
General Manger of TP Division	Guo-Shu Ding (2021/10/7 dismissed)	1,618	1,618	0	0	2	2	0	0	0	0	1,620 (7.20%)	1,620 (7.20%)	None
General Manger of TP Division	Yu-Hong Lu (2021/3/29 dismissed)	447	447	0	0	0	0	0	0	0	0	447 (1.99%)	447 (1.99%)	None
Deputy General Manager	Fu-Chuan Chien 2021/2/2~2021/10/10)	1,712	1,712	0	0	2	2	0	0	0	0	1,714 (7.62%)	1,714 (7.62%)	None
Deputy General Manager	Tsu-Peng Cheng (2021/3/29~2021/4/30)	190	190	0	0	0	0	0	0	0	0	190 (0.84%)	190 (0.84%)	None

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
NT\$0 ~ NT\$999,999	Yu-Hong Lu Tsu-Peng Cheng	Yu-Hong Lu Tsu-Peng Cheng
NT\$1,000,000 ~ NT\$1,999,999	Shiou-Yuh Liaw Guo-Shu Ding Fu-Chuan Chien	Shiou-Yuh Liaw Guo-Shu Ding Fu-Chuan Chien
NT\$2,000,000 ~ NT\$3,499,999	Chun-Yi Chang	Chun-Yi Chang
NT\$3,500,000 ~ NT\$4,999,999	-	-
NT\$5,000,000 ~ NT\$9,999,999	-	-
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Over NT\$100,000,000	-	-
Total	6	6

3.3.3 **Remuneration of the Top Five Executive Officers**

Unit: NT\$ thousand

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C) (Note 2)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the Top Five Executive Officers from Non- consolidated Affiliates or Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Chun-Yi Chang (2021/10/7 take office)	530	530	0	0	2,069	2,069	0	0	0	0	2,599 (11.55%)	2,599 (11.55%)	None
Deputy General Manager	Fu-Chuan Chien (2021/2/2~2021/10/10)	1,712	1,712	0	0	2	2	0	0	0	0	1,714 (7.62%)	1,714 (7.62%)	None
General Manager	Shiou-Yuh Liaw (2021/10/7 dismissed)	1,661	1,661	0	0	2	2	0	0	0	0	1,663 (7.25%)	1,663 (7.25%)	None
General Manager of TP Divison	Guo-Shu Ding (2021/10/7 dismissed)	1,618	1,618	0	0	2	2	0	0	0	0	1,620 (7.20%)	1,620 (7.20%)	None
Chairman	Shen-Shun Tseng (2021/9/29 take office)	767	767	0	0	117	117	0	0	0	0	884 (3.93%)	884 (3.93%)	None

The Company was accumulated deficit in 2021, so the board of directors decided not to distribute employee compensation.

3.3.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Unit: NT\$ thousand

Item	The company				Companies in the consolidated financial statements			
	2020		2021		2020		2021	
	Amount	As a % of net income	Amount	As a % of net income	Amount	As a % of net income	Amount	As a % of net income
Directors' remuneration	2,410	-1.26%	2,169	9.64%	2,410	-1.26%	2,169	9.64%
General manager and deputy general manager's remuneration	1,325	-0.69%	8,194	36.43%	1,325	-0.69%	8,194	36.43%

The director's remuneration paid by the company is mainly fixed regardless of operating profit or loss, and the business execution fees were according to the situation of independent directors attending the meeting in person. In addition, compared with year 2020, the remuneration paid to the general manager and deputy general managers in 2021 have increased, mainly due to had hired managers and operation growth of the new establishment of the TP Divison in 2020.

- B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

Directors' remuneration and compensation are paid in a fixed amount according to the Company's "Regulations for the Remuneration of Directors, Independent Directors, and Executive Officers," industry standards at home and abroad, and each director's involvement in the operation of the Company. In addition, in accordance with Article 22 of the Articles of Incorporation, a certain ratio of the profits shall be set aside as directors' compensation and shall be approved by the board of directors then submitted to the shareholders' meeting. The general manager's compensation depends on the value of his/her contribution to the operation of the Company, with the standards of domestic peers as reference, and annually adjusted depending on the Company's surplus status, price level and company policy; the managers' (except the general manager) compensation, according to the Company's employee handbook, the value of his/her involvement in the operation of the Company and contribution to the operation with the standards of domestic peers as a reference, and annually adjusted depending on the Company's surplus status, price level and company policy.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 12 (A) meetings of the Board of Directors were held in 2021. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Qiming Technologies Holding Limited Representative : Shiou-Yuh Liaw	2	0	100	Old term of office Election on Feb.5,2021, 2 meetings should be attended
Chairman	Long Yi International Co., Ltd. Representative : Shiou-Yuh Liaw	6	0	100	Old term of office Election on Sep.29, 2021, 6 meetings should be attended
Chairman	Shen-Shun Tseng	4	0	100	New term of office Election on Sep.29, 2021, 4 meetings should be attended
Director	Jen-Yeong Yu	2	0	100	Old term of office Election on Feb.5,2021, 2 meetings should be attended
Director	Hui Yi Asset Management Consultant Ltd.	2	0	100	Old term of office Election on Feb. 5,2021, 2 meetings should be attended
Director	Long Yi International Co., Ltd. Representative : Jui-Hsi Cheng , Shen-Shun Tseng	6	0	100	Old term of office 1.Election on Feb.5,2021 6 meetings should be attended 2. Appointed Representative: on Jul. 20, 2021.
Director	Yu-Hong Lu	2	0	100	New term of office 1. Election on Feb.5,2021, 2 meetings should be attended 2. Dismissed on Apr. 30,2021

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Director	Ing-Ker International Co., Ltd. Representative: Chiu-Chi Liu	5	1	83	1.Election on Feb.5,2021, 6 meetings should be attended 2. Re-election and resign on Sep.29,2021
Director	Chaozheng Investment Co., Ltd. Representative : Kuo-Huei Ning, Chung-Yuan Lan	4	1	67	New term of office 1.Election on Feb.5,2021, 6 meetings should be attended 2.Appointed Representative: on Aug.12,2021 3.Re-election and resigned on Sep.29,2021
Director	Yuelai Investment Co., Ltd. Representative: Fu-Chuan Chien, Chen-Yi Peng, Chun-Yi Chang, Jui-Hsi Cheng	6	0	100	New term of office 1.Election on Feb.5,2021, 6 meetings should be attended 2. Appointed Representative on:Jun. 21, 2021, Jul.6,2021, Aug.12, 2021. 3. Re-election and resigned on Sep. 29,2021
Director	Yi-Zong International Ivestment Limited Representative : Shiou-Yuh Liaw	3	1	75	New term of office 1.Election on Sep.29,2021, 4 meetings should be attended
Director	Long Yi International Co., Ltd. Representative: Chun-Yi Chang	4	0	100	Re-elected (Reassign representative) on Sep.29,2021, 4 meetings should be attended
Director	Yuelai Investment Co., Ltd. Representative: Jui-Hsi Cheng	4	0	100	Re-elected on Sep.29,2021, 4 meetings should be attended
Director	Rui Kang Asset Co., Ltd.	3	0	75	New term of office Election on Sep.29,2021, 4 meetings should be attended
Independent director	Mao-Wei Hung	6	0	100	Old term of office Dismissed on Aug. 6, 2021
Independent director	Wei-Chyun Yan	5	0	83	Old term of office Dismissed on Aug. 6, 2021

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent director	Bruce Ho	6	0	100	New term of office 1. Election on Feb. 5, 2021, 6 meetings should be attended 2. Re-election and resigned on Sep. 29, 2021,
Independent director	Ben Liu	4	0	100	New term of office Election on Sep. 29, 2021, 4 meetings should be attended
Independent director	Yung-Tai Tsai	4	0	100	New term of office Election on Sep. 29, 2021, 4 meetings should be attended
Independent director	Hung-Chung Liu	4	0	100	New term of office Election on Sep. 29, 2021, 4 meetings should be attended

Other mentionable items:

1. Any objections or issues raised by independent directors against resolutions passed by the Board of Directors:

(1) Pursuant to Article 14-3 of the Securities and Exchange Act:

The Company has already established an audit committee, please refer to the Page 30 to 31.

(2) Except for the previously mentioned matters, other matters resolved by the board of directors with objections or qualified opinion of independent directors and with records or written statements:

Date	Content of Proposal	Objections or qualified opinion of independent directors
5th meeting of the seventh BOD 2021.08.12	Case 25: The election of directors and independent directors of the company in advance. Case 26: Proposal of release the prohibition on directors from participation in competitive business. Case 27: The proposal to convene the extraordinary shareholders' meeting in 2021.	Case 25: Regarding the vacancy of more than one-third of the directors, suggested that Article 201 of the Company Law and the corporate governance should be priority be followed, should be by-election not be re-elected, so it is opposed. Case 26: Since it has approved for re-election, it is not suitable for this term of office's director to decide release the prohibition on directors from participation in competitive business, and the prohibition is invalid in the case, so it is opposed. Case 27: Since the previous two cases have expressed objections, the reasons have been explained in the previous two cases.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Content of Proposal	Director's Name	Reasons for Avoidance due to a Conflict of Interest and Participation in Voting
2nd meeting of the seventh BOD 2021.03.29	Adjustment of the acting general manager's remuneration.	Long Yi International Co., Ltd. Representative : Shiou-Yuh Liaw	The director recused himself due to serving as the acting general manager, and did not participate in the discussion or vote.
2nd meeting of the seventh BOD 2021.03.29	Adjustment of the deputy general manager and spokesperson's remuneration.	Long Yi International Co., Ltd. Representative : Jui-Hsi Cheng	The director recused himself due to serving as the spokesperson, and did not participate in the discussion or vote.
2nd meeting of the seventh BOD 2021.03.29	Remuneration of the corporate governance and audit director.	Yuelai Investment Co., Ltd. Representative: Fu-Chuan Chien	The director recused himself due to serving as the Corporate Governance director, and did not participate in the discussion or vote.
2nd meeting of the seventh BOD 2021.03.29	Personnel change and remuneration of the Company's business general manager of TP Division	Yu-Hong Lu	The director recused himself due to serving as the Company's business general manager of TP Division formerly, and did not participate in the discussion or vote.
2nd meeting of the seventh BOD 2021.03.29	Personnel change and remuneration of the Company's financial director.	Yuelai Investment Co., Ltd. Representative: Fu-Chuan Chien	The director recused himself due to serving as the Company's financial director formerly, and did not participate in the discussion or vote.
2nd meeting of the seventh BOD 2021.03.29	Personnel change and remuneration of the Company's accounting director.	Yuelai Investment Co., Ltd. Representative: Fu-Chuan Chien	The director recused himself due to serving as the Company's accounting director formerly, and did not participate in the discussion or vote.
5th meeting of the seventh BOD 2021.08.12	Cancel the Company's subsidiary King Cut provides a loan of funds of US\$6 million to the Honest Mount Investments.	Long Yi International Co., Ltd. Representative: Shiou-Yuh Liaw	The director recused himself due to serving as the director representative of the Subsidiary King Cut and HMIL, and did not participate in the discussion or vote.
5th meeting of the seventh BOD 2021.08.12	The Company's subsidiary Honest Mount Investments Ltd. provides a loan of funds of US\$1.4 million to the Company.	Long Yi International Co., Ltd. Representative: Shiou-Yuh Liaw	The director recused himself due to serving as the director representative of the Subsidiary HMIL, and did not participate in the discussion or vote.

Date	Content of Proposal	Director's Name	Reasons for Avoidance due to a Conflict of Interest and Participation in Voting
2nd meeting of the eighth BOD 2021.10.07	Remuneration of the Company's chairman.	Shen-Shun Tseng	The director recused himself due to serving as the Company's chairmwan, and did not participate in the discussion or vote.
2nd meeting of the eighth BOD 2021.10.07	Personnel change and remuneration of the Company's general manager and spokesperson.	Long Yi International Co., Ltd. Representative: Chun-Yi Chang	The director recused himself due to serving as the Company's new general manager and spokesperson, and did not participate in the discussion or vote.
2nd meeting of the eighth BOD 2021.10.07	Personnel change of the Company's acting spokesperson.	Yuelai Investment Co., Ltd. Representative: Jui-Hsi Cheng	The director recused himself due to serving as the Company's new acting spokesperson and, and did not participate in the discussion or vote.
2nd meeting of the eighth BOD 2021.10.07	Personnel change of the Company's business general manager of TP Division	Long Yi International Co., Ltd. Representative: Chun-Yi Chang	The director recused himself due to serving as the Company's new business general manager of TP Division, and did not participate in the discussion or vote.
2nd meeting of the eighth BOD 2021.10.07	Remuneration of the Company's director: Shiou-Yuh Liaw	Yi-Zong International Ivestment Limited Representative:Shiou-Yuh Liaw	The director recused himself due to concurrently serving the representative of director of Subsidiary: Sheaffer manufacturing co. ltd.,HMIL and KING CUT,and did not participate in the discussion or vote.
4 th meeting of the eighth BOD 2021.12.15	Year 2021Annual of the Company's Performance Bonus Suggestion for Key Managers	Shen-Shun Tseng , Long Yi International Co., Ltd. Representative: Chun-Yi Chang, Yuelai Investment Co., Ltd. Representative: Jui-Hsi Cheng	The director recused himself due to serving as the Company's manager, and did not participate in the discussion or vote.

3. Implementation of self-evaluations by the board

The board of directors of the Company has approved the Regulations for the Board Performance Evaluation on March 27, 2020, in addition, on December. 15, 2021, the board of directors approved the amendment and changed its name to " Regulations for the Board and Functional Committees Performance Evaluation ".

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	January 1 to December 31 every year	The board of directors and functional committees and individual directors	Internal evaluation of the board and functional committees self-evaluation by individual directors	<p>The criteria for evaluating the performance of the board of directors shall cover the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the company; 2. Improvement of the quality of the board of directors' decision making; 3. Composition and structure of the board of directors; 4. Election and continuing education of the directors; and 5. Internal control. <p>The criteria for evaluating the performance of the board members (on themselves), shall cover the following six aspects:</p> <ol style="list-style-type: none"> 1. Alignment of the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control. <p>The criteria for evaluating the performance of the functional committees shall cover the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the company; 2. Awareness of the duties of the functional committees; 3. Improvement of the quality of the functional committees decision making; 4. Composition and election of the functional committees; 5. Internal control.

As described below, the results of self-evaluations of the Board in 2021 were reported to the Board on March 24, 2022.

(1) The evaluations were scored according to the "Regulations for the Board and Functional Committees Performance Evaluation", the contents are divided into 5 levels and the description is as follows:

Number 1: Very poor (strongly disagree)

Number 2: Poor (disagree)

Number 3: Medium (Normal)

Number 4: Excellent (Agree)

Number 5: Very Excellent (strongly agree)

(2) Evaluating Statistics

a. The self-evaluation results of the board members' are as follows:

Evaluation Oriented	Average point	Level
1. Alignment of the goals and missions of the company	4.33	Excellent
2. Awareness of the duties of a director	4.54	Excellent
3. Participation in the operation of the company	4.39	Excellent
4. Management of internal relationship and communication	4.21	Excellent
5. The director's professionalism and continuing education	4.42	Excellent
6. Internal control	4.46	Excellent

b. The evaluation results of the board are as follows:

Evaluation Oriented	Average point	Level
1. Participation in the operation of the company	4.06	Excellent
2. Improvement of the quality of the board of directors' decision making	4.18	Excellent
3. Composition and structure of the board of directors	4.18	Excellent
4. Election and continuing education of the directors	4.21	Excellent
5. Internal control	4.27	Excellent

c. The self-evaluation results of the Audit Committee are as follows:

Evaluation Oriented	Average point	Level
1. Participation in the operation of the company	4.92	Excellent
2. Awareness of the duties of the functional committees	4.73	Excellent
3. Improvement of the quality of the functional committees decision making	4.81	Excellent
4. Composition and election of the functional committees	4.67	Excellent
5. Internal control	4.67	Excellent

d. The self-evaluation results of the Compensation committee are as follows:

Evaluation Oriented	Average point	Level
1. Participation in the operation of the company	4.92	Excellent
2. Awareness of the duties of the functional committees	4.60	Excellent
3. Improvement of the quality of the functional committees decision making	4.81	Excellent
4. Composition and election of the functional committees	4.67	Excellent

(3) The summary of the performance evaluation of directors are shown in the table above. In general, the operation of the board of directors is good, and will continue to strengthen according to the results of this evaluation to improve the effectiveness of corporate governance. The evaluation results were reported to the board of director on March 24,2022.

4. Evaluation of the goals and implementation of the current year and the recent year to strengthen the functions of the board of directors

(1) Regularly review and revise various measures of the company to meet the needs of current laws and practical management to ensure the legality of each measure.

(2) Arrangement of advanced training courses for directors, so that directors can easily obtain relevant information, so as to maintain their core values and professional advantages and abilities. All directors of the company have completed their annual training hours on year 2021.

3.4.2 Audit Committee

A total of 7 (A) Audit Committee meetings were held in 2021. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent director	Mao-Wei Hung	4	0	100	Old term of office Dismissed on Aug 6, 2021, 4 meetings should be attended
Independent director	Wei-Chyun Yan	3	0	75	Old term of office Dismissed on Aug 6, 2021, 4 meetings should be attended
Independent director	Bruce Ho	4	0	100	New term of office 1. Election on Feb5, 2021, 4 meetings should be attended 2. Re-election and dismissed on Sep.29,2021
Independent director	Ben Liu	3	0	100	New term of office Election on Sep.29,2021, 3 meetings should be attended
Independent director	Hung-Chung Liu	3	0	100	New term of office Election on Sep.29,2021, 3 meetings should be attended

Other mentionable items:

1. Any objections or issues raised by the Audit Committee against resolutions passed by the Board of Directors

(1) Pursuant to Article 14-5 of the Securities and Exchange Act:

Board of Directors	Content of Proposal and Follow-Up	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolution passed by over two-thirds of the directors, but not approved by the Audit Committee
18th meeting of the sixth BOD 2021.02.02	(1) The personnel change of the company's audit manager.	V	V
	(2) The personnel change of the company's financial manager.	V	V
	The above-listed resolutions that have not been approved by the Audit Committee and have been approved by more than 2/3 of all directors, were that the audit committee could not be convened due to the insufficient member.		
2nd meeting of the seventh BOD 2021.03.29	(1) Assessment on independence of accountant.	V	
	(2) 2020 financial statements, consolidated financial statements and business reports.	V	
	(3) 2020 deficit compensation.	V	
	(4) 2020 internal control statement.	V	
	(5) Personnel change and remuneration of the financial manager.	V	
	(6) Personnel change of the accounting manager.	V	
	Resolution of the Audit Committee on Mar 29, 2021: All members of the Audit Committee expressed approval. The Company's response: All the attending directors expressed approval.		
3rd meeting of the seventh BOD 2021.05.13	(1) 1Q21 consolidated financial statements.	V	
	(2) The record date of capitalization of exercising of employee stock option in 2021Q1.	V	
	(3) Amendments to the Company's approval authority form °	V	
	Resolution of the Audit Committee on May 13, 2021: All members of the Audit Committee expressed approval. The Company's response: All the attending directors expressed approval.		
5th meeting of the seventh BOD 2021.08.12	(1) Review the procedures, membership and execution performance of the Business Strategy Committee.	V	
	(2) 2Q21 consolidated financial statements.	V	
	(3) Amend the approval authority of the company and the investment company (Sheaffer Co., Ltd.).	V	
	(4) The Company's subsidiary Sheaffer Co., Ltd. intend to purchase machinery and equipment.	V	
	(5) To revise and review the system of appointing directors and supervisor in transfer investment company (Sheaffer Co., Ltd).	V	
	(6) Establishment of the company's internal control system "production cycle"	V	V
	(7) The record date of capitalization of exercising of employee stock option in 2021Q2.	V	V
	(8) Cancel the Company's sub-subsidiary King Cut. provides a loan of funds to the subsidiary Company Honest Mount Investments Ltd.	V	V
	(9) The Company's subsidiary Honest Mount Investments Ltd. provides a loan of funds to the Company.	V	V
	Resolution of the Audit Committee on Aug 12, 2021: All members of the Audit Committee expressed approval. The Company's response: All the attending directors expressed approval. The above-listed resolutions that have not been approved by the Audit Committee and have been approved by more than 2/3 of all directors, were that the audit committee could not be convened due to the insufficient member.		
2nd meeting of the	(1) The Company's sub-subsidiary King Cut provides a loan of funds to the Company.	V	
	(2) The Company's sub-subsidiary CS Soutlion Holding Ltd	V	

Board of Directors	Content of Proposal and Follow-Up	Matters listed in Article 14-5 of the Securities and Exchange Act	Resolution passed by over two-thirds of the directors, but not approved by the Audit Committee
eighth BOD 2021.10.07	provides a loan of funds to the Company.		
	(3) The company plans to change the accounting firm and certified accountants from the 3Q21.	V	
	(4) Adjustment of the company's organizational structure and personnel change of the deputy general manager of the General Management Office	V	
	(5) Personnel change and remuneration of the general manager and spokesperson of the company	V	
	(6) Personnel change of the acting spokesperson of the company	V	
	(7) Personnel change and remuneration of the accounting manager of the company	V	
	(8) Personnel change of the Company's business general manager of TP Division	V	
	(9) The Company's sub-subsidiary Nantong Sihe Stainless Steel Products Co., Ltd. reassigns directors and supervisors	V	
	Resolution of the Audit Committee on Oct 07, 2021: All members of the Audit Committee expressed approval. The Company's response: All the attending directors expressed approval.		
3rd meeting of the eighth BOD 2021.11.11	(1) 3Q21 consolidated financial statements.	V	
	(2) Remuneration for Appointed Accountants	V	
	(3) The Company's subsidiary Sheaffer Manufacturing Co., Ltd. plan to reduction of Cash Capital.	V	
	Resolution of the Audit Committee on Nov. 11, 2021: All members of the Audit Committee expressed approval. The Company's response: All the attending directors expressed approval.		
4th meeting of the eighth BOD 2021.12.15	(1) Audit plan on 2022	V	
	(2) Amend the Company's "Internal Control System - Salary Cycle"	V	
	(3) Formulate the company's "Internal Control System - Production Cycle"	V	
	(4) Adjustment of the transfer method of capital loan from The King Cut International Co., Ltd, sub-subsidiary of the Company	V	
	(5) Annual budget on 2022	V	
Resolution of the Audit Committee on Dec. 15, 2021: All members of the Audit Committee expressed approval. The Company's response: All the attending directors expressed approval.			

(2) In addition to the items listed above, any resolution passed by over two-thirds of the directors, but not approved by the Audit Committee: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communication between independent directors, the Company's chief internal auditor and CPAs about major financial/operational matters:

(1) Communication between independent directors and the Company's chief internal auditor

- A. Before the end of each fiscal year, the next annual audit plan is approved by the audit committee and then approved by the board of directors.
- B. The internal audit chief officer will send the audit and follow-up reports to independent directors via E-mail every month after submitting those reports to the chairman. If the independent directors have any questions or instructions after review, they shall ask or inform the internal audit chief officer. In addition, the internal audit chief officer communicates with the independent directors face to face every quarter and reply to their inquiries.
- C. The internal audit chief officer attended the audit committee and the board of directors to present the audit report, the independent directors stays on top of the internal audit status of the Company at all times.

(2) Summary of previous communication between independent directors and the internal audit chief officer

Date	Report Items
Feb. 02, 2021	Report on the implementation of the audit plan from Dec. 2020 to Jan.2021
Mar. 29, 2021	Report on the implementation of the audit plan on Feb. 2021.
May. 13, 2021	Report on the implementation of the audit plan from Mar. 2021 to Apr. 2021.
Jul. 27, 2021	Report on the implementation of the audit plan from May. 2021 to Jun. 2021.
Sep. 1, 2021	Report on the implementation of the audit plan from Jul. 2021.
Oct. 7, 2021	Report on the implementation of the audit plan from Aug. 2021 to Sep. 2021
Dec. 15, 2021	Report on the implementation of the audit plan from Aug. 2021 to Sep. 2021

(3) Independent directors and CPAs have held a total of 3 meetings in 2021. CPAs discussed the review of the Company's financial statements with the independent directors. If there is special circumstance, CPAs will report immediately to the independent directors. The communication between the independent directors and CPAs is good.

Date	Items
Mar. 29, 2021	<ol style="list-style-type: none"> 1. CPAs explained the scope and method of auditing the Company's financial statements, including identifying significant risks and key audit matters. 2. Explained the inspection method of overseas subsidiaries in 2020
Nov. 11, 2021	<ol style="list-style-type: none"> 1. Communication matters of the results of the review financial report for the 3Q21. 2. Communication matters of the annual audit plan in 2021.

(4) Communication between independent directors, audit manager and accountants .

Date	Items	Opinions of independent directors/ The company handles and execution results
Dec.15, 2021	<ol style="list-style-type: none"> 1. 1. Implementation of the audit report in 2021. 2. Discuss the direction of the audit review in 2022. 3. Communication between independent directors, accountants and audit manager. 	No opinion.

3.4.3 Corporate Governance Implementation Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles with reference to “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and considered the operational and practical needs of the Company, and published them on the Company’s website and market observation post system (MOPS).	No significant discrepancy
2. Shareholding structure & shareholders’ rights (1) Does the Company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the Company establish internal rules against insiders trading with undisclosed information?		V	(1) The Company’s spokesperson takes care of shareholders’ opinions and conflicts and coordinates related departments to implement them. (2) The Company constantly updates the list of major shareholders and their ultimate controller that actually control the Company by interacting with these major shareholders. (3) The management rights and responsibilities of assets, finance and accounting between the Company and its related companies are all independent and are subject to the “Rules for Supervision and Management of Subsidiaries” and are implemented. (4) The Company has established the "Rules for the Prevention of Insider Trading " to regulate the relevant matters.	No significant discrepancy
3. Composition and Responsibilities of the Board of Directors (1) Does the board of directors formulate and implement diversity policies, specific management objectives?		V	(1) The company has not formulated a policy or measures for the diversity of the board of directors, but there are still relevant regulations on corporate governance. The composition of the board of directors should consider diversity, and consider the scale of the company's business development.	No significant discrepancy

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors’ remuneration and renewal?</p> <p>(4) Does the Company regularly evaluate the independence of CPAs?</p>	V	V	<p>for skills and literacy, please refer to page 13 for relevant implementation.</p> <p>(2) The Company has not established any other functional committees except for the Remuneration Committee and the Audit Committee established in accordance with the law.</p> <p>(3) The board of directors of the Company has established the Regulations for the Board Performance Evaluation and the results of evaluations were reported to the Board on March 24, 2021 and may be used as the basis for determination of officeholding remuneration and nomination of individual directors; however, no directors' remuneration was distributed as the Company made a loss in 2021.</p> <p>(4) The Company has established the independence evaluation project for CPAs with reference to the independence of accountants stipulated in Article 47 of the Accountant Law and the content of “Integrity, Objectivity and Independence” of the Bulletin No.10 of the “Norm of Professional Ethics for Certified Public Accountant”. The evaluation items are mainly divided into the following categories: (i) Independence influenced by self-interest. (ii) Independence influenced by self-review. (iii) Independence influenced by advocacy. (iv) Independence influenced by familiarity. (v) Independence influenced by intimidation. The Accounting Department of the Company conducts an initial assessment of the independence and suitability of CPAs on a regular basis every year, and submits to the Audit Committee for review and approval before submitting to the board of directors for discussion and resolution.</p>	
4. Does the Company appoint competent and	V		The company has allocated the manager of corporate governance, but the	No significant

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors’ compliance of law, handling matters related to board meetings and shareholders’ meetings according to law, and recording minutes of board meetings and shareholders’ meetings)?			<p>former corporate governance manager Fu-Chuan Chien, who was approved by the board of directors, resigned on Oct 7, 2021, the manager position will be fill up. Before the corporate governance manager fill, the financial department will be responsible for corporate governance related business, in order to protect the rights and interests of shareholders and strengthen the functions of the board of directors.</p> <p>The 2021 business execution about corporate governance as follows:</p> <ol style="list-style-type: none"> 1. Assisting directors (including independent directors) in performing their duties, providing the required information and arranging refresher courses for directors: <ol style="list-style-type: none"> (1) Notify board members of the latest laws and regulations regarding the Company's business areas and corporate governance. (2) Provide the Company’s information required by directors to maintain smooth communication between directors and department heads. (3) When the independent directors need to know the Company's finance or operational actions, she assists in arranging meetings between independent directors and chief internal audit officer or CPAs. (4) Assisting directors (including independent directors) in arranging refresher courses for them. 2. Assisting the procedures and resolutions of the Board meetings and shareholders' meetings are in compliance with laws: <ol style="list-style-type: none"> (1) Report to the board of directors, independent directors or the audit committee on the Company's corporate governance operations, confirming that the Company's shareholders' meeting and board meeting are in compliance with relevant laws and regulations and the corporate governance best-practice principles. (2) Assist and remind the directors of the rules that should be followed when performing their duties or making a formal resolution of the board of directors, and make suggestions when the board of directors will make an illegal resolution. 	discrepancy

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>(3) After the Board meeting, check the announcement of material information regarding important resolutions, ensure the legality and correctness of the content of the material information, so as to ensure equality of the investor's trading information.</p> <p>3. Maintain investor relations: Arrange for directors to communicate with major shareholders, institutional investors or general shareholders as needed, so that investors can obtain sufficient information to evaluate the Company's reasonable capital market value.</p> <p>4. Prepare the agenda of the board of directors and provide the meeting materials to the directors 7 days before the meeting. Notify beforehand if the director is involved self-interest on an agenda item and send the meeting minute within 20 days after the meeting.</p> <p>5. Conduct the pre-registration of the date of the shareholders' meeting in accordance with laws, make the notice, handbook and minute of the meeting within the statutory time limit. Handle the alteration registration after the amendment of the Articles of Incorporation or the re-election of the directors.</p>	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in term of offices of corporate social responsibilities?	V		A section on stakeholders has been set up on the Company’s website and the Company can be contacted by telephone, letter, fax or email at any time to safeguard stakeholders’ legitimate rights and interests.	No significant discrepancy
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has engaged the Horizon Securities Co., Ltd. To manage the affairs of the shareholders' meeting.	No significant discrepancy
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(1) The Company has disclosed information of its finance, operational actions and corporate governance on the Company’s website.	No significant discrepancy

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?</p> <p>(3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?</p>	V	V	<p>(2) The Company has set up a website in both Chinese and English, appointed designated personnel to handle disclosure of regular and irregular information, and implemented the spokesperson system in accordance with the provisions.</p> <p>(3) The Company announces and declares annual financial statements (within three months), the first, second, and third quarter financial statements (within 45 days) and monthly operating status (before 10th of each month) within the time limit specified in Article 36 of the Securities Exchange Law. However, based on the current manpower and resources, it is not possible to announce and declare the aforementioned information in advance.</p>	
<p>8. Is there any other important information to facilitate a better understanding of the Company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	V		<p>(1) The Company protects employees’ rights and interests and provides employee wellness according to the “Labor Standards Act”.</p> <p>(2) Appoint designated personnel to manage investor and stakeholder relations to keep up investor relations.</p> <p>(3) The Company regularly notifies the directors to attend refresher courses to get their certificate.</p> <p>(4) Purchase liability insurance for directors to reduce possible risk losses.</p>	No significant discrepancy
<p>9. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures.</p> <p>The Company's 2021 annual corporate governance evaluation results are ranked in the 36% to 50% range. The Company will continue to pay attention on the trend of corporate governance and make related improvements. Currently, the Company still strengthen the disclosure of the annual report, the Company’s website, and English information and implement relevant corporate governance regulations in the future.</p>				

3.4.4 Composition and Operations of the Remuneration Committee

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

2022.03.31

Identity (Note1)		Condition	Professional qualifications and experience and independence	Number of members who are concurrently members of the compensation and remuneration committees of other public offering companies
Name				
Independent Director Convenor	Yung-Tai Tsai		Please refer to page 10 to 12 for information on the professional qualifications of directors and the independence of independent directors	0
Independent Director	Ben Liu			2
Independent Director	Hung-Chung Liu			0

B. Scope of Duties of Remuneration Committee

The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors.

