Stock Code:6668

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
with Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

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Representation Letter

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

Company name: Zhong Yang Technology Co., Ltd.
Chairman: Cheng-Tien Cheng
Date: March 17, 2022

KPMG

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Independent Auditors' Report

To the Board of Directors of Zhong Yang Technology Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Zhong Yang Technology Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statement of comprehensive income, changes in equity and cash flows for the years 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 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committed ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgement, the key audit matters that should be communicated in the audit report are as follow:

1. Operating Revenues - Revenue recognition of external warehouse

   Please refer to note 4(m) and note 6(s) for accounting policy related of revenue and the classification of revenue, respectively.

   Description of key audit matter:

   The Group is principally engaged in the manufacture, research and development and sales of mobile phone lens molds. The business involves a high degree of customization, and the molds need to be sent to the customers' factories for testing and be modified with the customers' new product development. The sales revenue will be recognized after the development of mobile phone lens and the acceptance of the molds by customers. As it involves judging the timing of the transfer of products, and the sales revenue has a significant impact on the overall consolidated financial statements. Therefore, testing over the sales revenue from the external warehouses is one of the most significant assessments in our audit procedures this year.

   Audit Procedures:

   Our principal audit procedure included: assessing the appropriateness of the policy of recognition of sales revenue; evaluating and testing the related controls surrounding the aforementioned sales and collection cycle and the effectiveness of implementations; selecting and conducting external confirmations with warehouses; testing of details; as well as selecting transactions which happen during a period of time before and after the reporting date in order to test whether the sales revenue is recognized within the correct period and to evaluate the accuracy of the sales revenue recognition.

Other Matter

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are I-Wen Wang and Yiu-Kwan Au.

KPMG

Taipei, Taiwan (Republic of China)
March 17, 2022

Notes to Readers

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

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

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

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

(expressed in thousands of New Taiwan dollars)

		December 31, 2021		December 31, 2020	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,443,398	31	546,546	15
1110	Current financial assets at fair value through profit or loss (note 6(b))	65	-	-	-
1170	Notes and accounts receivable, net (notes 6(c) and (s))	407,391	9	780,565	22
1180	Accounts receivable, due from related parties (notes 6(c) and (s) and 7)	31,383	1	16,465	-
1200	Other receivables (notes 6(d))	3,958	-	7,967	-
1310	Inventories (note 6(e))	448,778	10	310,782	9
1410	Prepayments and other current assets	43,704	1	98,421	3
		2,378,677	52	1,760,746	49
	Non-current assets:				
1600	Property, plant and equipment (notes 6(g) and 7 and 8)	1,927,403	43	1,546,653	43
1755	Right-of-use assets (notes 6(h) and 7))	133,403	3	85,420	3
1780	Intangible assets	16,076	-	15,490	-
1840	Deferred tax assets (note 6(o))	2,446	-	2,446	-
1900	Other non-current assets (note 6(g) and 8)	91,668	2	166,518	5
		2,170,996	48	1,816,527	51
	Total assets	$ 4,549,673	100	3,577,273	100

		December 31, 2021		December 31, 2020	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6(i))	$ 215,000	5	160,000	5
2130	Current contract liabilities (notes 6(s) and 7)	99,431	2	108,682	3
2170	Notes and accounts payable (note 7)	104,447	2	118,689	4
2200	Other payables (note 6(l))	210,016	5	221,216	6
2230	Current tax liabilities	26,528	1	15,666	-
2280	Current lease liabilities (notes 6(m))	14,042	-	14,293	-
2300	Other current liabilities	1,872	-	1,962	-
2321	Bonds payable, current portion (note 6(k))	641,680	14	-	-
2322	Long-term borrowings, current portion (note 6(j))	16,215	-	-	-
		1,329,231	29	640,508	18
	Non-Current liabilities:				
2500	Non-current financial liabilities at fair value through profit or loss (notes 6(b) and (k))	-	-	1,955	-
2530	Bonds payable (note 6(k))	-	-	633,478	18
2540	Long-term borrowings (note 6(j))	489,036	11	184,814	5
2570	Deferred tax liabilities (note 6(o))	26,067	1	31,922	1
2580	Non-current lease liabilities (notes 6(m))	63,056	1	73,775	2
2600	Other non-current liabilities (notes 6(j) and (u))	504,364	11	2,774	-
		1,082,523	24	928,718	26
	Total liabilities	2,411,754	53	1,569,226	44
	Equity (note 6(p)):				
3110	Ordinary shares	782,920	17	683,399	19
3200	Capital surplus (note 6(k))	1,201,909	27	792,897	22
3310	Legal reserve	77,995	2	65,481	2
3320	Special reserve	28,908	1	38,363	1
3350	Unappropriated retained earnings	20,956	-	393,111	11
3490	Other equity interest	(35,366)	(1)	(31,905)	(1)
	Equity attributable to the parent company:	2,077,322	46	1,941,346	54
36XX	Non-controlling interests	60,597	1	66,701	2
	Total equity	2,137,919	47	2,008,047	56
	Total liabilities and equity	$ 4,549,673	100	3,577,273	100

See accompanying notes to consolidated financial statements.

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

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2021		2020	
		Amount	**%**	**Amount**	**%**
4100	**Operating revenues (note 6(s) and 7)**	$ 1,266,112	100	1,689,699	100
5000	**Operating costs (notes 6(e)、(n)、(q), 7 and 12)**	1,037,528	82	1,058,063	63
5900	**Gross profit from operations**	228,584	18	631,636	37
	Operating expenses (note 6(n)、(q), 12)				
6100	Selling expenses	67,098	5	81,534	5
6200	Administrative expenses	171,158	14	147,473	9
6300	Research and development expenses	164,378	13	178,644	11
6450	Expected credit losses (reversed) (note 6(c))	65,458	5	15,309	1
		468,092	37	422,960	26
6900	**Net operating income (loss)**	(239,508)	(19)	208,676	11
	Non-operating income and expenses:				
7100	Interest income	1,694	-	2,329	-
7230	Foreign exchange gains (losses), net (note 6 (v))	(16,413)	(1)	(28,716)	(1)
7050	Interest expense (notes 6(k) and (m))	(22,571)	(2)	(17,353)	(1)
7590	Other gains (losses), net (notes 6(k))	9,702	1	17,240	1
		(27,588)	(2)	(26,500)	(1)
7900	**Profit (loss) before income tax**	(267,096)	(21)	182,176	10
7950	Less: income tax expenses (note 6(o))	30,020	2	59,122	3
8200	**Profit (loss)**	(297,116)	(23)	123,054	7
8300	**Other comprehensive income:**				
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation	(5,551)	-	19,046	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(o))	-	-	9,591	1
		(5,551)	-	9,455	-
8300	**Other comprehensive income**	(5,551)	-	9,455	-
8500	**Comprehensive income**	**$ (302,667)**	**(23)**	**132,509**	**8**
	Profit attributable to:				
8610	Owners of parent	$ (290,515)	(23)	125,729	7
8620	Non-controlling interests	(6,601)	-	(2,675)	-
		$ (297,116)	**(23)**	**123,054**	**7**
	Comprehensive income attributable to:				
8710	Owners of parent	$ (296,063)	(23)	135,184	8
8720	Non-controlling interests	(6,604)	-	(2,675)	-
		$ (302,667)	**(23)**	**132,509**	**8**
	Earnings (losses) per common share (note 6 (r))				
9750	**Basic earnings (losses) per share (NT dollars)**	**$**	**(4.02)**		**1.85**
9850	**Diluted earnings per share (NT dollars)**		**$**		**1.78**

See accompanying notes to consolidated financial statements.

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

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
	Share capital		Retained earnings			Other equity				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unearned employee compensation	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2020	$ 683,923	820,356	53,573	17,196	301,051	(38,363)	(7,354)	1,830,382	20,060	1,850,442
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	11,908	-	(11,908)	-	-	-	-	-
Special reserve	-	-	-	21,167	(21,167)	-	-	-	-	-
	-	-	11,908	21,167	(33,075)	-	-			-
Profit for the year ended December 31, 2020	-	-	-	-	125,729	-	-	125,729	(2,675)	123,054
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	-	9,455	-	9,455	-	9,455
Comprehensive income for the year ended December 31, 2020	-	-	-	-	125,729	9,455	-	135,184	(2,675)	132,509
Cash dividends from capital surplus	-	(54,694)	-	-	-	-	-	(54,694)	-	(54,694)
Changes in ownership interests in subsidiaries	-	6,575	-	-	(594)	-	-	5,981	(2,624)	3,357
Changes in non-controlling interests	-	-	-	-	-	-	-	-	51,940	51,940
Issuance of convertible bonds	-	23,321	-	-	-	-	-	23,321	-	23,321
Share-based payments transaction	(524)	(2,661)	-	-	-	-	4,357	1,172	-	1,172
Balance at December 31, 2020	683,399	792,897	65,481	38,363	393,111	(28,908)	(2,997)	1,941,346	66,701	2,008,047
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	12,514	-	(12,514)	-	-	-	-	-
Special reserve	-	-	-	(9,455)	9,455	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(78,581)	-	-	(78,581)	-	(78,581)
Profit for the year ended December 31, 2021	-	-	-	-	(290,515)	-	-	(290,515)	(6,601)	(297,116)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	(5,548)	-	(5,548)	(3)	(5,551)
Comprehensive income for the year ended December 31, 2021	-	-	-	-	(290,515)	(5,548)	-	(296,063)	(6,604)	(302,667)
Changes in ownership interests in subsidiaries	-	1,084	-	-	-	-	-	1,084	500	1,584
Issue of shares	100,000	398,750	-	-	-	-	-	498,750	-	498,750
Share-based payments transaction	(479)	9,178	-	-	-	-	2,087	10,786	-	10,786
Balance at December 31, 2021	**$ 782,920**	**1,201,909**	**77,995**	**28,908**	**20,956**	**(34,456)**	**(910)**	**2,077,322**	**60,597**	**2,137,919**

See accompanying notes to consolidated financial statements.

