

**GROUP UP INDUSTRIAL CO.,LTD. AND
SUBSIDIARIES**

Consolidated Financial Statements

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

Address: No.188, Heping Rd., Yangmei Dist., Taoyuan City
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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Group Up Industrial 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 endorsed 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, Group Up Industrial Co.,Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Group Up Industrial Co.,Ltd.
Chairman: An-Shun Chen
Date: February 25, 2022



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Independent Auditors' Report

To the Board of Directors of Group Up Industrial Co.,Ltd.:

Opinion

We have audited the consolidated financial statements of Group Up Industrial Co.,Ltd. (“the Company”) and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements 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 of 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 Committee (“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 Attestation 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.

1. Revenue recognition

Please refer to Note 4(n) “Revenue recognition” and Note 6(q) “Revenue from contracts with customers” to the consolidated financial statements.

Description of key audit matter:

The Group mainly engaged in the manufacturing and trading of general boxed-shaped equipment, automatic conveyor equipment and ovens. Revenue is recognized when the control of a product is transferred to a customer based on terms and conditions of the sales agreement. Revenue recognition is the main concern of the users of the financial statements. Therefore, we determined that revenue recognition is one of our key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included understanding the design and effectiveness of the Group's internal controls on revenue recognition; assessing whether the revenue recognition was performed in accordance with the Group's policy; performing sales cut-off test of a period before and after the reporting date by vouching relevant documents of sales transactions to determine whether revenue has been recognized in the proper period.

2. Valuation of trade receivables

Please refer to Note 4(g) "impairment of financial assets", Note 5(a) "accounting assumptions and estimation uncertainty of the valuation of trade receivables", and Note 6(c) "trade receivables" to the consolidated financial statements.

Description of key audit matter:

The Group's impairment of trade receivables is assessed based on historical experience of evidence of impairment and forward-looking information, which rely on the subjective judgment of the management. Therefore, we determined that the valuation of trade receivables is one of our key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included understanding the design and effectiveness of the Group's internal controls on valuation of trade receivables; obtaining the evaluation report on the impairment of trade receivables; examining the trade receivables aging report, reasons of overdue receivables, and the subsequent collection of the receivables to assess whether the impairment provisions for trade receivables are reasonable.

Other Matter

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Pei-Chi Chen and Heng-Shen Lin.