- (1) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.
- (2) Periodically evaluate and prescribe the remuneration of directors and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

- (1) With respect to the performance assessment and remuneration of directors and managerial personnel of the Company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.
- (2) It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the company may tolerate.
- (3) It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonus payout based on the short-term office performance of its directors and senior management and the time for payment of

the variable part of remuneration. The term of offices of reference of the Company's remuneration committee are to assist the Board in the implementation and evaluation of the Company's overall compensation and benefits policy, as well as the remuneration of directors and managers.

C. Attendance of Members at Remuneration Committee Meetings

The Remuneration Committee consists of three members whose tenure is from Sep. 29, 2021 to Sep. 28, 2024.

A total of 5 (A) Remuneration Committee meetings were held in 2020. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Mao-Wei Hung	2	0	100	Old term of office Dismissed on Aug.06 2021, 2 meetings should be attended
Committee Member	Wei-Chyun Yan	1	1	50	Old term of office Dismissed on Aug.06 2021, 2 meetings should be attended
Committee Member	Bruce Ho	2	0	100	1. New term of office Re-election on Sep.29,2021, 2 meetings should be attended 2. resigned on Sep.29,2021
Convener	Yung-Tai Tsai	3	0	100	New term of office Re-election on Sep.29,2021, 3 meetings should be attended
Committee Member	Ben Liu	3	0	100	New term of office Re-election on Sep.29,2021, 3 meetings should be attended
Committee Member	Hung-Chung Liu	3	0	100	New term of office Re-election on Sep.29,2021, 3 meetings should be attended

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3. Proposals and resolutions of the 2021 remuneration committee, and the Company's response to the remuneration committee's opinion.

Remuneration Committee	Content of Proposal and Follow-Up
1st meeting of the fifth Committee 2021.03.29	(1) Adjustment of the acting general manager's remuneration.
	(2) Adjustment of the deputy general manager and spokesperson's remuneration.
	(3) Remuneration of the corporate governance manager and audit manager.
	(4) Remuneration of the financial manager.
	(5) Remuneration of the general manager of TP Division.
	Resolution of the Remuneration Committee: All members of the Remuneration Committee expressed approval. The Company's response: All the attending directors of the board of directors expressed approval on Mar. 29, 2021.
2nd meeting of the fifth Committee 2021.07.27	(1) Remuneration for hiring special assistant to the chairman
	(2) Remuneration of special assistant to the chairman of Reinvestment Nantong Sihe Stainless Steel Products Co., Ltd.
	(3) Remuneration of general manager of sub-subsidiary Nantong Sihe Stainless Steel Products Co., Ltd.
	Resolution of the Remuneration Committee: All members of the Remuneration Committee expressed approval. The Company's response: All the attending directors of the board of directors expressed approval on Aug. 12, 2021.
1st meeting of the sixth Committee 2021.10.07	(1) Adjustment of the director, independent director and manager's remuneration formula.
	(2) Remuneration of the chairman.
	(3) Remuneration of the general manager and spokesperson.
	(4) Remuneration of the accounting manager.
	(5) Remuneration of the financial manager.
	(6) Remuneration of the director.
Resolution of the Remuneration Committee: All members of the Remuneration Committee expressed approval. The Company's response: All the attending directors of the board of directors expressed approval on Oct. 07, 2021.	
2nd meeting of the sixth Committee 2021.11.11	(1) Regular evaluation of manager's remuneration.
	Resolution of the Remuneration Committee: All members of the Remuneration Committee expressed approval.
3rd meeting of the sixth Committee 2021.12.15	(1) year-end bonus payment in 2021.
	(2) Suggestion on performance bonus for key managers in 2021.
	(3) Annual bonus proposal in 2022.
	(4) Adjustment of regulations for the Board Performance Evaluation.
	Resolution of the Remuneration Committee: All members of the Remuneration Committee expressed approval. The Company's response: All the attending directors of the board of directors expressed approval on Dec. 15, 2021.

3.4.5 The state of the company's promotion of sustainable development, any variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance

Promote Item	Implementation Status			The reason and variance of the company's promotion of sustainable development from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
1. Does the company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the board of directors to handle senior management, and supervised by the board of directors?		V	The Company has not yet to establish a division to be in charge of promoting the corporate social responsibility, will plan this direction in the future.	No relevant department has been established.
2. Does the company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?		V	Although the Company has not established relevant risk management policies, it has integrated the risk management of environmental, social and corporate governance topics related to operations into its operation strategies, including company policies, internal operation management and business execution.	This direction will be planed in the future.
3. Environmental Topic (1) Does the Company establish proper environmental management systems based on the characteristics of their industries? (2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	V V V		(1) The Company's environmental management is conducted in accordance with the relevant environmental safety and health laws and regulations. (2) The Company updates its information system and use electronic work to reduce paper usage, encourages using recycled paper, and implements garbage sorting and recycling. (3) In response to global warming, to effectively mitigate the impact of climate change, the Company continues to promote various energy-saving and carbon reduction measures, such as using low power consumption and high brightness bulbs for lighting equipment, using	No significant discrepancy No significant discrepancy No significant discrepancy

Promote Item	Implementation Status			The reason and variance of the company's promotion of sustainable development from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?		√	<p>electronic forms to reduce paper consumption, etc.</p> <p>(4) Due to the consideration of the current scale of company and manpower, the company has not yet established relevant statistical management policies. The Company reviews the consumption of water, electricity, oil and raw materials on a monthly basis, with a view of reducing unnecessary waste of energy and achieving the goals of energy saving, carbon reduction and greenhouse gas reduction.</p>	This direction will be planned in the future.
<p>4. Social Topic</p> <p>(1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p>	<p>√</p> <p>√</p> <p>√</p>		<p>(1) Mutto respects and supports internationally recognized human rights principles and standards, including the Universal Declaration of Human Rights, the UN Global Compact, and the International Labor Organization's Declaration of Fundamental Principles and Rights at Work. Comply with the laws and regulations of the company's location, formulate employee codes and handle employee related benefits in accordance with relevant labor laws, so as to protect the legitimate rights and interests of employees.</p> <p>(2) 1.The Company has established various employee salary and welfare measures in accordance with the relevant labors law and regulations, and stated in the Articles of Incorporation that if there is profit in the year, it shall set aside 1% to 10% of the profits as employee compensation. 2.The company attaches great importance to diversity and equality in the workplace. Female employees</p>	<p>No significant discrepancy</p> <p>No significant discrepancy</p> <p>No significant discrepancy</p>

Promote Item	Implementation Status			The reason and variance of the company's promotion of sustainable development from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		account for 51.72% of the company, and women above the managerial level account for 26.67%. (3) 1.The Company has a health examination system for employees, employees are eligible for health examination expense compensation every 1~2 years according to their age. In addition, the subsidiary in China arrange employees to conduct health checks every year, and organize new employee training courses to strengthen the awareness of hazard recognition and hazard prevention. 2. The company have no employee occupational accident in 2021.	No significant discrepancy No significant discrepancy
(4) Does the Company provide its employees with career development and training sessions?	V		(4) The Company's supervisor is responsible for the implementation of career planning and related training of employees according to their job characteristics.	No significant discrepancy
(5) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set polices to protect consumers' and clients' rights and consumer appeal procedures?	V		(5) The Company's products and services marketing comply with related regulations and international rules. The Company's products are not directly sold to general consumers. For corporate customers, the Company has a full-time after-sales service department to provide customers after-sale service, consultation on product use and accept customer complaints.	
(6) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?		V	(6) The Company has not established relevant management policies yet, but if the suppliers involved in violation of the corporate social responsibility policy, the Company may term of officeinate the cooperative relationship at any time. To maintain public welfare, the contract with	This direction will be planed in the future.

Promote Item	Implementation Status			The reason and variance of the company's promotion of sustainable development from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
			the supplier states that if there is any fraud, the Company may term of officeinate the contract and request compensation at any time.	
5. Does the Company refer to international reporting rules or guidelines to publish CSR Report to disclose non-financial information of the Company? Has the said Report acquire 3rd certification party verification or statement of assurance?		V	The Company has not yet prepared a corporate social responsibility report.	In the future, a corporate social responsibility report will be prepared at an appropriate time according to the Company's business scale.
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: Though the Company has not established the principles for corporate social responsibility, the operation of corporate social responsibility is handled in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".				
7. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices : None.				

3.4.6 Ethical Corporate Management Implementation Status and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have a clear ethical corporate management policy approved by the Board, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board and the top management team?</p> <p>(2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p> <p>(3) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	V		(1) The Company has established the Ethical Corporate Management Best Practice Principles approved by the Board, which is disclosed on MOPS and its website. The Principles clearly state the Company’s ethical corporate management policies and measures, and commitment regarding implementation of such policies from the Board and the top management team.	No significant discrepancy
	V		(2) The Company's Rules for the Prevention of Insider Trading and Employee Manuals clearly state that employees shall not engage in dishonesty, and shall be prevented through regularly audit by the Internal Audit Office and the implementation of the whistle-blowing system.	No significant discrepancy
	V		(3) The Company has established the Codes of Ethical Conduct and relevant measures that clearly defines consequences of violation and complaint procedure, and implement the Codes.	No significant discrepancy
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p>	V		(1) The Company has established the Ethical Corporate Management Best Practice Principles and related regulations, and implements it according to its content.	No significant discrepancy

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Whether the Company has set up a unit which is dedicated to promoting the Company’s ethical standards and regularly (at least once a year) reports directly to the Board on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?		V	(2) No.	No relevant department established
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The Company's Employee Manuals has relevant regulations and has been implemented.	No significant discrepancy
(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	V		(4) In order to implement ethical management, the Company has established effective accounting and internal control systems. The internal auditors check the compliance of the said systems with the audit plan, prepare audit reports, and submit them to the Audit Committee and the Board.	No significant discrepancy
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?		V	(5) The Company does not conduct internal and external education and training on the ethical corporate management regularly.	To be conducted according to needs
3. Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		The Company has established whistle-blowing system which clearly identifying a integrity hotline, an appropriate person for follow-up, standard operating procedures for investigating, follow-up improvement measures, relevant confidentiality mechanisms, and the protection and reward system for the whistleblower.	No significant discrepancy
(2) Whether the Company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?	V			
(3) Does the Company provide proper whistleblower protection?	V			

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
4. Strengthening information disclosure Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company’s website and MOPS?	V		The Company has disclosed the Ethical Corporate Management Best Practice Principles and its effectiveness on its website and MOPS.	No significant discrepancy
5.If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: No significant discrepancy.				
6.Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies). The Company's "Procedures for Board of Directors Meetings" has a recusal system for directors. If a director or a juristic person that the director represents is an interested party in relation to an agenda item and the relationship is likely to prejudice the interest of the Corporation, the director may state their views and answer inquiries. However, the director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.				

3.4.7 Corporate Governance Guidelines and Regulations

The Company has established the Ethical Corporate Management Best Practice Principles on July 16, 2011, and has disclosed it on its website and the Market Observation Post System (MOPS).

3.4.8 Other Important Information Regarding Corporate Governance: None.

3.4.9 Internal Control Systems

A. Internal control statement

Internal control statement

Date: March 24, 2022

The Company states the following with regard to its internal control system for the year 2021:

1. The Company is fully aware that establishing, operating and maintaining an internal control system are the responsibilities of its Board of Directors and management. The Company has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing the Establishment of Internal Control Systems” by public companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission and the Executive Yuan (herein referred to as the “Regulations”). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: (1) Control environment, (2) Risk assessment and response, (3) Control activities, (4) Information and communications, and (5) Monitoring. Please refer to the Regulations for details on these five key elements.
4. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, the Company believes that as of Dec. 31, 2021, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the Company's Board of Directors' Meeting on March 24, 2022, where all of the seven attending directors did not express any dissenting opinion and affirmed the content of the same.

Mutto Optronics Corporation

Chairman: Shen-Shun Tseng

General Manager: Chun-Yi Chang

- B. If CPA was engaged to conduct a special audit of internal control system, provide its audit report: None.

3.4.10 The Listing of Penalties, Major Deficits, and State of Any Efforts to Make Improvements, Arising from Any Legal Penalties Imposed by Regulatory Authorities on the Company or Its Employees, or any Company Punishment toward Employees for Violating Internal Control Rules, Where Such Penalties or Punishments May Have Material Impacts on Shareholders' Interests or Securities Prices, in 2020 and as of the Date of this Annual Report: None.

3.4.11 Major Resolutions at the Shareholders' Meeting and Board Meetings (from 2021 to publication date in 2022)

Date	Major Resolutions at the Shareholders' Meeting
2021.02.05	(1) To elect directors and independent directors in advance. (2) Proposal of release the prohibition on directors from participation in competitive business.
2021.07.29	(1) Recognize the annual business report and financial statement in 2021. (Tentative resolution) (2) Recognize the deficit compensation in 2021. (Tentative resolution)
2021.09.24	(1) Recognize the annual business report and financial statement in 2021. (2) Recognize the deficit compensation in 2021.
2021.09.29	(1) To elect directors and independent directors in advance. (2) Proposal of release the prohibition on directors from participation in competitive business.

Date	Major Resolutions at the Board Meetings
2021.01.08	(1) Propose the list of director candidates.
2021.02.02	(1) Change in the Company's audit officer. (2) Change in the Company's financial officer and corporate governance officer.
2021.03.29	(1) Assessment on independence of auditors. (2) 2020 financial statements, consolidated financial statements and business reports. (3) 2020 deficit compensation. (4) 2020 internal control statement. (5) Change in the Company's business address. (6) Remuneration adjustment for acting general manager. (7) Adjustment of remuneration of Deputy General Manager Kuo-ShuTing and Spokesman Jui-His Cheng. (8) Remuneration of the Company's corporate governance officer and audit officer. (9) Change in the head of sales from the Optoelectronic Business Division and his/her remuneration. (10) Change in the Company's financial officer and his/her remuneration. (11) Change in the Company's accounting officer. (12) Convene 2021 general shareholders' meeting.
2021.05.13	(1) 1Q20 consolidated financial statements. (2) The record date of capitalization of exercising of employee stock option in 2021Q1. (3) Revision of the Company's 2021 budget plan. (4) Amend the Company's "Authorization and Agent Regulations". (5) Amend the Company's "Approval Authority List".
2021.06.25	(1) Convene 2021 general shareholders' meeting plan to postpone to 2021.07.29.
2021.08.12	(1) Review the procedures, membership and execution performance of the Business Strategy Committee. (2) Convene the second ordinary shareholders' meeting in 2021. (3) Review the reasonableness of the treatment of company personnel for renting houses, purchasing furniture and renting vehicles.

Date	Major Resolutions at the Board Meetings
	<ul style="list-style-type: none"> (4) Discuss the necessity of the appointment of some personnel and the rationality of remuneration. (5) Discuss the necessity of the company's staff dormitories and official vehicles, and the rationality of the contents of "Administrative Measures for Staff Dormitory" and "Administrative Measures for the Use of Official Vehicles". (6) To review the reasonableness of remunerations and whether compliance with the corporate governance for the appointment of some personnel of the subsidiary. (7) Discuss the necessity of appointing some personnel of the subsidiary and the rationality of remuneration. (8) The consolidated financial statements for the 2Q21 will be submitted to the board of directors for approval. (9) Re-election of directors and independent directors in advance. (10) Proposal of release the prohibition on directors from participation in competitive business. (11) Convene the second extraordinary general meeting in 2021. (12) Amendment of the Company's "Approval Authority Form" and the addition of Nantong Sihe's "Approval Authority Form". (13) Nantong Sihe Stainless Steel Products Co., Ltd.intends to purchase machinery and equipment. (14) To review the company's system of appointing and reinvesting companies to serve as directors and supervisors and to amend the company's "Subsidiary Supervision and Management Measures". (15) Amendment of the Company's "Organization Regulations of the Compensation committee". (16) The company and the reinvestment company have signed a contract and a consulting contract to discuss its necessity and rationality. (17) Remuneration and the appointment of the general manager of the reinvested company. (18) Establish the company's internal control system "production cycle". (19) The record date of capitalization of exercising of employee stock option in 2021Q2. (20) The Company's subsidiary King Cut. provides a loan of funds USD 6 million to the Honest Mount Investments Ltd. (21) Cancel the Company's subsidiary King Cut. provides a loan of funds USD 1.4 million to the Company. (22) The subsidiary Shanghai Sihe Stainless Steel Products Co., Ltd. plans to reduce capital and liquidate operations. (23) Amend the company's "Administrative Measures for the Use of Seals".
2021.09.01	<ul style="list-style-type: none"> (1) Propose the list of director candidates.
2021.10.07	<ul style="list-style-type: none"> (2) The Company's subsidiary King Cut provides a loan of funds USD 2.4 million to the Company. (3) The Company's subsidiary CS Soution Holding Ltd provides a loan of funds USD 5 million to the Company. (4) The company plans to change the accounting firm and certified accountants from the 3Q21. (5) Adjustment of the company's organizational structure and personnel change of the deputy general manager of the General Management Office. (6) Remuneration of the chairman. (7) Personnel change and remuneration of the general manager and spokesperson of the company (8) Personnel change of the acting spokesperson of the company (9) Personnel change and remuneration of the accounting manager of the company (10) Personnel change of the Company's business general manager of TP Division (11) Personnel change and remuneration of the fianacial manager of the company (12) Remuneration of the director.

Date	Major Resolutions at the Board Meetings
	(13) The Company's subsidiary Nantong Sihe Stainless Steel Products Co., Ltd. reassigns directors and supervisors
2021.11.11	(1) 3Q21 consolidated financial statements. (2) Remuneration for Appointed Accountants (3) The Company's subsidiary Sheaffer Manufacturing Co., Ltd. plan to reduction of Cash Capital. (4) Amend the Company's "Organization Rules of compensation committee". (5) Amend the Company's "Subsidiary Supervision and Management" measures. (6) Amend the Company's "Approval Authority Form". (7) Amend the "Approval Authority List" of the Nantong Sihe Stainless Steel Products Co., Ltd.
2021.12.15	(1) The company's 2021 audit plan. (2) Amend the Company's "Internal Control System - Salary Cycle". (3) Formulate the company's "Internal Control System - Production Cycle". (4) Adjustment of the transfer method of a loan of funds from The King Cut International Co., Ltd., to the company. (5) The company's 2022 annual bonus proposal. (6) The company's 2022 annual budget. (7) Amend the Company's "Measures for the Performance Evaluation of the Board of Directors". (8) The company's 2021 year-end bonus payment. (9) Suggestions on performance bonuses for key managers of the Company in 2021.
2022.02.17	(1) Convene 2022 general shareholders' meeting. (2) Apply for a credit line from First Bank Co., Ltd. (3) The Company's subsidiary Sheaffer Manufacturing Co., Ltd. plan to reduction of Cash Capital.
2022.03.24	(1) Assessment on independence of auditors. (2) 2021 financial statements, consolidated financial statements and business reports. (3) 2021 deficit compensation. (4) 2021 internal control statement. (5) Partially Amend the Procedures for the Acquisition or Disposal of Assets. (6) Partially Amend the Articles of Incorporation (7) Convene 2022 general shareholders' meeting.

3.4.12 Major Resolutions at the Shareholders' Meeting and Implementation Status (from 2020 up to publication date in 2021)

Date	Major Resolutions	Implementation Status
2021.02.05	(1) To elect directors and independent directors in advance. (2) Proposal of release the prohibition on directors from participation in competitive business.	(1) Nine directors have been elected, including three independent directors, and were approved by the Taipei City Government on Feb.20, 2021 for registration. (2) Implement according to the revised Procedures
2021.07.29	(1) Recognize the annual business report and financial statement in 2021(Tentative resolution) (2) Recognize the deficit compensation in 2021. (Tentative resolution)	(1) The proposal has been voted to pass a tentative resolution, and will be put forward to the next shareholders' meeting. (2) The proposal has been voted to pass a tentative resolution, and will be put forward to the next

Date	Major Resolutions	Implementation Status
		shareholders' meeting.
2021.09.24	(1) Recognize the annual business report and financial statement in 2021 (2) Recognize the deficit compensation in 2021.	(1) Implement according to the revised Procedures (2) Implement according to the revised Procedures
2021.09.29	(1) To elect directors and independent directors in advance. (2) Proposal of release the prohibition on directors from participation in competitive business.	(1) Eight directors have been elected, including three independent directors, and were approved by the Taipei City Government on Oct.19, 2021 for registration. (2) Implement according to the revised Procedures

3.4.13 Major Dissenting Comments among Directors over Board Meeting Resolutions from 2020 up to Publication Date in 2021:

Date	Content of Proposal	Objections or qualified opinion of independent directors
5th meeting of the seventh BOD 2021.08.12	Case 25: The election of directors and independent directors of the company in advance. Case 26: Proposal of release the prohibition on directors from participation in competitive business. Case 27: The proposal to convene the extraordinary shareholders' meeting in 2021.	Case 25: Regarding the vacancy of more than one-third of the directors, suggested that Article 201 of the Company Law and the corporate governance should be priority be followed, should be by-election not be re-elected, so it is opposed. Case 26: Since it has approved for re-election, it is not suitable for this term of office's director to decide release the prohibition on directors from participation in competitive business, and the prohibition is invalid in the case, so it is opposed. Case 27: Since the previous two cases have expressed objections, the reasons have been explained in the previous two cases.

3.4.14 Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D from 2021 up to Publication Date in 2022.

Title	Name	On-board Date	Date of Resignation or Dismissal	Summary of Resignation or Dismissal
Senior Internal Audit Manager	Fang-Bin Li	2016.04.04	2021.02.02	Due to job adjustment, Internal Audit Manager Li-Cing Guo was appointed as the Internal Audit Officer.
Financial Assistant Vice President	Chi-Yeh Hsu	2015.03.03	2021.02.02	Due to job adjustment, Deputy General Manager Fu-Chuan Chien was appointed as the Finance Officer.
Corporate Governance Officer	Chi-Yeh Hsu	2018.11.12	2021.02.02	Due to job adjustment, Deputy General Manager Fu-Chuan Chien was appointed as the Corporate Governance Officer.
Accounting Assistant Vice President	Tzu-Chiao Lan	2019.12.30	2021.03.29	Due to job adjustment, Deputy General Manager Fu-Chuan Chien was appointed as the Accounting Officer.
Finance Officer	Fu-Chuan Chien	2021.02.02	2021.03.29	Due to job adjustment, Financial Manager I-Hsuan Lin was appointed as the Finance Officer.
Business General Manager of TP Division	Yu-Hong Lu	2020.12.11	2021.03/29	Resigned due to personal reason.
Chairman	Shiou-Yuh Liaw	2020/12/11	2021/09/29	Re-elected directors and elected chairman of the board
Acting General Manager	Shiou-Yuh Liaw	2020/12/11	2021/10/07	Resigned due to personal reason.
Accounting Manager	Fu-Chuan Chien	2021/03/29	2021/10/07	Lay off due to adjustment of the company's organizational structure
Corporate Governance Officer	Fu-Chuan Chien	2021/02/02	2021/10/07	Lay off due to adjustment of the company's organizational structure
Business General Manager of TP Division	Guo-Shu Ding	2020/12/11	2021/10/07	Resigned due to personal reason.

3.5 Information Regarding the Company's Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit fee	Not audit fee (Note1)	Total	Remarks
Deloitte & Touche	Pei-De Chen	2021.01.01~2021.06.30	900	90	990	Change the Accounting firm due to business and management needs
	Wen-Chin Lin	2021.01.01~2021.06.30				
Pricewaterhouse Coopers Taiwan	Hui-Lin, Pan	2021.01.01~2021.12.31	1,450	250	1,700	
	Pei-Chuan, Huang	2021.01.01~2021.12.31				

Note1 : Not audit fee content :

- (1) Deloitte & Touche : Reply service fee for accountants handling the OTC's review of financial reports of public companies.
- (2) PricewaterhouseCoopers Taiwan : Tax Compliance Audit Fee

3.5.1 For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons: Not applicable.

3.5.2 If audit fees dropped by more than 10%, specify the amount and percentage of decline and reasons: Not applicable.

3.6 Information on CPA Changes

3.6.1 Former CPAs:

Date of Change	Approved by Board of Directors on October 07, 2021		
Reasons and Explanation of Changes	For business and management needs.		
State whether the Appointment is Term of officeinated or Rejected by the Consignor or CPAs	Status	Client	Consignor
	Appointment term of officeinated automatically	CPA	V
	Appointment rejected (discontinued)	Not applicable	Not applicable
The Opinions other than Unqualified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	None		
Is there any disagreement in opinion with the issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No	V	
	Explanation		
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

3.6.2 Successor CPAs:

Accounting Firm	PricewaterhouseCoopers Taiwan
Name of CPA	Hui-Lin, Pan and Pei-Chuan, Huang
Date of Engagement	Approved by Board of Directors on October 07, 2021
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

3.6.3 The reply of former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards:
Not applicable.

3.7 Company's Chairman, President or Finance/Accounting Manager Held Positions in the Company's Audit Firm or its Affiliates within the Past Year: None.

3.8 Transfer of Equity Interests and/or Pledge of or Changes in Equity Interests by Directors, Supervisors, Managers or Major Shareholders with a Stake of More than 10 Percent

3.8.1 Changes in Shareholding of Directors, Managers and Major Shareholders

Title	Name	2021		As of March. 31, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and General Manager	Qiming Technologies Holding Limited (2021/2/5 dismissed)	(4,799,000)	-	Not applicable	Not applicable
	Representative: : Shiou-Yuh Liaw	-	-	Not applicable	Not applicable
Chairman and General Manager	Long Yi International Co., Ltd. (2021/2/5-2021/09/29)	(65,000)	-	Not applicable	Not applicable
	Representative: : Shiou-Yuh Liaw	-	-	Not applicable	Not applicable
Chairman	Shen-Shun Tseng (2021/9/29 take office)	10,000	-	-	-
Director	Jen-Yeong Yu (2021/2/5 dismissed)	-	-	Not applicable	Not applicable
Director	Hui Yi Asset Management Consultant Ltd. (2021/2/5 dismissed)	-	-	Not applicable	Not applicable
	Representative: : Yu-Hong Lu	1,300,000	-	Not applicable	Not applicable

Title	Name	2021		As of March. 31, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Long Yi International Co., Ltd. (2021/2/5 take office)	(65,000)	-	-	-
	Representative: : Jui-His Cheng (2021/2/5-2021/07/20)	-	-	-	-
	Representative: : Shen-Shun Tseng (2021/7/20-2021/9/29)	10,000	-	-	-
	Representative: : Chun-Yi Chang (Note1) (2021/9/29 take office)	3,000	-	-	-
Director	Yu-Hong Lu (Note 2) (2021/2/5-2021/4/22)	1,300,000	-	Not applicable	Not applicable
Director	Ing-Ker International Co., Ltd. (2021/2/5-2021/9/29)	-	1,200,000	Not applicable	Not applicable
	Representative: : Chiu-Chi Liu	-	-	Not applicable	Not applicable
Director	Chaozheng Investment Co., Ltd. (2021/2/5-2021/9/29)	-	-	Not applicable	Not applicable
	Representative: : Kuo-Huei Ning	-	-	Not applicable	Not applicable
	Representative: : Chung-Yuan Lan	-	-	Not applicable	Not applicable
Director	Yuelai Investment Co., Ltd. (2021/2/5 take office)	-	-	-	-
	Representative: : Fu-Chuan Chien (Note3) (2021/2/5-2021/6/21)	-	-	Not applicable	Not applicable
	Representative: : Chen-Yi Peng (2021/6/21-2021/7/6)	-	-	Not applicable	Not applicable
	Representative: : Chun-Yi Chang (2021/7/9-2021/8/12)	3,000	-	-	-
	Representative: : Jui-His Cheng (Note 4) (2021/8/12 take office)	-	-	-	-
Director	Yi-Zong International Investment Limited (2021/9/29 take office)	-	-	-	-
	Representative: : Shiou-Yuh Liaw	-	-	-	-

Title	Name	2021		As of March. 31, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Rui Kang Asset Co., Ltd. (2021/9/29 take office)	-	-	-	-
	Representative: : Chu-Wen Chen	-	-	-	-
Independent Director	Mao-Wei Hung (2021/8/8 dismissed)	-	-	Not applicable	Not applicable
Independent Director	Wei-Chyun Yan (2021/8/8 dismissed)	-	-	Not applicable	Not applicable
Independent Director	Bruce Ho (2021/2/5-2021/9/29)	-	-	Not applicable	Not applicable
Independent Director	Yung-Tai Tsai (2021/9/29 take office)	-	-	-	-
Independent Director	Ben Liu	-	-	-	-
Independent Director	Hung-Chung Liu (2021/9/29 take office)	-	-	-	-
Stake of Morethan 10 Percent	Qiming Technologies Holding Limited (2021/9/22 dismissed)	(4,799,000)	-	Not applicable	Not applicable
General Manager of TP Divion	Guo-Shu Ding (2021/10/7 dsmissed)	-	-	Not applicable	Not applicable
Deputy General Manager	Tsu-Peng Cheng (2021/03/29-2021/04/30)	-	-	Not applicable	Not applicable
Internal Audit Manager	Li-Cing Guo (2021/02/02 take office)	-	-	-	-
Financial Manager	I-Hsuan Lin (2021/03/29 take office)	-	-	-	-
Accounting Manager	Ya-Ping Huang (2021/10/7 take office)	-	-	-	-
Accounting Assistant Vice President	Tzu-Chiao Lan (2021/03/31 dsmissed)	-	-	Not applicable	Not applicable
Financial Assistant Vice President	Chi-Yeh Hsu (2021/03/10 dismissed)	-	-	Not applicable	Not applicable
Senior Internal Audit Manager	Fang-Bin Li (2021/02/02 dismissed)	-	-	Not applicable	Not applicable

Note 1: Chun-Yi Chang concurrently act as Director and General Manager.

Note 2: Newly elected on Feb. 5, 2021.

Note 3: Concurrently act as Deputy General Manager, Accounting Manager and Corporate Governance Manager, dismissed on Oct 10, 2021.

Note 4: Concurrently act as Director and Acting Spokesperson.