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

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

	2021	2020
Cash flows from (used in) operating activities:		
(Loss) profit before tax	$ (267,096)	182,176
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	253,109	232,342
Amortization expense	5,287	5,410
Expected credit loss (gain)	65,458	15,309
Net loss (profit) on financial assets or liabilities at fair value through profit or loss	(2,020)	1,649
Interest expense	22,571	17,353
Interest income	(1,694)	(2,329)
Share-based payment transactions	14,048	6,362
Loss (gain) on disposal of property, plant and equipment	(547)	(5,323)
Others	454	463
Total adjustments to reconcile profit (loss)	356,666	271,236
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	293,067	(207,846)
Decrease in other receivables	4,035	2,189
Decrease (increase) in inventories	(137,996)	455
Decrease (increase) in prepayments and other current assets	(4,191)	6,149
Decrease (increase) in other non-current assets	1,819	(707)
Increase (decrease) in contract liabilities	(9,251)	27,446
Increase (decrease) in notes and accounts payable (including related parties)	(14,242)	(22,214)
Increase in other payables	(23,308)	22,638
Increase (decrease) in other current liabilities	(90)	(4,419)
Total changes in operating assets and liabilities	109,843	(176,309)
Total adjustments	466,509	94,927
Cash flows from operations	199,413	277,103
Interest received	1,668	2,513
Interest paid	(13,103)	(9,403)
Income taxes paid	(20,971)	(24,214)
Net cash flows from operating activities	167,007	245,999
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(520,548)	(198,786)
Proceeds from disposal of property, plant and equipment	2,318	30,922
Increase in receipts in advance due to disposal of assets	(59,808)	-
Increase in refundable deposits	(1,315)	(534)
Acquisition of intangible assets	(5,892)	(3,802)
Increase in prepayments of property, plant and equipment	(22,175)	(91,340)
Decrease (increase) in other financial current assets	55,580	(55,580)
Decrease (increase) in restricted assets	4,285	12,453
Net cash flows used in investing activities	(547,555)	(306,667)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	55,000	(439,940)
Proceeds from issuance of bonds (excluding issue cost $5,230)	-	245,020
Increase in long-term borrowings	320,240	131,503
Repayments of long-term borrowings	-	(97,933)
Payment of lease liabilities	(14,760)	(12,568)
Cash dividends paid	(78,581)	(54,694)
Proceeds from issuing shares	498,750	-
Restricted stocks cancellation	(1,678)	(1,833)
Changes in non-controlling interests	-	51,940
Advances from issuance of convertible bonds	501,500	-
Net cash flows from (used in) financing activities	1,280,471	(178,505)
Effect of exchange rate changes on cash and cash equivalents	(3,071)	12,218
Net increase (decrease) in cash and cash equivalents	896,852	(226,955)
Cash and cash equivalents at beginning of period	546,546	773,501
Cash and cash equivalents at end of period	$ **1,443,398**	**546,546**

See accompanying notes to consolidated financial statements.

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

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan Dollars unless otherwise specified)

(1) Company history

Zhong Yang Technology Co., Ltd. (the "Company") was approved and established by Ministry of Economic Affairs (R.O.C.). The registered address is No.21, Gongyequ 22nd Rd., Nantun Dist., Taichung City 40850, Taiwan (R.O.C.). The major business activities of the Company and subsidiaries (together referred to as the "Group" and individually as "Group entities") are manufacture, research and development, sale of molds, and assemble digital lens and coat lens. The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) on December 12, 2018.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on March 17, 2022.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

The Group has initially adopted the following new amendment, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

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

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

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

(Continued)

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

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

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

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"
- IFRS 17 " Insurance Contracts" and amendments to IFRS 17 " Insurance Contracts"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basic of measurement

The consolidated financial statements have been prepared on a historical cost basis.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2021	Shareholding December 31, 2020	Note
The Company	CHENG TIAN PHOTOELECTRIC TECHNOLOGY (CHENG TIAN)	General investing	100%	100%	
The Company	ETERGE OPTO-ELECTRONICS CO., LTD. (ETERGE)	Manufacture and sales of optical lens	68.45%	68.45%	
CHENG TIAN	DONGGUAN JMO OPTICAL CO., LTD. (JMO)	Manufacture and sales of optical molds and products	100%	100%	
JMO	DONGGUAN CITY JMOL OPTICS CO. LTD. (JMOL)	Assemble digital lens and lens coating	100%	100%	
ETERGE	ETERGE OPTO-ELECTRONICS (DONG GUAN) CO., LTD.	Manufacture and sales of optical lens	100%	100%	Note 1

Note 1: ETERGE established a subsidiary, Eterge Opto-Electronics (Dong Guan) Co., Ltd, in December 2020.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated at the average exchange rate. Translation differences are recognized in other comprehensive income and presented in the foreign currency translation reserve in equity.

(Continued)

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

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

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

(i) Financial assets

Financial assets are classified into the measured at amortized cost and fair value through profit or loss.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

3) Impairment of financial assets

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

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

· debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

(Continued)

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 90 days past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

(Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liabilities component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss.

On conversion at maturity, the financial liabilities are reclassified to equity and no gain or loss is recognized.

(Continued)

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is a classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPTL are recognized in profit or loss.

Other financial liabilities are subsequently measured at fair value, plus any directly attributable transaction costs at the time of initial recognition, and amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognized is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation is discharged or cancelled or expire.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1)	Buildings	5～35 years
2)	Machinery and equipment	1～10years
3)	Office equipment and other facilities	1～10 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(j) Lease

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

(i) As a lease

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

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

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

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

— fixed payments, including substance fixed payments;

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

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

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

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change in lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications

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

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

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of vehicles, dormitory and office equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

(i) Goodwill

1) Initial recognition

Goodwill arising from the acquisition of subsidiaries is included in intangible assets.

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

(ii) Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

(Continued)

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(v) Amortization

The amortizable amount is the cost of an asset less its residual value.

Except for goodwill with indefinite useful lives, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of software are 2~5 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in accounting estimates.

(l) Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than assets arising from construction contracts, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’ s recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset’s cash generating unit (CGU).

The recoverable amount for an individual asset or a CGU is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction will be accounted as an impairment loss, which shall be recognized immediately in profit or loss.

(Continued)

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset' s recoverable amount since the last impairment loss was recognized.

(m) Recognition of revenue

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

(i) Sale of goods

The Group manufactures optical molds and products and sell them to manufacturers. The Group recognizes revenue when the control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and the loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have been lapsed, or the Group has objectively evidence that all criteria for acceptance have been satisfied.

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

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(n) Government grants

The Company recognizes government grants related to assets as deferred income at fair value if there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(o) Employee benefits

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also revaluated every year on the financial reporting date and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

The 5% surtax on unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retain earnings is approved in the stockholder's meeting.

(r) Earnings per share

The Group discloses the Company’s basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares. Dilutive potential ordinary shares comprise employee compensation not yet approved by the Board of Directors, new restricted stocks for employees and convertible bonds.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group’s chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

(Continued)

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements: None.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: None.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	$ 219	206
Checking accounts and demand deposits	1,304,779	452,356
Time deposits	-	37,024
Short-term transaction instruments	138,400	56,960
	$ 1,443,398	546,546

Please refer to note 6(v) for interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Group.

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

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss- non-current:		
Convertible bonds- embedded derivatives	$ 65	-
Financial liabilities at fair value through profit or loss- non-current:		
Convertible bonds- embedded derivatives	$ -	1,955

Please refer to note 6(k) for convertible bonds- embedded derivatives

(c) Notes and accounts receivable(including related parties)

	December 31, 2021	December 31, 2020
Notes receivable	$ 134,833	194,325
Accounts receivable	424,228	657,814
Less: allowance for doubtful accounts	(120,287)	(55,109)
	$ 438,774	797,030
Notes and accounts receivable, net	$ 407,391	780,565
Accounts receivable-related parties, net	$ 31,383	16,465

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The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. As of December 31, 2021 and 2020 the loss allowance provision of notes and accounts receivable were determined as follows:

	December 31, 2021		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 400,368	0%	-
1 to 30 days past due	29,502	35.4%	10,437
31 to 90 days past due	25,791	73.6%	18,986
91 to 180 days past due	49,117	83.3%	40,903
181 to 270 days past due	32,812	90.5%	29,690
271 to 360 days past due	14,247	91.6%	13,047
More than 361 days past due	7,224	100.0%	7,224
	$ 559,061		**120,287**

	December 31, 2020		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 688,802	0%	-
1 to 30 days past due	45,544	6.0%	2,715
31 to 90 days past due	54,630	22.1%	12,053
91 to 180 days past due	23,592	34.5%	8,147
181 to 270 days past due	15,133	51.2%	7,756
271 to 360 days past due	5,563	100%	5,563
More than 361 days past due	18,875	100%	18,875
	$ 852,139		**55,109**

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

	2021	**2020**
Balance on January 1	$ 55,109	39,173
Impairment losses recognized (reversed)	65,458	15,309
Amount written off	(11)	-
Foreign exchange gains (losses)	(269)	627
Balance on December 31	**$ 120,287**	**55,109**

When measuring the credit loss of overdue accounts receivable, the Group has considered the reasonable forecasts of increased uncertainty of the overall economic impact in response to the Covid-19 outbreak.

As of December 31, 2021 and 2020, the Group did not provide any notes and accounts receivable as collaterals.