KPMG

Taipei, Taiwan (Republic of China)
February 25, 2022

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of 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' 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
GROUP UP INDUSTRIAL 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		December 31, 2021		December 31, 2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
Assets									
Current assets:									
1100 Cash and cash equivalents (notes 6(a)(t))	\$ 525,953	13	225,743	6	2100 Short-term borrowings (note 6(i)(t) and 8)	\$ 263,700	6	273,340	7
1110 Current financial assets at fair value through profit or loss (notes 6(b)(t))	-	-	328,058	9	2130 Current contract liabilities (note 6(q))	1,015,508	25	864,895	23
1150 Notes receivable, net (notes 6(c)(q))	5,477	-	10,129	-	2170 Accounts payable (note 6(t))	411,775	10	356,436	9
1170 Accounts receivables, net (notes 6(c)(q))	366,269	9	278,670	8	2219 Other payables, others (notes 6(m)(t))	155,910	4	144,494	4
130X Inventories (note 6(e))	1,315,382	32	1,021,623	27	2230 Current tax liabilities	37,768	1	25,518	1
1410 Prepayments	10,708	-	10,668	-	2250 Current provisions (note 6(l))	55,405	2	41,932	1
1476 Other current financial assets (note 6(d) and 8)	895,900	22	871,303	23	2280 Current lease liabilities (notes 3(k)(t) and 7)	5,097	-	4,785	-
1479 Other current assets, others	18,327	1	14,297	-	2320 Long-term borrowings, current portion (notes 6(j)(t) and 8)	14,889	-	59,559	2
	<u>3,138,016</u>	<u>77</u>	<u>2,760,491</u>	<u>73</u>	2399 Other current liabilities, others	11,494	-	5,100	-
Non-current assets:						<u>1,971,546</u>	<u>48</u>	<u>1,776,059</u>	<u>47</u>
1600 Property, plant and equipment (notes 6(f) and 8)	547,183	13	543,582	14	Non-current liabilities:				
1755 Right-of-use assets (notes 6(g))	27,411	1	21,116	1	2540 Long-term borrowings (notes 6(j)(t) and 8)	-	-	14,889	-
1760 Investment property, net (note 6(h))	45,794	1	51,714	1	2570 Deferred tax liabilities (note 6(n))	37,156	1	23,698	1
1840 Deferred income tax assets (note 6(n))	56,504	2	61,515	2	2580 Non-current lease liabilities (notes 6(k)(t) and 7)	12,733	-	5,874	-
1980 Other non-current financial assets (notes 6(d) and 8)	262,448	6	342,511	9	2640 Net defined benefit liability, non-current (note 6(m))	53,543	2	61,353	2
1995 Other non-current assets, others	8,182	-	10,018	-	Guarantee deposits received	4,772	-	4,776	-
	<u>947,522</u>	<u>23</u>	<u>1,030,456</u>	<u>27</u>		<u>108,204</u>	<u>3</u>	<u>110,590</u>	<u>3</u>
						<u>2,079,750</u>	<u>51</u>	<u>1,886,649</u>	<u>50</u>
					Total liabilities				
					Equity attributable to owners of parent (notes 6(o)(p)(v)):				
					Ordinary share	550,000	14	550,000	14
					Capital surplus	287,021	7	287,021	8
					Retained earnings:				
					Legal reserve	344,443	8	313,283	8
					Special reserve	29,200	1	35,202	1
					Unappropriated retained earnings	827,352	20	747,992	20
						<u>1,200,995</u>	<u>29</u>	<u>1,096,477</u>	<u>29</u>
					Other equity:				
					Exchange differences on translation of foreign financial statements	(32,228)	(1)	(29,200)	(1)
					Total equity attributable to owners of parent:	<u>2,005,788</u>	<u>49</u>	<u>1,904,298</u>	<u>50</u>
					Total equity	<u>2,005,788</u>	<u>49</u>	<u>1,904,298</u>	<u>50</u>
Total assets	<u>\$ 4,085,538</u>	<u>100</u>	<u>3,790,947</u>	<u>100</u>	Total liabilities and equity	<u>\$ 4,085,538</u>	<u>100</u>	<u>3,790,947</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue, net (notes 6(q))	\$ 1,911,543	100	1,614,244	100