3.8.2 Shares Trading with Related Parties: None.

3.8.3 Shares Pledge with Related Parties: None.

3.9 Relationship among the Top Ten Shareholders

As of April 27, 2021

Name (A)	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name (B)	Relationship	
Ming-Tsung Lee	1,961,556	4.19	0	0	0	0	Ching-Lin Lee	A is a relative within two degrees of B	None
Kuan-Ling Wang	1,725,000	3.69	0	0	0	0	None	None	None
Chun-Chung Cheng	1,638,000	3.50	0	0	0	0	None	None	None
Yen-Chun Chiang	1,479,000	3.16	0	0	0	0	None	None	None
Jin-Long Yang	1,216,000	2.60	0	0	0	0	None	None	None
Citibank as custodian of Capital Union Bank Ltd. Investment Account	1,155,000	2.47	0	0	0	0	None	None	None
Yuelai Investment Co., Ltd.	1,000,000	2.14	0	0	0	0	None	None	None
Representative: : Jiong-Jun Wu	309,000	0.66	364,000	0.78	0	0	None	None	None
Ching-Lin Lee	950,000	2.03	180,000	0.38	0	0	Ming-Tsung Lee	A is a relative within two degrees of B	None
Capital Securities Co., Ltd. - CSC Securities (Hong Kong) Limited	944,000	2.02	0	0	0	0	None	None	None
Tzu-Yu Teng	799,000	1.71	0	0	0	0	None	None	None

3.10 Ownership of Shares in Affiliated Enterprises

As of December 31, 2021

Affiliated Enterprises(Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Sheaffer Manufacturing Co., Ltd.	28,000	100	0	0	28,000	100
Shanghai Sihe Stainless Steel Products Co., Ltd.	Not Applicable	100	0	0	Not Applicable	100
Honest Mount Investments Limited	16,500,000	100	0	0	16,500,000	100
The King Cut International Co., Ltd.	5,000	100	0	0	5,000	100
Nantong Sihe Stainless Steel Products Co., Ltd.	Not Applicable	100	0	0	Not Applicable	100
CS Solution Holding Limited	9,090,000	100	0	0	9,090,000	100
CS Solutions Technology Ltd(Note 2)						
Sky Tech International (Note 2)						

Note 1: It is a long-term equity investment evaluated by the Company using the equity method.

Note 2: The subsidiary had completed the liquidation and operation before December 31, 2021.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Type of Stock

As of March 31, 2022

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	46,759,750	53,240,250	100,000,000	

B. Issued Shares

As of March 31, 2022

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
10/2008	10	1,000,000	10,000,000	1,000,000	10,000,000	Capital at the time of establishment	-	Note 1
10/2009	10	10,000,000	100,000,000	2,000,000	20,000,000	Cash capital increase: 1,000,000 shares	-	Note 2
01/2010	10	70,000,000	700,000,000	40,000,000	400,000,000	Cash capital increase: 38,000,000 shares	-	Note 3
03/2010	10	70,000,000	700,000,000	50,000,000	500,000,000	Cash capital increase: 10,000,000 shares	-	Note 4
04/2010	50	100,000,000	1,000,000,000	60,000,000	600,000,000	Cash capital increase: 10,000,000 shares	-	Note 5
04/2011	60	100,000,000	1,000,000,000	70,000,000	700,000,000	Cash capital increase: 10,000,000 shares	-	Note 6

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
05/2012	25	100,000,000	1,000,000,000	76,876,000	768,760,000	Cash capital increase: 6,876,000 shares	-	Note 7
06/2014	-	100,000,000	1,000,000,000	72,039,000	720,390,000	Treasury shares cancelled: 4,837,000 shares	-	Note 8
09/2014	-	100,000,000	1,000,000,000	67,543,000	675,430,000	Treasury shares cancelled: 4,496,000 shares	-	Note 9
11/2014	-	100,000,000	1,000,000,000	63,543,000	635,430,000	Treasury shares cancelled: 4,000,000 shares	-	Note 10
02/2015	-	100,000,000	1,000,000,000	59,043,000	590,430,000	Treasury shares cancelled: 4,500,000 shares	-	Note 11
06/2015	-	100,000,000	1,000,000,000	55,043,000	550,430,000	Treasury shares cancelled: 4,000,000 shares	-	Note 12
12/2015	-	100,000,000	1,000,000,000	49,579,000	495,790,000	Treasury shares cancelled: 5,464,000 shares	-	Note 13
04/2016	-	100,000,000	1,000,000,000	47,900,000	479,000,000	Treasury shares cancelled: 1,679,000 shares	-	Note 14
08/2017	-	100,000,000	1,000,000,000	45,779,000	457,790,000	Treasury shares cancelled: 2,121,000 shares	-	Note 15
03/2021	13.5	100,000,000	1,000,000,000	46,154,000	461,540,000	Exercise of stock warrants issued in 2016	-	Note 16
03/2021	18.2	100,000,000	1,000,000,000	46,284,750	462,847,500	Exercise of stock warrants issued in 2017	-	Note 17
06/2021	13.5	100,000,000	100,000,000	46,709,750	467,597,500	Employee exercise of employee stock option certificate issued in 2016	-	Note 18
06/2021	18.2	100,000,000	100,000,000	46,709,750	467,597,500	Employee exercise of employee stock option certificate issued in 2017	-	Note 19

Note 1: Approved in accordance with Fu-Chan-Ye-Shang-Zi No. 09790593310 of Taipei City Government on October 24, 2008.

Note 2: Approved in accordance with Fu-Chan-Ye-Shang-Zi No. 09889341500 of Taipei City Government on October 8, 2009.

Note 3: Approved in accordance with Fu-Chan-Ye-Shang-Zi No. 09980131610 of Taipei City Government on January 15, 2010.

Note 4: Approved in accordance with Jing-Shou-Shang-Zi No. 09901045740 of Ministry of Economic Affairs on March 10, 2010.

Note 5: Approved in accordance with Jing-Shou-Shang-Zi No. 09901081150 of Ministry of Economic Affairs on April 21, 2010.

Note 6: Approved in accordance with Jing-Shou-Shang-Zi No. 10001071930 of Ministry of Economic Affairs on April 18, 2011.

Note 7: Approved in accordance with Jing-Shou-Shang-Zi No. 10101078970 of Ministry of Economic Affairs on May 7, 2012.

Note 8: Approved in accordance with Jing-Shou-Shang-Zi No. 10301106680 of Ministry of Economic Affairs on June 10, 2014.

Note 9: Approved in accordance with Jing-Shou-Shang-Zi No. 10301183410 of Ministry of Economic Affairs on September 3, 2014.

Note 10: Approved in accordance with Jing-Shou-Shang-Zi No. 10301242050 of Ministry of Economic Affairs on November 27, 2014.
Note 11: Approved in accordance with Jing-Shou-Shang-Zi No. 10401027920 of Ministry of Economic Affairs on February 25, 2015.
Note 12: Approved in accordance with Jing-Shou-Shang-Zi No. 10401100740 of Ministry of Economic Affairs on June 4, 2015.
Note 13: Approved in accordance with Fu-Chan-Ye-Shang-Zi No. 10580432100 of Taipei City Government on January 18, 2016.
Note 14: Approved in accordance with Fu-Chan-Ye-Shang-Zi No. 10583868100 of Taipei City Government on April 21, 2016.
Note 15: Approved in accordance with Fu-Chan-Ye-Shang-Zi No. 10657729400 of Taipei City Government on August 23, 2017.
Note 16: Approved in accordance with Jin-Guan-Zheng-Fa-Zi No. 1050024401 of Financial Supervisory Commission on Jun 27, 2016.
Note 17: Approved in accordance with Jin-Guan-Zheng-Fa-Zi No. 1060015795 of Financial Supervisory Commission on May 9, 2017.
Note 18: Approved in accordance with Jin-Guan-Zheng-Fa-Zi No. 1050024401 of Financial Supervisory Commission on October 4, 2021.
Note 19: Approved in accordance with Jin-Guan-Zheng-Fa-Zi No. 1060015795 of Financial Supervisory Commission on May 9, 2017.

C. Information for Shelf Registration : None.

4.1.2 Status of Shareholders

As of March 19, 2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	0	55	2,520	11	2,586
Shareholding (shares)	0	0	36,400,590	403,276,220	27,920,690	467,597,500
Percentage	0	0	7.79	86.24	5.97	100

4.1.3 Shareholding Distribution Status

As of March 19, 2022; Par value: NT\$10

Shareholding Range (Shares)	Number of Shareholders	Total Shares Owned	Holding Percentage (%)
1 ~ 999	765	12,408	0.03
1,000 ~ 5,000	1,133	2,513,609	5.38
5,001 ~ 10,000	257	2,174,892	4.65
10,001 ~ 15,000	72	950,069	2.03
15,001 ~ 20,000	75	1,408,000	3.01
20,001 ~ 30,000	63	1,651,000	3.53
30,001 ~ 40,000	36	1,278,000	2.73
40,001 ~ 50,000	30	1,374,000	2.94
50,001 ~ 100,000	71	5,263,475	11.26
100,001 ~ 200,000	45	6,098,000	13.04
200,001 ~ 400,000	17	4,737,192	10.13
400,001 ~ 600,000	8	3,934,549	8.41
600,001 ~ 800,000	5	3,296,000	7.05
800,001 ~ 1,000,000	3	2,894,000	6.19
1,000,001 or over	6	9,174,556	19.62
Total	2,586	46,759,750	100.00

4.1.4 Major Shareholders

As of March 19, 2022

Name	Total Shares Owned	Holding Percentage (%)
Ming-Tsung Lee	1,961,556	4.19
Kuan-Ling Wang	1,725,000	3.69
Chun-Chung Cheng	1,638,000	3.50
Yen-Chun Chiang	1,479,000	3.16
Jin-Long Yang	1,216,000	2.60
Citibank Investment Account	1,155,000	2.47
Yuelai Investment Co., Ltd.	1,000,000	2.14
Ching-Lin Lee	950,000	2.03
Capital Securities Co., Ltd. - CSC Securities (Hong Kong) Limited	944,000	2.02
Tzu-Yu Teng	799,000	1.71

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$; Thousand of Shares

Items		2020	2021	In the current year as of Mar 31, 2022
Market Price per Share	Highest Market Price	28.35	30.95	29.10
	Lowest Market Price	4.97	15.30	18.90
	Average Market Price	18.72	22.43	23.87
Net Worth per Share	Before Distribution	6.90	7.54	Note 8
	After Distribution	6.90	7.54	Note 8
Earnings per Share	Weighted Average Shares	45,779	46,284	Note 8
	Earnings Per Share (Note 3)	(4.18)	0.49	Note 8
Dividends per Share	Cash Dividends	-	-	-
	Stock Dividends	-	-	-
		-	-	-
Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)	(2.44)	45.78	-
	Price / Dividend Ratio (Note 6)	-	-	-
	Cash Dividend Yield Rate (Note 7)	-	-	-

* If there is increased capital by recapitalization of earnings and capital surplus, the information on market prices and cash dividends retroactively adjusted in accordance with the number of shares issued should be disclosed.

Note 1: List the highest and lowest share price in each year, and calculate the average market price by weighing transacted prices against transacted volumes.

Note 2: Please calculate based on the number of outstanding shares at year-end, and detail the amount of distribution resolved in the board of director or next year's shareholders meeting.

Note 3: If stock dividends are issued, make retrospective adjustments while disclosing EPS before and after the adjustments.

Note 4: If equity securities are issued with term of offices that allow dividends to be accrued and accumulated until the year the company makes profit, then the amount of cumulative undistributed dividends up till the current year must be disclosed separately.

Note 5: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 6: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 7: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 8: Up to the date of publication of the annual report on March 31, 2022, the Company's financial statements as of the first quarter had not been reviewed by the Certified Public Accountant. Except net worth per share and earning per share, other data in this column is provided for the year the date of publication of the annual report.

4.1.6 Dividend Policy and Implementation Status

A. Dividend policy under Articles of Incorporation

In the event that the Company, according to the final settlement, earns profits in a fiscal year, such profits shall first be set aside to pay taxes, then allocate them in the following sequence: (1) Offset losses; (2) After deducting the item in the preceding paragraph, set aside 10 percent for legal reserve; (3) Set aside for special reserve in accordance with the laws. Any further remaining profits plus undistributed earnings of the previous year and adjustment amount of current year shall be distributed in accordance with the proposal

submitted by the Board, for approval at a shareholders' meeting. The distribution amount in the preceding paragraph shall not be less than 10 percent of the distributable net profit. The dividend distribution policy of the Company shall depend on the current and future investment environment, fund demand, domestic and foreign competition situation, and capital budget, etc., and taking into the shareholders' interest, balancing dividends and the long-term of office financial planning of the Company. The Board shall submit a proposal for distribution of profits for approval at a shareholders' meeting every year. The Company's annual cash dividends are at least 10 percent of the total dividends. The special reserve set aside for specified purposes shall be reversed into the retained earnings if the appropriating purpose has been completed or the reason for appropriating has disappeared, and be allocated in the sequence in accordance with the preceding paragraph.

B. Proposed dividend allocation for approval at annual shareholders' meeting

The board of directors decided not to pay dividends on March 24, 2022.

C. Anticipated significant change in dividend policy: None.

4.1.7 Impact of stock dividend distribution on business performance and EPS: Not applicable.

4.1.8 Employees' and Directors' Compensations

A. Information Relating to Employees' and Directors' Compensations in the Articles of Incorporation

If the Company has profits in a fiscal year, it shall set aside 1% to 10% of the profits as employee compensation and not more than 3% of the profits as director compensation. Above employee compensation, distributed in the form of shares or in cash shall be approved by the Board. Qualification requirements of employees, including the employees of parents or subsidiaries of the Company meeting certain specific requirements approved by the Board, entitled to receive shares or cash.

The distribution of employee and director compensation shall be submitted to the shareholders' meeting. However, if the Company has accumulated losses, it shall first reserve a certain amount for offsetting losses, then allocate for the employee and director compensation proportionally from the remaining amount according to the first paragraph.

B. The Estimated Basis for Calculating the Employees' and Directors' Compensations

The Company has accumulated losses in 2021, so the compensations of employees and directors are not estimated.

C. Profit Distribution for Employees' and Directors' Compensations for 2021 Approved in Board of Directors Meeting

(1) Employees' and directors' compensations paid in the form of cash or shares and differences/ reasons/ treatments of accrued numbers if any

The Company has accumulated losses in 2021, so the board of directors decided not to distribute any employees' and directors' compensations in the form of cash or shares . There is no deviation between the estimated and actual distribution amount of employees' and directors' compensations.

- (2) Employees' compensation paid in the form of shares and as a percentage of total net income on a parent company only basis and of total employees' compensation

The board of directors of the Company decided not to distribute any employees' compensation for 2021 in the form of shares, and is therefore not applicable.

- D. Earnings distributed as compensation to employees and directors in 2020 (including the number of shares, amounts to be distributed, and stock price), and differences/ reasons/ treatments of accrued numbers if any

The Company has accumulated losses in 2021 and didn't distribute any compensation to employees and directors, so is therefore not applicable.

4.1.9 Buyback of Treasury Stock

The Company didn't buy its shares back in 2021 and 2022 up to March 31.

4.2 Bonds: None.

4.3 Preferred Shares: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options

4.5.1 Handling of employee stock option certificates that have not yet expired and their impact on shareholders' rights and interests: As of March 31, 2021, as of the date of publication of the annual report, there were no outstanding stock options.

4.5.2 List of Executives and the Top Ten Employees Receiving Employee Stock Option

As of March 31, 2022

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued (Note 1)	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$)	Converted Shares as a Percentage of Shares Issued
Employees	Assistant Vice President	Chi-Yeh Hsu (Note 2)	980,750	2.10%	800,000	13.5	10,800,000	1.71%	None	Not applicable	Not applicable	Not applicable
	Senior Manager	Fang-Bin Li (Note 2)										
	Manager	Shu-Hua Lin (Note 2)			180,750	18.2	3,289,650	0.39%	None	Not applicable	Not applicable	Not applicable
	G.M. of Subsidiary (Nantong Sihe)	Shih-Hsien Tang										

Note 1: The total number of shares issued is the number of shares listed in registered data in Ministry of Economic Affairs.

Note 2: The employee left office in March 2021; Assistant Vice President Chi-Yeh Hsu obtained the employee stock option after leaving office

4.6 Issuance of New Restricted Employee Shares: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

The current main business of the Company is the manufacture and sales of stainless steel kitchen cutlery. In December 2020, the Company set up the Optoelectronic Business Division to return to the touch panel market.

B. Revenue distribution

Unit: NT\$ thousand

Major Divisions	Total Sales in Year 2021	(%) of Total Sales
Stainless Steel Kitchen Cutlery	412,128	93
Touch Panels and Parts	32,719	7
Total	444,847	100

C. Main products

The Company's current primary products are stainless steel kitchen; the Optoelectronic Business Division's main item is touch panel market. We target the medium to large panels and focus on 15.6" to 43" products as our main markets.

D. New products development

Main products/service	Development Items
Stainless Steel Kitchen Cutlery	Design of new kitchen cutlery (according to market trend)
Touch Panel	Development of full-lamination process and equipment

5.1.2 Industry Overview

A. Industry status and development

The Company obtained 100% equity of The King Cut International Co., Ltd, Sheaffer Manufacturing Co., Ltd. (including its subsidiary, Shanghai Sihe Stainless Steel Products Co., Ltd.) on August 26, 2014, whose main business is the manufacture and sales of stainless steel kitchen cutlery.

Considering the diversification of business, the Company set up the Optoelectronic Business Division in December 2020 to return to the touch panel market. We target the medium to large panels and focus on 15.6" to 43" products as our main markets.

At present, a demonstration factory has been set up in Zhubei, Hsinchu City, focusing on the full-fit touch screen market, and has completed relevant certifications.

B. Relationship with up-, middle- and downstream companies

The Company's subsidiary, Nantong Sihe Stainless Steel Products Co., Ltd., is current responsible for the manufacturing of stainless steel kitchen cutlery. According to the different manufacturing processes, it can be divided into forging, casting, Damascus steel (thousand layer steel) and flat plate. The raw materials are stainless steel bars, stainless steel plates, Damascus steel plate and casting parts; this is the industry's upstream, the supplier are steel factories in China and Japan. The Company puts stainless steel bars, stainless steel plates through different processes such as extrusion, forging, heat treatment, welding, grinding and polishing, after the completion of the semi-finished product, the hilt is finished by plastic injection, and then post-processing, grinding, polishing and edge sharpening, ultimately completing the manufacture of a finished cutlery, and then sell the kitchen cutlery to brand owners or directly to consumers.

Targeting the medium to large panels and 15.6" to 43" products, our plant in Hsinchu County specializes in sports and fitness equipment, medical equipment, boats, yachts, and special applications that require high-brightness displays. We have set up a demonstration plant in Zhubei City, Hsinchu County, which focuses on full-lamination touch screens. We plan to start production in small batches and complete related certification in the second quarter.

C. Product trends

From a manufacturing technical perspective, according to market research and statistical analysis, carbide knives are replacing high speed steel knives, especially the true forge knife market, due to manufacturing cost of true forging knives gradually decreasing. The durability and high quality of true forging knives are gradually pursued by consumers due to the mass promotion of German brands, market demand is massively increasing, and the market share of new high-speed knives for processing uses is growing as well.

As for the touch panel market, touch panels trend towards a large size; demand for some large display equipment such as fitness equipment and educational equipment with interactive functions is increasing slowly. As to the quality of lamination of touch panel and LCD, optical lamination is far better than air bond. Consumers are now accustomed to the visual effect of fully-laminated touch screens and tend towards the same standard when choosing products. As air bond no longer meets the customers' need, the development of large full-lamination touch screens is expected.

D. Product competition

According to statistical research data from market research institutes, global cutlery demand increases continuously, growth is stable in European and North American countries, especially Eastern European countries; the Asia market has bounced back slightly, with great market potential. The Company's core competitive advantage is the manufacturing technique of forging knife, market price and profitability are high, and we're still currently the sole knife manufacturer with true forging capabilities. The production technology of false forging knives is not high and there are many production peers in China. As a result

of the price competition, the gross margin of products produced by the Company is not high. However, it remains one of the processes that customers can choose from.

At this stage, touch panel manufacturers specialized in the full-lamination process for 15" panels or below. The Company set out to focus on the full-lamination process for medium to large panels (15" to 43"), targeting the fitness and medical equipment markets. It aimed to stay ahead in the competition while working strategically with customers to offer flexible, fast service.

5.1.3 Research and Development

A. Research and development expenditure

Unit: NT\$ thousand

Item \ Year	2021
R&D expense	10,461

B. Major research and development achievements

Year	New Products Launched
Year 2021	<ol style="list-style-type: none"> 1. Development of Calphalon forging cutlery set (F206) had succeeded, plan to start shipping in 2022. 2. Development of antibacterial and anti-mold knives (FK82 & PK116) had succeeded. 3. Development of 15" to 32" full-lamination process and equipment

5.1.4 Long-term of office and Short-term of office Development

A. Short-term of office development

- (1) Fully cooperate with the major customer.
- (2) Develop new cutlery to satisfy current client demands.
- (3) Actively develop new customers to reduce the risk of sales concentration.
- (4) Gradually increase share in the touch panel market.

B. Long-term of office development: Considering going concern, actively program other operating projects based on the technical business capabilities of the entire management.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Sales (service) region

Unit: NT\$ thousand

Area	2020		2021	
	Amount	%	Amount	%
U.S.A	86,802	85.49	399,227	89.75
China	5,450	5.37	22,291	5.01
Taiwan	2,249	2.21	22,562	5.07
Others	7,040	6.93	767	0.17
Total Revenues	101,541	100.00	444,847	100.00

B. Market Share (%) of Major Product Categories

The Company's primary operating model of stainless steel kitchen cutlery is undertaking OEM/ODM businesses from various cutlery brands from U.S.A.. The main customers are all European and American brands. All stainless steel kitchen cutlery are manufactured in Nantong Sihe, however there are plenty production peers in the kitchen cutlery industry, competition is highly intense.

The Optoelectronic Business Division is a newly established unit, obtaining relevant certification and gradually develop customers. At present, mainly in the medium to large full-lamination touch panels market.

C. Market analysis of major product categories

Based on market statistical data and past order statuses, kitchen cutlery's global market scale could maintain similar compound growth rate in the coming years.

As the call for user interaction increases in the medium to large touch panel market, demand for fitness, medical, and educational equipment is expected to emerge gradually.

D. Competitive niche

Stainless steel kitchen cutlery can be divided into forging, casting, Damascus steel and flat plate knives according to the manufacturing processes, with forging knives being the highest of quality, more difficult of process. Nantong Sihe is the sole knife manufacturer with true forging capabilities in China, its manufacturing process is one and the same with major German manufacturers, and is currently still the leading manufacture technique in China.

The Optoelectronic Business Division mainly focuses on medium to large full-lamination touch screens, distinguishing the Company from the existing manufacturers that can offer only 15" touch screens or less.

E. Favorable and Unfavorable Factors in the Long Term of office

Due to the fact that the primary operating medel is currently undertaking OEM/ODM businesses of major American cutlery brands, mastering knife forging techniques and as the sole true forging knife manufacturer in China, Nantong Sihe has absolute advantage on competing for world-class OEM clients. The Company will vigorously develop this technique to apply on exploiting stainless steel cutlery market in other countries, and to accelerate the promotion in the China domestic market, expected that high-end forged knives will be accepted by the market.

In the wake of the pandemic, the sales of fitness equipment from the Optoelectronic Business Division boomed due to the stay-at-home economy. Medium to large full-lamination screens create a more comfortable user experience. It is expected that medium to large touch screens will become another mainstream.

5.2.2 Production Procedures of Main Products

- A. Forging knives: Highest of processing techniques, the production process adopts the method of heating and forging the stainless steel bar material, changing the grain size and the flow direction of the metal fiber, increasing the mechanical properties, tensile strength and elongation. The advantages of forging are high strength and consistent grain structure direction.
- B. Casting knives: It refers to the process of pouring the liquefied stainless steel water into the hilt mold with a specific shape, and welding the knives after cooling and molding. Casting knives have the advantages of low cost and various designs; the disadvantages are that the crystallization is non-directional, and the grain distribution is loose, and the casting process is prone to bubbles and the weld is easily broken.
- C. Damascus steel knives: It is a new type of knife-making steel developed by Takefu Special Steel Co., Ltd., a famous steel mill in Japan. Damascus steel knives are characterized by 67-layer stainless steel folding forging, which has good corrosion resistance, high carbon steel in the middle steel core and has a very high hardness and wear resistance.
- D. Touch panels: The technical bottleneck of large touch lamination is the yield rate. How to avoid bubbles and mura is the key to a better yield rate. The Company's proven lamination technology, along with materials, equipment, and an optimized process, can solve this problem effectively.

5.2.3 Supply Status of Main Materials

The main raw materials are stainless steel bars and stainless steel plates. The stainless steel bars are supplied by two suppliers in China. Since the stainless steel raw material is the standard product, the main source of raw material supply is secure.

The key material of touch panels is OCA, a mature, risk-free source from manufacturers in Taiwan, Japan, and China.

5.2.4 Major Suppliers and Clients

A. Major suppliers in the past two years

Unit: NT\$ thousand

Item	2020				2021				2022 to the first quarter (Note)			
	Company	Procurement amount	% of consolidated procurement	Relation to the Company	Company	Procurement amount	% of consolidated procurement	Relation to the Company	Company	Procurement amount	% of consolidated procurement	Relation to the Company
1	A	19,925	31.75	-	A	80,747	30.54	-	Up to the date of publication of the annual report on March 31, 2022, the Company's financial statements as of the first quarter had not been reviewed by the CPA.			
2	B	17,693	28.19	-	B	51,700	19.56	-				
	others	21,833	34.79		others	131,911	49.90					
	Total	62,758	100		Total	264,358	100.00					

Note: Before the publication date of the annual report, if a company whose stock is listed or whose stock has been traded at the business office of a securities firm has the most recent financial information that has been certified, certified or reviewed by an accountant, it shall be disclosed.

Explanation of increase and decrease: Due to changes in market trends and customer needs.

B. Major clients in the past two years

Unit: NT\$ thousand

Item	2020				2021				2022 to the first quarter (Note)			
	Company	Net Revenue	% of consolidated revenue	Relation to the Company	Company	Net Revenue	% of consolidated revenue	Relation to the Company	Company	Net Revenue	% of consolidated revenue	Relation to the Company
1	A	86,802	85.48	-	A	396,917	89.23	-	Up to the date of publication of the annual report on March 31, 2022,, the Company's financial statements as of the first quarter had not been reviewed by the CPA			
	others	14,739	14.52		others	47,930	10.77					
	Total	101,541			Total	444,847	100.00					

Note: Before the publication date of the annual report, if a company whose stock is listed or whose stock has been traded at the business office of a securities firm has the most recent financial information that has been certified, certified or reviewed by an accountant, it shall be disclosed.

Explanation of increase and decrease: There has been no significant increase or decrease in the amount and proportion of sales to major customers in the past two years.

5.2.5 Production in the Past Two Years

Unit: NT\$ thousand

Year	2020			2021		
	Capacity (thousand pieces)	Quantity (thousand pieces)	Amount	Capacity (thousand pieces)	Quantity (thousand pieces)	Amount
Major Products						
Stainless Steel Kitchen Cutlery	2,460	908	18,060	2,960	2,398	88,330

5.2.6 Shipments and Sales in the Past Two Years

Unit: NT\$ thousand

Year	2020				2021			
	Local		Export		Local		Export	
	Quantity (thousand pieces)	Amount	Quantity (thousand pieces)	Amount	Quantity (thousand pieces)	Amount	Quantity (thousand pieces)	Amount
Major Products								
Stainless Steel Products- Kitchen Cutlery	95	2,830	163	96,274	59	7,746	353	393,677
Stainless Steel Products- Others	-	-	-	189	-	-	-	10,705
Touch Panel	1	2,248	-	-	68	11,525	87	21,194
Total	96	5,078	163	96,463	127	19,271	440	425,576

5.3 Human Resources

Year		2020	2021	2022 (As of March 31)
Number of Employees	Manufacturing Personnel	37	40	44
	Non-Manufacturing Personnel	33	47	44
	Total	70	87	88
Average Age		44.16	44.15	45.39
Average Years of Service		2.68	1.92	1.98
Education level	Ph.D.	1.45	1.15	1.14
	Masters	7.25	4.60	5.68
	Bachelor's Degree	27.54	36.78	32.95
	Below Senior High School (Including Senior High School)	63.76	57.47	60.23

5.4 Environmental Protection Expenditure

Loss due to environmental pollution (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection) in 2020 and up to Annual Report publication date in 2021, with disclosure of the amounts current and potential occurrence in the future and the Company's countermeasures:

Nantong Sihe Stainless Steel Products Co., Ltd	
Pollution status	Air pollution
Disposal Section	Nantong Tongzhou Ecological Environment Bureau
Serial Number of the Official Penalty	Tong-06-Huan-Fa-Zi [2022] Nos. 56 & 57
Compensation/Disposition Amount	RMB 87 thousand
Violation of regulations	Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution: 1. No discharge port is set up at the dust collection duct 2. The exhaust gas of injecting plastic is not collected
Implementing measures and Illustrate	After communicating and reviewing with the Environmental Protection Department, this part of the violation was caused by the revision of the Environmental Protection Law in 2021, and the company did not pay attention to the update immediately. In the future, the company will pay attention to the revision of relevant laws and regulations in time to avoid losses.

5.5 Labor Relations

5.5.1 Facts about a variety of fringe benefits for employees for higher education, training programs, retirement system and the enforcement thereof, accords reached by and between the labor and management sides, facts regarding the efforts and measures to safeguard employees' interests

A. Measures regarding fringe benefits for employees and the enforcement thereof

- (1) Employee compensation distribution and share subscription.
- (2) Performance bonuses.
- (3) Labor insurance and national health insurance.
- (4) Wedding gift, funeral allowance, maternity allowance, hospitalization consolation, etc.
- (5) Year-end banquet and magazines.

B. Higher education, training programs and the enforcement thereof

The Company regularly arranges on-the-job training for employees to strengthen their professional skills and knowledge.

C. Retirement system and enforcement thereof

The Company was established on October 24, 2008, and adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

According to the “LPA”, the conditions and procedures for employees to apply for retirement are as follows:

- (1) An employee who is sixty years or older may claim for retirement payment according to the following regulations:
 - a. An employee whose seniority exceeds fifteen years may choose to receive either monthly pension payments or a lump-sum pension payment.
 - b. An employee whose seniority is less than fifteen years shall claim for a lump-sum pension payment.
- (2) An employee shall file and submit an application and relevant documents to the Bureau of Labor Insurance to claim for the pension; the application procedures and documents required shall be prescribed by the Bureau of Labor Insurance.

The employees of the subsidiaries in China and other countries are members of state-managed retirement benefit plans operated by the local government. Each subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

D. Other major accords and enforcement thereof

In order to maintain the harmony between the employer and the employee, the Company adopts open two-way communication to publicize the Company's policies and understand employees' opinions. Labor relations have been harmonious since the Company’s foundation, no losses have occurred due to labor dispute.

E. Efforts to safeguard employees in their interests and the enforcement thereof

(1) Employee safety

- a. Manufacturers are arranged to carry out fire safety inspections every year. The workplace is cleaned daily and disinfected twice a week. The equipments such as lifts, air conditioners, water dispensers, pressure vessels, etc. are maintained and inspected monthly. From time to time, external agencies are engaged to test the noise, air, dust, water, electricity and other aspects of the working environment.
- b. The Company conducts fire prevention training and drill for employees every spring and autumn to enhance employees' knowledge of fire prevention.
- c. Provide labor protection products such as masks, earplugs, and protective glasses, and check the wearing situation of relevant employees daily to reduce the incidence of accidents or occupational injuries.
- d. Arrange personnel training from time to time and obtain the qualification of production safety personnel.
- e. The Company has an access control system and employs security personnel to maintain office and factory security.

(2) Employee insurances

The Company provides employees with labor insurance (including occupational disaster insurance) and national health insurance in accordance with the laws and regulations.

(3) Health

- a. The Company has a health examination system for employees, employees with one year of service are eligible for health examination expense compensation every 1~2 years according to their age. The subsidiary in China arranges for health examination for employees in occupational sanitary hazard sites once every year, and annual health examinations for employees of more than one year of service.
- b. In order to protect the rights and interests of employees, the Company has stipulated the provisions of appeal and punishment for the prevention of sexual harassment in the work rules. There is also an employee suggestion box to provide a channel for employees to appeal.