(d) Other receivables

	December 31, 2021	December 31, 2020
Other receivables	$ 6,778	10,787
Less: Loss allowance	(2,820)	(2,820)
	$ **3,958**	**7,967**

On August 10, 2016, the Group signed the contract with Taiwan Development Institute (TDI) to establish the industry-university research and development center and paid the guarantee of the contract $10,000 on August 16, 2016. However, the Group was unable to obtain a factory license due to the insufficient weight bearing of the building and the inability to improve the problem significantly. The Group officially issued a letter to suspend the contract on March 6, 2017, and issued a payment order to the TDI in June 2017. However, TDI objected to pay the order during the statutory period. Therefore, the case entered into the litigation stage. The case was pronounced on November 7, 2018, and the Group lost the lawsuit. The Group assessed the possibility of recovery based on conservative principles and decided to recognize impairment losses for all unreceived amounts.

On July 31, 2019, the Group and TDI conducted mediation with the Civil Mediation Division of the Taichung Branch of the Taiwan High Court, TDI was willing to return $3,000. As of the reporting date, $2,820 has not been received. The rest of $7,000 has been written off because it cannot be recovered.

As of December 31, 2021 and 2020, the Group did not provide any other receivables as collaterals.

(e) Inventories

	December 31, 2021	December 31, 2020
Finished goods (including external warehouse)	$ 122,710	102,843
Work in progress (including external warehouse)	221,280	139,712
Raw materials	104,788	68,227
	$ **448,778**	**310,782**

For the years ended December 31, 2021 and 2020, the cost of inventories recognized as the cost of goods sold and expenses was $1,037,528 and $1,058,063, respectively, and the Company recognized a loss on write-down of inventories to net realizable value, or reversed an allowance for loss due to the elimination of inventory write-downs and obsolescence, amounting to a loss of $68,344 and a gain of $49,252 , respectively, which was recognized as cost of goods sold. The loss on scrapping of inventory amounted to $29,224 and $73,433 in 2021 and 2020, respectively.

The unallocated manufacturing costs of $133,818 and $103,007for the years ended December 31, 2021 and 2020, respectively, which were due to idle production capacity, were recognized as cost of goods sold..

As of December 31, 2021 and 2020, the Group did not provide any inventories as collaterals.

(f) Changes in a parent's ownership interest in a subsidiary

Eterge issued new shares by cash in August 2020, wherein the Group invested unproportionally to its previous percentage of ownership, resulting in its shareholding in Eterge to decrease from 74% to 68.45%. The difference from the changes in percentage of ownership were reflected by increasing the capital surplus – changes in ownership interests in subsidiaries by $3,377.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the years ended December 31, 2021 and 2020, were as follows:

	Land	Buildings and structures	Machinery and equipment	Office equipment and other facilities	Construction in progress and testing equip	Total
Cost or deemed cost:						
Balance on January 1, 2021	$ 268,000	259,270	1,454,560	129,422	23,156	2,134,408
Additions	314,444	8,928	99,939	36,725	72,491	532,527
Disposals	-	-	(5,240)	(13,561)	-	(18,801)
Transformations	79,665	1,282	30,687	2,431	(23,133)	90,932
Effect of movement in exchange rates	-	-	(4,710)	(713)	(17)	(5,440)
Balance on December 31, 2021	$ 662,109	269,480	1,575,236	154,304	72,497	2,733,626
Balance on January 1, 2020	$ 268,000	255,583	1,237,273	116,981	28,029	1,905,866
Additions	-	2,807	148,878	9,428	20,897	182,010
Disposals	-	-	(30,927)	(1,097)	-	(32,024)
Transformations	-	880	88,663	2,523	(25,782)	66,284
Effect of movement in exchange rates	-	-	10,673	1,587	12	12,272
Balance on December 31, 2020	$ 268,000	259,270	1,454,560	129,422	23,156	2,134,408
Depreciation and impairments loss:						
Balance on January 1, 2021	$ -	77,135	443,678	66,942	-	587,755
Depreciation	-	30,773	182,377	24,283	-	237,433
Disposals	-	-	(3,477)	(13,553)	-	(17,030)
Effect of movements in exchange rates	-	-	(1,552)	(383)	-	(1,935)
Balance on December 31, 2021	$ -	107,908	621,026	77,289	-	806,223
Balance on January 1, 2020	$ -	47,607	279,972	44,542	-	372,121
Depreciation	-	29,528	165,459	22,297	-	217,284
Disposals	-	-	(5,602)	(823)	-	(6,425)
Effect of movements in exchange rates	-	-	3,849	926	-	4,775
Balance on December 31, 2020	$ -	77,135	443,678	66,942	-	587,755
Carrying amounts:						
Balance on December 31, 2021	$ 662,109	161,572	954,210	77,015	72,497	1,927,403
Balance on December 31, 2020	$ 268,000	182,135	1,010,882	62,480	23,156	1,546,653

(Continued)

The Board of Directors approved the Group on November 11, 2020, to purchase Land No.469 and 478 on Yanhe Rd., Changhua City for expanding capacity. The Group paid $77,760 for the contract and other related costs, which was recognized in other non-current assets on December 31, 2020. The Group had paid in full amount and had completed the registration of ownership transfer in January 2021.

As of December 31, 2021 and 2020, the aforementioned property, plant and equipment of the Group had been pledged as collaterals for long-term borrowings and guaranteed convertible corporate bonds; please refer to note 8.

(h) Right-of-use assets

The Group leases assets including offices, factor facilities, machinery and warehouses. The cost of and depreciation of the right-of-use assets of the Group were as follows:

	Land	Buildings	Machinery	Total
The cost of right-of-use assets:				
Balance on January 1, 2021	$ -	100,828	-	100,828
Additions	59,808	3,963	-	63,771
Disposal	-	(5,373)	-	(5,373)
Effect of movements in exchange rates	52	(265)	-	(213)
Balance on December 31, 2021	**$ 59,860**	**99,153**	**-**	**159,013**
Balance on January 1, 2020	$ -	93,829	3,132	96,961
Additions	-	67,056	-	67,056
Disposal	-	(60,628)	(3,114)	(63,742)
Effect of movements in exchange rates	-	571	(18)	553
Balance on December 31, 2020	**$ -**	**100,828**	**-**	**100,828**
Depreciation and impairment loss:				
Balance on January 1, 2021	$ -	15,408	-	15,408
Depreciation for the period	455	15,221	-	15,221
Disposal	-	(5,373)	-	(5,373)
Effect of movements in exchange rates	-	(101)	-	(101)
Balance on December 31, 2021	**$ 455**	**25,155**	**-**	**25,610**
Balance on January 1, 2020	$ -	6,668	2,349	9,017
Depreciation for the period	-	15,058	-	15,058
Disposal	-	(6,586)	(2,336)	(8,922)
Effect of movements in exchange rates	-	268	(13)	255
Balance on December 31, 2020	**$ -**	**15,408**	**-**	**15,408**
Carrying amount:				
Balance on December 31, 2021	**$ 59,405**	**73,998**	**-**	**133,403**
Balance on December 31, 2020	**$ -**	**85,420**	**-**	**85,420**

To combine the manufacturing sites, the subsidiary in Mainland China, JMO, decided to acquire the right-of-use of land in Wangniudun Town, Dongguan City based on a resolution of the Board of Directors on March 18,2021. According to the repurchase section in the investment agreement, if JMO fails to meet the requirements of the agreement after the right-of-use of land is put into operation, the People's Government of Wangniudun Town, Dongguan City has the right to initiate the repurchase of the right-of-use of land. However, the Group assessed the possibility of the repurchase was extremely low.
In addition, JMO signed a contract for the transfer of the right-of-use of state-owned construction land with the Dongguan Municipal Bureau of Natural Resources on July 20, 2021. To obtain the right-of-use of land with a total area of 25.04 mu, the transaction price was CNY 13.78 million, which was fully paid on July 22, 2021.

(Continued)

(i) Short-term borrowings

The short-term borrowings of the Group were as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	$ 215,000	160,000
Unused short-term credit lines	$ 678,040	655,120
Range of interest rates	0.83%~1.47%	0.95%~1.75%

The main management of the Group was the joint guarantor of short-term borrowings; please refer to note 7.

(j) Long-term borrowings

The details of long-term borrowings of the Group were as follows:

	December 31, 2021	December 31, 2020
Unsecured bank loans	$ 177,720	129,720
Secured bank loans	330,020	57,780
Less: current portion	(16,215)	-
Less: deferred benefit	(2,489)	(2,686)
Total	$ 489,036	184,814
Unused credit lines	$ 493,500	541,500
Range of interest rates	0.7%~1.15%	0.7%~1.54%
Expiration date	111.10~115.1	111.10~114.2

(i) In order to purchase equipment for production and support the medium-term working capital, the Group obtained a low-interest loan amount of $200,000 from Bank SinoPac (credit lines were not allowed to be used cyclically), with maturity in September 2024, in accordance with " Action Plan for Welcoming Overseas Taiwanese Business to Return to Invest in Taiwan ("Welcome Back Action Plan")." As of December 31,2021 and 2020, the Group had used the credit amount of $99,720. The loan was recognized and measured by 1.2% of market rates, and the 0.7% of margin interests between the actual rates and market rates were recognized as deferred income (the non-current liabilities), based on Government grants.

(ii) In order to purchase equipment for production and support the medium-term working capital, the Group obtained a lower interest loan amount of $360,000 from Chang Hwa Commercial Bank (credit lines were not allowed to be used cyclically), with maturity in February 2025, in accordance with "Welcome Back Action Plan". As of December 31, 2021 and 2020, the Group had used the credit amount of $87,780. The loan was recognized and measured by 1.2% of market rates, and the 0.7% of margin interests between the actual rates and market rates were recognized as deferred income (the non-current liabilities), based on Government grants.