5000	Operating costs (notes 6(e)(k)(l)(m)(r), 7 and 12)	<u>1,149,198</u>	<u>60</u>	<u>895,803</u>	<u>55</u>
	Gross profit from operations	762,345	40	718,441	45
	Operating expenses (notes 6(c)(k)(m)(r), 7 and 12):				
6100	Selling expenses	122,604	6	120,002	7
6200	Administrative expenses	89,188	5	75,578	5
6300	Research and development expenses	85,951	4	112,775	7
6450	Impairment loss determined in accordance with IFRS 9	<u>(4,780)</u>	<u>-</u>	<u>(22,020)</u>	<u>(1)</u>
	Total operating expenses	<u>292,963</u>	<u>15</u>	<u>286,335</u>	<u>18</u>
6900	Net operating income	<u>469,382</u>	<u>25</u>	<u>432,106</u>	<u>27</u>
	Non-operating income and expenses (notes 6(k)(s) and 7):				
7100	Interest income	14,133	1	18,398	1
7010	Other income	3,090	-	10,281	1
7020	Other gains and losses, net	(55,027)	(3)	(77,462)	(5)
7050	Finance costs	<u>(1,285)</u>	<u>-</u>	<u>(1,182)</u>	<u>-</u>
	Total non-operating income and expenses	<u>(39,089)</u>	<u>(2)</u>	<u>(49,965)</u>	<u>(3)</u>
7900	Profit before income tax	430,293	23	382,141	24
7950	Less: income tax expenses (note 6(n))	<u>93,792</u>	<u>5</u>	<u>71,204</u>	<u>5</u>
	Profit	<u>336,501</u>	<u>18</u>	<u>310,937</u>	<u>19</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Gains on remeasurements of defined benefit plans	5,646	-	835	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to loss (note 6(n))	<u>(1,129)</u>	<u>-</u>	<u>(167)</u>	<u>-</u>
	Total items that may not be reclassified subsequently to profit or loss	<u>4,517</u>	<u>-</u>	<u>668</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(3,785)	-	7,503	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(n))	<u>757</u>	<u>-</u>	<u>(1,501)</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>(3,028)</u>	<u>-</u>	<u>6,002</u>	<u>-</u>
8300	Other comprehensive income	<u>1,489</u>	<u>-</u>	<u>6,670</u>	<u>-</u>
	Comprehensive income	<u>\$ 337,990</u>	<u>18</u>	<u>317,607</u>	<u>19</u>
	Profit attributable to:				
	Owners of parent	<u>\$ 336,501</u>	<u>18</u>	<u>310,937</u>	<u>19</u>
	Comprehensive income attributable to:				
	Owners of parent	<u>\$ 337,990</u>	<u>18</u>	<u>317,607</u>	<u>19</u>
	Earnings per share (note 6(p))				
9750	Basic earnings per share (NT dollars)	<u>\$ 6.12</u>		<u>5.65</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 6.09</u>		<u>5.62</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
GROUP UP INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statement 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							Total equity
	Retained earnings				Other equity		Total equity attributable to owners of parent	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings		
\$	550,000	287,021	283,564	21,426	710,882	1,015,872	(35,202)	1,817,691
	-	-	-	-	310,937	310,937	-	310,937
	-	-	-	-	668	668	6,002	6,670
	-	-	-	-	311,605	311,605	6,002	317,607
	-	-	29,719	-	(29,719)	-	-	-
	-	-	-	13,776	(13,776)	-	-	-
	-	-	-	-	(231,000)	-	-	(231,000)
Balance on December 31, 2020	550,000	287,021	313,283	35,202	747,992	1,096,477	(29,200)	1,904,298
	-	-	-	-	336,501	336,501	-	336,501
	-	-	-	-	4,517	4,517	(3,028)	1,489
	-	-	-	-	341,018	341,018	(3,028)	337,990
	-	-	31,160	-	(31,160)	-	-	-
	-	-	-	(6,002)	6,002	-	-	-
	-	-	-	-	(236,500)	-	-	(236,500)
Balance on December 31, 2021	550,000	287,021	344,443	29,200	827,352	1,200,995	(32,228)	2,005,788