5.5.2 In the latest year until the date as of Annual Report issuance, the impairment incurred by labor dispute (including any violations of the Labor Standards Act found in labor inspection), with disclosure of the amounts current and potential occurrence in the future and the Company's countermeasures: No labor dispute has taken place in the Company.

5.6 Information Communication Security Management

5.6.1 The information and communication security risk management framework, the information and communication security policy, the specific management plan and the resources invested in the information and communication security management, etc.

A. Information and communication security risk management framework

The responsible unit for information security is the Information Department, and one information supervisor is appointed to formulate internal information security policies, plan and execute information security operations, and promote and implement information security policies.

The Audit Office of the Company is the supervisory unit of information security supervision. The office has a supervisor of audit, who is responsible for supervising the implementation of internal information security. If any defects are found in the audit, the audited unit is required to propose relevant improvement plans and specific actions, and improvements will be regularly tracked to reduce internal security risks.

B. Information and communication security policy

- (1) Access right management (access right management of personnel accounts and system operation management).
- (2) Network security management (control measures for internal and external systems and data transmission).
- (3) System access control (internal anti-virus and anti-hacking protection).
- (4) System availability (system network availability status monitoring and backup/disaster recovery drills).

C. Specific management plan and the resources invested in the information and communication security management

- (1) Firewall control by using intrusion detection system (IDS) to obstruct external intrusion, and blocking sustained network attacks through denial-of-service (DoS) attack protection.

- (2) Regularly perform three-party backup procedures for major systems such as ERP every month, including backup to local disks, backup to create compact discs, and backup to the network-attached storage (NAS) disk array system, and back up to remote disk array system through remote encryption backup program.
- (3) The Company's Microsoft operating system for all computers has been upgraded to Windows 10, and the anti-virus software is the integrated anti-virus software of Microsoft Windows 10, which is automatically updated to the latest version and the latest virus signatures through regular automatic updates.
- (4) Ad hoc information security alert reports are released to the employees.
- (5) In response to the outbreak of COVID-19 and other major infectious diseases, the Company has completed the setting of remote connection of VPN through a strictly encrypted firewall, so that our colleagues are able to work from home under the condition of information security control during the pandemic. In addition, the connection information can be obtained through the firewall record.

(6) In response to the increasingly powerful Internet functions, cloud hosts gradually replacing local servers, dramatically increasing network security threats, and rampant computer worms, the Company has built an advanced information security system to ensure the protection of the ERP systems and the electronic signature system. Also, regarding the protection of internal network information security, in order to ensure that the information security system does not fail after being attacked, a complete backup preservation procedure has been established.

5.6.2 In the latest year until the date as of Annual Report issuance, the losses suffered by the Company due to severe information and communication security incidents, as well as possible impact and countermeasures: Not applicable.

5.7 Important Contracts

Contract Nature	Counterparty	Contract Period	Major Contents	Restrictions
Credit Facility	Morgan Stanley Asia International Limited, Singapore Branch	There is no expiration date from April 21, 2014, but the contract may be terminated at any time.	Wealth management loan	None
Credit Facility	Nomura Singapore Limited	2017/02/07~2021/03/08	Wealth management loan	None
Sales incentive agreement	Client A	2017/12/22~2021/12/31	Provide Client A with a total of US\$935,000 in sales awards from 2018 to 2021.	None

VI. Financial Information

6.1 Five-Year Condensed Balance Sheets and Statements of Comprehensive Income

6.1.1 Condensed balance sheets and statements of comprehensive income

A. Condensed balance sheet (consolidated)

Unit: NT\$ thousand

Item		Financial Summary for the Last Five Years (Note 1)					March 31, 2022
		2016	2017	2018	2019	2020	
Current assets		2,150,433	1,266,248	960,581	346,020	397,865	Note 2
Property, Plant and Equipment		39,726	48,028	23,152	14,047	26,273	
Intangible assets		233,155	204,999	5,014	292	1,288	
Other assets		53,880	37,588	20,279	26,517	33,495	
Total assets		2,477,194	1,556,863	1,009,026	386,876	458,921	
Current liabilities	Before distribution	1,393,251	706,208	482,041	45,507	84,214	
	After distribution	1,393,251	706,208	482,041	45,507	84,214	
Non-current liabilities		22,875	4,669	16,066	25,561	22,360	
Total liabilities	Before distribution	1,416,126	710,877	498,107	71,068	106,574	
	After distribution	1,416,126	710,877	498,107	71,068	106,574	
Equity attributable to shareholders of the parent		1,061,068	845,986	510,919	315,808	352,347	
Capital stock		457,790	457,790	457,790	457,790	467,598	
Capital surplus		623,081	628,079	452,600	55,178	59,190	
Retained earnings	Before distribution	(51,463)	(177,321)	(391,222)	(191,419)	(168,926)	
	After distribution	(51,463)	(177,321)	(391,222)	(191,419)	(168,926)	
Other equity interest		31,660	(62,562)	(8,249)	(5,741)	(5,515)	
Treasury stock		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total equity	1,061,068	1,061,068	845,986	510,919	315,808	352,347	
	1,061,068	1,061,068	845,986	510,919	315,808	352,347	

Note 1: Financial information is audited by CPAs.

Note 2: Up to the date of publication of the annual report on March 31, 2022 the Company's financial statements as of the first quarter had not been reviewed by the CPA.

B. Condensed balance sheet (unconsolidated)

Unit: NT\$ thousand

Year		Financial Summary for the Last Five Years (Note)					March 31, 2022
		2017	2018	2019	2020	2021	
Item							
Current assets		Not applicable	58,682	62,808	62,494	309,158	Not applicable
Property, Plant and Equipment		-	-	-	-	5,666	
Intangible assets		374	264	75	2	542	
Other assets		1,154,903	918,061	606,457	370,353	248,029	
Total assets		1,196,973	977,007	669,340	432,849	563,395	
Current liabilities	120,423	120,423	130,911	155,901	116,614	206,778	
	120,423	120,423	130,911	155,901	116,614	206,778	
Non-current liabilities		15,482	110	2,520	427	4270	
Total liabilities	135,905	135,905	131,021	158,421	117,041	211,048	
	135,905	135,905	131,021	158,421	117,041	211,048	
Equity attributable to shareholders of the parent		1,061,068	845,986	510,919	315,808	352,347	
Capital stock		457,790	457,790	457,790	457,790	467,598	
Capital surplus		623,081	628,079	452,600	55,178	59,190	
Retained earnings	(51,463)	(51,463)	(177,321)	(391,222)	(191,419)	(168,926)	
	(51,463)	(51,463)	(177,321)	(391,222)	(191,419)	(168,926)	
Other equity interest		31,660	(62,562)	(8,249)	(5,741)	(5,515)	
Treasury stock		-	-	-	-	-	
Non-controlling interest		-	-	-	-	-	
Total equity	1,061,068	1,061,068	845,986	510,919	315,808	352,347	
	1,061,068	1,061,068	845,986	510,919	315,808	352,347	

Note: Financial information is audited by CPAs.

C. Condensed statement of comprehensive income (consolidated)

Unit: NT\$ thousand

Item	Year	Financial Summary for the Last Five Years (Note 1)					In the current year as of March 31, 2022
		2017	2018	2019	2020	2021	
Operating revenue		288,284	170,476	178,400	101,541	444,847	Note 2
Gross profit (loss)		18,572	(7,945)	(16,970)	(7,119)	93,058	
Income (loss) from operations		(159,515)	(166,139)	(162,541)	(56,603)	13,645	
Non-operating income and expenses		(4,608)	53,524	(216,632)	(135,421)	9,565	
Income (loss) before tax		(164,123)	(112,615)	(379,173)	(192,024)	23,210	
Profit (loss) from continuing operations		(168,905)	(112,415)	(374,561)	(191,419)	22,493	
Profit (loss) from discontinued operations		-	-	-	-	-	
Net income (loss)		(168,905)	(112,415)	(374,561)	(191,419)	22,493	
Other comprehensive income (loss) (income after tax)		44,483	(107,665)	37,753	2,508	226	
Total comprehensive income (loss)		(124,422)	(220,080)	(336,808)	(188,911)	22,719	
Net income (loss) attributable to shareholders of the parent		(168,905)	(112,415)	(374,561)	(191,419)	22,493	
Net income attributable to non-controlling interest		-	-	-	-	-	
Comprehensive income attributable to shareholders of the parent		(124,422)	(220,080)	(336,808)	(188,911)	22,719	
Comprehensive income attributable to non-controlling interest		-	-	-	-	-	
Earnings (loss) per share (NT\$)		(3.63)	(2.46)	(8.18)	(4.18)	0.49	

Note 1: Financial information is audited by CPAs.

Note 2: Up to the date of publication of the annual report on March 31, 2022, the Company's financial statements as of the first quarter had not been reviewed by the CPA.

D. Condensed statement of comprehensive income (unconsolidated)

Unit: NT\$ thousand

Item	Year	Financial Summary for the Last Five Years (Note)					In the current year as of March 31, 2022
		2017	2018	2019	2020	2021	
Operating revenue	-	-	249	48,037	429,638	Not applicable	
Gross profit (loss)	-	-	12	2,799	15,999		
Income (loss) from operations	(27,896)	(26,625)	(22,405)	(20,609)	(18,600)		
Non-operating income and expenses	(141,263)	(85,554)	(352,161)	(170,488)	40,691		
Income (loss) before tax	(169,159)	(112,179)	(374,566)	(191,097)	22,091		
Profit (loss) from continuing operations	(168,905)	(112,415)	(374,561)	(191,419)	22,493		
Profit (loss) from discontinued operations	-	-	-	-	-		
Net income (loss)	(168,905)	(112,415)	(374,561)	(191,419)	22,493		
Other comprehensive income (loss) (income after tax)	44,483	(107,665)	37,753	2,508	226		
Total comprehensive income (loss)	(124,422)	(220,080)	(336,808)	(188,911)	22,719		
Net income (loss) attributable to shareholders of the parent	(168,905)	(112,415)	(374,561)	(191,419)	22,493		
Net income attributable to non-controlling interest	-	-	-	-	-		
Comprehensive income attributable to shareholders of the parent	(124,422)	(220,080)	(336,808)	(188,911)	22,719		
Comprehensive income attributable to non-controlling interest	-	-	-	-	-		
Earnings (loss) per share (NT\$)	(3.63)	(2.46)	(8.18)	(4.18)	0.49		

Note: Financial information is audited by CPAs.

6.1.2 Independent auditors' names and their audit opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2017	Deloitte & Touche	Chien-Liang Liu, Wen-Chin Lin	Unqualified opinion
2018	Deloitte & Touche	Chien-Liang Liu, Wen-Chin Lin	Unqualified opinion
2019	Deloitte & Touche	Pei-De Chen, Wen-Chin Lin	Unqualified opinion
2020	Deloitte & Touche	Pei-De Chen, Wen-Chin Lin	Unqualified opinion
2021	PricewaterhouseCoopers Taiwan	Hui-Lin, Pan, Pei-Chuan, Huang	Unqualified opinion

6.2 Five-Year Financial Analysis

6.2.1 Financial analysis (consolidated)

Item		Year	Financial Analysis for the Last Five Years (Note 1)					In the current year as of March 31, 2022
		2017	2018	2019	2020	2021		
Financial structure (%)	Debt ratio	57.17	45.66	49.37	18.37	23.22	Note 2	
	Ratio of long-term of office capital to property, plant and equipment	2,670.97	1,761.44	2,206.80	2,248.2	1,341.10		
Solvency (%)	Current ratio	154.35	179.30	199.27	760.37	472.45		
	Quick ratio	141.32	159.70	180.31	653.05	386.84		
	Interest coverage ratio (times)	(6.59)	(3.37)	(21.49)	(59.97)	21.69		
Operating performance	Accounts receivable turnover (times)	4.88	4.50	3.58	2.50	3.47		
	Average collection days	75	81	102	146	105		
	Inventory turnover (times)	2.40	1.81	2.92	2.88	8.38		
	Accounts payable turnover (times)	6.83	6.99	8.83	6.37	10.80		
	Average days in sales	152	202	125	127	44		
	Property, plant and equipment turnover (times)	5.93	3.89	5.01	5.46	22.07		
	Total assets turnover (times)	0.12	0.08	0.14	0.15	1.05		
Profitability	Return on total assets (%)	(6.00)	(4.56)	(28.19)	(27.08)	5.53		
	Return on stockholders' equity (%)	(14.48)	(11.79)	(55.21)	(46.31)	6.73		
	Pre-tax income to paid-in capital (%)	(35.85)	(24.60)	(82.83)	(41.95)	4.96		
	Profit ratio (%)	(58.59)	(65.94)	(209.96)	(188.51)	5.06		
	Earnings per share (NT\$)	(3.63)	(2.46)	(8.18)	(4.18)	0.49		
Cash flow	Cash flow ratio (%)	-	-	-	-	-		
	Cash flow adequacy ratio (%)	13.79	-	-	-	-		
	Cash reinvestment ratio (%)	-	-	-	-	-		
Leverage	Operating leverage	0.88	0.84	0.71	0.63	2.30		
	Financial leverage	0.87	0.87	0.91	0.95	1.09		

The reasons for the changes reach 20% in the financial ratios over the last two years are as follows:

1. Increase in Debts ratio :Mainly due to the sales increase that account receivable and account payable had increased.
2. Increase in Long term funds to fixed assets: The increase in equity due to net profit for the period mote than increase in property, plant and equipment.increase in equity due to net profit for the period.
3. Decrease in Current ratio and Quick Ratio: Mainly due to the sales increase resulted in account receivable and account payable had increased.
4. Decrease in Interest guarantee: Mainly due to the large net loss before tax in 2020.
5. Increase in Average collection turnover and Decrease Average collection days: Mainly due to increase in sales revenues more than accounts receivable increase.
6. Increase in Average inventory turnover and Days' sales in inventory : Mainly due to the increase in cost of goods sold in 2021 more than the average inventory.
7. Increase in Account payable Turnover: Mainly due to increase in cost of goods sold in 2021 were more than Average accounts payable, resulting in an increase in accounts payable turnover.
8. Increase in Fixed Assets Turnover and Total assets turnover ratio: Mainly due to increase in sales revenue in 2021.
9. Decrease in Return on assets, Return on equity, ratio of pre-tax income to paid-in capital, profit ratio, and earnings per share: Mainly due to the Increase in net profit.
10. Increase in Degree of operating leverage: Mainly due to the ignificant increase in sales in 2020.

Note 1: Financial information is audited by CPAs.

Note 2: Up to the date of publication of the annual report, the Company's financial statements as of the first quarter had not been reviewed by the CPA.

Note 3: If the net cash flow from operating activities is net cash outflow, the cash flow analysis will not be calculated

6.2.2 Financial analysis (unconsolidated)

Item		Year	Financial Analysis for the Last Five Years (Note 1)					In the current year as of March 31, 2022
		2017	2018	2019	2020	2021		
Financial structure (%)	Debt ratio	11.35	13.41	23.67	27.04	37.46	Not applicable	
	Ratio of long-term of office capital to property, plant and equipment	-	-	-	-	6,218.62		
Solvency (%)	Current ratio	34.62	44.83	40.29	53.59	149.51		
	Quick ratio	30.22	40.76	36.93	49.21	146.68		
	Interest coverage ratio (times)	(215.27)	(177.67)	(484.16)	(246.92)	45.63		
Operating performance	Accounts receivable turnover (times)	-	-	2.07	2.65	3.41		
	Average collection days	-	-	176	138	107		
	Inventory turnover (times)	-	-	-	-	3,829.99		
	Accounts payable turnover (times)	-	-	2.08	1.99	6.91		
	Average days in sales	-	-	-	-	-		
	Property, plant and equipment turnover (times)	-	-	-	-	151.65		
	Total assets turnover (times)	-	-	-	-	0.86		
Profitability	Return on total assets (%)	(12.92)	(10.30)	(45.43)	(34.67)	4.60		
	Return on stockholders' equity (%)	(14.48)	(11.79)	(55.21)	(46.31)	6.73		
	Pre-tax income to paid-in capital (%)	(36.95)	(24.50)	(81.82)	(41.74)	4.72		
	Profit ratio (%)	-	-	(150,426.10)	(398.48)	5.24		
	Earnings per share (NT\$)	(3.63)	(2.46)	(8.18)	(4.18)	0.49		
Cash flow	Cash flow ratio (%)	-	-	-	-	-		
	Cash flow adequacy ratio (%)	227.66	500.97	-	-	-		
	Cash reinvestment ratio (%)	-	-	-	-	-		
Leverage	Operating leverage	1.00	1.00	0.93	0.86	0.59		
	Financial leverage	0.98	0.97	0.97	0.98	0.97		

The reasons for the changes reach 20% in the financial ratios over the last two years are as follows:

1. Increase in Debts ratio :Mainly due to the sales increase that account receivable account payable had increased.
2. Increase in Long term funds to fixed assets: Mainly due to the increase in property, plant and equipment.
3. Increase in Current ratio: Mainly due to the sales increase that Accounts Receivable increase more than accounts payable.
4. Decrease in Interest guarantee: Mainly due to the large net loss before tax in 2020.
5. Increase in Average collection turnover and Decrease in Average collection days: Mainly due to increase in sales revenues more than accounts payable increase.
6. Increase in Average inventory turnover: Mainly due to the increase in cost of goods sold in 2021 more than the average inventory.
7. Increase in Account Receivable Turnover: Mainly due to increase in cost of goods sold in 2021 were more than Average accounts payable, resulting in an increase in accounts payable turnover.
8. Increase in Fixed Assets Turnover and Total assets turnover ratio: Mainly due to increase in sales revenue in 2021.
9. Decrease in Return on assets, Return on equity, ratio of pre-tax income to paid-in capital, profit ratio turn to positive number, and earnings per share increased: Mainly due to turn loss into profit in 2021.
10. Decrease in degree of operating leverage: Mainly due to the large operating losses in 2020.

Note 1: Financial information is audited by CPAs.

Note 2: If the net cash flow from operating activities is net cash outflow, the cash flow analysis will not be calculated

Note 3: Calculation formula for financial analysis are as follows:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets

(2) Ratio of long-term of office capital to property, plant and equipment = (Total equities + Noncurrent liabilities) / Net property, plant and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Income before interest and taxes / Interest expense

3. Operating performance

(1) Accounts receivable turnover (including accounts receivable and notes receivable incurred as a result of business operation) = Net revenue / Average accounts receivable

(2) Average collection days = 365 / Accounts receivable turnover

(3) Inventory turnover = Cost of goods sold / Average inventory

(4) Accounts payable turnover (including accounts payable and notes payable incurred as a result of business operation) = Cost of goods sold / Average accounts payable

(5) Average days in sales = 365 / Inventory turnover

(6) Property, plant and equipment turnover = Net revenue / Average net property, plant and equipment

(7) Total assets turnover = Net revenue / Average total assets

4. Profitability

- (1) Return on total assets = $[\text{Net income} + \text{Interest expense} \times (1 - \text{Tax rate})] / \text{Average total assets}$
- (2) Return on stockholders' equity = $\text{Net income} / \text{Average equity}$
- (3) Profit ratio = $\text{Net income} / \text{Net sales}$
- (4) Earnings per share = $(\text{Net income or loss attributable to shareholders of the parent} - \text{Preferred stock dividends}) / \text{Weighted average outstanding shares}$

5. Cash flow

- (1) Cash flow ratio = $\text{Cash flow from operating activities} / \text{Current liabilities}$
- (2) Cash flow adequacy ratio = $\text{Net cash flow from operating activities for the past 5 years} / (\text{Capital expenditure} + \text{Increases in inventory} + \text{Cash dividends for the past 5 years})$
- (3) Cash reinvestment ratio = $(\text{Cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross property, plant and equipment} + \text{Long-term of office investments} + \text{Other noncurrent assets} + \text{Working capital})$

6. Leverage

- (1) Operating leverage = $(\text{Net revenue} - \text{Variable operating costs and expenses}) / \text{Operating income}$
- (2) Financial leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expense})$

6.3 Audit Committee's Report for the Most Recent Year

Audit Committee's Review Report

The Board of Directors has submitted the Company's 2021 business report, financial statements (including consolidated and parent company only financial statements), and proposal for deficit compensation. The independent auditors Hui-Lin, Pan and Pei-Chuan, Huang of PricewaterhouseCoopers Taiwan have audited the financial statements and issued audit reports relating to the financial statements. The Audit Committee audited the aforementioned business report, financial statements, and proposal for deficit compensation and found no unconformities. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2021 Annual General Meeting of shareholders for ratifications.

Mutto Optronics Corporation

Chairman of the Audit Committee: Yung-Tai Tsai

March 24, 2022

6.4 Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020.

Please refer to Annex I

6.5 Parent Company Only Financial Statements for the Years Ended December 31, 2021 and 2020

Please refer to Annex II

6.6 Financial Difficulties for the Company and its Affiliates: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

7.1.1 The main reasons for any material change in assets, liabilities, or equity during the past 2 fiscal years, and describe the effect thereof

Unit: NT\$ thousand

Item \ Year	2020	2021	YoY change	
			Amount	%
Current assets	346,020	397,865	51,845	14.98
Property, plant and equipment	14,047	26,273	12,226	87.04
Intangible assets	292	1,288	996	341.10
Other assets	26,517	33,495	6,978	26.32
Total assets	386,876	458,921	72,045	18.62
Current liabilities	45,507	84,214	38,707	85.06
Non-current liabilities	25,561	22,360	(3,201)	(12.52)
Total liabilities	71,068	106,574	35,506	49.96
Paid-in capital	457,790	467,598	9,808	2.14
Capital surplus	55,178	59,190	4,012	7.27
Retained earnings	(191,419)	(168,926)	22,493	(11.75)
Treasury stock	-	-	-	-
Other equity	(5,741)	(5,515)	226	(3.94)
Non-controlling interest	-	-	-	-
Total equity	315,808	352,347	36,539	11.57

In the case of a change of 20% or more in the past 2 fiscal years, and the amount of the change reaching NT\$10,000 thousand, the analysis shall be as follows:

1. Increase in property, plant and equipment: Mainly due to Muoo have the newly established optoelectronic business department purchased equipment and the subsidiary Nantong Sihe Stainless Steel Products Co., Ltd. had newly added machine, equipment, and office renovation.
2. Increase in current liabilities: Mainly due to the orders had increased in 2021 and the increase in purchases, resulting in increase in accounts payable in the current period.

7.1.2 Describe the measures to be taken in response while the influence is significant

The above differences are normal operating changes and have no significant impact on the Company's financial status.

7.2 Analysis of Financial Performance

7.2.1 The main reasons for any material change in operating revenues, operating income, or income before tax during the past 2 fiscal years

Unit: NT\$ thousand

Item	Year	2020	2021	YoY change	
				Amount	%
Operating revenue		101,541	444,847	343,306	338.10
Operating costs		108,660	351,789	243,129	223.75
Gross profit (loss)		(7,119)	93,058	100,177	(1,407.18)
Operating expenses		49,484	79,413	29,929	60.48
Profit (loss) from operations		(56,603)	13,645	70,248	(124.11)
Non-operating income and expenses		(135,421)	9,565	144,986	(107.06)
Profit (loss) from continuing operations before tax		(192,024)	23,210	215,234	(112.09)
Income tax benefit (expense)		605	(717)	(1,322)	(218.51)
Profit (loss) from continuing operations		(191,419)	22,493	213,912	(111.75)
Profit (loss) from discontinued operations		-	-	-	-
Net profit (net loss)		(191,419)	22,493	213,912	(111.75)
Other comprehensive income (loss) (income after tax)		2,508	226	(2,282)	(90.99)
Total comprehensive loss		(188,911)	22,719	211,630	(112.03)

In the case of a change of 20% or more in the past 2 fiscal years, and the amount of the change reaching NT\$10,000 thousand, the analysis shall be as follows:

1. Increase in operating revenue, operating costs, gross profit: The YoY increase of NT\$343,306 thousand in operating revenue and the YoY increase of NT\$243,129 thousand in operating costs were mainly due to the orders and sales increased in this year.
2. Increase in operating expenses: Significant increase in related operating expenses due to the increase in sales growth this year.
3. Increase in non-operating income and expenses: The non-operating expenses in 2021, mainly due to the subsidiary Honest Mount Investments Limited had expected credit impairment loss and foreign exchange loss of the recognized bonds increased, resulting in a second period change of NT\$144,986 thousand.
4. Increase in net profit: Net profit for this year increased by NT\$213,912 thousand. Refer to (1) and (3).

7.2.2 Sales volume forecast in 2021 and the basis thereof, and the effect upon the Company's finance and business as well as measures to be taken in response

It is expected that the sales volume of stainless steel kitchen knives in 2022 will increase compared to 2021.

7.3 Analysis of Cash Flow

7.3.1 Cash flow analysis for the current year

Unit: NT\$ thousand

Item	Year	2020	2021	Difference
Cash inflow (outflow) from operating activities		3,551	(132,135)	(135,686)
Cash inflow (outflow) from investment activities		557,369	68,434	(466,293)
Cash inflow (outflow) from financing activities		(420,078)	1,496	421,574
Net cash decrease		133,352	(58,266)	(191,618)
Analysis of cash flow change:				
1. Net cash flows generated from operating activities increased by NT\$135,686 thousand mainly due to the accounts receivable increased in the current period				
2. Net cash flows generated from investing activities decreased by NT\$466,293 thousand mainly due to the financial assets NT\$477,291 were obtained through OCI, disposing in 2020.				
3. Net cash flows used in financing activities increased by NT\$421,574 thousand mainly due to the short-term of office loans paid off in 2020.				

7.3.2 Corrective measures to be taken in response to illiquidity and analyses on the cash liquidity in one year ahead

Unit: NT\$ thousand

Cash balance, beginning of the year	Forecast net cash flow from operations	Forecast cash inflow from investment and financing activities	Expected cash surplus (deficit)	Source of funding for cash deficits	
				Investment plans	Financing plans
104,236	56,000	(7,000)	153,236	-	-
1. Analysis of changes in cash flow in one year ahead					
(1) Net cash flow from operations: The Company estimates that the cash in from operating activities in 2021 according to the sales receipts, purchase payment, operating expenses and expected cash inflow from operating activities					
(2) Cash inflows from investment and financing activities: Mainly from obtaining mechanical equipment and maintenance and upgrading of factory areas.					
2. There is no cash shortage in the current year.					

7.4 Analysis of Major Capital Expenditures and its Impact on Finance and Operations: None.

7.5 Investment Policies, Reasons for Profit or Loss, Plans for Improvement, and Future Investment Plan

The Company engages in the business of manufacture and sales of stainless steel kitchen cutlery and services of hard disk repair and data erasure through the investments in subsidiaries accounted for using equity method. The related investment is as follows:

7.5.1 Manufacture and sales of stainless steel kitchen cutlery

The Company engages in the manufacture and sales of stainless steel kitchen cutlery through directly and indirectly invested in Sheaffer Manufacturing Co., Ltd., The King Cut International Co., Ltd., Shanghai Sihe Stainless Steel Products Co., Ltd. and Nantong Sihe Stainless Steel Products Co., Ltd.. In 2021, due to the increase in orders received from customers, the revenue growth of this business turned losses into profits.

Because of the concentration of sales customers of stainless steel kitchen cutlery, the amount of revenue is easy to fluctuate greatly with the change of orders of large customers. In the future, we will actively develop new customers, reduce the risk of sales concentration, so as to obtain stable profits through continuous and stable sales orders, coupled with process improvement and cost reduction. There is no capital increase plan in the coming year. The Company will carefully assess whether to invest more capital in the business depending on the operating situation.

7.5.2 Hard disk repair and data erasure services

Considering the continuous loss of the business and the poor performance over the years, the business closed at the end of 2019. The Company is currently clearing accounts of the investee companies. CS Solutions Technology Ltd and Sky Tech International had already cleared, CS Solution Holding Limited will be completed by 2022.12.31.

7.6 Analysis of Risk Management

7.6.1 Impact of interest, foreign exchange rate and inflation fluctuations, and future countermeasures

When borrowing from banks, the Company and the bank negotiate reasonable interest rates, prices and conditions. In term of offices of exchange rate, the Company adopts a natural hedge to reduce exchange rate risk. In addition, as the Company adopts build-to-order production mode, inflation has little impact on the Company.

7.6.2 Investment policy and reasons for gains & losses for high-risk/high-leverage financial products, derivatives, loans to others and guarantees of debts, and future countermeasures

In order to manage financial risks, the Company has formulated, in accordance with the relevant provisions of the FSC, “Procedures for Acquisition or Disposal of Assets” (covers the engagement in derivatives trading), “Procedures for Loaning Funds to Others” and “Procedures for Endorsements/Guarantees for Others”, as the compliance basis for the relevant activities. Up to the latest year and the date of the annual report published, the Company has not engaged in any high-risk and high-leverage investment and derivatives trading, and loaning funds to

others or providing endorsements/guarantees for others is handled according to the prescribed procedures.

7.6.3 Future research and development plans and the expenses anticipated to be invested into R&D

As of March 31, 2022 Unit: NT\$ thousand

Item	Research Projects	Completion (%)	R&D expenses to be reinvested	Estimated completion date of mass production
Stainless steel kitchen cutlery	Automatic throw	50%	19,600	Q1 2022
Touch Panel	31.2" Color EPD 32" RLCD	80%	500	Q2 2022
	5.7"CG+Sensor	50%	500	Q2 2022

7.6.4 Impacts generated by changes in important policies and laws at home and abroad upon the Company's finance and business, and the Company's countermeasures

The daily operations of the Company are handled in accordance with relevant domestic and foreign laws and regulations. External legal advisors are engaged to provide consultation or assistance on relevant legal issues. Therefore, the impacts of the change of important domestic and foreign policies and laws are limited.

7.6.5 Impacts generated by changes in technology and industries upon the Company's finance and business, and the Company's countermeasures: No significant impact.

7.6.6 Impacts created by changes in corporate image upon the management over crisis, and the Company's countermeasures: Such fact is nonexistent in the Company.

7.6.7 Expected benefits and risks from merger & acquisition, and the Company's countermeasures: None.

7.6.8 Expected benefits and risks related to plant facility expansions, and the Company's countermeasures: Not applicable.

7.6.9 Risks from supplier and buyer concentration, and the Company's countermeasures

A. Risk assessment of sales concentration and response measures

The ratio of sales to customer A to total net sales is 89% in 2020. In the future, the Company will actively develop new customers to reduce the risk of sales concentration.

B. Risk assessment of purchase concentration and response measures

The main raw materials of the Company are stainless steel bars and stainless steel plates, which are standard products in the market. Sources of raw materials supply are secure, without the risk of procurement concentration.

7.6.10 Impacts and risks from significant transfer or replacement in shareholdings of directors and major shareholders with holding more than 10% shares, and the Company's countermeasures: None.

7.6.11 Impacts and risks from changes in management controls, and the Company's countermeasures:

At the end of 2020, the cumulative change in the number of directors reached four-sevenths. After the reelection of directors on February 5, 2021, and September 29, 2021 the Company has made a "significant change in management controls" as defined by the competent authority.

Since the reelection of the Board, the Company has continuously expanded the business of stainless steel kitchen cutlery. There should be no significant impact or risk of small changes in the Company's business strategy and vision.

The Company will continue to provide investors relevant business information in accordance with applicable laws and regulations and the requirements of competent authorities.