(Continued)

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(iii) In order to expand capacity and the medium-term working capital, the Group obtained a lower interest loan amount of $149,000 from Bank SinoPac (credit lines were not allowed to be used cyclically), with maturity in December 2025, in accordance with " Welcome Back Action Plan". As of December 31, 2021, the Group had used the credit amount of $48,000. The loan was recognized and measured by 1.5% of market rates, and the 1% of margin interests between the actual rates and market rates were recognized as deferred income (the non-current liabilities), based on Governments grants.

(iv) For the information of collaterals for long-term borrowings; please refer to note 8.

(v) The main management of the Group was the joint guarantor of long-term borrowings; please refer to note 7.

(k) Bond payable

The Group issued the first domestic secured convertible bonds and the second unsecured convertible bonds on January 2, 2020 and January 3, 2020, respectively. The information of issuance amount was as follows:

The details of convertible bonds were as follows:

		December 31, 2021	December 31, 2020
Unsecured convertible bonds	$	250,000	250,000
Secured convertible bonds		400,000	400,000
Unamortized discounts on bonds payable		(8,320)	(16,522)
Less：bonds payable, current portion		(641,680)	-
Total	$	-	633,478
Embedded derivatives- put options (recorded as financial assets at fair value through profit or loss-current)	$	65	-
Embedded derivatives- put options (recorded as financial liabilities at fair value through profit or loss-non-current)	$	-	1,955
Equity component-conversion options (recorded as capital surplus-conversion options)	$	23,321	23,321

		2021	2020
Embedded derivative-gains or losses resulting from put options at fair value (recorded as other profit or loss, net)	$	2,020	(1,649)
Interest expense	$	(8,202)	(8,085)

The group separated conversion options from liabilities and recognized as equity and liabilities. The related information was as follows:

(i) Secured convertible bonds

		The first
The compound interest present value	$	391,320
The embedded derivative equity-put option		(360)
The equity components		13,040
Total convertible bonds issued	**$**	**404,000**

The equity components were accounted for as capital surplus-conversion options. In accordance with IFRSs, the issuance cost of the first domestic secured convertible bonds was allocated at $85 to the capital surplus-conversion options.

The significant terms of the first convertible bonds were as follows:

1) Duration：Three years (from January 2, 2020 to January 2, 2023)

2) Coupon interest：0%

3) Redemption at the option of the company：The Company may redeem the bonds under the following circumstances:

   a) Within the period between three months after the issuance date and 40 days before the last convertible date, if the closing price of the Company's common shares on the TSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, the Company may redeem all bond at par value。

   b) Within the period between three months after the issuance date and 40 days before the last convertible date, if the event that at least 90% of the principal amount of the bonds originally outstanding has been redeemed, repurchased, or converted, the Company may redeem all bonds at par value.

4) Redemption at the option of bondholders:

   The bondholders have the right to request the Company to repurchase the bonds at par value after two years beginning from the issuance date.

5) Terms of conversion：

   a) Bondholders may opt to have the bonds converted into the common stock of the Company from April 3, 2020 to January 2, 2023.

   b) Conversion price is determined as TWD 86.8 per share upon issuance. The conversion price has been adjusted to TWD 81.8 per share after paying cash dividends through capital surplus in 2020 and issuing new shares in cash and paying cash dividends through earnings distribution in 2021.

6) The Company used assets as collateral to issue corporate bonds, the guarantee circumstance Please refer to note 8.

7) The bondholders may request the Company to repurchase the bonds after two years beginning from the issuance date. For conservative consideration, the Company reclassified all of the above-mentioned convertible bonds as current liabilities starting from January 2021, however, it does not mean that the bonds will be fully repaid in the next year.

(ii) Unsecured convertible bonds

		The second
The compound interest present value	$	239,100
The embedded derivative liabilities-put option		675
The equity components		10,475
Total convertible bonds issued	**$**	**250,250**

The equity components were accounted for as capital surplus-conversion options. In accordance with IFRSs, the issuance cost of the second domestic unsecured convertible bonds was allocated at $109 to the capital surplus-conversion options.

The significant terms of the second convertible bonds were as follows:

1) Duration：Three years (from January 3, 2020 to January 3, 2023).

2) Coupon Rate：0%.

3) Redemption at the option of the company：The Company may redeem the bonds under the following circumstances:

a) Within the period between three months after the issuance date and 40 days before the last convertible date, if the closing price of the Company's common shares on the TSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, the Company may redeem all bond at par value.

b) Within the period between three months after the issuance date and 40 days before the last convertible date, if the event that at least 90% of the principal amount of the bonds originally outstanding has been redeemed, repurchased, or converted, the Company may redeem all bonds at par value.

4) Redemption at the option of bondholders:

The bondholders have the right to request the Company to repurchase the bonds at 101% of par value (annual puttable return: 0.5%) after the issuance date two years later.

5) Terms of conversion：

a) Bondholders may opt to have the bonds converted into the common stock of the Company from April 4, 2020 to January 3, 2023.

(Continued)

b) Conversion price is determined as TWD 85.8 per share upon issuance. The Company paid cash dividend from capital surplus in 2020; therefore, the conversion price has been adjusted to TWD 80.9 per share.

6) The bondholders may request the Company to repurchase the bonds after two years beginning from the issuance date. For conservative consideration, the Company reclassified all of the above-mentioned convertible bonds as current liabilities starting from January 2021, however, it does not mean that the bonds will be fully repaid in the next year.

(l) Other payables

	December 31, 2021	December 31, 2020
Equipment payable	$ 15,943	3,964
Employees' and directors' compensation payable	-	16,500
Salaries and bonus payable	111,845	93,930
Accrued expenses and other payables	82,228	106,822
	$ 210,016	**221,216**

(m) Lease liabilities

	December 31, 2021	December 31, 2020
Current	**$ 14,042**	**14,293**
Non-current	**$ 63,056**	**73,775**

For the maturity analysis, please refer to note 6(v) financial instruments.

	2021	2020
Interest on lease liabilities	**$ 1,924**	**2,362**
Expenses relating to short-term leases or low-value leases	**$ 1,697**	**1,147**

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

	2021	2020
Total cash outflow for leases	**$ 18,381**	**16,077**

(i) Real estate leases

The Group leases buildings for its office and factory. The leases of office space typically run for a period of 3 ~10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of 2 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(Continued)

The Group also leases automobile and office equipment with contract terms of 1 to 2 years. These leases are short-term and low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Employee benefits

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs of the Company incurred from the contributions to the Bureau of the Labor Insurance amounted to $10,125 and $9,974 for the years ended December 31, 2021 and 2020, respectively.

The pension costs recognized by the other subsidiaries included in consolidated financial statements for the years ended December 31, 2021 and 2020, were $13,455 and $2,672, respectively.

(o) Income taxes

(i) Income tax expense

The components of income tax in the years 2021 and 2020 were as follows:

		2021	2020
Current tax expense			
Current period	$	42,124	31,450
10% surtax on unappropriated earnings		-	2,300
Adjustment for prior periods		(6,549)	(12,695)
		35,575	21,055
Deferred tax expense			
Change in unrecognized deductible temporary differences		(5,555)	38,067
		(5,555)	38,067
Income tax expense	**$**	**30,020**	**59,122**

The amount of income tax recognized in other comprehensive income for 2021 and 2020 was as follows:

		2021	2020
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation	**$**	**-**	**9,591**

Reconciliation of income tax and profit before tax for 2021 and 2020 were as follows:

	2021	2020
Profit excluding income tax	$ (267,096)	182,176
Income tax using the Company’s domestic tax rate	(54,158)	78,334
Recognition of unrecognized prior-year losses	(152)	(11,367)
Current-year losses for which no deferred tax asset was recognized	53,253	17,583
Change in unrecognized temporary differences	34,102	(9,971)
Change in provision in prior periods	(6,549)	(12,695)
10% surtax on unappropriated earnings	-	2,300
Others	3,524	(5,062)
	$ **30,020**	**59,122**

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2021	December 31, 2020
Aggregate amount of temporary differences related to investments in subsidiaries	$ **566,951**	**372,422**
Unrecognized deferred tax liabilities	$ **113,390**	**74,484**

2) Unrecognized deferred tax assets

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

	December 31, 2021	December 31, 2020
The carry forward of unused tax losses - The Company	$ 62,340	17,583
The carry forward of unused tax losses - ETERGE	4,031	-
The carry forward of unused tax losses - JMOL	8,377	8,529
The carry forward of unused tax losses - ETERGE (DONG GUAN)	366	-
Tax effect of deductible temporary differences	49,565	29,099
	$ **124,679**	**55,211**

(Continued)

The Income Tax Law of the People's Republic of China allows net losses, as assessed by the tax authorities, to offset taxable income over a period of five years for local tax reporting purposes.

As of December 31, 2021, the information of JMOL and ETERGE (DONG GUAN) unused tax losses for which no deferred tax assets were recognized are as follows:

The Company	Year of loss	Unused tax loss (CNY, thousand)	Expiry date
JMOL	2019 (assessed)	**$ 7,654**	2024

The Company	Year of loss	Unused tax loss (CNY, thousand)	Expiry date
ETERGE (DONG GUAN)	2021 (estimated)	**$ 337**	2026

The Income Tax Law of Republic of China allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. These items are not recognized as deferred income tax assets because the Company is not likely to have sufficient taxable income for the temporary difference in the future.