Balance on January 1, 2020

Profit for the year ended December 31, 2020

Other comprehensive income for the year ended December 31, 2020

Comprehensive income for the year ended December 31, 2020

Appropriation and distribution of retained earnings:

Legal reserve

Special reserve

Cash dividends on ordinary shares

Balance on December 31, 2020

Profit for the year ended December 31, 2021

Other comprehensive income for the year ended December 31, 2021

Comprehensive income for the year ended December 31, 2021

Appropriation and distribution of retained earnings:

Legal reserve

Special reserve

Cash dividends of ordinary shares

Balance on December 31, 2021

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Profit before tax	\$ 430,293	382,141
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	32,169	30,971
Amortization expense	465	775
Expected credit gain	(4,780)	(22,020)
Net loss on financial assets or liabilities at fair value through profit or loss	58	587
Interest expense	1,285	1,182
Interest income	(14,133)	(18,398)
Loss on disposal of property, plant and equipment	21	791
Gain on disposal of investments	(246)	(1,206)
Total adjustments to reconcile profit (loss)	14,839	(7,318)
Changes in operating assets and liabilities:		
Notes receivable	4,652	(4,133)
Accounts receivables	(82,819)	23,295
Inventories	(293,759)	(159,935)
Prepayments	(40)	11,686
Other current assets	(3,902)	(1,642)
Contract liabilities	150,613	29,375
Accounts payable	55,339	160,806
Other payables	11,454	23,129
Provisions	13,481	(4,316)
Other current liabilities	6,394	(14,650)
Net defined benefit liability	(2,164)	(1,356)
Total adjustments	(125,912)	54,941
Cash inflow generated from operations	304,381	437,082
Interest received	14,005	17,504
Interest paid	(1,217)	(1,062)
Income taxes paid	(64,202)	(86,828)
Net cash flows from operating activities	252,967	366,696
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(409,000)	(751,000)
Proceeds from disposal of financial assets at fair value through profit or loss	737,246	691,206
Acquisition of property, plant and equipment	(22,878)	(5,012)
Other financial assets	55,466	(773,323)
Other non-current assets	567	(2,619)
Net cash flows from (used in) investing activities	361,401	(840,748)
Cash flows used in financing activities:		
Short-term borrowings	(9,640)	273,340
Repayments of long-term borrowings	(59,559)	(59,559)
Guarantee deposits received	(4)	191
Payment of lease liabilities	(6,094)	(5,390)
Cash dividends paid	(236,500)	(231,000)
Net cash flows used in financing activities	(311,797)	(22,418)
Effect of exchange rate changes on cash and cash equivalents	(2,361)	4,248
Net increase (decrease) in cash and cash equivalents	300,210	(492,222)
Cash and cash equivalents at beginning of period	225,743	717,965
Cash and cash equivalents at end of period	\$ 525,953	225,743

See accompanying notes to consolidated financial statements.

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

Group Up Industrial Co.,ltd. (the Company) was incorporated in January 1990 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The address of the Company's registered office is No.188, Heping Rd., Yangmei Dist., Taoyuan City. The Company and its subsidiaries (the Group) mainly engages in the manufacturing and trading of general boxed-shaped equipment for drying, preheating, and curing, automatic conveyor hot air ovens, IR drying ovens, as well as dust-free and explosion- proof vacuum oven.

The Company's trading stocks have been listed on the main board of TPEX Since September 12,2018.

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 25, 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 amendments, 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)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	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”

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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(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) Basis of measurement

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

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(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 Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD 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. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

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. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

- (ii) List of subsidiaries in the consolidated financial statements

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>	
			<u>December 31, 2021</u>	<u>December 31, 2020</u>
The Company	GROUP UP (SAMOA) Ltd.	Investment holding	100.00 %	100.00 %
GROUP UP (SAMOA) Ltd.	GROUP UP TECHNOLOGY (SIP) CO., LTD.	Manufacture and sales of equipment, maintain services	100.00 %	100.00 %
GROUP UP (SAMOA) Ltd.	Group Up Trading (Shenzhen) Limited	Sales of equipment and maintain services	100.00 %	100.00 %

- (iii) Subsidiaries excluded from the consolidated financial statements: None.

- (d) Foreign currencies

- (i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Nonmonetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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. Exchange differences 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 reporting period.

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or Fair value through other comprehensive income (FVOCI) described as above are measured at FVTPL, including derivative financial assets. Trade receivables that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the ‘trade receivables’ line item. 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.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivables, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime 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.

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

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The Group considers a financial asset to be in default when the financial asset is more than 365 days past due.

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). ECL 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 and debt securities at FVOCI 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 assets 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 365 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 when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

4) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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(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 present 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.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

(ii) Subsequent expenditure

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

(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.