7.6.12 Significant lawsuits and non-litigious matters: Such fact is nonexistent in the Company.

7.6.13 Other major risks and countermeasures: None

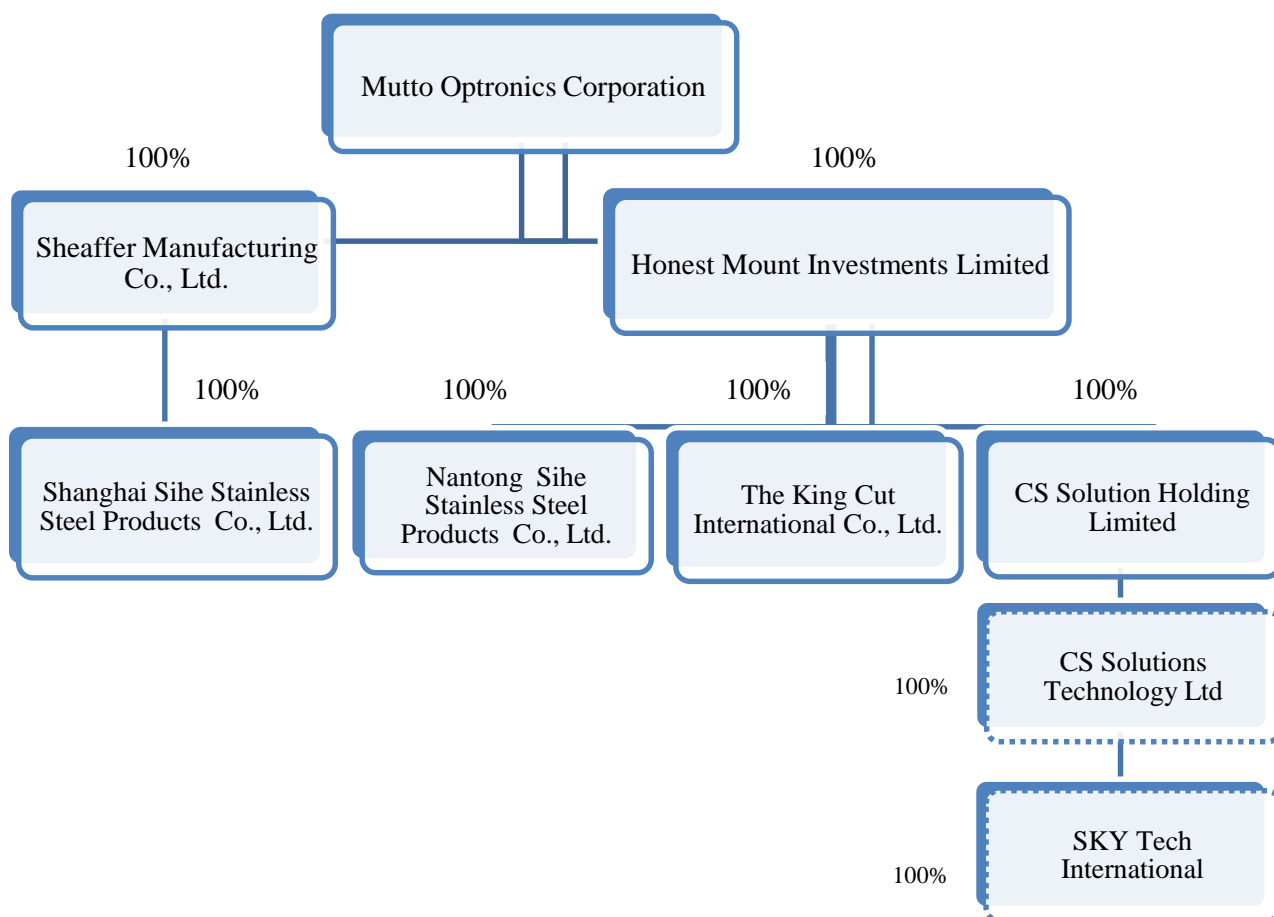
7.7 Other Significant Items: None.

VIII. Special Disclosure

8.1 Affiliates

8.1.1 Consolidated business report of the affiliates

A. Organizational chart of the affiliates



B. Affiliates' profile

As of December 31, 2021

Name	Date of incorporation	Location	Paid-in capital (in thousands)	Main business
Sheaffer Manufacturing Co., Ltd.	1979/1/15	Taipei City, Taiwan	NT\$ 28,000	Sales of stainless steel products
Shanghai Sihe Stainless Steel Products Co., Ltd.	1996/12/25	Shanghai, China	US\$ 2,610	Manufacture and sales of stainless steel products
Honest Mount Investments Limited	2014/2/5	British Virgin Islands	US\$ 16,500	Investment
The King Cut International Co., Ltd.	1997/8/26	British Virgin Islands	US\$ 50	Sales of stainless steel products
Nantong Sihe Stainless Steel Products Co., Ltd.	2017/6/30	Nantong City, China	US\$ 7,500	Manufacture of stainless steel products
CS Solution Holding Limited	2016/4/22	British Virgin Islands	US\$ 9,090	Hard disk repair services
Name	Date of incorporation	Location	Paid-in capital (in thousands)	Main business
CS Solutions Technology Ltd	2016/5/24	U.S.A.		Hard disk repair services (liquidation had completed before December 31, 2021)
Sky Tech International	2014/9/8	U.S.A.		Hard disk repair services (liquidation had completed before December 31, 2021)

C. For companies presumed to have a relationship of control and subordination under Article 369-3 of the Company Act: None.

D. The industries covered by the business operated by the affiliates overall, and a description of the mutual dealings and division of work

- (1) Production and sales of stainless steel kitchen cutlery: Sheaffer Manufacturing Co., Ltd. 、 Nantong Sihe Stainless Steel Products Co., Ltd. 、 Shanghai Sihe Stainless Steel Products Co., Ltd. 、 The King Cut International Co., Ltd. 。
- (2) Service of hard disk repair (In the liquidation process) : CS Solution Holding Limited 、 CS Solutions Technology Ltd (liquidation had completed before December 31, 2021) 、 Sky Tech International (liquidation had completed before December 31, 2021).
- (3) Investment company established in a third region: Honest Mount Investments Limited

E. Directors, supervisors, and general manager of each affiliate

As of December 31, 2021 Unit: NT\$ thousand

Company name	Title	Name or the representative person	Shareholding	
			Shares	%
Sheaffer Manufacturing Co., Ltd.	Chairman	Mutto Optronics Corporation Representative: Shiou-Yuh Liaw	28 -	100% -
Shanghai Sihe Stainless Steel Products Co., Ltd.	Chairman and General Manager	Sheaffer Manufacturing Co., Ltd.	72,245 (capital contributions)	100%
	Director Supervisor	Representative: Chun-Yi Chang Representative: Ya-Ping Huang	- -	- -

Company name	Title	Name or the representative person	Shareholding	
			Shares	%
Honest Mount Investments Limited	Director	Mutto Optronics Corporation Representative: Shiou-Yuh Liaw	16,500 -	100% -
The King Cut International Co., Ltd.	Director	Honest Mount Investments Limited Representative: Shiou-Yuh Liaw	5 -	100% -
Nantong Sihe Stainless Steel Products Co., Ltd.	Executive Director Supervisor General Manager	Honest Mount Investments Limited	207,600 (capital contributions)	100% -
		Representative: Chun-Yi Chang	-	-
		Representative: Ya-Ping Huang	-	-
CS Solution Holding Limited	Director	Honest Mount Investments Limited Representative: Chi-Yeh Hsu	9,090 -	100% -

F. Overview of the operations of the affiliates

As of December 31, 2021 Unit: NT\$ thousand

Company name	Paid-up Capital (US\$ in Thousands)	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Sheaffer Manufacturing Co., Ltd.	28,000	20,520	-	20,520	-	(54)	(3,042)	(108.64) (Note 1)
Shanghai Sihe Stainless Steel Products Co., Ltd.	72,245 (USD2,610)	93,519	73,546	19,973	-	(396)	(604)	
Nantong Sihe Stainless Steel Products Co., Ltd.	207,600 (USD7,500)	198,087	100,512	97,575	383,661	31,452	39,488	-
Honest Mount Investments Limited	503,068	213,950	-	213,950	-	(76)	51,370	3.11 (Note 2)
The King Cut International Co., Ltd.	1,495 (USD50)	141,282	82,397	58,885	-	(51)	8,526	1,705 (Note 3)
CS Solution Holding Limited	277,156	16,043	-	16,043	-	(130)	4,737	0.48 (Note 2)
CS Solutions Technology Ltd	-	-	-	-	-	-	(12,388)	- (Note 5)
Sky Tech International	-	-	-	-	-	-	-	- (Note 5)

Note 1: The value of each share of Sheaffer Manufacturing Co., Ltd. is NT\$1,000, with 28,000 shares in total.

Note 2: The value of each share of Honest Mount Investments Limited and CS Solution Holding Limited is US\$1, with 16,500,000 and 9,090,000 shares in total.

Note 3: The value of each share of The King Cut International Co., Ltd. is US\$10, with 5,000 shares in total.

Note 4: The value of each share of CS Solutions Technology Ltd is US\$20, with 216 shares in total.

Note 5: liquidation had completed before December 31, 2021

8.1.2 Consolidated financial statements of the affiliates

REPRESENTATION LETTER

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

Very truly yours,

MUTTO OPTRONICS CORPORATION

By

Shen-Shun Tseng
Chairman

March 24, 2022

8.1.3 Affiliation report: Not applicable.

8.2 Private Placement of Securities in 2021 up to Publication Date of this Annual Report in 2022: None.

8.3 Holding or Disposal of the Company's Shares by its Subsidiaries in 2021 up to Publication Date of this Annual Report in 2022: None.

8.4 Other Supplementary Information: None.

IX. Events Defined under Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, which Significantly Impacted Shareholders' Equity or Security Prices, have Occurred in 2021 up to Publication Date of this Annual Report in 2022: None.

**Mutto Optronics Corporation AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Mutto Optronics Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Mutto Optronics Corporation and its subsidiaries (the "Group") as at December 31, 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Recognition of sales revenue

Description

Refer to Note 4(11) for the accounting policies on the recognition of sales revenue and Note 6(16) for details of sales revenue.

The Group is engaged in the production and sales of stainless steel kitchen cutlery and touch display panels. The Group had a significant growth in its revenue for the year ended December 31, 2021. The sales of stainless steel kitchen cutlery comprised more than 90 percent of total sales revenue, and had a significant impact on the financial statements. Thus, we considered the recognition of revenues as the key audit matter.

How our audit addressed the matter

We performed the following audit procedures for the above matter:

1. Obtained an understanding of and assessed internal controls in relation to sales revenue, and assessed the operating effectiveness.
2. Inspected the related background and information in respect of the main customers.
3. Obtained a detailed listing of sales revenue for the current year, and validated supporting documents to ensure the appropriateness of revenue recognition.
4. Inspected a detailed listing of sales returns and discounts occurring subsequent to the reporting period to confirm there were no significant sales returns and discounts.

Other matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 were audited by other auditors, whose report dated March 29, 2021 expressed an unqualified opinion on those statements.

We have audited and expressed an unqualified opinion on the parent company only financial statements of Mutto Optronics Corporation as at and for the year ended December 31, 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Penny Pan

Huang, Pei-Chuan

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 30, 2022

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

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

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 104,236	23	\$ 162,502	42
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	29,599	8
1120	Financial assets at fair value through other comprehensive income - current	6(3)	2,630	1	65,792	17
1136	Financial assets at amortised cost - current	8	-	-	1	-
1170	Accounts receivable, net	6(4)	218,576	48	37,457	10
1200	Other receivables		298	-	1,832	-
1220	Current income tax assets		31	-	31	-
130X	Inventories	6(5)	57,514	12	26,447	7
1410	Prepayments		14,580	3	13,269	3
1470	Other current assets		-	-	9,090	2
11XX	Total current assets		<u>397,865</u>	<u>87</u>	<u>346,020</u>	<u>89</u>
Non-current assets						
1600	Property, plant and equipment	6(6)	26,273	6	14,047	4
1755	Right-of-use assets	6(7)	19,306	4	18,649	5
1780	Intangible assets		1,288	-	292	-
1840	Deferred income tax assets	6(23)	2,418	-	3,538	1
1900	Other non-current assets	6(8)	11,771	3	4,330	1
15XX	Total non-current assets		<u>61,056</u>	<u>13</u>	<u>40,856</u>	<u>11</u>
1XXX	Total assets		<u>\$ 458,921</u>	<u>100</u>	<u>\$ 386,876</u>	<u>100</u>

(Continued)

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2170	Accounts payable		\$ 51,326	11	\$ 13,827	4
2200	Other payables	6(9)	20,574	4	23,418	6
2280	Lease liabilities - current		12,187	3	8,110	2
2300	Other current liabilities		127	-	152	-
21XX	Total current liabilities		<u>84,214</u>	<u>18</u>	<u>45,507</u>	<u>12</u>
Non-current liabilities						
2550	Provisions for liabilities - non-current	6(10)	18,090	4	18,187	4
2570	Deferred income tax liabilities	6(23)	25	-	427	-
2580	Lease liabilities - non-current		4,245	1	6,947	2
25XX	Total non-current liabilities		<u>22,360</u>	<u>5</u>	<u>25,561</u>	<u>6</u>
2XXX	Total liabilities		<u>106,574</u>	<u>23</u>	<u>71,068</u>	<u>18</u>
Share capital						
		6(13)				
3110	Common stock		467,598	102	457,790	118
Capital surplus						
		6(12)(14)				
3200	Capital surplus		59,190	13	55,178	14
Accumulated deficit						
		6(15)				
3350	Accumulated deficit		(168,926)	(37)	(191,419)	(49)
Other equity interest						
3400	Other equity interest		(5,515)	(1)	(5,741)	(1)
3XXX	Total equity		<u>352,347</u>	<u>77</u>	<u>315,808</u>	<u>82</u>
Significant events after the balance sheet date						
		11				
3X2X	Total liabilities and equity		<u>\$ 458,921</u>	<u>100</u>	<u>\$ 386,876</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16) and 7	\$ 444,847	100	\$ 101,541	100
5000 Operating costs	6(11)(21)(22)	(351,789)	(79)	(108,660)	(107)
5950 Gross profit (loss), net		<u>93,058</u>	<u>21</u>	<u>(7,119)</u>	<u>(7)</u>
Operating expenses	6(11)(21)(22)				
6100 Selling expenses		(8,581)	(2)	(4,258)	(4)
6200 General and administrative expenses		(60,371)	(14)	(39,192)	(39)
6300 Research and development expenses		(10,461)	(2)	(6,034)	(6)
6000 Total operating expenses		<u>(79,413)</u>	<u>(18)</u>	<u>(49,484)</u>	<u>(49)</u>
6900 Operating profit (loss)		<u>13,645</u>	<u>3</u>	<u>(56,603)</u>	<u>(56)</u>
Non-operating income and expenses					
7100 Interest income	6(17)	263	-	19,373	19
7010 Other income	6(18)	10,061	2	10,307	10
7020 Other gains and losses	6(19)	3,500	1	(75,411)	(74)
7050 Finance costs	6(20)	(1,122)	-	(2,997)	(3)
7055 Expected credit impairment loss		(3,137)	(1)	(86,693)	(85)
7000 Total non-operating income and expenses		<u>9,565</u>	<u>2</u>	<u>(135,421)</u>	<u>(133)</u>
7900 Profit (loss) before income tax		<u>23,210</u>	<u>5</u>	<u>(192,024)</u>	<u>(189)</u>
7950 Income tax (expense) benefit	6(23)	(717)	-	605	1
8200 Profit (loss) for the year		<u>\$ 22,493</u>	<u>5</u>	<u>(\$ 191,419)</u>	<u>(188)</u>
Other comprehensive income					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(\$ 2,191)	(1)	\$ 3,091	3
8367 Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income		<u>2,417</u>	<u>1</u>	<u>(583)</u>	<u>(1)</u>
8360 Other comprehensive income that will be reclassified to profit or loss		<u>226</u>	<u>-</u>	<u>2,508</u>	<u>2</u>
8300 Total other comprehensive income for the year		<u>\$ 226</u>	<u>-</u>	<u>\$ 2,508</u>	<u>2</u>
8500 Total comprehensive income (loss) for the year		<u>\$ 22,719</u>	<u>5</u>	<u>(\$ 188,911)</u>	<u>(186)</u>
Earnings (loss) per share					
9750 Basic earnings (loss) per share	6(24)	<u>\$ 0.49</u>		<u>(\$ 4.18)</u>	
9850 Diluted earnings (loss) per share	6(24)	<u>\$ 0.49</u>		<u>(\$ 4.18)</u>	

The accompanying notes are an integral part of these consolidated financial statements.

MUTTO Optronics Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2021 and 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent					Total equity
		Share capital - common stock	Capital surplus	Accumulated deficit	Other equity interest Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>Year ended December 31, 2020</u>							
Balance at January 1, 2020		\$ 457,790	\$ 452,600	(\$ 391,222)	(\$ 6,415)	(\$ 1,834)	\$ 510,919
Loss for the year		-	-	(191,419)	-	-	(191,419)
Other comprehensive income (loss) for the year		-	-	-	3,091	(583)	2,508
Total comprehensive income (loss)		-	-	(191,419)	3,091	(583)	(188,911)
Capital surplus used to offset accumulated deficit	6(15)	-	(391,222)	391,222	-	-	-
Share-based payments	6(12)	-	(6,200)	-	-	-	(6,200)
Balance at December 31, 2020		\$ 457,790	\$ 55,178	(\$ 191,419)	(\$ 3,324)	(\$ 2,417)	\$ 315,808
<u>Year ended December 31, 2021</u>							
Balance at January 1, 2021		\$ 457,790	\$ 55,178	(\$ 191,419)	(\$ 3,324)	(\$ 2,417)	\$ 315,808
Profit for the year		-	-	22,493	-	-	22,493
Other comprehensive income (loss) for the year		-	-	-	(2,191)	2,417	226
Total comprehensive income (loss)		-	-	22,493	(2,191)	2,417	22,719
Exercise of employee stock options	6(12)(13)	9,808	4,282	-	-	-	14,090
Share-based payments	6(12)	-	(270)	-	-	-	(270)
Balance at December 31, 2021		\$ 467,598	\$ 59,190	(\$ 168,926)	(\$ 5,515)	\$ -	\$ 352,347

The accompanying notes are an integral part of these consolidated financial statements.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		\$ 23,210	(\$ 192,024)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(6)(7)(21)	17,483	20,347
Amortisation	6(21)	250	427
Expected credit impairment loss		3,137	86,693
Gain on financial assets at fair value through profit or loss, net	6(19)	(3,872)	(13,707)
(Gain) loss on debt instruments at fair value through other comprehensive income, net	6(19)	(1,072)	67,231
Interest expense	6(7)(20)	1,122	2,997
Interest income	6(17)	(263)	(19,373)
Reversal of compensation cost of share-based payments	6(12)(22)	(270)	(6,200)
Loss (gain) on disposal of property, plant and equipment	6(19)	197	(1,314)
(Reversal of) loss on decline in value of inventories	6(5)	(29,097)	19,711
Gain on lease modification	6(19)	(59)	(57)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(185,957)	(2,694)
Other receivables		(5)	498
Inventories		(2,111)	3,338
Prepayments		(1,352)	10,748
Other current assets		9,090	9,176
Changes in operating liabilities			
Accounts payable		39,247	(4,222)
Other payables		(2,844)	355
Other current liabilities		(25)	(1,394)
Cash outflow generated from operations		(133,191)	(19,464)
Interest received		2,178	26,184
Interest paid	6(7)	(1,122)	(3,152)
Income tax received		-	(17)
Net cash flows (used in) from operating activities		(132,135)	3,551
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		-	(41,983)
Proceeds from disposal of financial assets at fair value through profit or loss		33,471	41,949
Proceeds from disposal of financial assets at fair value through other comprehensive income		61,407	477,291
Proceeds from disposal of financial assets at amortised cost		1	53,299
Acquisition of property, plant and equipment	6(6)	(17,801)	(3,408)
Proceeds from disposal of property, plant and equipment		45	6,783
Acquisition of right-of-use assets		-	(4,277)
Acquisition of intangible assets		(1,248)	(49)
Proceeds from disposal of intangible assets		-	4,347
Increase in prepayments for machinery and equipment		(6,352)	-
Increase in refundable deposits		(1,089)	-
Decrease in refundable deposits		-	775
Net cash flows from investing activities		68,434	534,727
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings	6(25)	-	(416,628)
Payment of the principal of lease liabilities	6(25)	(12,594)	(3,450)
Proceeds from exercise of employee stock options		14,090	-
Net cash flows from (used in) financing activities		1,496	(420,078)
Effect on foreign exchange difference		3,939	15,152
Net (decrease) increase in cash and cash equivalents		(58,266)	133,352
Cash and cash equivalents at beginning of year	6(1)	162,502	29,150
Cash and cash equivalents at end of year	6(1)	\$ 104,236	\$ 162,502

The accompanying notes are an integral part of these consolidated financial statements.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

Mutto Optronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) in October 2008 which originally engaged in the research and development, production and sales of touch display panels. In March 2014, the Company disposed of the full equity of Mutto Optronics Group Limited (main business is production and sales of touch panels) and obtained a 100% equity of The King Cut International Co., Ltd, Sheaffer Manufacturing Co., Ltd. and its subsidiary, Shanghai Sihe Stainless Steel Products Co., Ltd. (“Shanghai Sihe”), in August 2014.

In order to cooperate with the environmental comprehensive rectification plan required by the local government, Shanghai Sihe moved to Nantong Sihe Stainless Steel Products Co., Ltd. to continue production and operation in October 2017.

The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the sales of stainless steel kitchen cutlery and touch display panels, as well as the related accessories and components.

The Company’s shares were listed on the Taipei Exchange in April 2012.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were authorised for issuance by the Board of Directors on March 24, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

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

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

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of Preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention except for financial instruments that are measured at fair value.

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All inter-company transactions, balances, income and expenses are eliminated upon consolidation.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
The Company	Honest Mount Investments Ltd.	Investment	100	100	
The Company	Sheaffer Manufacturing Co., Ltd.	Sales of stainless steel product	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Sheaffer Manufacturing Co., Ltd.	Shanghai Sihe Stainless Steel Products Co., Ltd.	Manufacture and sales of stainless steel products	100	100	
Honest Mount Investments Ltd.	The King Cut International Co., Ltd	Sales of stainless steel products	100	100	
Honest Mount Investments Ltd.	CS Solution Holding Limited	Hard disk repair services	100	100	Note 1
Honest Mount Investments Ltd.	Nantong Sihe Stainless Steel Products Co., Ltd.	Manufacture and sales of stainless steel products	100	100	
CS Solution Holding Ltd.	CS Solutions Technology Ltd	Hard disk repair services	-	100	Note 2
CS Solutions Technology Ltd.	Sky Tech International	Hard disk repair services	-	100	Note 2

Note1: Board of Directors decided to liquidate CS Solution Holding Limited in December 2019. The related procedures are in progress.

Note2: The subsidiaries had been dissolved before December 31, 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Classification of Current and Non-current Assets and Liabilities

Current assets include:

A. Assets held primarily for the purpose of trading;

B. Assets expected to be realized within 12 months after the reporting period; and

C. Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

A. Liabilities held primarily for the purpose of trading;

B. Liabilities due to be settled within 12 months after the reporting period; and

C. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

(5) Foreign Currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries in other countries or subsidiaries that use currencies different from the ones used by the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are recognised in other comprehensive income.

(6) Inventories

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

(7) Property, Plant and Equipment

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

Depreciation on property, plant and equipment is computed using the straight-line method mainly over the following estimated useful lives. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(8) Intangible Assets

A. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment loss. Amortisation is recognised on a straight-line basis. The estimated useful life, residual value, and amortisation method are reviewed at the end of each reporting period, with the effect of any

changes in estimate accounted for on a prospective basis.

B. Derecognition of intangible assets

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

(9) Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets (Excluding Goodwill)

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

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

(10) Financial Instruments

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

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

A. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis

(a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortised cost, and investments in debt instruments at FVTOCI.

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified

as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Any interest earned on the FVTPL is recognised in interest income. Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

ii. Financial assets at amortised cost

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

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

Subsequent to initial recognition, financial assets at amortised cost, including cash, accounts receivable, other receivables, restricted assets and refundable deposits, are measured at amortised cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognised in profit or loss.

Interest income calculates by effective interest multiplying the book value of financial assets.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- (i) The financial asset is held within certain business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognised in profit or loss. Other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

(b) Impairment of financial assets

At each balance sheet date, the Group recognises a loss allowance for expected credit losses on financial assets at amortised cost (including account receivables and other receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognises lifetime Expected Credit Loss (“ECL”) for account receivables and other receivables. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the

other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

For the purpose of internal credit risk management, the Group determines that the following conditions represent a default in financial assets without considering the collateral held :

- i. Internal or external information indicates that the debtor is unable to pay off the debt.
- ii. If there is an overdue case, unless there is reasonable and corroborable information which shows that the delayed default basis is more appropriate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset.

(c) Derecognition of financial assets

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

On derecognition of a financial asset at amortised cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognised in other comprehensive income is recognised in profit or loss.

B. Financial liabilities

(a) Subsequent measurement

All financial liabilities are measured at amortised cost using the effective interest method.

(b) Derecognition of financial liabilities

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

(11) Revenue Recognition

The Group identifies contracts with customers, allocates the transaction price to the performance

obligations, and recognises revenue when performance obligations are satisfied.

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of stainless steel kitchen cutlery and touch panels. Sales of stainless steel kitchen cutlery and touch panels are recognised as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence.

(12) Leasing

For a contract that contains a lease component and non-lease component, the Group may elect to account for the lease and non-lease components as a single lease component.

A. The Group as lessor

Under operating leases, rental payment (net of any rental incentive) is recognised in profit on a straight-line basis over the term of the lease.

B. The Group as lessee

Except for payments for low-value asset leases and short-term leases which are recognised as expenses on a straight-line basis, the Group recognises right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, if the Group is reasonably certain of the implicit rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

(13) Borrowing Costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(14) Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. If the government subsidy is used to compensate for expenses or losses that have occurred, or for the purpose of providing the Group as immediate financial support, and there is no future related cost, it is recognised in the profit and loss during the period that it can be received.

(15) Employee Benefits

A. Short-term employee benefits

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

B. Retirement benefits

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

(16) Share-based Payment Arrangements

Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognised as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognised in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

(17) Income Taxes

Income tax expense represents the sum of current tax and deferred tax.

A. Current tax

The current income tax expense is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group operate and generate taxable income. According to the Income Tax Law of R.O.C., an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

B. Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused loss carry

forward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

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

C. Current tax and deferred tax for the year

Current tax and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the 23 current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(18) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group has considered the economic implications of COVID-19 on critical accounting estimates, including future cashflow forecasts, growth rates, discount rates, and profit ability and so forth. The Group will continue evaluating the impact on its financial position and financial performance as a result

of the pandemic. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation and uncertainty

(1) Impairment of tangible and intangible assets (excluding goodwill)

For impairment test of assets, the Group evaluates and decides on certain assets' independent cash flows, and the probable future profit or loss which is based on subjective judgment, utilised asset mode, and industry characteristics. Any changes in national and local economic conditions or the Group's strategy may cause significant impairment loss.

(2) Estimated impairment of financial assets

The provision for impairment of accounts receivable and investments in debt instruments is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(3) Income Taxes

Realisability of deferred tax assets is primarily determined by considering whether profits will be sufficient in the future or not and taxable temporary differences. If the actual profits generated in the future are less than expected, reversals of significant deferred tax assets may incur and these reversals are recognised as profit or loss when incurred.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 456	\$ 364
Checking accounts and demand deposits	103,780	162,138
	<u>\$ 104,236</u>	<u>\$ 162,502</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deposits in bank	0%-0.3%	0%~0.3%

(2) Financial Assets at Fair Value through Profit or Loss

Items	December 31, 2021	December 31, 2020
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Foreign listed stocks	\$ -	\$ 16,686
Bond funds	-	-
	-	16,686
Valuation adjustment	-	12,913
	\$ -	\$ 29,599

The Group recognised profit (including gain on disposal of investments) amounting to \$3,872 and \$13,707 on financial assets at fair value for the years ended December 31, 2021 and 2020, respectively.

(3) Financial Assets at Fair Value through Other Comprehensive Income

Items	December 31, 2021	December 31, 2020
Current items:		
Foreign investments		
Corporate bonds	\$ 2,630	\$ 65,792

A. The Group has classified investments in debt instruments as financial assets at fair value through other comprehensive income:

	December 31, 2021	December 31, 2020
Gross carrying amount	\$ 55,859	\$ 121,225
Less: Allowance for impairment loss	(53,229)	(53,016)
Amortised cost	2,630	68,209
Adjustment to fair value	-	(2,417)
	\$ 2,630	\$ 65,792

B. Information relating to the management policies and the current rating mechanism of credit risk adopted by the Group is provided in Note 12(2).

C. The Group's current credit risk grading mechanism was as follows:

December 31, 2021

<u>Category</u>	<u>Expected Loss Rate</u>	<u>Gross Carrying Amount</u> <u>At FVTOCI</u>
In default	95.29%	\$ <u>55,859</u>

December 31, 2020

<u>Category</u>	<u>Expected Loss Rate</u>	<u>Gross Carrying Amount</u> <u>At FVTOCI</u>
Performing	0.74%	\$ 8,772
Doubtful	4.73%	56,625
In default	89.40%	55,828
		\$ <u>121,225</u>

D. The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI were as follows:

	<u>Credit Rating</u>		
	<u>Performing</u> <u>(12-month ECLs)</u>	<u>In default (Lifetime</u> <u>ECLs - not</u> <u>Credit-impaired)</u>	<u>In default (Lifetime</u> <u>ECLs -</u> <u>Credit-impaired)</u>
Balance at January 1, 2021 (Note 1)	\$ 72	\$ 2,852	\$ 50,092
Derecognition (Note 2)	(72)	(2,852)	-
Change in exchange rate or others	-	-	3,137
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,229</u>
Balance at January 1, 2020	\$ 5,787	\$ -	\$ 67,798
Transfers			
From performing to default	(1,318)	-	86,849
From performing to doubtful	(1,274)	2,852	-
Derecognition (Note 2)	(3,123)	-	(103,215)
Change in exchange rate or others	-	-	(1,340)
Balance at December 31, 2020	<u>\$ 72</u>	<u>\$ 2,852</u>	<u>\$ 50,092</u>

Note 1: Due to the bond issuer, Virgin Australia Holdings Ltd filed for bankruptcy protection, which lowered its bond credit rating from performing to default. After the creditors' committee agreed to turn it over to the new management team to negotiate a debt management plan, the loss allowance for credit default rating increased by \$50,092 according to the plan.

Note 2: The Group sold foreign corporate bond in the amount of \$61,407 and \$477,291 in 2021 and 2020, respectively, and derecognised the relevant loss allowance for those of normal credit rating by \$2,924 and \$106,338, respectively, simultaneously.

Note 3: In 2021 and 2020, the Group incurred a loss on disposal of investments of \$1,072 and \$67,231, unrealized evaluation gain (loss) \$2,417 and (\$583) (recognised in other comprehensive income) from holding of the foreign corporate bonds mentioned above.

(4) Accounts Receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Account receivable</u>		
Amortised at cost		
Book value	\$ 218,576	\$ 37,457
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>
	<u>\$ 218,576</u>	<u>\$ 37,457</u>

A. The aging analysis of accounts and notes receivable is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	Account Receivables	Account Receivables
Not past due	\$ 208,087	\$ 37,457
Up to 30 days	9,423	-
31 to 90 days	551	-
91 to 180 days	<u>515</u>	<u>-</u>
	<u>\$ 218,576</u>	<u>\$ 37,457</u>

The above aging analysis was based on past due date.