As of December 31, 2021, the information of the company and ETERGE unused tax losses for which no deferred tax assets were recognized were as follows:

The Company	Year of loss	Unused tax loss (CNY, thousand)	Expiry date
JMO	2020 (assessed)	$ 67,927	2030
JMO	2021 (estimated)	243,772	2031
		$ 311,699	

The Company	Year of loss	Unused tax loss (CNY, thousand)	Expiry date
ETERGE	2020 (assessed)	$ 4,387	2030
ETERGE	2021 (assessed)	20,663	2031
		$ 25,050	

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

	Investment income recognized under the equity method
Deferred Tax Liabilities:	
Balance at January 1, 2021	31,922
Recognized in profit or loss	(5,555)
Foreign currency translation differences for foreign operation	(300)
Balance at December 31, 2021	**26,067**
Balance at January 1, 2020	24,861
Recognized in profit or loss	7,061
Balance at December 31, 2020	**31,922**

The subsidiary of the Company, CHENG TIAN, estimated its tax rate on dividends repatriation from China to be 10% based on the withholding tax rate in China.

	Unearned gross profits	Exchange differences on translation	Allowance for inventory valuation and obsolescence losses	Others	Total
Deferred Tax Assets:					
Balance at January 1, 2021	$ 979	-	228	1,239	2,446
Recognized in profit or loss	-	-	-	-	-
Recognized in other comprehensive income	-	-	-	-	-
Balance at December 31, 2021	**$ 979**	**-**	**228**	**1,239**	**2,446**
Balance at January 1, 2020	$ 7,360	9,591	18,054	8,038	43,043
Recognized in profit or loss	(7,360)	-	(17,826)	(5,820)	(31,006)
Recognized in other comprehensive income	-	(9,591)	-	-	(9,591)
Balance at December 31, 2020	**$ -**	**-**	**228**	**2,218**	**2,446**

(Continued)

(iii) Assessment of tax

The Company' s tax returns for the years through 2019 were assessed by the National Tax Administration

(p) Capital and other equity

As of December 31, 2021 and 2020, the number of authorized ordinary shares were 100,000 thousand shares with par value of $10 per share. The total value of authorized ordinary shares was amounted to $1,000,000. As of that date, 78,292 thousand shares (2019: 68,340 thousand shares) of ordinary shares were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2021 and 2020 was as follows:

(in thousands of shares)		**2021**	**2020**
Balance on January 1	$	68,340	68,393
Issuance for cash		10,000	-
Restricted employee shares (cancellation of employee restricted shares)		(48)	(53)
Balance on December 31	**$**	**78,292**	**68,340**

(i) Ordinary shares

A resolution of the issuance of the new restricted employee shares was approved by the Board of Directors on March 21, 2018, issuing 400 thousand ordinary shares at $35 per share with a par value of $10 per share. The statutory registration procedures had been completed. Due to the resignation of employees, the Company cancelled and unvested 48 thousand and 53 thousand shares of new restricted employee shares in 2021 and 2020, respectively. Please refer to Note 6(q) for information about new restricted employee shares.

A resolution was approved by the Board of Directors on March 18, 2021, that the capital was increased by issuance of 10,000 thousand ordinary shares at $50 per share with a par value of $10 per share. In addition, according to the related regulations, 10% of the total number of shares issued this time was retained for employees to subscribe. The total amount received from the capital increase which deducted the relevant underwriting fees was $498,750. The statutory registration procedures had been completed, and all amounts of the issued shares had been collected. Please refer to Note 6(q) for information about capital increase by cash and the retention for employee subscription.

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(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2021	December 31, 2020
Share capital	$ 1,114,691	715,941
Cash issuance of share reserved for employee subscription	21,620	12,745
Recognition of changes in ownership interests in subsidiaries	18,557	17,473
Employee stock options	7,305	7,305
Employee restricted shares	12,706	16,112
Convertible bond－conversion options	23,321	23,321
Other	3,709	-
	$ 1,201,909	**792,897**

The Company's Board of Directors held on March 17, 2021, decided to distribute the cash dividend of $54,694 (representing 0.8 New Taiwan dollars per share), by using the additional paid-in capital.

(iii) Retained earnings

Based on the Company's Articles of Incorporation, if there is any profit in the annual final accounts, the Company shall first pay all taxes and make up past losses in accordance with the law, and set aside 10% as the legal reserve, except when the accumulated legal reserve has reached the total capital. Then the Company may set aside or reverse the special reserve in accordance with the law or the regulations of the competent authorities. The remaining profit, together with the beginning balance of undistributed retained earnings by new shares, can be distributed according to the distribution plan proposed by the Board of Directors to be submitted to during the shareholders' meeting for approval. However, the distribution of earnings or legal reserve and capital surplus, distributed by way of cash, shall be decided during the Board meeting, approved by more than half of the directors, with two thirds of the directors in attendance; thereafter, to be reported in the shareholders' meeting of the Company.

The Company is in the growth stage. Based on capital expenditures, business expansion needs and sound financial planning for sustainable development, the dividend policy of the Company is in line with the Company's profitability, capital structure and future operational needs. Dividends distributed to shareholders will not less than 20% of the distributable surplus each year. However, if the accumulated distributable surplus is less than 40% of share capital, it will not be distributed; the principle of distributing dividends to shareholders is that stock dividends is combined with cash dividends, and the distribution of cash dividends will not less than 30% of the total dividends to be distributed.

1) Legal reserve

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

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve in 2019 earnings distribution; while in 2020 earnings distribution, a portion of current period earnings, plus other items recognized as undistributed current period earnings, and undistributed prior period earnings shall be reclassified as a special earnings reserve. The amount to be reclassified should be equal to the total net current-period reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2020 and 2019 was approved by the Board of Directors on April 9, 2021 and March 17, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	2020		**2019**	
	Distribution rate (dollar)	**Amount**	**Distribution rate (dollar)**	**Amount**
Dividends distributed to ordinary shareholders				
Cash	$ 1.15	78,581	-	-

(q) Share-based payment

(i) Employee stock options

Based on a resolution at the Board of Directors on May 9, 2018, the Company decided to issue 1,000 thousand shares of employee stock options on the grant date to those full-time employees of the Company or its domestic and foreign subsidiaries (the Group directly or indirectly holds more than 50% of its equity). The employee stock options have been registered and approved by the Securities and Futures Bureau of the FSC.

The employees who receive the stock options can exercise 100% of stock options after holding for two years. The exercisable duration of the option is five years. The outstanding options are deemed to be waiver of the right to exercise after the expiration date. The employees who hold the options are not able to claim the right to exercise. No transference, pledge or donation is allowed to except for inheritance. If the employees violate the labor contract, working rules and other significant negligence, the Company has the right to recall and cancel the options for which without the exercise right.

The details of the employee stock options were as follow:

	2021		2020	
(in thousand shares)	Weighted average of performance price	Number of share option	Weighted average of performance price	Number of share option
Outstanding shares on January 1	100.01	662	100.01	809
Shares forfeited in the current period	99.60	(78)	100.01	(147)
Shares exercised in the current period		-	-	-
Shares expired in the current period		-	-	-
Outstanding shares on 31 December	95.30	**584**	100.01	**662**
Exercisable shares on December 31		**584**		**662**

The Company adopted the Black-Scholes model to compute the fair value of share-based payment on the grant date, and the input parameters of this model are as follows:

	2018
	Employee stock options
Fair value on grant date	13.88
Market price on grant date	81.03
Exercise price	106
Expected volatility	34.82%
Expected life of the option	3.5 years
Expected dividend	-
Risk-free interest rate	0.65%

Expected volatility is based on the historical volatility of the same industry; the expected life of the options is based on the Company's issuance methods; the expected dividends and risk-free interest rate is based on government bonds.

The expense recognized by the Company and ETERGE due to the employee stock options in 2020 was $1,639.

(ii) New restricted employee shares

Based on a resolution at the annual shareholders' meeting on June 21, 2018, the Company decided to issue 400 thousand new restricted employee shares to those full-time employees of the Group on the grant date. The restricted shares have been registered and approved by the Securities and Futures Bureau of the FSC. The grant date of the new restricted employee shares was September 1, 2018.

These employees with the restricted share awards are entitled to purchase the Company's stocks at the price of $35 per share. When these employees continue to provide service to the Company for at least 1 year, 2 years, 3 years, 4 years and 5 years from the grant date, their most recent performance grades reach to 85 and above and the sales revenue of the Group reach that year's target, 20% of the issued restricted shares will be vested in each year. The restricted shares are kept by the trust immediately after issuance. Stock dividends and cash dividends obtained for holding restricted shares are also required to be kept by the trust before the vested conditions. If these employees do not meet the vesting conditions, the Company will repurchase all the unvested shares at the issue price. These employees are entitled to acquire stock and cash dividends during the vesting period even if these employees will not meet the vesting conditions.

The details of the new restricted employee shares were as follows:

(in thousand shares)	**December 31, 2021**	**December 31, 2020**
Outstanding shares on 1 January	167	279
Shares vested in the current period	(40)	(59)
Shares forfeited in the current period	(48)	(53)
Outstanding shares on 31 December	**79**	**167**

The expenses recognized by the Company in 2021 and 2020 due to the new restricted employee shares were $(120) and $1,946, respectively.

(iii) Cash capital increase reserved for employee subscription

Based on a resolution of the Board of Directors on July 13, 2020, ETERGE decided to increase its capital by cash. The details information was as follows:

	Equity-settled
	Cash capital increase reserved for employee subscription
Grant date	2020.7.13
Number of shares granted	727 thousand shares
Contract period	43 days
Granted recipients	Employees of the company and ETERGE
Vested conditions	Immediately vested

The ETERGE adopted the Black-Scholes model to compute the fair value of share-based payment on the grant date, and the inputs were as follows:

	2020
	Cash capital increase reserved for employee subscription
Fair value on grant date	3.82
Share price on grant date	30.48
Exercise price	28
Expected volatility	59.27 %
Expected life	43 days
Expected dividend	-
Risk-free interest rate	0.29 %

Expected volatility is based on the historical volatility of the same industry; the expected life of the options is based on the Company's issuance methods; the expected dividends and risk-free interest rate is based on government bonds.

The expense recognized by the Company in 2020 was $2,777 due to the cash capital increase reserved for employee subscription.