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Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	8-35 years
2) Office	3-5 years
3) Transportation and other equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting year and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Leases

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 lessee

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

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

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

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

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

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

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 5) 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.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of buildings 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.

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(ii) As a lessor

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

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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(n) Revenue from contracts with customers

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 recognizes revenue when 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 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 lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's obligation to provide a refund under the standard warranty terms is recognized as a provision for warranty.

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

(ii) Rendering service

The Group provides service of equipment maintenance. Revenue from providing services is recognized at a point in time when the Group satisfies its performance obligations and transfers control of service.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

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

Deferred 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) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) 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, such as employee compensation.

(r) 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.

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

In preparation these consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires, management has made 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) The loss allowance of trade receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the valuation of inventories.

(c) Recognition and measurement of provisions and contingent liabilities

Provision for warranty is estimated when product revenue is recognized. The estimate has been made based on the quantities within sales contracts, the historical and others. The Group regularly reviews the basis of the estimate and, if necessary, amends it as appropriate, please refer to note 6(l).

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand, checking accounts and demand deposits	\$ 243,033	191,357
Time deposits	<u>282,920</u>	<u>34,386</u>
	<u><u>\$ 525,953</u></u>	<u><u>225,743</u></u>

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

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets designated at fair value through profit or loss		
Non-derivative financial assets—funds	<u>\$ -</u>	<u>328,058</u>

(c) Notes and accounts receivable (including overdue receivables)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable from operating activities	\$ 5,477	10,129
Trade receivables (including overdue receivables)	378,640	295,901
Less: Loss allowance	<u>(12,371)</u>	<u>(17,231)</u>
	<u><u>\$ 371,746</u></u>	<u><u>288,799</u></u>

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

	<u>December 31, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 363,116	0.1%	363
1 to 90 days past due	6,110	10%	611
90 to 180 days past due	3,233	30%	970
More than 180 days past due	<u>11,658</u>	50%~100%	<u>10,427</u>
	<u><u>\$ 384,117</u></u>		<u><u>12,371</u></u>

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 266,560	0.1%	267
1 to 90 days past due	11,717	10%	1,172
90 to 180 days past due	10,929	30%	3,279
More than 180 days past due	16,824	50%~100%	12,513
	\$ 306,030		17,231

The movement in the allowance for notes and accounts receivable (including overdue receivables) were as follows:

	2021	2020
Balance on January 1	\$ 17,231	40,070
Impairment losses reversed	(4,780)	(22,020)
Amounts written off	(21)	(949)
Other	(59)	130
Balance on December 31	\$ 12,371	17,231

As of December 31, 2021 and 2020, the Group did not provide any notes and accounts receivable (including overdue receivables) as collated for its loan.

(d) Other financial assets

	December 31, 2021	December 31, 2020
Time deposits with maturity of more than three months	\$ 762,795	804,244
Restricted time deposits	395,553	409,570
Total	\$ 1,158,348	1,213,814

Please refer to note 8 for other financial assets pledged as collateral for performance guarantee, short-term borrowings and long-term borrowings as of December 31, 2021 and 2020.

(e) Inventories

	December 31, 2021	December 31, 2020
Raw materials and semi-finished goods	\$ 85,201	62,743
Work in progress	1,227,225	954,057
Finished goods	2,956	4,823
	\$ 1,315,382	1,021,623

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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In 2021 and 2020, inventories recognized as cost of sales amounted to \$983,646 thousand and \$783,806 thousand, respectively.

In 2021, the write-downs of inventories to the net realizable value amounted to \$5,270 thousand. The write-downs and reversals are included in cost of sales.

In 2020, the reversal of write-downs amounted to \$2,828 thousand due to the factor that caused the net realizable value of the inventory to be lower than the cost disappeared.

As of December 31, 2021 and 2020, the Group did not provide any inventories as collateral for its loans.