B. The Group's average credit period of sales of goods is from 30 to 120 days. No interest was charged on accounts receivables.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the customers and an analysis of the customers' current financial position, adjusted for general economic conditions of the industry in which the customers operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. According to the historical experience of the Group, there is no significant difference between different customer groups and defaults rarely occur. Therefore, provision matrix has not been further classified based on customer groups. The Group determined the expected credit loss rate based on the past due date of accounts receivable and does not accrued loss allowance as the expected credit loss rate is extremely low.

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

C. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables from contracts with customers amounted to \$218,576, \$37,457 and \$43,798, respectively.

(5) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Finished goods	\$ 37,187	\$ 4,091
Work in process	12,500	18,575
Raw materials	7,827	3,781
	<u>\$ 57,514</u>	<u>\$ 26,447</u>

The nature of the cost of goods sold were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cost of goods sold	\$ 374,576	\$ 88,580
(Reversal of) loss on decline in market value	(29,097)	19,711
Unallocated Production Overhead	6,310	369
	<u>\$ 351,789</u>	<u>\$ 108,660</u>

The Group reversed from a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Group during the year ended December 31, 2021.

(6) Property, Plant and Equipment

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation Equipment</u>	<u>Other Equipment</u>	<u>Lease Improvements</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 13,423	\$ 32,686	\$ -	\$ 10,412	\$ -	\$ 56,521
Addition	430	6,019	572	6,590	4,190	17,801
Disposals	-	(22,318)	-	(452)	-	(22,770)
Effect of foreign currency exchange differences	(72)	(218)	-	(60)	-	(350)
Balance at December 31, 2021	<u>\$ 13,781</u>	<u>\$ 16,169</u>	<u>\$ 572</u>	<u>\$ 16,490</u>	<u>\$ 4,190</u>	<u>\$ 51,202</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2021	\$ 13,263	\$ 23,807	\$ -	\$ 5,404	\$ -	\$ 42,474
Addition	203	1,335	67	2,410	1,236	5,251
Disposals	-	(22,294)	-	(234)	-	(22,528)
Effect of foreign currency exchange differences	(70)	(164)	-	(34)	-	(268)
Balance at December 31, 2021	<u>\$ 13,396</u>	<u>\$ 2,684</u>	<u>\$ 67</u>	<u>\$ 7,546</u>	<u>\$ 1,236</u>	<u>\$ 24,929</u>
Carrying amounts at December 31, 2021	<u>\$ 385</u>	<u>\$ 13,485</u>	<u>\$ 505</u>	<u>\$ 8,944</u>	<u>\$ 2,954</u>	<u>\$ 26,273</u>

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation Equipment</u>	<u>Other Equipment</u>	<u>Lease Improvements</u>	<u>Total</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 13,174	\$ 29,015	\$ 192	\$ 34,308	\$ -	\$ 76,689
Addition	42	-	-	3,366	-	3,408
Disposals	-	-	(192)	(27,260)	-	(27,452)
Reclassifications	-	2,397	-	-	-	2,397
Effect of foreign currency exchange differences	207	629	-	(2)	-	834
Balance at December 31, 2020	<u>\$ 13,423</u>	<u>\$ 32,041</u>	<u>\$ -</u>	<u>\$ 10,412</u>	<u>\$ -</u>	<u>\$ 55,876</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ 9,731	\$ 18,723	\$ 58	\$ 25,025	\$ -	\$ 53,537
Addition	3,317	2,357	9	2,334	-	8,017
Disposals	-	-	(66)	(21,917)	-	(21,983)
Reclassifications	-	1,599	-	-	-	1,599
Effect of foreign currency exchange differences	215	483	(1)	(38)	-	659
Balance at December 31, 2020	<u>\$ 13,263</u>	<u>\$ 23,162</u>	<u>\$ -</u>	<u>\$ 5,404</u>	<u>\$ -</u>	<u>\$ 41,829</u>
Carrying amounts at December 31, 2020	<u>\$ 160</u>	<u>\$ 8,879</u>	<u>\$ -</u>	<u>\$ 5,008</u>	<u>\$ -</u>	<u>\$ 14,047</u>

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

Buildings	3~20 years
Machinery and equipment	3~10 years
Transportation equipment	4 years
Other equipment	2~5 years
Leased assets	2~3 years

(7) Lease Arrangements - Lessee

A. Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Buildings	\$ 17,619	\$ 18,649
Machinery and Equipment	1,687	-
	<u>\$ 19,306</u>	<u>\$ 18,649</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 15,519</u>	<u>\$ 19,990</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 11,750	\$ 12,330
Machinery and Equipment	482	-
	<u>\$ 12,232</u>	<u>\$ 12,330</u>
Income from the sublease of right-of-use assets (presented in rental income)	<u>\$ 397</u>	<u>\$ 1,530</u>

B. Material lease-in activities and terms

The Group also leases buildings for the use of plants and offices with lease terms of 2-3 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

C. The Group terminated the building lease contract in advance for the year ended December 31, 2021 and recognised gains arising from lease modifications amounting to \$59. Right-of-use assets and lease liabilities decreased by \$2,540 and \$2,599, respectively.

D. Other lease information

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest expenses relating to lease liabilities	\$ 1,122	\$ 574
Expenses relating to short-term leases	293	328

The Group leases certain building and building lease which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognise right-of-use assets and lease liabilities for these leases.

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases were \$14,009 and \$4,352, respectively (of which \$12,594 and \$3,450 are the principal of the lease liabilities).

F. As of December 31, 2020, payments of lease commitments with lease terms commencing after the balance sheet dates amounted to \$11,382. There were no payments of lease commitments with lease terms commencing after the balance sheet dates as of December 31, 2021.

G. The Group signed the contract of lease compensation agreement with the Nantong local government. Please refer to Note 6(10).

(8) Other Non-Current Assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Refundable deposits	\$ 5,419	\$ 4,330
Prepayments for machinery and equipment	<u>6,352</u>	<u>-</u>
	<u>\$ 11,771</u>	<u>\$ 4,330</u>

(9) Other Payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages, salaries and bonuses payable	\$ 12,381	\$ 4,042
Others	<u>8,193</u>	<u>19,376</u>
	<u>\$ 20,574</u>	<u>\$ 23,418</u>

(10) Provisions

Honest Mount Investments Limited signed the investment agreement with Nantong local government in April 2017. Its subsidiary, Nantong Sihe Stainless Steel Products Co. (“Nantong Sihe”), invested and built new plants in Nantong. During construction period (from July 2017 to June 2020), the local government rented local existing plants and paid for the rent expenses for Nantong Sihe to have free access to use. Due to the initial application of IFRS 16 on January 1, 2019, the Group recognized \$18,357 for right-of-use assets and lease liabilities. The rent expenses were paid by the local government of Nantong (government grants). Nantong Sihe might need to return part of government grants in the future, which depends on whether Nantong Sihe fulfills its obligations of the agreement regarding to the investment projects with the local government or not. Therefore, the Group recognised provision before completing fulfillment of the agreement. After completion of the agreement, the provision will be transferred and recognised as government grants income.

(11) Retirement Benefit Plans

The Group adopted a pension plan under the Labor Pension Act, which is a government-managed defined contribution plan. The Group makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group’s subsidiaries in China and other countries are members of government-managed retirement benefit plans operated by the local government. Each subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions

(12) Share-Based Payment Arrangements

A. Qualified employees of the Company and its subsidiaries were granted 2,000 thousand options and 1,650 thousand options in August 2016, and June and July 2017, respectively. (Herein

referred to as the “Second Share Option Plan” and “Third Share Option Plan”). Each option entitles the holder to subscribe for one ordinary share of the Company. The second share option plan and the third share option plan granted are valid for 10 years and exercisable at certain percentages after the second anniversary, third anniversary and fourth anniversary from the grant date. The second share option plan and the third share option plan were granted at exercise prices of NT\$14.3 and NT\$19.2/NT\$19.1 respectively, equal to the closing price of the Company’s ordinary shares listed on the Taipei Exchange on the grant date. For any subsequent changes in the Company’s common stocks, the exercise price is adjusted accordingly.

B. Information on employee share options were as follows:

<u>Employee Share Option</u>	<u>2021</u>		<u>2020</u>	
	<u>Number of Options (in thousands)</u>	<u>Weighted-average Exercise Price (in dollars)</u>	<u>Number of Options (in thousands)</u>	<u>Weighted-average Exercise Price (in dollars)</u>
Balance at January 1	1,175	\$ 14.4	2,325	\$ 16.2
Options exercised	(981)	14.4	-	-
Options expired	(44)	18.2	(1,150)	18.1
Balance at December 31	<u>150</u>	13.5	<u>1,175</u>	14.4
Options exercisable, end of year	<u>150</u>	13.5	<u>1,119</u>	14.2
Weighted-average fair value of options granted (in dollars)	<u>\$ -</u>	-	<u>\$ -</u>	-

C. Information about the outstanding options as of the reporting date was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Second Outstanding Options</u>		
Range of exercise price (in dollars)	\$ 13.5	\$ 13.5
Weighted-average remaining contractual life (in years)	4.58	5.58
<u>Third Outstanding Options</u>		
Range of exercise price (in dollars)	\$18.2/\$19.1	\$18.2/\$19.1
Weighted-average remaining contractual life (in years)	5.42/5.50	6.42/6.50

D. The second options granted in 2016 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Second <u>Anniversary</u>	Third <u>Anniversary</u>	Fourth <u>Anniversary</u>
Grant-date share price (in dollars) \$	14.3	\$ 14.3	\$ 14.3
Exercise price (in dollars)	14.3	14.3	14.3
Expected volatility	34.73%	34.73%	34.73%
Expected life	730 days	1,095 days	1,460 days
Expected dividend yield	-	-	-
Risk-free interest rate	0.63%	0.64%	0.65%

E. The Third options granted in 2017 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Second <u>Anniversary</u>	Third <u>Anniversary</u>	Fourth <u>Anniversary</u>
Grant-date share price (in dollars) \$	19.2	\$ 19.2	\$ 19.2
Exercise price (in dollars)	19.2	19.2	19.2
Expected volatility	34.04%	34.04%	34.04%
Expected life	730 days	1,095 days	1,460 days
Expected dividend yield	-	-	-
Risk-free interest rate	0.86%	0.90%	0.93%

F. The Company calculated the fair value of the employee share options by vesting period (second anniversary, third anniversary and fourth anniversary) granted in August 2016, and June and July 2017, respectively.

<u>Vesting Period</u>	Second <u>Anniversary</u>	Third <u>Anniversary</u>	Fourth <u>Anniversary</u>
Fair value of the second share options (dollars/per share) \$	4.89	\$ 5.09	\$ 5.27
Fair value of the third share options (dollars/per share)	6.54	6.82	7.08

G. Reversal of compensation costs were \$270 and \$6,200 for the years ended December 31, 2021 and 2020, respectively.

(13) Share Capital

As of December 31, 2021, the Company's authorised capital was \$1,000,000, consisting of 100,000 thousand shares of ordinary stock, and the paid-in capital was \$467,598, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (note: share in thousands) are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	45,779	45,779
Employee share options exercised	<u>981</u>	<u>-</u>
At December 31	<u><u>46,760</u></u>	<u><u>45,779</u></u>

(14) Capital Surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset accumulated deficits, distributed as cash or share capital (Note 1)</u>		
Share premium	\$ 53,200	\$ 48,918
<u>May only be used to offset accumulated deficits</u>		
Employee stock options transferred to share premium	5,235	-
<u>May not be used for any purpose</u>		
Employee stock options (Note 2)	<u>755</u>	<u>6,260</u>
	<u><u>\$ 59,190</u></u>	<u><u>\$ 55,178</u></u>

The Company's capital surplus change is mainly from use of offsetting accumulated deficits and recognition and reversal of compensation costs of employee share options.

Note 1: The capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital.

Note 2: The capital surplus arising from the employee share options may not be used for any purpose.

(15) Accumulated deficit

- A. Under the dividend policy as set forth in the amended Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilised for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends to shareholders.
- B. The dividend distribution policy of the Company shall depend on the current and future investment environment, fund demand, domestic and foreign competition situation, and capital budget, etc., and taking into the shareholders' interest, balancing dividends and the long-term financial planning of the Company. The Board of Directors shall submit a proposal for distribution of profits for approval at a shareholders' meeting every year. The Company's annual cash dividends are at least 10 percent of the total dividends.
- C. The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserve may be used to offset a deficit. If the Company has no deficit and

the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

D. The shareholders resolved the deficit compensation for 2019 at their general meeting on June 24, 2020 to offset deficits by capital surplus amounting to \$391,222.

E. The Board of Directors proposed the deficit compensation proposal for 2021 on March 24, 2022 to offset deficits by capital surplus amounting to \$58,435. As of March 24, 2022, the aforementioned deficit compensation proposal for 2021 has not yet been resolved by the shareholders.

(16) Operating Revenue

The Group derives revenue when control of the products has transferred to the customer in the following major product lines:

	For the years ended December 31,	
	2021	2020
Stainless steel products	\$ 412,128	\$ 99,292
Touch panel and its components	32,719	2,249
	<u>\$ 444,847</u>	<u>\$ 101,541</u>

(17) Interest Income

	For the years ended December 31,	
	2021	2020
Bank deposits	\$ 82	\$ 715
Investments in debt instruments at FVTPL	-	678
Investments in debt instruments at FVTOCI	181	17,980
	<u>\$ 263</u>	<u>\$ 19,373</u>

(18) Other Income

	For the years ended December 31,	
	2021	2020
Rental income	\$ 397	\$ 1,530
Government grants	-	3,854
Others	9,664	4,923
	<u>\$ 10,061</u>	<u>\$ 10,307</u>

(19) Other Gains and Losses

	For the years ended December 31,	
	2021	2020
Accrued expenses transferred to revenue	\$ 8,572	\$ -
Gain (loss) on disposal of property, plant and equipment	(197)	1,314
Loss on disposal of investments in debt instruments at FVTOCI	(1,072)	(67,231)
Gain on lease modification	59	57
Foreign exchange losses, net	(7,698)	(23,009)
Gain on financial assets at FVTPL	3,872	13,707
Others	(36)	(249)
	<u>\$ 3,500</u>	<u>(\$ 75,411)</u>

(20) Finance Costs

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	\$ 1,122	\$ 574
Interest expense on bank loans	-	2,423
	<u>\$ 1,122</u>	<u>\$ 2,997</u>

(21) Depreciation and Amortisation

	For the years ended December 31,	
	2021	2020
Property, plant and equipment	\$ 5,251	\$ 8,017
Right-of-use assets	12,232	12,330
Intangible assets	250	427
	<u>\$ 17,733</u>	<u>\$ 20,774</u>
An analysis of depreciation by function		
Operating costs	\$ 11,611	\$ 11,279
Operating expenses	5,872	9,068
	<u>\$ 17,483</u>	<u>\$ 20,347</u>
An analysis of amortisation by function		
Operating expenses	\$ 250	\$ 427

(22) Employee Benefits Expense

	For the years ended December 31,	
	2021	2020
Short-term benefits	\$ 67,208	\$ 33,058
Post-employment benefits		
Defined contribution plans	4,162	1,473
Share-based payments		
Equity-settled	(270)	(6,200)
Total employee benefits expense	<u>\$ 71,100</u>	<u>\$ 28,331</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 32,120	\$ 13,515
Operating expenses	<u>38,980</u>	<u>14,816</u>
	<u>\$ 71,100</u>	<u>\$ 28,331</u>

- A. The Company distributed 1% to 10% and not higher than 3% of profit before tax of the current year that excludes employees' compensation and directors' remunerations as employees' compensation and directors' remuneration, respectively. The Company did not accrue employees' compensation and directors' remuneration for the years ended December 31, 2021 and 2020 as the Company still had accumulated deficits as of December 31, 2021 and 2020.
- B. The Company was did not generate net profit before tax in 2020, so the amount of employees' compensation and remuneration of directors was not estimated, which was in line with those amounts recognized in the 2020 financial statements. Information on the employees' compensation and remuneration of directors resolved by the Company's Board of Directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(23) Income Taxes

A. Income tax expense (benefit)

Major components of tax expense (benefit) recognised in profit or loss

	For the years ended December 31,	
	2021	2020
Deferred income tax		
Origination and reversal of temporary differences	<u>\$ 717</u>	<u>(\$ 605)</u>

B. Reconciliation between income tax expenses and accounting profit:

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 4,642	(\$ 38,405)
Unrealised loss on domestic companies accounted for using the equity method	2,184	3,169
Unrecognised deductible temporary differences	(10,274)	(10,533)
Taxable loss not recognised as deferred tax assets	3,270	45,164
Change in assessment of realisation of deferred tax assets	1,120	-
Others	(225)	-
Income tax expense (benefit)	<u>\$ 717</u>	<u>(\$ 605)</u>

Note :The basis for computing the applicable tax rate is the rate applicable in the parent Company's country.

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

	2021				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Translation differences</u>	<u>December 31</u>
Deferred tax assets:					
- Temporary differences:					
Unrealised exchange loss	\$ 1,120	(\$ 1,119)	\$ -	(\$ 1)	\$ -
Loss carryforwards	2,418	-	-	-	2,418
	<u>3,538</u>	<u>(1,119)</u>	<u>-</u>	<u>(1)</u>	<u>2,418</u>
- Deferred tax liabilities:					
Unrealised exchange gain	(427)	402	-	-	(25)
	<u>(427)</u>	<u>402</u>	<u>-</u>	<u>-</u>	<u>(25)</u>
	<u>\$ 3,111</u>	<u>(\$ 717)</u>	<u>\$ -</u>	<u>(\$ 1)</u>	<u>\$ 2,393</u>

	2020				
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>Translation differences</u>	<u>December 31</u>
Deferred tax assets:					
- Temporary differences:					
Unrealised exchange loss	\$ 193	\$ 927	\$ -	\$ -	\$ 1,120
Loss carryforwards	<u>2,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,418</u>
	<u>2,611</u>	<u>927</u>	<u>-</u>	<u>-</u>	<u>3,538</u>
- Deferred tax liabilities:					
Unrealised exchange gain	(105)	(322)	-	-	(427)
	<u>(105)</u>	<u>(322)</u>	<u>-</u>	<u>-</u>	<u>(427)</u>
	<u>\$ 2,506</u>	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,111</u>

D. Expiration dates of unused loss carryforwards and amounts of unrecognised deferred tax assets are as follows:

<u>December 31, 2021</u>				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2014	\$ 424,184	\$ 422,026	\$ 422,026	2024
2017	36,321	36,321	36,321	2027
2018	2,539	2,539	2,539	2028
2019	22,341	22,341	22,341	2029
2020	218,847	218,847	218,847	2030
2021	16,347	16,347	16,347	2031

<u>December 31, 2020</u>				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2014	\$ 424,184	\$ 422,026	\$ 422,026	2024
2017	36,321	36,321	36,321	2027
2018	2,539	2,539	2,539	2028
2019	22,341	22,341	22,341	2029
2020	218,847	218,847	218,847	2030

E. Income tax returns of the Company and Sheaffer Manufacturing Co. through 2019 have been assessed and approved by the Tax Authority.

(24) Earnings (Loss) Per Share

	<u>Years ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 22,493</u>	46,284	<u>\$ 0.49</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 22,493		
Assumed conversion of all dilutive potential ordinary shares	-	58	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 22,493</u>	<u>46,342</u>	<u>\$ 0.49</u>

	<u>Years ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share (Note)</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 191,419)</u>	45,779	<u>(\$ 4.18)</u>

Note : The potential ordinary shares have anti-dilutive effect due to net loss for the year ended December 31, 2020, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(25) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2021	\$ -	\$ 15,057	\$ 15,057
Changes in cash flow from financing activities	-	(12,594)	(12,594)
Impact of changes in foreign exchange rate	-	1,049	1,049
Changes in other non-cash items	-	12,920	12,920
December 31, 2021	<u>\$ -</u>	<u>\$ 16,432</u>	<u>\$ 16,432</u>

	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2020	\$ 421,990	\$ 12,003	\$ 433,993
Changes in cash flow from financing activities	(416,628)	(3,459)	(420,087)
Impact of changes in foreign exchange rate	(5,362)	804	(4,558)
Changes in other non-cash items	-	5,709	5,709
December 31, 2020	<u>\$ -</u>	<u>\$ 15,057</u>	<u>\$ 15,057</u>

7. RELATED PARTIES TRANSACTIONS

(1) Parent and Ultimate Controlling Party

As the Company's shares are widely held, the Company has no ultimate parent company and ultimate controlling party. Inter-company transactions, balances and gains or losses on transactions between the Company and its subsidiaries (the related parties of the Company) have been eliminated when preparing the consolidated financial statements, and thus are not disclosed in this note. The transactions between the Company and other related parties are as follows.

(2) Name of related party and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
F AND T CO., LTD	Other related party (Note 1)
JETWELL COMPUTER CO., LTD	Other related party (Note 2)

Note 1: One of the original directors of the Company was the chairman of F AND T CO., LTD. However, the original director resigned on April 22, 2021. Therefore, the Company was no longer a related party starting from April 22, 2021. Transactions after F AND T CO., LTD became a non-related party of the Company will not be included in the disclosures in Note 7(3).

Note 2: The chairman of the Company and the general manager of JETWELL COMPUTER CO., LTD is the same person. Therefore, JETWELL COMPUTER CO., LTD is considered a so-called substantive related party.

(3) Significant Related Party Transactions

Operating Revenue

	For the years ended December 31,	
	2021	2020
Sales:		
Other related parties	\$ 50	\$ -

Goods are sold based on normal sales price and terms that would be available to third parties.

(4) Key Management Compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 17,373	\$ 9,785
Post-employment benefits	378	153
Termination benefits	348	-
Share-based payments	(95)	241
	<u>\$ 18,004</u>	<u>\$ 10,179</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

8. PLEGGED ASSETS

The following assets were provided as collateral for financial and investment institution borrowings:

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Restricted assets (presented as financial assets at amortized cost)			Reserve account pledged to financial and investment institutions
	<u>\$ -</u>	<u>\$ 1</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(15) for details of the deficit compensation proposal for 2021.

12. OTHERS

(1) Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity). The

Group is not subject to other external capital requirements. Key management personnel of the Group review the capital structure on a annually basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of shares repurchased, and the amount of new loan issued or existing loan redeemed.

(2) Financial Instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value		
through profit or loss	\$ -	\$ 29,599
Financial assets at fair value through		
other comprehensive income	2,630	65,792
Financial assets at amortised cost		
Cash	104,236	162,502
Financial assets at amortised cost	-	1
Accounts receivable	218,576	37,457
Other receivables	298	1,832
Refundable deposits	5,419	4,330
	<u>\$ 331,159</u>	<u>\$ 301,513</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable	51,326	13,827
Other payables	20,574	23,418
	<u>\$ 71,900</u>	<u>\$ 37,245</u>
Lease liabilities	<u>\$ 16,432</u>	<u>\$ 15,057</u>

B. Financial risk management objectives and policies

- (a) The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable and lease liabilities. The Group's major financial risk management objective is to manage the financial risk associated with operating activities. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group is committed to identify, assess and avoid the uncertainty of market and reduce the market changes against the Group's financial performance potential downside effects.
- (b) The Group due to the exposure generated by the operation, mainly in the US dollar, the Group uses the foreign currency denominated purchases and sales of goods and related currency loans to generate natural hedging effect. The use of foreign currency loans was governed by the Group's policies approved by the Board of Directors. Internal auditors continue to review policy compliance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates.

Exchange rate risk

i. The Group had foreign currency sales and purchases, which were exposed to foreign currency risk. The part of the Group's foreign currency receivables were same with the foreign currency payments, at this time, the certain parts will have natural hedging effects. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 10,998	27.68	\$ 304,425
<u>Non-monetary items</u>			
USD:NTD	2,127	27.68	58,885
RMB:NTD	27,075	4.34	117,548
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	27.68	\$ -
	December 31, 2020		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 11,195	28.48	\$ 318,833
<u>Non-monetary items</u>			
USD:NTD	2,265	28.48	64,513
RMB:NTD	18,069	4.38	79,088
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 258	28.48	\$ 7,348

- ii. The sensitivity analysis details the Group's sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The rate of 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. 3% increase/decrease in the functional currencies against the relevant foreign currencies, the pre-tax loss for the years ended December 31, 2021 and 2020 would increase/decrease by \$9,133 thousand and \$9,345, respectively.
- iii. Impact of the above exchange rate fluctuations, these were mainly attributable to the exposure of outstanding receivables and payables, foreign currency cash, and debt investments, which were not hedged at the balance sheet date.
- iv. The foreign exchange loss, including realised and unrealised, for the years ended December 31, 2021 and 2020, amounted to \$7,698 and \$23,009, respectively.

Cashflow and fair value interest rate risk

- i. The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost - effective hedging strategies are applied.
- ii. The Group's financial liabilities exposed to fair value interest rate and financial assets exposed to cash flow interest rate at the balance sheet date are mainly arising from lease liabilities and bank deposits, respectively.
- iii. The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.
- iv. An increase or decrease of 25 basis points (0.25%) was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If the interest rate had increased by 0.25% with all other variables held constant, the impact on the Group's loss before tax for the year ended December 31, 2021 and 2020 will not be significant.
- v. The Group's financial assets at FVTOCI are affected by the price change of the interest rate. Details for other price risk are as follows:

Other price risk

- i. The Group was exposed to equity price risk through its investments in bond investments.
- ii. It was assessed based on the equity price risk at the end of the reporting period. If equity prices had been 5% lower/higher, the loss before tax will increase/decrease by \$1,480 for the year ended December 31, 2020, as a result of the changes financial assets at FVTPL.

The other comprehensive income for the year ended December 31, 2021 and 2020 would increase/decrease by \$132 and \$3,290, as a result of the changes in fair value of financial assets at FVTOCI. Additionally, if the Federal Reserve System would announce interest rate increase, the interest rate increased by 10bps to 100bps, in other cases were held constant, the other comprehensive income for the year ended December 31, 2021 and 2020 would decrease by \$97 to \$970 for the year ended December 31, 2020.

(b) Credit risk

- i. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated balance sheets.
- ii. The Group adopted a policy of dealing with creditworthy counterparties or transacting with entities that have the equivalent of an investment grade rating or above and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group also has the right to use some credit protection enhancement tools to reduce the credit risks involving certain customers.
- iii. The credit risk of the Group was mainly concentrated on the accounts receivable from the three largest customers. As of December 31, 2021 and 2020, the total amount of accounts receivable from the aforementioned customers comprised more than 95% of the balance.
- iv. In order to minimize credit risk, the Group's management is responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that appropriate actions have been taken to recover overdue debts. In addition, the Group further reviews the recoverable amount of the accounts receivable at the end of the reporting period to ensure that adequate allowance for impairment loss is made for irrecoverable amounts. In this regard, management believes the Group's credit risk was significantly reduced.
- v. Ongoing credit evaluation is performed on the financial condition of the trade receivable customers and the potential impact to financial assets that the Group might encounter if counterparties or third parties breach the contracts. The Group evaluated credit risk exposure for contracts with positive carrying value. The Group evaluated the credit risk exposure as immaterial because all counterparties are reputable financial institutions and companies.
- vi. The policy adopted by the Group is to invest in debt instruments with low impairment assessment in credit risk. The Group continues to track relevant information to monitor changes in the credit risk of the debt instruments it invests in and examines other information such as the debtor's significant information to evaluated whether the credit risk of debt instrument investments has increased significantly.
- vii. The Group assesses the 12-month expected credit loss and lifetime expected credit loss

based on the probability of default and loss given default provided by external credit rating agencies.

viii. The current credit risk assessment policies are as follows:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognising Expected Credit Loss</u>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12 months expected credit loss
Doubtful	Assets with significant increase in credit risk since initial recognition	Lifetime expected credit loss-not credit impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime expected credit loss-credit impaired

ix. Please refer to Note 6(3) for the information relating to movements in loss allowance for the years ended December 31, 2021 and 2020.

(c) Liquidity risk

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

Non-derivative financial liabilities:

<u>December 31, 2021</u>	<u>Between 1 and 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 3 years</u>	<u>Over 3 years</u>
Accounts payable	\$ 51,326	\$ -	\$ -	\$ -
Other payables	20,574	-	-	-
Lease liabilities	1,355	11,136	4,341	-

Non-derivative financial liabilities:

<u>December 31, 2020</u>	<u>Between 1 and 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 3 years</u>	<u>Over 3 years</u>
Accounts payable	13,827	-	-	-
Other payables	23,418	-	-	-
Lease liabilities	502	8,111	7,108	-

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Group's financial assets and liabilities not measured at fair value are approximate to their fair values.

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

(a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Debt instruments				
–Foreign listed securities	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 2,630</u>	\$ <u> 2,630</u>
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit and loss</u>				
–Foreign listed securities	\$ <u> 29,599</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 29,599</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Debt instruments				
–Foreign listed securities	\$ <u> 60,056</u>	\$ <u> -</u>	\$ <u> 5,736</u>	\$ <u> 65,792</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The fair value of the Group's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

ii. The output of valuation model is an estimated value and the valuation technique may not

be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- D. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2 of the fair value measurement.
- E. As the corporate bond issuer entered into bankruptcy protection procedures in the second quarter of 2020, the transaction volume of the corporate bonds in the market has significantly decreased and there is insufficient observable market information. Therefore, the Group has transferred the fair value from Level 1 into Level 3 at the end of the month subsequent to the event occurred.
- F. Finance and accounting segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement: In accordance with the meeting information provided by the bankruptcy managers, the Group will be able to recover 8.4%~12.8% of the principal. The Group took 10.6%, the middle value of the range, as the expected recoverable ratio and determined the fair value of the investment target on December 31, 2020. When the expected recoverable ratio is higher, its fair value is higher. The Group determined the fair value of the investment target by referring to the fair value information provided by the trust bank on December 31, 2021.
- H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. For financial assets categorised within Level 3, if the inputs used to valuation models have increased/decreased by 5%, other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$132 and \$3,290, respectively, as a result of fair value changes in financial assets at fair value through other comprehensive income.

(4) The impact of Covid-19 outbreak

The Group continues evaluating the impact of the Covid-19 pandemic and considers it did not have significant impact on the Group's operational capability, fundraising situation, and impairment on assets as of the date the accompanying consolidated financial statements were authorised for issuance. With the uncertainty of the pandemic, the Group will continue monitoring the progress of the pandemic and revaluating its influence.

13. SEPARATELY DISCLOSED ITEMS

(1) Information about significant transactions and investees

- A. Loans to others: Please refer to table 1
- B. Provision of endorsements and guarantees to others: None
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:
- I. Trading in derivative instruments undertaken during the reporting periods: None
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please see table 5.

(3) Information on investments in Mainland China

- A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please refer to table 6.
- B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information: Please refer to table 4.

(4) Information of major shareholders

Major shareholders information (Shareholders with ownership of 5% or greater): None

14. OPERATING SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segment was mainly the stainless steel products segment, so please refer to the consolidated balance sheet and the consolidated statements of comprehensive income for the related

segment revenue, operating results and assets and liabilities.

(1) Information on products and services

Please refer to Note 6(16) for the related information.

Revenue from external customers is mainly from sales of stainless steel products and touch panels.