(iv) Cash capital increase reserved for employee subscription

Based on a resolution of the Board of Directors on Mar 18, 2021, the Company decided to increase its capital by cash. The details information was as follows:

	Equity-settled
	Cash capital increase reserved for employee subscription
Fair value at grant date	2021.7.28
Number of shares granted	932 thousand shares
Granted recipients	The Company and subsidiary, ETERGE
Vested conditions	Immediately vested

The expense recognized by the Company in 2021 was 85 due to the cash capital increase reserved for employee subscription.

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(r) Earnings per share

The Group's basic and diluted earnings per share were calculated as follows:

	2021	2020
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	$ (290,515)	125,729
Weighted-average number of ordinary shares (thousand shares)	72,353	68,133
Basic earnings per share	$ (4.02)	1.85
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic)		$ 125,729
Effect of dilution		
Convertible Bond		9,734
Profit attributable to ordinary shareholders of the Company (diluted)		$ 135,463
Weighted average number of ordinary shares (basic)		68,133
Effect of dilution (thousand shares)		
Effective of changing convertible dilution		7,610
Non-vested employee restricted stock		22
Effect of employee stock compensation		288
Weighted average number of ordinary shares (diluted) (thousand shares)		76,053
Diluted earnings per share		1.78

Note： For the year ended December 31, 2021, the Company's potential common stock was not dilutive due to the net loss after tax.

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Primary geographical markets		
China	$ 986,121	1,137,942
Korea	100,591	356,390
Taiwan	147,480	173,091
Other countries	31,920	22,276
	$ 1,266,112	1,689,699
Primary products:		
Mold (including mold base and core)	587,079	1,013,827
Other	679,033	675,872
	1,266,112	1,689,699

(Continued)

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes and accounts receivable (including related parties)	$ 559,061	852,139	644,293
Less: allowance for impairment	(120,287)	(55,109)	(39,173)
Total	**$ 438,774**	**797,030**	**605,120**
Contract liabilities (unearned revenue)	**$ 99,431**	**108,682**	**81,236**

For details on notes and accounts receivable and allowance for impairment, please refer to note 6(c).

The amount of revenue recognized for the year ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of the period were $106,123 and $73,127, respectively.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(t) Employees' compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation, the Company should contribute no less than 2% of the profit as employee compensation and less than 2% as directors’ and supervisors’ remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the year ended December 31, 2020, the remunerations to employees amounted to $13,542, and the remunerations to directors amounted to $2,500. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder’ meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees’ remuneration are calculated based on the closing price of the Company’s shares on the day before the approval by the Board of Directors. The above-mentioned amount of remuneration to employees and directors are no different from the estimated amount of the 2020 consolidated financial statement. Related information would be available at the Market Observation Post System website.

The Company recognized a net loss before tax for the year ended December 31, 2021, therefore, no provision for employees’ compensation and directors' remuneration was required.

(u) Other non-current liabilities

On November 11, 2021, the Board of Directors resolved to issue the third unsecured convertible bonds to repay the funds required by the holders of the first domestic secured convertible bonds and the second domestic unsecured convertible bonds for the purpose of executing the sell-back rights.

The Company issued 3-year unsecured convertible bonds with a face value of TWD 100,000 each, total amount of $500,000, at 100.3% of the face value, and the number of issued bonds was 5,000. The convertible bonds were issued on January 3, 2022, as of December 31, 2021, $501,500 of converted unsecured convertible bonds had been received in advance, which was recognized as other non-current liabilities.

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

To minimize credit risk, the Group periodically evaluates financial status of the customers and the possibility of collecting receivables. Besides, the Group monitors and reviews the recoverable amount of the receivables to ensure the uncollectible amount are recognized appropriately as loss allowance. As of December 31, 2021 and 2020, 60% and 67%, respectively, of notes and accounts receivable were six and eight major customers. Thus, credit risk is significantly centralized.

3) Receivables and debt securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(c). Other receivables at amortized cost, for the details of the loss allowance for impairment in 2021 and 2020, please refer to Note 6(d).

Other financial assets at amortized cost includes cash and cash equivalents, other receivables, restricted assets (recorded as other non-current assets) and guarantee deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within one year	1~2 years	2~5 years	Over 5 years
December 31, 2021						
Non-derivative financial liabilities:						
Short-term borrowings	$ 215,000	(215,400)	(215,400)	-	-	-
Notes and accounts payable (including related parties)	104,447	(104,447)	(104,447)	-	-	-
Other payables	210,016	(210,016)	(210,016)	-	-	-
Long-term borrowings (including current portion)	505,251	(522,527)	(21,188)	(177,554)	(323,785)	-
Lease liabilities (including current and non-current)	77,098	(82,362)	(15,573)	(13,774)	(25,223)	(27,792)
Bonds payable	641,680	(652,500)	(652,500)	-	-	-
	$ 1,753,492	**(1,787,252)**	**(1,219,124)**	**(191,328)**	**(349,008)**	**(27,792)**
December 31, 2020						
Short-term borrowings	$ 160,000	(160,000)	(160,000)	-	-	-
Notes and accounts payable (including related parties)	118,689	(118,689)	(118,689)	-	-	-
Other payables	221,216	(221,216)	(221,216)	-	-	-
Long-term borrowings (including current portion)	184,814	(187,500)	-	(16,215)	(171,285)	-
Lease liabilities (including current and non-current)	88,068	(95,103)	(16,196)	(13,585)	(30,267)	(35,055)
Bonds payable	633,478	(652,500)	-	-	(652,500)	-
Financial liabilities at fair value through profit or loss - non-current	1,955					
	$ 1,408,220	**(1,435,008)**	**(516,101)**	**(29,800)**	**(854,052)**	**(35,055)**

Except for some long-term borrowings repaid in advance, the Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2021			December 31, 2020		
	Foreign currency	**Exchange rate**	**TWD**	**Foreign currency**	**Exchange rate**	**TWD**
Financial assets						
Monetary items						
USD	$ 21,076	USD/TWD = 27.68	583,384	26,662	USD/TWD = 28.480	759,334
USD	$ 2,158	USD/CNY = 6.372	59,733	1,900	USD/CNY = 6.5067	54,112
Financial liabilities						
USD	$ 1,502	USD/TWD = 27.68	41,575	2,644	USD/TWD = 28.480	75,301
USD	$ 2,309	USD/CNY = 6.372	63,913	5,056	USD/CNY = 6.5067	143,995

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, accounts payable, and other payables that are denominated in foreign currency. A strengthening (weakening) of 5% of the TWD against the USD as at December 31, 2021 and 2020, would have increased (decreased) the profit before income tax, were as follow:

	December 31, 2021	**December 31, 2020**
USD (against the TWD)		
Strengthening of 5%	$ (27,090)	34,202
Weakening of 5%	27,090	(34,202)
USD (against the CNY)		
Strengthening of 5%	209	(4,494)
Weakening of 5%	(209)	4,494

3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. Foreign exchange gains (losses) (including realized and unrealized portions) were as follows, respectively.

	110	**109**
Foreign exchange gains (losses)	**$ (16,413)**	**(28,716)**

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

Interest rate exposure of the Group's financial assets and liabilities were as follows:

		Book value	
		December 31, 2021	**December 31, 2020**
Instruments with fixed interest rate:			
Financial assets	$	138,400	93,984
Financial liabilities		(874,691)	(818,292)
	$	**(736,291)**	**(724,308)**
Instruments with variable interest rate:			
Financial assets	$	1,304,159	451,726
Financial liabilities		(487,240)	(160,000)
	$	**816,919**	**291,726**

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1 basis point when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 1 basis point, the Group's profit before income tax would have increased or decreased by $2,042 for the December 31, 2021 and decreased or increased by $729 for the December 31, 2020 with all other variable factors remaining constant. This is mainly due to the Group's demand deposits and borrowings with variable interest rate.

(v) Fair value of financial instruments - fair value hierarchy

1) The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

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	December 31, 2021				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Convertible bonds-embedded derivatives	$ 65			65	65
Financial assets measured at amortized cost:					
Cash and cash equivalents	$ 1,443,398	-	-	-	-
Notes and accounts receivable (including related parties)	438,774	-	-	-	-
Other receivables	3,958	-	-	-	-
Restricted assets (recorded as other non-current assets)	61,219	-	-	-	-
Guarantee deposits	6,294	-	-	-	-
Subtotal	1,953,643				
Total	**$ 1,953,708**				
Financial liabilities measured at amortized cost:					
Short-term borrowings	$ 215,000	-	-	-	-
Notes and accounts payable (including related parties)	104,447	-	-	-	-
Other payables (including related parties)	210,016	-	-	-	-
Long-term borrowings (including current portion)	505,251	-	-	-	-
Lease liabilities (current and non-current)	77,098	-	-	-	-
Bonds payable	641,680	-	-	-	-
Subtotal	1,753,492	-	-	-	-
Total	**$ 1,753,492**				

(Continued)

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	December 31, 2020				
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Cash and cash equivalents	$ 546,546	-	-	-	-
Notes and accounts receivable (including related parties)	797,030	-	-	-	-
Other receivables	7,967	-	-	-	-
Other financial assets (recorded as prepayments and other non-current assets)	55,580	-	-	-	-
Restricted assets (recorded as other non-current assets)	65,504	-	-	-	-
Guarantee deposits	4,979	-	-	-	-
Total	$ 1,477,606				
Financial liabilities at fair value through profit or loss					
Convertible bonds-embedded derivatives	$ 1,955	-	-	1,955	1,955
Financial liabilities measured at amortized cost:					
Short-term borrowings	$ 160,000	-	-	-	-
Notes and accounts payable (including related parties)	118,689	-	-	-	-
Other payables (including related parties)	221,216	-	-	-	-
Long-term borrowings (including current portion)	184,814	-	-	-	-
Lease liabilities (current and non-current)	88,068	-	-	-	-
Bonds payable	633,478	-	-	-	-
Subtotal	1,406,265	-	-	-	-
Total	$ 1,408,220				

2) Fair value evaluation technique of financial instruments not measured at fair value

The Group estimates financial instruments that not measured at fair value by methods and assumption as follows:

a) The par value of financial assets and liabilities measured at amortized cost in consolidated financial statements is close to the fair value

3) Fair value evaluation technique of financial instruments followed by fair value

The fair value of derivative instruments is measured by publicly available quotations. When publicly quoted prices are not available, the fair value of derivatives is estimated by valuation techniques, using estimates and assumptions that are based on the quotation information of financial institutions, or the binary tree pricing model widely accepted by market users.