(f) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Office and Other Equipment</u>	<u>Construction in progress Equipment</u>	<u>Total</u>
Cost or deemed cost:						
Balance on January 1, 2021	\$ 259,316	315,541	10,767	99,161	-	684,785
Additions	-	-	4,587	3,735	14,556	22,878
Disposal	-	-	-	(229)	-	(229)
Reclassification	-	-	918	-	-	918
Effect of movements in exchange rates	-	(667)	(23)	(201)	-	(891)
Balance on December 31, 2021	<u>\$ 259,316</u>	<u>314,874</u>	<u>16,249</u>	<u>102,466</u>	<u>14,556</u>	<u>707,461</u>
Balance on January 1, 2020	\$ 259,316	314,085	9,525	95,723	-	678,649
Additions	-	-	1,194	3,818	-	5,012
Disposal	-	-	-	(819)	-	(819)
Effect of movements in exchange rates	-	1,456	48	439	-	1,943
Balance on December 31, 2020	<u>\$ 259,316</u>	<u>315,541</u>	<u>10,767</u>	<u>99,161</u>	<u>-</u>	<u>684,785</u>
Depreciation and impairments loss:						
Balance on January 1, 2021	\$ -	79,471	6,108	55,624	-	141,203
Depreciation	-	11,007	2,403	5,980	-	19,390
Disposal	-	-	-	(208)	-	(208)
Reclassification	-	-	413	-	-	413
Effect of movements in exchange rates	-	(329)	(15)	(176)	-	(520)
Balance on December 31, 2021	<u>\$ -</u>	<u>90,149</u>	<u>8,909</u>	<u>61,220</u>	<u>-</u>	<u>160,278</u>
Balance on January 1, 2020	\$ -	67,775	4,197	48,772	-	120,744
Depreciation	-	10,950	1,877	6,496	-	19,323
Disposal	-	-	-	(28)	-	(28)
Effect of movements in exchange rates	-	746	34	384	-	1,164
Balance on December 31, 2020	<u>\$ -</u>	<u>79,471</u>	<u>6,108</u>	<u>55,624</u>	<u>-</u>	<u>141,203</u>
Carrying amounts:						
Balance on December 31, 2021	<u>\$ 259,316</u>	<u>224,725</u>	<u>7,340</u>	<u>41,246</u>	<u>14,556</u>	<u>547,183</u>
Balance on January 1, 2020	<u>\$ 259,316</u>	<u>246,310</u>	<u>5,328</u>	<u>46,951</u>	<u>-</u>	<u>557,905</u>
Balance on December 31, 2020	<u>\$ 259,316</u>	<u>236,070</u>	<u>4,659</u>	<u>43,537</u>	<u>-</u>	<u>543,582</u>

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

(g) Right-of-use assets

The Group leases many assets including land, buildings and transportation equipment. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
Cost:				
Balance on January 1, 2021	\$ 16,091	4,248	13,816	34,155
Additions	4,133	7,081	2,156	13,370
Disposal	(2,214)	(310)	(6,512)	(9,036)
Reclassification	-	-	(918)	(918)
Effect of movements in exchange rates	(105)	(6)	(8)	(119)
Balance on December 31, 2021	<u>\$ 17,905</u>	<u>11,013</u>	<u>8,534</u>	<u>37,452</u>
Balance on January 1, 2020	\$ 15,862	2,915	8,639	27,416
Additions	-	1,751	5,430	7,181
Disposal	-	(436)	(274)	(710)
Effect of movements in exchange rates	229	18	21	268
Balance on January 1, 2020	<u>\$ 16,091</u>	<u>4,248</u>	<u>13,816</u>	<u>34,155</u>
Accumulated depreciation and impairment losses:				
Balance on January 1, 2021	\$ 5,546	1,175	6,318	13,039
Depreciation	1,104	1,441	3,944	6,489
Disposal	(2,214)	(310)	(6,512)	(9,036)
Reclassification	-	-	(413)	(413)
Effect of movements in exchange rates	(29)	(4)	(5)	(38)
Balance on December 31, 2021	<u>\$ 4,407</u>	<u>2,302</u>	<u>3,332</u>	<u>10,041</u>
Balance on January 1, 2020	\$ 4,379	750	3,087	8,216
Depreciation	1,102	852	3,490	5,444
Disposal	-	(436)	(274)	(710)
Effect of movements in exchange rates	65	9	15	89
Balance on December 31, 2020	<u>\$ 5,546</u>	<u>1,175</u>	<u>6,318</u>	<u>13,039</u>