Details of revenue are as follows:

	For the years ended December 31,	
	2021	2020
Stainless steel products	\$ 412,128	\$ 99,292
Touch panel and its components	32,719	2,249
	<u>\$ 444,847</u>	<u>\$ 101,541</u>

(2) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	For the years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
United States of America	\$ 399,227	\$ -	\$ 86,802	\$ -
China	22,291	37,838	5,450	32,422
Taiwan	22,562	15,381	2,249	566
Europe	767	-	7,040	-
	<u>\$ 444,847</u>	<u>\$ 53,219</u>	<u>\$ 101,541</u>	<u>\$ 32,988</u>

(3) Major customers

Major customer information of the Group for the years ended December 31, 2021 and 2020, arising from the stainless steel products segment, is as follows:

	For the years ended December 31,			
	2021		2020	
	Revenue	%	Revenue	%
Customer A	<u>\$ 396,917</u>	89	<u>\$ 86,802</u>	85

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	December 31, 2021 (Note 4)	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					December 31, 2021									Item	Value			
1	The King cut International Co., Ltd.	Honest Mount Investments Limited	Other receivables	Yes	\$ 166,080	\$ -	\$ -	-	-	Short-term financing	\$ -	Operation needs	\$ -	-	\$ -	\$1,766,539 (Note 3)	\$ 1,766,539	
1	The King cut International Co., Ltd.	Mutto Optronics Corporation	Other receivables	Yes	66,432	66,432	66,432	-	-	Short-term financing	-	Operation needs	-	-	-	1,766,539 (Note 3)	1,766,539 (Note 3)	
2	Sheaffer manufacturing Co., Limited	Mutto Optronics Corporation	Other receivables	Yes	2,630	-	-	-	-	Short-term financing	-	Operation needs	-	-	-	8,208 (Note 1)	10,260 (Note 2)	
3	Honest Mount Investments Limited	Mutto Optronics Corporation	Other receivables	Yes	83,040	38,752	38,752	-	-	Short-term financing	-	Operation needs	-	-	-	6,418,517 (Note 3)	6,418,517 (Note 3)	
4	Shanghai Sihe Stainless Steel Products Co., Ltd.	The King cut International Co., Ltd.	Other receivables	Yes	144,983	79,105	79,105	-	-	Short-term financing	-	Operation needs	-	-	-	599,189 (Note 3)	599,189 (Note 3)	
5	CS Solution Holding Limited	Mutto Optronics Corporation	Other receivables	Yes	13,840	13,840	13,840	-	-	Short-term financing	-	Operation needs	-	-	-	481,280 (Note 3)	481,280 (Note 3)	

Note 1: The financing limit for each borrower is calculated based on the lender's 40% of the net worth of the audited financial statements on December 31, 2021.

Note 2: The aggregate financing limit is calculated based on the lender's 50% of the net worth of the audited financial statements on December 31, 2021.

Note 3: The financing limit for each borrower is calculated based on the lender's 3000% of the net worth of the audited financial statements on December 31, 2021.

Note 4: Foreign currencies were converted to New Taiwan Dollar using the conversion rate of December 31, 2021.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	December 31, 2021				Footnote
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value	
Honest Mount Investments Limited	Bonds payable VIRGIN AUSTRALIA HOLDINGS LTD	None	Financial assets at fair value through other comprehensive income - current	1,900	\$ 2,630	0.00	\$ 2,630	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instrument'.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Mutto Optronics Corporation	Nantong Sihe Stainless Steel Products Co., Ltd.	Parent company	Purchases	\$ 366,318	93.19	Depends on the financial status	Note 1	Note 1	\$ 75,402	100.00	Note 2

Note 1: The transactions mentioned above were conducted in line with ordinary sales conditions and price.

Note 2: The transactions have been eliminated when preparing the consolidated financial report.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Mutto Optronics Corporation	CS Solution Holding Limited	1	Other payables	\$ 13,840	Note 4	3
0	Mutto Optronics Corporation	Honest Mount Investments Limited	1	Other payables	38,752	Note 4	8
0	Mutto Optronics Corporation	The King Cut International Co., Ltd.	1	Other payables	66,432	Note 4	14
0	Mutto Optronics Corporation	Nantong Sihe Stainless Steel Products Co., Ltd.	1	Accounts payable	75,402	Note 4	16
0	Mutto Optronics Corporation	Nantong Sihe Stainless Steel Products Co., Ltd.	1	Purchases	366,318	Note 3	82
0	Mutto Optronics Corporation	Nantong Sihe Stainless Steel Products Co., Ltd.	1	Other operating costs	10,118	Note 3	2
1	The King cut International Co., Ltd.	Shanghai Sihe Stainless Steel Products Co., Ltd.	3	Other payables	82,938	Note 4	18
1	The King cut International Co., Ltd.	Shanghai Sihe Stainless Steel Products Co., Ltd.	3	Other payables	73,539	Note 4	16
3	Nantong Sihe Stainless Steel Products Co., Ltd.	Shanghai Sihe Stainless Steel Products Co., Ltd.	3	Accounts payable	10,436	Note 4	2

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3:The collection depends on the parent company or subsidiary financial status.

Note 4: The collection depends on the parent company or subsidiary financial status under the ordinary trade condition .

Note 5: Only related party transactions in excess of \$10,000 are disclosed.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Mutto Optronics Corporation	Sheaffer Manufacturing Co., Ltd	Taiwan	Sales of stainless steel products	\$ 464,997	\$ 536,997	28,000	100.00	\$ 20,521	(\$ 3,042)	(\$ 10,920)	Note 3
Mutto Optronics Corporation	Honest Mount Investments Limited	British Virgin Islands	Investment	503,068	602,678	16,500,000	100.00	213,950	51,370	51,370	
Honest Mount Investments Limited	The King cut International Co., Ltd.	British Virgin Islands	Sales of stainless steel products	5,536 (USD 200)	5,536 (USD 200)	5,000	100.00	58,885	8,526	8,526	
Honest Mount Investments Limited	CS Solution Holding Limited	British Virgin Islands	Hard disk repair services	277,156	277,156	9,090,000	100.00	16,043	4,737	4,737	
CS Solution Holding Limited	CS Solution Technology Ltd	U.S.A.	Hard disk repair services	- (USD -)	- (USD -)	-	0.00	-	(12,388)	(12,388)	Note 4
CS Solution Technology Ltd	Sky Tech International	U.S.A.	Hard disk repair services	- (USD -)	- (USD -)	-	0.00	-	-	-	Note 4

Note 1: Refer to Table 6 for information on investments in mainland China

Note 2: Foreign currencies were converted to New Taiwan Dollar using the conversion rate of December 31, 2021.

Note 3: The investment income (loss) for this period includes the amortisation of premium.

Note 4: The company had been dissolved before December 31, 2021

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income (loss) of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				\$	Remitted to Mainland China	Remitted back to Taiwan	\$					\$	
Shanghai Sihe Stainless Steel Products Co., Ltd.	Manufacture and sales of stainless steel products	\$72,245 (USD 2,610)	1	\$138,012 (USD 4,986)	\$ -	\$65,767 (USD 2,376)	\$72,245 (USD 2,610)	(\$ 604)	100	(\$ 604)	\$ 19,973	\$ -	
Nantong Sihe Stainless Steel Products Co., Ltd.	Manufacture of stainless steel products	207,600 (USD 7,500)	2	207,600 (USD 7,500)	-	-	207,600 (USD 7,500)	41,200	100	39,488	97,575	-	

Note 1: Sheaffer Manufacturing Co., Ltd had held 100% equity of Shanghai Sihe Stainless Steel Products Co., Ltd. before the Company acquired Sheaffer Manufacturing Co., Ltd.

Note 2: Indirect investment in mainland China through Honest Mount Ltd, an investment company registered in a third area transactions compared to third-party.

Note 3: The calculation of investment gain or loss was based on the financial statements audited by the Taiwan parent company's CPAs.

Accumulated amount of remittance from Taiwan to Mainland China as of Decembr 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$ 279,845	\$ 349,045	\$ 211,408

Note 4: The calculation was based on the Company's 60% of the net worth of the audited financial statements on December 31, 2021.

Note 5: Foreign currency in this table is converted based on the average exchange rate of USD\$1 to NT\$ 27.68 on December 31, 2021.

Note 6: Capital reduction in Shanghai Sihe Stainless Steel Products Co., Ltd. is USD\$2,500 thousand, and it has already remitted the full amount of capital reduction as of December 31, 2021.

Mutto Optronics Corporation
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Mutto Optronics Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Mutto Optronics Corporation as at December 31, 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of Mutto Optronics Corporation as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of Mutto Optronics Corporation's 2021 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for Mutto Optronics Corporation's 2021 parent company only financial statements are stated as follows:

Recognition of sales revenue

Description

Refer to Note 4(10) for the accounting policies on the recognition of sales revenue and Note 6(11) for details of sales revenue.

Mutto Optronics Corporation is engaged in the sales of stainless steel kitchen cutlery and the production and sales of touch display panels. Mutto Optronics Corporation had a significant growth in its revenue for the year ended December 31, 2021. The sales of stainless steel kitchen cutlery comprised more than 90 percent of total sales revenue, and had a significant impact on the financial statements. Thus, we considered the recognition of revenues as the key audit matter.

How our audit addressed the matter

We performed the following audit procedures for the above matter:

1. Obtained an understanding of and assessed internal controls in relation to sales revenue, and assessed the operating effectiveness.
2. Inspected the related background and information in respect of the main customers.
3. Obtained a detailed listing of sales revenue for the current year, and validated supporting documents to ensure the appropriateness of revenue recognition.
4. Inspected a detailed listing of sales returns and discounts occurring subsequent to the reporting period to confirm there were no significant sales returns and discounts.

Other matter - Audit Scope

The comparative information of Mutto Optronics Corporation as at and for the year ended December 31, 2020 were audited by other auditors, whose report dated March 29, 2021 expressed an unqualified opinion on those statements.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by

Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing Mutto Optronics Corporation's financial reporting process.

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

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

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

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

that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mutto Optronics Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Mutto Optronics Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Mutto Optronics Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Mutto Optronics Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless

law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Penny Pan

Huang, Pei-Chuan

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 30, 2022

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

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

MUTTO OPTRONICS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 87,412	16	\$ 20,887	5
1136	Financial assets at amortised cost,	8				
	current		-	-	1	-
1170	Accounts receivable, net	6(2)	215,422	38	36,317	8
1200	Other receivables		298	-	176	-
1210	Other receivables - related parties		130	-	-	-
1220	Current income tax assets		31	-	31	-
130X	Inventories		135	-	81	-
1410	Prepayments		5,730	1	5,001	1
11XX	Total current assets		<u>309,158</u>	<u>55</u>	<u>62,494</u>	<u>14</u>
Non-current assets						
1550	Investments accounted for under	6(3)				
	equity method		234,471	42	365,405	85
1600	Property, plant and equipment	6(4)	5,666	1	-	-
1755	Right-of-use assets	6(5)	9,174	2	1,672	-
1780	Intangible assets		542	-	2	-
1840	Deferred income tax assets	6(18)	2,418	-	2,418	1
1900	Other non-current assets		1,966	-	858	-
15XX	Total non-current assets		<u>254,237</u>	<u>45</u>	<u>370,355</u>	<u>86</u>
1XXX	Total assets		<u>\$ 563,395</u>	<u>100</u>	<u>\$ 432,849</u>	<u>100</u>

(Continued)

MUTTO OPTRONICS CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2170	Accounts payable		\$ -	-	\$ 1,825	-
2180	Accounts payable - related parties	7	75,402	13	42,410	10
2200	Other payables		7,102	1	11,137	3
2220	Other payables - related parties	7	119,024	21	59,666	14
2280	Lease liabilities - current		5,124	1	1,477	-
2300	Other current liabilities		126	-	99	-
21XX	Total current liabilities		<u>206,778</u>	<u>36</u>	<u>116,614</u>	<u>27</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(18)	25	-	427	-
2580	Lease liabilities - non-current		4,245	1	-	-
25XX	Total non-current liabilities		<u>4,270</u>	<u>1</u>	<u>427</u>	<u>-</u>
2XXX	Total liabilities		<u>211,048</u>	<u>37</u>	<u>117,041</u>	<u>27</u>
Share capital						
		6(8)				
3110	Common stock		467,598	83	457,790	106
	Capital surplus	6(7)(9)				
3200	Capital surplus		59,190	11	55,178	13
	Accumulated deficit	6(10)				
3350	Accumulated deficit		(168,926)	(30)	(191,419)	(44)
Other equity interest						
3400	Other equity interest		(5,515)	(1)	(5,741)	(2)
3XXX	Total equity		<u>352,347</u>	<u>63</u>	<u>315,808</u>	<u>73</u>
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 563,395</u>	<u>100</u>	<u>\$ 432,849</u>	<u>100</u>

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

MUTTO OPTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)

Items	Notes	Year ended December 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(11) and 7	\$ 429,638	100	\$ 48,037	100
5000 Operating costs	6(6)(16)(17) and 7	(413,639)	(96)	(45,238)	(94)
5950 Gross profit, net		<u>15,999</u>	<u>4</u>	<u>2,799</u>	<u>6</u>
Operating expenses	6(6)(16)(17) and 7				
6100 Selling expenses		(2,705)	(1)	(10,272)	(22)
6200 General and administrative expenses		(31,894)	(7)	(13,136)	(27)
6000 Total operating expenses		(34,599)	(8)	(23,408)	(49)
6900 Operating loss		(18,600)	(4)	(20,609)	(43)
Non-operating income and expenses					
7100 Interest income	6(12)	39	-	510	1
7010 Other income	6(13)	2,521	1	2,048	4
7020 Other gains and losses	6(14)	(1,824)	(1)	1,673	4
7050 Finance costs	6(15)	(495)	-	(472)	(1)
7070 Share of profit (loss) of subsidiaries, associates and joint ventures accounted for under equity method		<u>40,450</u>	<u>9</u>	(174,247)	(363)
7000 Total non-operating income and expenses		<u>40,691</u>	<u>9</u>	(170,488)	(355)
7900 Profit (loss) before income tax		22,091	5	(191,097)	(398)
7950 Income tax benefit (expense)	6(18)	402	-	(322)	-
8200 Profit (loss) for the year		<u>\$ 22,493</u>	<u>5</u>	(\$ 191,419)	(398)
Other comprehensive income					
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(\$ 2,191)	(1)	\$ 3,091	6
8367 Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income		<u>2,417</u>	<u>1</u>	(583)	(1)
8360 Other comprehensive income that will be reclassified to profit or loss		<u>226</u>	<u>-</u>	<u>2,508</u>	<u>5</u>
8300 Total other comprehensive income for the year		<u>\$ 226</u>	<u>-</u>	<u>\$ 2,508</u>	<u>5</u>
8500 Total comprehensive income (loss) for the year		<u>\$ 22,719</u>	<u>5</u>	(\$ 188,911)	(393)
Earnings (loss) per share					
9750 Basic earnings (loss) per share	6(19)	<u>\$ 0.49</u>		(\$ 4.18)	
9850 Diluted earnings (loss) per share	6(19)	<u>\$ 0.49</u>		(\$ 4.18)	

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

MUTTO OPTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Accumulated deficit	Financial statements translation differences of foreign operations	Other equity interest Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<u>Year ended December 31, 2020</u>							
Balance at January 1, 2020		\$ 457,790	\$ 452,600	(\$ 391,222)	(\$ 6,415)	(\$ 1,834)	\$ 510,919
Loss for the year		-	-	(191,419)	-	-	(191,419)
Other comprehensive income (loss) for the year		-	-	-	3,091	(583)	2,508
Total comprehensive income (loss)		-	-	(191,419)	3,091	(583)	(188,911)
Capital surplus used to offset accumulated deficit	6(10)	-	(391,222)	391,222	-	-	-
Share-based payments	6(7)	-	(6,200)	-	-	-	(6,200)
Balance at December 31, 2020		<u>\$ 457,790</u>	<u>\$ 55,178</u>	<u>(\$ 191,419)</u>	<u>(\$ 3,324)</u>	<u>(\$ 2,417)</u>	<u>\$ 315,808</u>
<u>Year ended December 31, 2021</u>							
Balance at January 1, 2021		\$ 457,790	\$ 55,178	(\$ 191,419)	(\$ 3,324)	(\$ 2,417)	\$ 315,808
Profit for the year		-	-	22,493	-	-	22,493
Other comprehensive income (loss) for the year		-	-	-	(2,191)	2,417	226
Total comprehensive income (loss)		-	-	22,493	(2,191)	2,417	22,719
Exercise of employee stock options	6(7)(8)	9,808	4,282	-	-	-	14,090
Share-based payments	6(7)	-	(270)	-	-	-	(270)
Balance at December 31, 2021		<u>\$ 467,598</u>	<u>\$ 59,190</u>	<u>(\$ 168,926)</u>	<u>(\$ 5,515)</u>	<u>\$ -</u>	<u>\$ 352,347</u>

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

MUTTO OPTRONICS CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		\$ 22,091	(\$ 191,097)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4)(5)(16)	7,447	2,865
Amortisation	6(16)	132	73
Interest expense	6(5)(15)	495	472
Interest income	6(12)	(39)	(510)
Reversal of compensation cost of share-based payments	6(7)(17)	(270)	(6,200)
Share of (profit) loss of subsidiaries, associates and joint ventures accounted for under equity method	6(14)	(40,450)	(174,247)
Loss on decline in market value of inventories		80	-
Gain on lease modification	6(14)	(59)	(6)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(182,179)	(37,443)
Other receivables		(122)	(171)
Other receivables - related parties		(130)	-
Inventories		(134)	-
Prepayments		(729)	(38)
Changes in operating liabilities			
Accounts payable		(1,825)	(1,597)
Accounts payable - related parties		34,620	44,073
Other payables		(4,035)	(6,800)
Other current liabilities		27	(2)
Cash outflow generated from operations		(165,080)	(4,922)
Interest received		39	533
Interest paid	6(5)	(495)	(348)
Income tax received		-	17
Net cash flows used in operating activities		(165,536)	(4,720)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortised cost		1	53,099
Acquisition of property, plant and equipment	6(4)	(7,636)	-
Cash received from subsidiaries accounted for under equity method due to capital reduction		171,610	60,000
Acquisition of intangible assets		(672)	-
(Increase) decrease in refundable deposits		(1,108)	(411)
Net cash flows from investing activities		162,195	113,510
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings	6(20)	-	(49,050)
Increase (decrease) in other payables - related parties	6(20)	61,851	(35,607)
Payment of the principal of lease liabilities	6(20)	(5,028)	(3,010)
Proceeds from exercise of employee stock options		14,090	-
Net cash flows from (used in) financing activities		70,913	(87,667)
Effect on foreign exchange difference		(1,047)	(3,424)
Net increase in cash and cash equivalents		66,525	17,699
Cash and cash equivalents at beginning of year	6(1)	20,887	3,188
Cash and cash equivalents at end of year	6(1)	\$ 87,412	\$ 20,887

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

MUTTO OPTRONICS CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

Mutto Optronics Corporation (the “Company”) was incorporated in the Republic of China (ROC) in October 2008 which originally engaged in the research and development, production and sales of touch display panels. In March 2014, the Company disposed of the full equity of Mutto Optronics Group Limited (main business is production and sales of touch panels) and obtained a 100% equity of The King Cut International Co., Ltd, Sheaffer Manufacturing Co., Ltd. and its subsidiary, Shanghai Sihe Stainless Steel Products Co., Ltd. (“Shanghai Sihe”), in August 2014.

In order to cooperate with the environmental comprehensive rectification plan required by the local government, Shanghai Sihe moved to Nantong Sihe Stainless Steel Products Co., Ltd. to continue production and operation in October 2017.

The Company is primarily engaged in the sales of stainless steel kitchen cutlery and touch display panels, as well as the related accessories and components.

The Company’s shares were listed on the Taipei Exchange in April 2012.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The parent company only financial statements were authorised for issuance by the Board of Directors on March 24, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

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

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

<u>New Standards, Interpretations and Amendments</u>	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial

condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of Preparation

The parent company only financial statements have been prepared under the historical cost convention.

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

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

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

- A. Assets held primarily for the purpose of trading;
- B. Assets expected to be realized within 12 months after the reporting period; and
- C. Cash unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- A. Liabilities held primarily for the purpose of trading;
- B. Liabilities due to be settled within 12 months after the reporting period; and
- C. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

(4) Foreign Currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated

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

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

For the purpose of presenting the parent company only financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries in other countries or subsidiaries that use currencies different from the ones used by the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are recognised in other comprehensive income.

(5) Investments in subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

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

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (including any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company shall continue to recognise losses based on the shareholding percentage.

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

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

(6) Property, Plant and Equipment

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

Depreciation on property, plant and equipment is computed using the straight-line method mainly over the following estimated useful lives. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(7) Intangible Assets

A. Intangible assets acquired separately

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

B. Derecognition of intangible assets

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

(8) Impairment of Property, Plant and Equipment, Right-of-use Assets, and Intangible Assets (Excluding Goodwill)

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

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

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

(9) Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the

contractual provisions of the instruments.

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

A. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis

(a) Measurement category

Financial assets are classified as financial assets at amortized cost .

i. Financial assets at amortised cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash, accounts receivable, other receivables (including related parties), restricted assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognised in profit or loss.

Interest income calculates by effective interest multiplying the book value of financial assets.

(b) Impairment of financial assets

At each balance sheet date, the Company recognises a loss allowance for expected credit losses on financial assets at amortised cost (including account receivables and other receivables (including related parties)).

The Company always recognises lifetime Expected Credit Loss (“ECL”) for account receivables and other receivables (including related parties). For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In

contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For the purpose of internal credit risk management, the Company determines that the following conditions represent a default in financial assets without considering the collateral held :

- i. Internal or external information indicates that the debtor is unable to pay off the debt.
- ii. If there is an overdue case, unless there is reasonable and corroborable information which shows that the delayed default basis is more appropriate.

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

(c) Derecognition of financial assets

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

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

B. Financial liabilities

(a) Subsequent measurement

All financial liabilities are measured at amortised cost using the effective interest method.

(b) Derecognition of financial liabilities

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

(10) Revenue Recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of stainless steel kitchen cutlery and touch panels as well as the related accessories and components. Sales of stainless steel kitchen cutlery and touch panels are recognised as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has primary responsibility for sales to future customers, and bears the risks of obsolescence.

(11) Leasing

For a contract that contains a lease component and non-lease component, the Company may elect to

account for the lease and non-lease components as a single lease component.

A. The Company as lessor

Under operating leases, rental payment (net of any rental incentive) is recognised in profit on a straight-line basis over the term of the lease.

B. The Company as lessee

Except for payments for low-value asset leases and short-term leases which are recognised as expenses on a straight-line basis, the Company recognises right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are measured at cost. The cost of right-of-use assets comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented separately in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, if the Company is reasonably certain of the implicit rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

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

(12) Borrowing Costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(13) Employee Benefits

A. Short-term employee benefits

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

B. Retirement benefits

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

(14) Share-based Payment Arrangements

Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognised as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognised in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

(15) Income Taxes

Income tax expense represents the sum of current tax and deferred tax.

A. Current tax

According to the Income Tax Law of R.O.C., an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

B. Deferred tax

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused loss carry forward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

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

settle the carrying amount of its assets and liabilities.

C. Current tax and deferred tax for the year

Current tax and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the 23 current tax and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS, AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company has considered the economic implications of COVID-19 on critical accounting estimates, including future cashflow forecasts, growth rates, discount rates, and profit ability and so forth. The Company will continue evaluating the impact on its financial position and financial performance as a result of the pandemic. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation and uncertainty

Income Taxes

Realisability of deferred tax assets is primarily determined by considering whether profits will be sufficient in the future or not and taxable temporary differences. If the actual profits generated in the future are less than expected, reversals of significant deferred tax assets may incur and these reversals are recognised as profit or loss when incurred.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 50	\$ 15
Checking accounts and demand deposits	87,362	20,872
	<u>\$ 87,412</u>	<u>\$ 20,887</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deposits in bank	0%-0.03%	0%~0.05%

(2) Accounts Receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Account receivable</u>		
Amortised at cost		
Book value	\$ 215,422	\$ 36,317
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 215,422</u>	<u>\$ 36,317</u>

A. The aging analysis of accounts and notes receivable is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	Account Receivables	Account Receivables
Not past due	\$ 204,933	\$ 36,317
Up to 30 days	9,423	-
31 to 90 days	551	-
91 to 180 days	515	-
	<u>\$ 215,422</u>	<u>\$ 36,317</u>

The above aging analysis was based on past due date.

B. The Company's average credit period of sales of goods is from 30 to 120 days. No interest was charged on accounts receivables.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the customers and an analysis of the customers' current financial position, adjusted for general economic conditions of the industry in which the customers operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. According to the historical experience of the Company, there is no significant difference between different customer groups and defaults rarely occur. Therefore, provision matrix has not been further classified based on customer groups. The Company determined the expected credit loss rate based on the past due date of accounts receivable and does not accrued loss allowance as the expected credit loss rate is extremely low. The Company writes off accounts receivable when there is information indicating that the customer is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

C. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables from contracts with customers amounted to \$215,422, \$36,317 and \$241, respectively.

(3) Investments accounted for under equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Sheaffer Manufacturing CO., LTD.	\$ 20,520	\$ 103,551
Honest Mount Investments Limited	<u>213,951</u>	<u>261,854</u>
	<u>\$ 234,471</u>	<u>\$ 365,405</u>

(a) The basic information of the associates that are material to the Company is as follows:

<u>Company name</u>	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Sheaffer Manufacturing CO., LTD.	100%	100%
Honest Mount Investments Limited	100%	100%

- A. Sheaffer Manufacturing CO., LTD. reduced its capital and returned share prices in the amount of \$72,000 and \$60,000 in 2021 and 2020, respectively.
- B. Honest Mount Investments Limited reduced its capital and returned share prices in the amount of \$99,610 in 2021.
- C. For the information on investments in subsidiaries held indirectly by the Company, please refer to table 4 and 5.

(4) Property, Plant and Equipment

	<u>Machinery and equipment</u>	<u>Other Equipment</u>	<u>Lease Improvements</u>	<u>Total</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ -	\$ -	\$ -	\$ -
Addition	<u>1,877</u>	<u>1,569</u>	<u>4,190</u>	<u>7,636</u>
Balance at December 31, 2021	<u>\$ 1,877</u>	<u>\$ 1,569</u>	<u>\$ 4,190</u>	<u>\$ 7,636</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2021	\$ -	\$ -	\$ -	\$ -
Addition	<u>326</u>	<u>408</u>	<u>1,236</u>	<u>1,970</u>
Balance at December 31, 2021	<u>\$ 326</u>	<u>\$ 408</u>	<u>\$ 1,236</u>	<u>\$ 1,970</u>
Carrying amounts at December 31, 2021	<u>\$ 1,551</u>	<u>\$ 1,161</u>	<u>\$ 2,954</u>	<u>\$ 5,666</u>

- A. The Company did not have the property, plant and equipment as of December 31, 2020, and there were no related transactions in 2020.
- B. The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Machinery and equipment	3 years
Other equipment	2~3 years
Leased assets	2~3 years

(5) Lease Arrangements - Lessee

A. Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Carrying amounts</u>		
Buildings	\$ 7,487	\$ 1,672
Machinery and Equipment	1,687	-
	<u>\$ 9,174</u>	<u>\$ 1,672</u>

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 15,519</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 4,995	\$ 2,865
Machinery and Equipment	482	-
	<u>\$ 5,477</u>	<u>\$ 2,865</u>
Income from the sublease of right-of-use assets (presented in rental income)	<u>\$ 397</u>	<u>\$ 1,530</u>

B. Material lease-in activities and terms

The Company also leases buildings for the use of plants and offices with lease terms of 2-3 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

C. The Company terminated the building lease contract in advance for the year ended December 31, 2021 and recognised gains arising from lease modifications amounting to \$59. Right-of-use assets and lease liabilities decreased by \$2,540 and \$2,599, respectively.

D. Other lease information

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest expenses relating to lease liabilities	\$ 495	\$ 156
Expenses relating to short-term leases	53	190

The Company leases certain building and building lease which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus, did not recognise right-of-use assets and lease liabilities for these leases.

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were \$5,576 and \$3,356, respectively (of which \$5,028 and \$3,010 are the principal of the lease liabilities).

F. As of December 31, 2020, payments of lease commitments with lease terms commencing after the balance sheet dates amounted to \$11,382. There were no payments of lease commitments with lease terms commencing after the balance sheet dates as of December 31, 2021.

(6) Retirement Benefit Plans

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

(7) Share-Based Payment Arrangements

A. Qualified employees of the Company and its subsidiaries were granted 2,000 thousand options and 1,650 thousand options in August 2016, and June and July 2017, respectively. (Herein referred to as the "Second Share Option Plan" and "Third Share Option Plan"). Each option entitles the holder to subscribe for one ordinary share of the Company. The second share option plan and the third share option plan granted are valid for 10 years and exercisable at certain percentages after the second anniversary, third anniversary and fourth anniversary from the grant date. The second share option plan and the third share option plan were granted at exercise prices of NT\$14.3 and NT\$19.2/NT\$19.1 respectively, equal to the closing price of the Company's ordinary shares listed on the Taipei Exchange on the grant date. For any subsequent changes in the Company's common stocks, the exercise price is adjusted accordingly.

B. Information on employee share options were as follows:

<u>Employee Share Option</u>	<u>2021</u>		<u>2020</u>	
	<u>Number of Options (in thousands)</u>	<u>Weighted-average Exercise Price (in dollars)</u>	<u>Number of Options (in thousands)</u>	<u>Weighted-average Exercise Price (in dollars)</u>
Balance at January 1	1,175	\$ 14.4	2,325	\$ 16.2
Options exercised	(981)	14.4	-	-
Options expired	(44)	18.2	(1,150)	18.1
Balance at December 31	<u>150</u>	13.5	<u>1,175</u>	14.4
Options exercisable, end of year	<u>150</u>	13.5	<u>1,119</u>	14.2
Weighted-average fair value of options granted (in dollars)	<u>\$ -</u>	-	<u>\$ -</u>	-

C. Information about the outstanding options as of the reporting date was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Second Outstanding Options</u>		
Range of exercise price (in dollars)	\$ 13.5	\$ 13.5
Weighted-average remaining contractual life (in years)	4.58	5.58
<u>Third Outstanding Options</u>		
Range of exercise price (in dollars)	\$18.2/\$19.1	\$18.2/\$19.1
Weighted-average remaining contractual life (in years)	5.42/5.50	6.42/6.50

D. The second options granted in 2016 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<u>Second</u> <u>Anniversary</u>	<u>Third</u> <u>Anniversary</u>	<u>Fourth</u> <u>Anniversary</u>
Grant-date share price (in dollars) \$	14.3	\$ 14.3	\$ 14.3
Exercise price (in dollars)	14.3	14.3	14.3
Expected volatility	34.73%	34.73%	34.73%
Expected life	730 days	1,095 days	1,460 days
Expected dividend yield	-	-	-
Risk-free interest rate	0.63%	0.64%	0.65%

E. The Third options granted in 2017 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<u>Second</u> <u>Anniversary</u>	<u>Third</u> <u>Anniversary</u>	<u>Fourth</u> <u>Anniversary</u>
Grant-date share price (in dollars) \$	19.2	\$ 19.2	\$ 19.2
Exercise price (in dollars)	19.2	19.2	19.2
Expected volatility	34.04%	34.04%	34.04%
Expected life	730 days	1,095 days	1,460 days
Expected dividend yield	-	-	-
Risk-free interest rate	0.86%	0.90%	0.93%

F. The Company calculated the fair value of the employee share options by vesting period (second anniversary, third anniversary and fourth anniversary) granted in August 2016, and June and July 2017, respectively.