4) There was no transfer from one level to another in 2021 and 2020.

5) The changes in level 3 at fair value in the years ended December 31, 2021, were as follows:

	Financial assets at fair value through profit or loss-Components of Convertible bonds	Financial liabilities at fair value through profit or loss-Components of Convertible bonds
Balance on January 1, 2021	$ -	1,955
Total gains and losses on issuing convertible bonds	-	-
Total gains and losses:		
Recognized in loss	65	(1,955)
Balance on December 31, 2021	**$ 65**	**-**
Balance on January 1, 2020	$ -	-
Total gains and losses on issuing convertible bonds	-	306
Total gains and losses:		
Recognized in loss	-	1,649
Balance on December 31, 2020	**$ -**	**1,955**

For the years ended December 31, 2021 and December 31, 2020, total gains and losses that were included in “other gains and losses, net.

6) The quantified information for significant unobservable inputs (level 3) used in fair value measurement

The Group's financial instruments that use level 3 input to measure fair values include financial liabilities at fair value through profit or loss－ Components of Convertible bonds.

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Financial liabilities at fair value through profit or loss －Redemption /put right of Convertible bonds	Binominal options pricing model of convertible bonds	· fluctuation rate (56.08% in December, 2021, 46.12% in December, 2020)	· The higher fluctuation, the higher fair value is

7) Sensitivity analysis for fair value of financial instruments using level 3 inputs

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on other comprehensive income or loss are as follows:

			Other comprehensive income	
	Input	**Move up or down**	**Favorable change**	**Unfavorable change**
December 31, 2021				
Financial liabilities at fair value through profit or loss	fluctuation rate	5%	$ 65	-
December 31, 2020				
Financial liabilities at fair value through profit or loss	fluctuation rate	5%	240	320

The favorable and unfavorable changes reflect the movement of the fair value, in which the fair value is calculated by using the different unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument if there are one or more unobservable inputs.

8) Offsetting financial assets and financial liabilities

The Group has financial instruments transactions applicable to the International Financial Reporting Standards NO. 32 Sections 42 endorsed by the FSC which requested for offsetting. Financial assets and liabilities relating to those transactions are recognized in the net amount of the balance sheets.

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The following tables present the aforesaid offsetting financial assets and financial liabilities:

December 31, 2021

Financial assets that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Notes receivable	$ 43,331	43,331	-	-	-	-
	(CNY 9,975)	(CNY 9,975)				

December 31, 2021

Financial assets that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial assets (a)	Gross amounts of financial liabilities offset in the balance sheet (b)	Net amount of financial assets presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Accounts payable and	$ 43,331	43,331	-	-	-	-
Accrued expense	(CNY 9,975)	(CNY 9,975)				

December 31, 2020

Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Notes receivable	$ 39,790	39,790	-	-	-	-
	(USD 9,091)	(USD 9,091)				

December 31, 2020

Financial liabilities that are offset which have an exercisable master netting arrangement or similar agreement

	Gross amounts of recognized financial liabilities (a)	Gross amounts of financial assets offset in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheet (c)=(a)-(b)	Amounts not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments	Cash collateral received	
Accounts payable and	$ 39,790	39,790	-	-	-	-
Accrued expense	(USD 9,091)	(USD 9,091)				

(w) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

The following likewise discusses the Group's objectives, policies, and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies, and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulated the use of derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’s receivables from customers and investments in debt securities.

1) Accounts receivable and other receivables

The sales target of the Group is significantly concentrated on a small number of customers. In order to reduce the credit risk, the Group continuously evaluates the financial status of the main customers and the actual collection situations, and the Group regularly assesses the possibility of accounts receivable recovery.

The Group does not hold any collateral or other credit enhancement instrument to avoid the credit risk of financial assets.

The Group sets the allowance for bad debt account to reflect the estimated losses for accounts receivables, other receivables, and investments. The allowance for bad debt account consists of specific losses relating to individually significant exposure and the unrecognized losses arising from similar assets groups. The allowance for bad debt account is recognized based on historical collection records of similar financial assets.

2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2021, no other guarantees were outstanding.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies used in these transactions are the USD, and JPY.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place, the Group buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Group borrows funds with variable interest rates, which has a risk exposure to changes in interest rates.

(Continued)

3) Other market price risk

The Group is not exposed to equity price risk because it does not hold equity securities.

(x) Capital management

The Group has to maintain sufficient capital to establish and expand production capacity and equipment. As the optical lens and related mold industry are highly affected by the cyclical fluctuations of the business environment, the capital management of the Group is to ensure that the Group has sufficient and necessary financial resources to support the working capital needs, capital expenditures, expenditures on research and development, dividend payments, and other businesses within the next 12 months.

(y) Investing and financing activities not affecting current cash flow

The Group does not have investing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020.

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes			
	January 1, 2021	**Cash flows**	**Acquisition and disposal**	**Discount on corporate bonds**	**Foreign exchange movement**	**December 31, 2021**
Long-term borrowings	$ 184,814	320,240	197	-	-	505,251
Short-term borrowings	160,000	55,000	-	-	-	215,000
Lease liabilities	88,068	(14,760)	3,963	-	(173)	77,098
Unearned convertible bonds	-	501,500	-	-	-	501,500
Bonds payable	633,478	-	-	8,202	-	641,680
Total liabilities from financing activities	**$ 1,066,360**	**861,980**	**4,160**	**8,202**	**(173)**	**1,940,529**

			Non-cash changes			
	January 1, 2020	**Cash flows**	**Acquisition and disposal**	**Discount on corporate bonds**	**Foreign exchange movement**	**December 31, 2020**
Long-term borrowings	$ 153,930	33,570	(2,686)	-	-	184,814
Short-term borrowings	599,940	(439,940)	-	-	-	160,000
Lease liabilities	88,886	(12,568)	11,427	-	323	88,068
Unearned convertible bonds	404,000	-	(404,000)	-	-	-
Bonds payable	-	245,020	404,980	(16,522)	-	633,478
Total liabilities from financing activities	**$ 1,246,756**	**(173,918)**	**9,721**	**(16,522)**	**323**	**1,066,360**

(Continued)

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of Related Party	Relationship with the Group
Hon Hai Precision Industry Co., Ltd. (HON HAI)	An associate
WWW (Jin Cheng) Co., Ltd. (WWW)	A subsidiary of Hon Hai
Foxconn Global Network Corporation	〃
Coretronic Corporation (Coretronic)	The corporate director of ETERGE
Coretronic Optics (Kunshan) Corporation	A subsidiary of Coretronic
Innospectra Corporation	〃
Yomng Optics INC.	〃
Mr. Lee Jung Chou	Key management personnel

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Group to related parties were as follows:

	2021	2020
Associates	$ 476	1,428
Other related-parties	139,140	84,708
	$ 139,616	**86,136**

The credit conditions and sales prices (incomparable) of the above-mentioned related party transactions of the Group were determined by the agreement of both parties.

(ii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Accounts receivable	Associates	$ -	1,412
	Other related parties	31,383	15,053
		$ 31,383	**16,465**

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(iii) Payables to related parties

The payables to related parties were as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Accounts payable	Associates	$ 261	261
	Other related parties	-	267
		$ 261	**528**

The accounts payables listed above were the payables of processing costs to the associates.

(iv) Leases

The Group entered into several two-year lease agreements for its equipment with its associates, WWW in 2018. The group terminated the contract in January, and recognized lease modifications gains $$21 (recorded as other gains or losses) in January 2020.

(v) Unearned revenue

The associates and other related parties, Coretronic entrusted the Group to design and manufacture molds and other products, the unearned revenue was as follows:

Account	Relationship	December 31, 2021	December 31, 2020
Contract liabilities	Associates	$ 165	-
	Other related parties	3,457	6,177
		$ 3,622	**6,177**

(vi) Property transactions

The Group purchased equipment from its associates in 2020 for $3,536, which had been fully paid as of December 31, 2020.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	$ 25,739	25,818
Post-employment benefits	456	535
Share-based payments	487	1,773
	$ 26,682	**28,126**

(ii) Guarantee

As of December 31, 2021 and 2020, the main management was the joint guarantor of the long-term and short-term borrowings of the Group.

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(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Property, plant and equipment	Long-term loans	$ 450,585	67,159
Property, plant and equipment	Issue secured bonds guarantee	331,605	333,719
Other non-current assets time deposits	Guarantees for issuing secured convertible bonds	61,219	65,504
		$ 843,409	**466,382**

(9) Commitments and contingencies

(a) Unrecognized contractual commitments:

	December 31, 2021	December 31, 2020
Acquisition of property, plant and equipment	**$ 528,305**	**329,939**

(b) Due to the transfer of a former employee of Calin Technology Co., Ltd. (hereinafter referred to as "Calin") to the Company, Calin accused that employee and the Company of violating the Trade Secrets Act to the Taiwan Taichung District Court in May 2020.
During the trial of the case, the Company appointed a lawyer to handle the litigation processes. On January 17, 2022, the Company signed a confidential settlement agreement with Calin regarding the case of infringement of trade secrets. Both parties performed the relevant provisions of the settlement agreement, and withdrew the related litigation case.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

On November 11, 2021, the Board of Directors approved the issuance of the third unsecured convertible bonds, which were listed on the Over-the-counter market on January 3, 2022.

(12) Other

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the year ended December 31					
	2021			2020		
	Cost of Sales	Operating Expense	Total	Cost of Sales	Operating Expense	Total
Employee benefits						
Salary	352,250	185,190	537,440	321,379	164,119	485,498
Labor and health insurance	21,840	12,524	34,364	19,711	10,050	29,761
Pension	15,777	7,803	23,580	7,235	5,411	12,646
Others	20,380	8,640	29,020	21,369	7,865	29,234
Depreciation	231,048	22,061	253,109	214,275	18,067	232,342
Amortization	251	5,036	5,287	624	4,786	5,410

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ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

(Unit: Thousand dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral Item	Collateral Value	Individual funding loan limits	Maximum limit of fund financing
1	JMO	JMOL	Other receivables	Y	130,320 (CNY30,000)	130,320 (CNY30,000)	130,320 (CNY30,000)	3.50%	Short-term financing	-	Short-term funding needs	-		-	752,378	752,378

Note 1: According to the JMO's “procedures for providing loans to other parties”, if foreign companies whose 100% of the voting shares directly or indirectly owned by the Company has needs for business transactions or short-term financing, the total and individual amount of lending cannot exceed 60% of the Company's net worth.

Note 2: The amounts were translated into New Taiwan Dollars at the exchange rates at the ending date of the reporting period.

Note 3: The above transactions had been eliminated in the consolidated financial statement.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
0	The Company	JMO	Subsidiaries	1,038,661	166,080 (USD6,000)	166,080 (USD6,000)	-	-	7.99 %	1,038,661	Y	N	Y

Note 1: According to the company's "Endorsement Guarantee Operation Procedures", the Company's endorsement guarantee amount for a single enterprise shall not exceed 50% of the Company's net worth; the total amount of external endorsement guarantee responsibility shall not exceed 50% of the company's net worth.

Note 2: The amounts were translated into New Taiwan Dollars at the exchange rates at the ending date of the reporting period.

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

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information: Owner	Relationship with the Company	Date of transfer	Amount	References for determining price	Purpose of acquisition and current condition	Others
The Company	Land	November 23, 2020	388,880	Paid off	CHANG YANG METAL ENTERPRISE CO., LTD.	Non-related parties	-	-	-	-	Appraisal report from Hongbang Real Estate Appraiser Firm	Using for factory expansion in the future	None

(Continued)

ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(vi) Disposal of individual real estate with amount exceeding the lower of TWD300 million or 20% of the capital stock: None

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

(Unit: Thousand dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	JMO	Subsidiaries	Sales	(276,823)	(46) %	150 days	No general price can be compared	No significant difference from the normal customer	56,592	28%	Note
JMO	The Company	Parent	Purchases	276,823	78 %	150 days	〃	〃	(56,592)	(60)%	〃

Note ：The above transactions had been eliminated in the consolidated financial statement.

(viii) Receivables from related parties with amounts exceeding the lower of TWD100 million or 20% of the capital stock:

(Unit: Thousand dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue (Note)		Amounts received in subsequent period	Loss allowance	Note
					Amount	Action taken			
JMO	JMOL	Second-tier Subsidiaries	130,320	-	-		-	-	Note 1

Note 1: The subsidiary lent funds to second-tier subsidiary.
Note 2: The above transactions had been eliminated in the consolidated financial statement.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Business relationships and significant intercompany transactions:

(Unit: Thousand dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	JMO	1	Operating revenues	276,823	No significant difference from the normal customer	21.86%
〃	〃	〃	1	Accounts receivable	56,592	〃	1.24%
〃	〃	ETERGE	1	Operating revenues	53,178	〃	4.20%
〃	〃	〃	1	Accounts receivable	13,568	〃	0.30%
〃	〃	JMOL	1	Operating revenues	42,046	〃	3.32%
〃	〃	〃	1	Accounts receivable	2,111	〃	0.05%
1	JMO	The Company	2	Operating revenues	51,910	〃	4.10%
〃	〃	〃	2	Accounts receivable	4,268	〃	0.09%
〃	〃	JMOL	1	Operating revenues	64,482	〃	5.09%

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ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
〃	〃	〃	1	Accounts receivable	16,095	〃	0.35%
〃	〃	〃	1	Other receivable	130,320	The calculated interest at the rate of 3.5%	2.86%
2	JMOL	The Company	2	Operating revenues	69,547	No significant difference from the normal customer	5.49%
〃	〃	〃	2	Accounts receivable	3,118	〃	0.07%

Note 1: The number is filled in as follows:

1. 0 represents the parent company
2. Subsidiaries are numbered sequentially according to Arabic numeral 1.

Note 2: The types of traders are marked as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The above transactions had been eliminated in the consolidated financial statement.

(b) Information on investees:

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

(Unit: Thousand dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest balance during the year		Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
The Company	CHENG TIAN	Samoa	General investing	608,960 (USD22,000)	470,560 (USD17,000)	22,000	100.00 %	1,184,492	22,000	100 %	34,919	34,919	
〃	ETERGE	Taiwan	Production and sales of optical components and electronic imaging products	136,160	136,160	6,845	68.45 %	134,109	6,845	68.45 %	(20,922)	(14,321)	

Note 1: The amounts shown in the table were translated into New Taiwan Dollars at the exchange rates at the end of the reporting period or the average rate of the year of 2021.
Note 2: The above transactions had been eliminated in the consolidated financial statement.

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ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(c) Information on investment in Mainland China:

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

(Unit: Thousand dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
JMO	Manufacture and sales of optical molds and products	904,004 (CNY208,104)	Note 1	471,197 (USD17,023)	138,400 (USD5,000)	-	609,597 (USD22,023)	89,707 (USD3,204)	100.00%	100.00%	87,467 (USD3,124)	1,249,226 (USD45,131)	-
JMOL	Assemble digital lens and lens coating	86,880 (CNY20,000)	Note 2	- (Note 2)	-	-	-	608 (CNY140)	100.00%	100.00%	608 (CNY140)	51,681 (CNY11,897)	-
ETERGE (DONG GUAN)	Manufacture and sales of optical molds	5,699 (CNY1,312)	Note 3	-	5,536 (USD 200)	-	5,536 (USD 200)	(1,463) (CNY(337))	68.45%	68.45%	(1,003) (CNY(231))	2,897 (CNY(667))	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2021 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Note 4)	Upper Limit on Investment (Note 4)
The Company	609,597 (USD 22,023)	1,093,997 (USD 39,523)	1,282,751
ETERGE (note 6)	5,536 (USD 200)	5,536 (USD200)	115,238

Note 1: Indirect investment in Mainland China through companies registered in a third region.
Note 2: Indirect investment in Mainland China through an existing company in Mainland China.
Note 3: Direct investment in mainland companies.
Note 4: The gains and losses on investment of the companies were recognized according to the investees' financial statements which had been reasonably audited by the certified public accountants of the parent company.
Note 5: The amounts shown in the table were translated into New Taiwan Dollars at the exchange rates at the end of the reporting period or the average rate of the year of 2019.
Note 6: The Company invested in mainland China of USD9,107 thousands, which is declared and approved by INVESTMENT COMMISSION, MOEA.
Note 7: In June and July of 2021, JMO increased its capital of CNY 60,800 through the transfer of retained earnings.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

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ZHONG YANG TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(d) Major shareholders:

Shareholding / Shareholder's Name	Shares	Percentage
Hongyang Venture Capital Co., Ltd.	10,053,908	12.84 %
DEVE & JOAN HAPPY LIFE LIMITED	8,924,854	11.39 %
DANIEL & JESSICA HAPPY LIFE LIMITED	5,876,005	7.50 %
Hongai International Investment Co., Ltd.	4,468,403	5.70 %
Hongyuan International Investment Co., Ltd.	4,468,403	5.70 %

Note: 1. The information on major shareholders, which is provided by Taiwan Depositor & Clearing Corporation, summarized the shareholders who held over 5% of total non-physical common stocks and preferred stocks (including treasury stocks) on the last business date of each quarter. The registered non-physical stocks may be different from the capital stocks disclosed in the financial statement due to different calculation basis.

2. If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the Company should declare insider' s equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insiders have discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(14) Segment information

(a) The Group has only a single operating segment, which is mainly engaged in the mold manufacturing, research and development, and sales of optical lens. The information of segment profit and loss, segment assets and liabilities are consistently with the consolidated financial statements. Please refer to the consolidated balance sheet and the consolidated comprehensive income statement.

(b) Product and service information

Revenue from the external customers of the Group was as follows:

Product and services	2021	2020
Mold (including mold base and core)	$ 587,079	1,013,827
Others	679,033	675,872
	$ 1,266,112	**1,689,699**

(c) Geographic information

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

(i) Revenue from external customers:

Geographical information	2021	2020
China	$ 986,121	1,137,942
Korea	100,591	356,390
Taiwan	147,480	173,091
Japan	13,181	17,592
Other countries	18,739	4,684
Total	**$ 1,266,112**	**1,689,699**

(ii) Non-current assets:

Geographical information	2021	2020
Taiwan	$ 1,638,831	1,315,381
China	529,719	498,700
Total	**$ 2,168,550**	**1,814,081**

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, guarantee deposits, and other non-current assets, not including deferred tax assets.

(d) Major customers

The details of sales revenue from external customers more than 10% of the amount of consolidated statement of comprehensive income were as follows:

	2021	2020
J Company	$ 119,416	221,612
R Company	136,802	102,994
	$ 256,218	**324,606**