<u>Vesting Period</u>	<u>Second Anniversary</u>	<u>Third Anniversary</u>	<u>Fourth Anniversary</u>
Fair value of the second share options (dollars/per share)	\$ 4.89	\$ 5.09	\$ 5.27
Fair value of the third share options (dollars/per share)	6.54	6.82	7.08

G. Reversal of compensation costs were \$270 and \$6,200 for the years ended December 31, 2021 and 2020, respectively.

(8) Share Capital

As of December 31, 2021, the Company's authorised capital was \$1,000,000, consisting of 100,000 thousand shares of ordinary stock, and the paid-in capital was \$467,598, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (note: share in thousands) are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	45,779	45,779
Employee share options exercised	981	-
At December 31	<u>46,760</u>	<u>45,779</u>

(9) Capital Surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>May be used to offset accumulated deficits, distributed as cash or share capital (Note 1)</u>		
Share premium	\$ 53,200	\$ 48,918
<u>May only be used to offset accumulated deficits</u>		
Employee stock options transferred to share premium	5,235	-
<u>May not be used for any purpose</u>		
Employee stock options (Note 2)	755	6,260
	<u>\$ 59,190</u>	<u>\$ 55,178</u>

The Company's capital surplus change is mainly from use of offsetting accumulated deficits and recognition and reversal of compensation costs of employee share options.

Note 1: The capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital.

Note 2: The capital surplus arising from the employee share options may not be used for any purpose.

(10) Accumulated deficit

A. Under the dividend policy as set forth in the amended Articles of Incorporation, where the

Company made profit in a fiscal year, the profit shall be first utilised for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends to shareholders.

- B. The dividend distribution policy of the Company shall depend on the current and future investment environment, fund demand, domestic and foreign competition situation, and capital budget, etc., and taking into the shareholders' interest, balancing dividends and the long-term financial planning of the Company. The Board of Directors shall submit a proposal for distribution of profits for approval at a shareholders' meeting every year. The Company's annual cash dividends are at least 10 percent of the total dividends.
- C. The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. Legal reserve may be used to offset a deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.
- D. The shareholders resolved the deficit compensation for 2019 at their general meeting on June 24, 2020 to offset deficits by capital surplus amounting to \$391,222.
- E. The Board of Directors proposed the deficit compensation proposal for 2021 on March 24, 2022 to offset deficits by capital surplus amounting to \$58,435. As of March 24, 2022, the aforementioned deficit compensation proposal for 2021 has not yet been resolved by the shareholders.

(11) Operating Revenue

The Company derives revenue when control of the products has transferred to the customer in the following major product lines:

	For the years ended December 31,	
	2021	2020
Stainless steel products	\$ 396,919	\$ 48,037
Touch panel and its components	32,719	-
	<u>\$ 429,638</u>	<u>\$ 48,037</u>

(12) Interest Income

	For the years ended December 31,	
	2021	2020
Bank deposits	\$ 39	\$ 510

(13) Other Income

	For the years ended December 31,	
	2021	2020
Rental income	\$ 397	\$ 1,530
Others	2,124	518
	<u>\$ 2,521</u>	<u>\$ 2,048</u>

(14) Other Gains and Losses

	For the years ended December 31,	
	2021	2020
Gain on lease modification	\$ 59	\$ 6
Foreign exchange losses, net	(1,883)	1,667
	<u>(\$ 1,824)</u>	<u>\$ 1,673</u>

(15) Finance Costs

	For the years ended December 31,	
	2021	2020
Interest on lease liabilities	\$ 495	\$ 156
Interest expense on bank loans	-	316
	<u>\$ 495</u>	<u>\$ 472</u>

(16) Depreciation and Amortisation

	For the years ended December 31,	
	2021	2020
Property, plant and equipment	\$ 1,970	\$ -
Right-of-use assets	5,477	2,865
Intangible assets	132	73
	<u>\$ 7,579</u>	<u>\$ 2,938</u>
An analysis of depreciation by function		
Operating costs	\$ 2,486	\$ -
Operating expenses	4,961	2,865
	<u>\$ 7,447</u>	<u>\$ 2,865</u>
An analysis of amortisation by function		
Operating expenses	<u>\$ 132</u>	<u>\$ 73</u>

(17) Employee Benefits Expense

	For the years ended December 31,	
	2021	2020
Short-term benefits	\$ 26,051	\$ 11,852
Post-employment benefits		
Defined contribution plans	589	294
Share-based payments		
Equity-settled	(270)	(6,200)
Total employee benefits expense	<u>\$ 26,370</u>	<u>\$ 5,946</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 5,665	\$ -
Operating expenses	<u>20,705</u>	<u>5,946</u>
	<u>\$ 26,370</u>	<u>\$ 5,946</u>

- A. The Company distributed 1% to 10% and not higher than 3% of profit before tax of the current year that excludes employees' compensation and directors' remunerations as employees' compensation and directors' remuneration, respectively. The Company did not accrue employees' compensation and directors' remuneration for the years ended December 31, 2021 and 2020 as the Company still had accumulated deficits as of December 31, 2021 and 2020.
- B. The Company was did not generate net profit before tax in 2020, so the amount of employees' compensation and remuneration of directors was not estimated, which was in line with those amounts recognised in the 2020 financial statements. Information on the employees' compensation and remuneration of directors resolved by the Company's Board of Directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(18) Income Taxes

A. Income tax (benefit) expense

Major components of tax (benefit) expense recognised in profit or loss

	For the years ended December 31,	
	2021	2020
Deferred income tax		
Origination and reversal of temporary differences	<u>(\$ 402)</u>	<u>\$ 322</u>

B. Reconciliation between income tax expenses and accounting profit:

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 4,418	(\$ 38,219)
Unrealised loss on domestic companies accounted for using the equity method	2,184	3,074
Unrecognised deductible temporary differences	(10,274)	(9,697)
Taxable loss not recognised as deferred tax assets	<u>3,270</u>	<u>45,164</u>
Income tax (benefit) expense	<u>(\$ 402)</u>	<u>\$ 322</u>

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

2021					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Loss carryforwards	\$ 2,418	-	-	-	\$ 2,418
	<u>2,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,418</u>
- Deferred tax liabilities:					
Unrealised exchange gain	(427)	402	-	-	(25)
	<u>(427)</u>	<u>402</u>	<u>-</u>	<u>-</u>	<u>(25)</u>
	<u>\$ 1,991</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,393</u>
2020					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Loss carryforwards	\$ 2,418	-	-	-	\$ 2,418
	<u>2,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,418</u>
- Deferred tax liabilities:					
Unrealised exchange gain	(105)	(322)	-	-	(427)
	<u>(105)</u>	<u>(322)</u>	<u>-</u>	<u>-</u>	<u>(427)</u>
	<u>\$ 2,313</u>	<u>(\$ 322)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,991</u>

D. Expiration dates of unused loss carryforwards and amounts of unrecognised deferred tax assets are as follows:

<u>December 31, 2021</u>				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2014	\$ 424,184	\$ 422,026	\$ 422,026	2024
2017	36,321	36,321	36,321	2027
2018	2,539	2,539	2,539	2028
2019	22,341	22,341	22,341	2029
2020	218,847	218,847	218,847	2030
2021	16,347	16,347	4,527	2031

<u>December 31, 2020</u>				
<u>Year incurred</u>	<u>Amount filed/ assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2014	\$ 424,184	\$ 422,026	\$ 422,026	2024
2017	36,321	36,321	36,321	2027
2018	2,539	2,539	2,539	2028
2019	22,341	22,341	22,341	2029
2020	225,818	225,818	220,128	2030

E. Income tax returns of the Company through 2019 have been assessed and approved by the Tax Authority.

(19) Earnings (Loss) Per Share

	<u>Years ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 22,493</u>	46,284	<u>\$ 0.49</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 22,493		
Assumed conversion of all dilutive potential ordinary shares			
Employees stock options	<u>-</u>	<u>58</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 22,493</u>	<u>46,342</u>	<u>\$ 0.49</u>

	<u>Years ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and diluted loss per share (Note)</u>			
Loss attributable to ordinary shareholders of the parent	<u>(\$ 191,419)</u>	45,779	<u>(\$ 4.18)</u>

Note : The potential ordinary shares have anti-dilutive effect due to net loss for the year ended December 31, 2020, so the calculation of diluted loss per share is the same as the calculation of basic loss per share.

(20) Changes in liabilities from financing activities

	Short-term <u>borrowings</u>	Other payables <u>(Loans)</u>	Lease <u>liabilities</u>	Liabilities from financing <u>activities-gross</u>
At January 1, 2021	\$ -	\$ 59,666	\$ 1,477	\$ 61,143
Changes in cash flow from financing activities	-	61,851	(5,028)	56,823
Impact of changes in foreign exchange rate	-	(2,493)		(2,493)
Changes in other non-cash items	-	-	12,920	12,920
December 31, 2021	<u>\$ -</u>	<u>\$ 119,024</u>	<u>\$ 9,369</u>	<u>\$ 128,393</u>

	Short-term <u>borrowings</u>	Other payables <u>(Loans)</u>	Lease <u>liabilities</u>	Liabilities from financing <u>activities-gross</u>
At January 1, 2020	\$ 49,050	\$ 98,934	\$ 3,011	\$ 150,995
Changes in cash flow from financing activities	(49,050)	(35,607)	(3,010)	(87,667)
Impact of changes in foreign exchange rate	-	(3,661)	-	(3,661)
Changes in other non-cash items	-	-	1,476	1,476
December 31, 2020	<u>\$ -</u>	<u>\$ 59,666</u>	<u>\$ 1,477</u>	<u>\$ 61,143</u>

7. RELATED PARTIES TRANSACTIONS

(1) Parent and Ultimate Controlling Party

As the Company's shares are widely held, the Company has no ultimate parent company and ultimate controlling party. Inter-company transactions, balances and gains or losses on transactions between the Company and its subsidiaries (the related parties of the Company) have been eliminated when preparing the consolidated financial statements, and thus are not disclosed in this note. The transactions between the Company and other related parties are as follows.

(2) Name of related party and relationship

<u>Name of related party</u>	<u>Relationship with the Company</u>
F AND T CO., LTD	Other related party (Note 1)
JETWELL COMPUTER CO., LTD	Other related party (Note 2)
SHEAFFER MANUFACTURING CO., LTD. (TAIWAN SIHE)	Subsidiary
NANTONG SIHE STAINLESS STEEL PRODUCTS CO., LTD, (NANTONG SIHE)	"
Honest Mount Investments Limited (Honest Mount)	"
The King Cut International Co.,Ltd. (King Cut)	"
CS Solution Holding Litimed (CSSH)	"

Note 1: One of the original directors of the Company was the chairman of F AND T CO., LTD.

However, the original director resigned on April 22, 2021. Therefore, the Company was no

longer a related party starting from April 22, 2021. Transactions after F AND T CO., LTD became a non-related party of the Company will not be included in the disclosures in Note 7(3).

Note 2: The chairman of the Company and the general manager of JETWELL COMPUTER CO., LTD is the same person. Therefore, JETWELL COMPUTER CO., LTD is considered a so-called substantive related party.

(3) Significant Related Party Transactions

A. Operating Revenue:

	For the years ended December 31,	
	2021	2020
Sales:		
Other related parties	\$ 50	\$ -

Goods are sold based on normal sales price and terms that would be available to third parties.

B. Purchases and other operating costs :

Line Item	Related Party Name	December 31, 2021	December 31, 2020
Cost of goods sold	Nantong Sihe	\$ 366,318	\$ 43,498
Other operating costs (Note)	Nantong Sihe	10,188	-
		<u>\$ 376,506</u>	<u>\$ 43,498</u>

Purchase from subsidiaries are in accordance with the general commercial terms, and the payment conditions depend on mutual agreements.

Note: Referred to cost of mold.

C. Payables to related parties:

Line Items	Related Party Name	December 31, 2021	December 31, 2020
Accounts payable	Nantong Sihe	\$ 75,402	\$ 42,410
Others payable (loans from related parties)	Taiwan Sihe	\$ -	\$ 2,706
"	Honest Mount	38,752	56,960
"	King Cut	66,432	-
"	CSSH	13,840	-
		<u>\$ 119,024</u>	<u>\$ 59,666</u>

D. Other expenses

Line Item	Related Party Name	December 31, 2021	December 31, 2020
Selling expense	Nantong Sihe	\$ 1,264	\$ -
"	King cut	-	10,134
		<u>\$ 1,264</u>	<u>\$ 10,134</u>

(4) Key Management Compensation

	For the years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 10,766	\$ 7,039
Post-employment benefits	361	153
Termination benefits	348	-
Share-based payments	(118)	95
	<u>\$ 11,357</u>	<u>\$ 7,287</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

8. PLEGGED ASSETS

The following assets were provided as collateral for financial and investment institution borrowings:

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Restricted assets (presented as financial assets at amortized cost)			Reserve account pledged to financial and investment institutions
	<u>\$ -</u>	<u>\$ 1</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(10) for details of the deficit compensation proposal for 2021.

12. OTHERS

(1) Capital Management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of net debt (borrowings offset by cash) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity). The Company is not subject to other external capital requirements. Key management personnel of the Company review the capital structure on an annually basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of shares repurchased, and the amount of new loan issued or existing loan redeemed.

(2) Financial Instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash	\$ 87,412	\$ 20,887
Financial assets at amortised cost	-	1
Accounts receivable	215,422	36,317
Other receivables (including related parties)	428	176
Refundable deposits	1,966	858
	<u>\$ 305,228</u>	<u>\$ 58,239</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Accounts payable (including related parties)	\$ 75,402	\$ 44,235
Other payables (including related parties)	126,126	70,803
	<u>\$ 201,528</u>	<u>\$ 115,038</u>
Lease liabilities	<u>\$ 9,369</u>	<u>\$ 1,477</u>

B. Financial risk management objectives and policies

- (a) The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable and lease liabilities. The Company's major financial risk management objective is to manage the financial risk associated with operating activities. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company is committed to identify, assess and avoid the uncertainty of market and reduce the market changes against the Company's financial performance potential downside effects.
- (b) The Company due to the exposure generated by the operation, mainly in the US dollar, the Company uses the foreign currency denominated purchases and sales of goods and related currency loans to generate natural hedging effect. The use of foreign currency loans was governed by the Company's policies approved by the Board of Directors. Internal auditors continue to review policy compliance.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates.

Exchange rate risk

- i. The Company had foreign currency sales and purchases, which were exposed to foreign currency risk. The part of the Company's foreign currency receivables were same with the foreign currency payments, at this time, the certain parts will have natural hedging effects. The carrying amounts of the Company's foreign currency denominated monetary assets

and monetary liabilities at the end of the reporting period are as follows:

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 10,668	27.68	\$ 295,290
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,024	27.68	\$ 194,426
	December 31, 2020		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,816	28.48	\$ 51,719
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 3,842	28.48	\$ 109,417

- ii. The sensitivity analysis details the Company's sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The rate of 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 3% change in foreign currency rates. 3% increase/decrease in the functional currencies against the relevant foreign currencies, the pre-tax loss for the years ended December 31, 2021 and 2020 would increase/decrease by \$3,026 thousand and (\$1,731), respectively.
- iii. Impact of the above exchange rate fluctuations, these were mainly attributable to the exposure of outstanding receivables and payables, foreign currency cash, and debt investments, which were not hedged at the balance sheet date.
- iv. The foreign exchange loss, including realised and unrealised, for the years ended December 31, 2021 and 2020, amounted to (\$1,883) and \$1,667, respectively.

Cashflow and fair value interest rate risk

- i. The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost - effective hedging strategies are applied.
- ii. The Company's financial liabilities exposed to fair value interest rate and financial assets exposed to cash flow interest rate at the balance sheet date are mainly arising from lease liabilities and bank deposits, respectively.
- iii. The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.
- iv. An increase or decrease of 25 basis points (0.25%) was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If the interest rate had increased by 0.25% with all other variables held constant, the impact on the Company's loss before tax for the year ended December 31, 2021 and 2020 will not be significant.

(b) Credit risk

- i. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the balance sheets.
- ii. The Company adopted a policy of dealing with creditworthy counterparties or transacting with entities that have the equivalent of an investment grade rating or above and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company also has the right to use some credit protection enhancement tools to reduce the credit risks involving certain customers.
- iii. The credit risk of the Company was mainly concentrated on the accounts receivable from the three largest customers. As of December 31, 2021 and 2020, the total amount of accounts receivable from the aforementioned customers comprised more than 95% of the balance.
- iv. In order to minimize credit risk, the Company's management is responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that appropriate actions have been taken to recover overdue debts. In addition, the Company further reviews the recoverable amount of the accounts receivable at the end of the reporting period to ensure that adequate allowance for impairment loss is made for

irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

- v. Ongoing credit evaluation is performed on the financial condition of the trade receivable customers and the potential impact to financial assets that the Company might encounter if counterparties or third parties breach the contracts. The Company evaluated credit risk exposure for contracts with positive carrying value. The Company evaluated the credit risk exposure as immaterial because all counterparties are reputable financial institutions and companies.

(c) Liquidity risk

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

<u>December 31, 2021</u>	<u>Between 1 and 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 3 years</u>	<u>Over 3 years</u>
Accounts payable (including the related parties)	\$ 75,402	\$ -	\$ -	\$ -
Other payables (including the related parties)	126,126	-	-	-
Lease liabilities	1,355	4,066	4,341	-
<u>Non-derivative financial liabilities:</u>				
<u>December 31, 2020</u>	<u>Between 1 and 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 3 years</u>	<u>Over 3 years</u>
Accounts payable (including the related parties)	44,235	-	-	-
Other payables (including the related parties)	70,803	-	-	-
Lease liabilities	502	1,003	-	-

(3) Fair value information

A. The Company has no financial and non-financial instruments measured at fair value.

(4) The impact of Covid-19 outbreak

The Company continues evaluating the impact of the Covid-19 pandemic and considers it did not

have significant impact on the Company's operational capability, fundraising situation, and impairment on assets as of the date the accompanying parent only financial statements were authorized for issuance. With the uncertainty of the pandemic, the Company will continue monitoring the progress of the pandemic and reevaluating its influence.

13. SEPARATELY DISCLOSED ITEMS

(1) Information about significant transactions and investees

- A. Loans to others: Please refer to table 1
- B. Provision of endorsements and guarantees to others: None
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more:
- I. Trading in derivative instruments undertaken during the reporting periods: None
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please see table 5.

(3) Information on investments in Mainland China

- A. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please refer to table 6.
- B. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information: Please refer to table 4.

(4) Information of major shareholders

Major shareholders information (Shareholders with ownership of 5% or greater): None

14. OPERATING SEGMENT INFORMATION

In accordance with the Article 22 of Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company is not required to prepare segment information within the scope of IFRS 8 in its parent company only financial statements.

Mutto Optronics Corporation
DETAILS OF CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Demand deposits		\$ 103
Foreign Currency deposits	USD 3,152 thousands	87,259
Petty cash		50
		\$ 87,412

Note: The exchange rate for USD is 27.68 (USD:NTD)

Mutto Optronics Corporation
DETAILS OF ACCOUNTS RECEIVABLES
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Client Name	Description	Amount	Note
Customer A		\$ 197,451	
Others		<u>17,971</u>	None of the balances of each customer is greater than 5% of this account balance.
		<u>\$ 215,422</u>	

Mutto Optronics Corporation
MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value		Collateral	Note
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Percentage of Ownership	Amount	Unit Price (in dollars)	Total Amount		
Honest Mount Investments Limited	20,000	\$ 261,854	-	\$ 51,706	(3,500)	(\$ 99,610)	16,500	100%	\$ 213,950	13	\$ 213,950	None	Note 1 & Note 2
SHEAFFER MANUFACTURING CO., LTD.	100	<u>103,551</u>	-	<u>-</u>	(72)	(83,030)	28	100%	<u>20,521</u>	733	<u>20,521</u>	"	Note 1 & Note 3
		<u>\$ 365,405</u>		<u>\$ 51,706</u>		<u>(\$ 182,640)</u>			<u>\$ 234,471</u>		<u>\$ 234,471</u>		

Mutto Optronics Corporation
DETAILS OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Amount
Raw materials at beginning	81
Add:Raw materials purchased for the year	26,778
Less:Raw materials at the end	(84)
Others	7
Raw materials used for the year	26,782
Direct labor	955
Manufacturing overhead (Note)	3,207
Manufacturing cost	30,944
Merchandise inventory at beginning	-
Net purchase for the year	366,318
Less:Merchandise inventory at the end	(131)
Cost of merchandise sold	366,187
Cost of goods sold	397,131
Loss on decline in market value	80
Unallocated production overhead	6,310
Other operating cost	10,118
Operating cost	<u>\$ 413,639</u>

Note:Mainly comprised of employee benefits expense and depreciation expense

Mutto Optronics Corporation
DETAILS OF OPERATING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Line Items</u>	<u>Selling expense</u>	<u>Administration expense</u>	<u>Total</u>
Wage and salaries	\$ 983	\$ 17,475	\$ 18,458
Depreciation expense	-	4,961	4,961
Professional service expense	60	3,889	3,949
Insurance expense	150	1,248	1,398
Sample expense	688	-	688
Warehouse cost	576	-	576
Others (Note)	248	4,321	4,569
	<u>\$ 2,705</u>	<u>\$ 31,894</u>	<u>\$ 34,599</u>

Note: None of the balances of each item is greater than 5% of this account balance.

Mutto Optronics Corporation
DETAILS OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Function Nature	For the year ended December 31, 2021			For the year ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	\$ 5,006	\$ 16,611	\$ 21,617	\$ -	\$ 2,453	\$ 2,453
Labour and health insurance fees	389	1,147	1,536	-	606	606
Pension costs	136	453	589	-	294	294
Directors' remuneration	-	2,169	2,169	-	2,410	2,410
Other personnel expenses	134	325	459	-	183	183
Subtotal	5,665	20,705	26,370	-	5,946	5,946
Depreciation Expense	2,486	4,961	7,447	-	2,865	2,865
Amortisation Expense	-	132	132	-	73	73

Note:

A. As at December 31, 2021 and 2020, the Company had 22 and 13 employees, including 5 and 6 non-employee directors, respectively.

B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :

(a) Average employee benefit expense in current year was 1,424 thousand. ((Total employee benefit expense of current year - Total directors' remuneration of current year)/ (Number of employees of current year - Number of non-employee directors of current year)).

Average employee benefit expense in previous year was 505 thousand. ((Total employee benefit expense of prior year - Total directors' remuneration of prior year)/ (Number of employees of prior year - Number of non-employee directors of prior year)).

(b) Average employees salaries in current year was 1,272 thousand. (Total wages and salaries of current year/ (Number of employees of current year - Number of non-employee directors of current year))

Average employees salaries in previous year was 350 thousand. (Total wages and salaries of prior year/ (Number of employees of prior year - Number of non-employee directors of prior year)).

Mutto Optronics Corporation
DETAILS OF EMPLOYEE BENEFITS, DEPRECIATION, DEPLETION AND AMORTISATION EXPENSES BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

- (c) Adjustments of average employees salaries was 263 %.
((Average wages and salaries of current year - Average wages and salaries of prior year) /Average wages and salaries of prior year).
- (d) Remuneration of the supervisors in current year was 0 thousand, remuneration of the supervisors in previous year was 0 thousand.
- (e) The Company has established the Audit Committee in lieu of supervisors. Therefore, there was no compensation to the supervisor.
- (f) Please disclose the Company's remuneration policy (including directors, supervisors, managerial officers and employees).
- i. The Company's director's emoluments including remuneration and compensation. Remuneration of the directors is resolved by considering degree of participation in and contribution to the Company's operations and based on the normal remuneration standard of the industry, which is proposed by Compensation Committee and approved by the Board of Directors. Managers' remuneration is calculated by considering their expertise, obligation and the normal remuneration standard of the industry. Afterwards, salary adjustment needs to take into consideration the retained earnings of the Company, price level and the Company's policies.
 - ii. The Company accrued employees' compensation and remuneration of directors at the rates between 1% to 10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The Company was in loss both in 2021 and 2020, so the amount of employees' compensation and remuneration of directors was not estimated.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					December 31, 2021 (Note 4)								Item	Value			
1	The King cut International Co., Ltd.	Honest Mount Investments Limited	Other receivables	Yes	\$ 166,080	\$ -	\$ -	-	Short-term financing	\$ -	Operation needs	\$ -	-	\$ -	\$1,766,539 (Note 3)	\$ 1,766,539	
1	The King cut International Co., Ltd.	Mutto Optronics Corporation	Other receivables	Yes	66,432	66,432	66,432	-	Short-term financing	-	Operation needs	-	-	-	1,766,539 (Note 3)	1,766,539 (Note 3)	
2	Sheaffer manufacturing Co., Limited	Mutto Optronics Corporation	Other receivables	Yes	2,630	-	-	-	Short-term financing	-	Operation needs	-	-	-	8,208 (Note 1)	10,260 (Note 2)	
3	Honest Mount Investments Limited	Mutto Optronics Corporation	Other receivables	Yes	83,040	38,752	38,752	-	Short-term financing	-	Operation needs	-	-	-	6,418,517 (Note 3)	6,418,517 (Note 3)	
4	Shanghai Sihe Stainless Steel Products Co., Ltd.	The King cut International Co., Ltd.	Other receivables	Yes	144,983	79,105	79,105	-	Short-term financing	-	Operation needs	-	-	-	599,189 (Note 3)	599,189 (Note 3)	
5	CS Solution Holding Limited	Mutto Optronics Corporation	Other receivables	Yes	13,840	13,840	13,840	-	Short-term financing	-	Operation needs	-	-	-	481,280 (Note 3)	481,280 (Note 3)	

Note 1: The financing limit for each borrower is calculated based on the lender's 40% of the net worth of the audited financial statements on December 31, 2021.

Note 2: The aggregate financing limit is calculated based on the lender's 50% of the net worth of the audited financial statements on December 31, 2021.

Note 3: The financing limit for each borrower is calculated based on the lender's 3000% of the net worth of the audited financial statements on December 31, 2021.

Note 4: Foreign currencies were converted to New Taiwan Dollar using the conversion rate of December 31, 2021.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	December 31, 2021				Footnote
				Number of shares (in thousands)	Book value	Ownership (%)	Fair value	
Honest Mount Investments Limited	Bonds payable VIRGIN AUSTRALIA HOLDINGS LTD	None	Financial assets at fair value through other comprehensive income - current	1,900	\$ 2,630	0.00	\$ 2,630	

Note 1:Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instrument'.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Mutto Optronics Corporation	Nantong Sihe Stainless Steel Products Co., Ltd.	Parent company	Purchases	\$ 366,318	93.19	Depends on the financial status	Note 1	Note 1	\$ 75,402	100.00	Note 2

Note 1: The transactions mentioned above were conducted in line with ordinary sales conditions and price.

Note 2: The transactions have been eliminated when preparing the consolidated financial report.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Mutto Optronics Corporation	CS Solution Holding Limited	1	Other payables	\$ 13,840	Note 4	3
0	Mutto Optronics Corporation	Honest Mount Investments Limited	1	Other payables	38,752	Note 4	8
0	Mutto Optronics Corporation	The King Cut International Co., Ltd.	1	Other payables	66,432	Note 4	14
0	Mutto Optronics Corporation	Nantong Sihe Stainless Steel Products Co., Ltd.	1	Accounts payable	75,402	Note 4	16
0	Mutto Optronics Corporation	Nantong Sihe Stainless Steel Products Co., Ltd.	1	Purchases	366,318	Note 3	82
0	Mutto Optronics Corporation	Nantong Sihe Stainless Steel Products Co., Ltd.	1	Other operating costs	10,118	Note 3	2
1	The King cut International Co., Ltd.	Shanghai Sihe Stainless Steel Products Co., Ltd.	3	Other payables	82,938	Note 4	18
1	The King cut International Co., Ltd.	Shanghai Sihe Stainless Steel Products Co., Ltd.	3	Other payables	73,539	Note 4	16
3	Nantong Sihe Stainless Steel Products Co., Ltd.	Shanghai Sihe Stainless Steel Products Co., Ltd.	3	Accounts payable	10,436	Note 4	2

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: The collection depends on the parent company or subsidiary financial status.

Note 4: The collection depends on the parent company or subsidiary financial status under the ordinary trade condition .

Note 5: Only related party transactions in excess of \$10,000 are disclosed.

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2021

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Mutto Optronics Corporation	Sheaffer Manufacturing Co., Ltd	Taiwan	Sales of stainless steel products	\$ 464,997	\$ 536,997	28,000	100.00	\$ 20,521	(\$ 3,042)	(\$ 10,920)	Note 3
Mutto Optronics Corporation	Honest Mount Investments Limited	British Virgin Islands	Investment	503,068	602,678	16,500,000	100.00	213,950	51,370	51,370	
Honest Mount Investments Limited	The King cut International Co., Ltd.	British Virgin Islands	Sales of stainless steel products	5,536 (USD 200)	5,536 (USD 200)	5,000	100.00	58,885	8,526	8,526	
Honest Mount Investments Limited	CS Solution Holding Limited	British Virgin Islands	Hard disk repair services	277,156	277,156	9,090,000	100.00	16,043	4,737	4,737	
CS Solution Holding Limited	CS Solution Technology Ltd	U.S.A.	Hard disk repair services	- (USD -)	- (USD -)	-	0.00	-	(12,388)	(12,388)	Note 4
CS Solution Technology Ltd	Sky Tech International	U.S.A.	Hard disk repair services	- (USD -)	- (USD -)	-	0.00	-	-	-	Note 4

Note 1: Refer to Table 6 for information on investments in mainland China

Note 2: Foreign currencies were converted to New Taiwan Dollar using the conversion rate of December 31, 2021.

Note 3: The investment income (loss) for this period includes the amortisation of premium.

Note 4: The company had been dissolved before December 31, 2021

MUTTO OPTRONICS CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income (loss) of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
				\$	Remitted to Mainland China	Remitted back to Taiwan	\$					\$	
Shanghai Sihe Stainless Steel Products Co., Ltd.	Manufacture and sales of stainless steel products	\$72,245 (USD 2,610)	1	\$138,012 (USD 4,986)	\$ -	\$65,767 (USD 2,376)	\$72,245 (USD 2,610)	(\$ 604)	100	(\$ 604)	\$ 19,973	\$ -	
Nantong Sihe Stainless Steel Products Co., Ltd.	Manufacture of stainless steel products	207,600 (USD 7,500)	2	207,600 (USD 7,500)	-	-	207,600 (USD 7,500)	41,200	100	39,488	97,575	-	

Note 1: Sheaffer Manufacturing Co., Ltd had held 100% equity of Shanghai Sihe Stainless Steel Products Co., Ltd. before the Company acquired Sheaffer Manufacturing Co., Ltd.

Note 2: Indirect investment in mainland China through Honest Mount Ltd, an investment company registered in a third area transactions compared to third-party.

Note 3: The calculation of investment gain or loss was based on the financial statements audited by the Taiwan parent company's CPAs.

Accumulated amount of remittance from Taiwan to Mainland China as of Decembr 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$ 279,845	\$ 349,045	\$ 211,408

Note 4: The calculation was based on the Company's 60% of the net worth of the audited financial statements on December 31, 2021.

Note 5: Foreign currency in this table is converted based on the average exchange rate of USD\$1 to NT\$ 27.68 on December 31, 2021.

Note 6: Capital reduction in Shanghai Sihe Stainless Steel Products Co., Ltd. is USD\$2,500 thousand, and it has already remitted the full amount of capital reduction as of December 31, 2021.