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
Carrying amount:				
Balance on December 31, 2021	\$ <u>13,498</u>	<u>8,711</u>	<u>5,202</u>	<u>27,411</u>
Balance on January 1, 2020	\$ <u>11,483</u>	<u>2,165</u>	<u>5,552</u>	<u>19,200</u>
Balance on December 31, 2020	\$ <u>10,545</u>	<u>3,073</u>	<u>7,498</u>	<u>21,116</u>

(h) Investment property

	<u>Buildings</u>
Cost or deemed cost:	
Balance on January 1, 2021	\$ <u>118,576</u>
Balance on December 31, 2021	\$ <u>117,682</u>
Balance on January 1, 2020	\$ <u>116,625</u>
Balance on December 31, 2020	\$ <u>118,576</u>
Accumulated depreciation and impairment losses:	
Balance on January 1, 2021	\$ <u>66,862</u>
Balance on January 1, 2021	\$ <u>71,888</u>
Balance on January 1, 2020	\$ <u>60,282</u>
Balance on December 31, 2020	\$ <u>66,862</u>
Carrying amount:	
Balance on December 31, 2021	\$ <u>51,714</u>
Balance on January 1, 2021	\$ <u>45,794</u>
Balance on December 31, 2020	\$ <u>56,343</u>
Balance on January 1, 2020	\$ <u>51,714</u>
Fair value:	
Balance on December 31, 2021	\$ <u>90,201</u>
Balance on December 31, 2020	\$ <u>87,850</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the years ended December 31, 2021 and 2020.

The fair value of investment property was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued.

As of December 31, 2021 and 2020, the investment property of the Group had not been pledged as collateral.

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(i) Short-term borrowing

	December 31, 2021	December 31, 2020
Secured bank loans	\$ <u>263,700</u>	<u>273,340</u>
Unused short-term credit lines	\$ <u>10,300</u>	<u>26,660</u>
Interest rates	<u>0.34%</u>	<u>0.35%</u>

For the collateral for short-term borrowings, please refer to note 8.

(j) Long-term borrowings

The details was as follows:

	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	0.66%~0.92%	2022	\$ 14,889
Less: current portion				<u>(14,889)</u>
Total				<u>\$ -</u>
Unused long-term credit lines				<u>\$ -</u>

	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity year</u>	<u>Amount</u>
Secured bank loans	TWD	0.66%~0.92%	2022	\$ 74,448
Less: current portion				<u>(59,559)</u>
Total				<u>\$ 14,889</u>
Unused long-term credit lines				<u>\$ -</u>

For the collateral for long-term borrowings, please refer to note 8.

(k) Lease liabilities

The Group's lease liabilities was as follows:

	December 31, 2021	December 31, 2020
Current	\$ <u>5,097</u>	<u>4,785</u>
Non-current	\$ <u>12,733</u>	<u>5,874</u>

For the maturity analysis, please refer to note 6(t).

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
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The amounts recognized in profit or loss was as follows:

	<u>2020</u>	<u>2020</u>
Interest on lease liabilities	\$ <u>106</u>	<u>88</u>
Expenses relating to short term leases	\$ <u>973</u>	<u>1,009</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>493</u>	<u>291</u>

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

	<u>2021</u>	<u>2020</u>
Total cash outflow for leases	\$ <u>7,560</u>	<u>6,690</u>

(i) Real estate leases

The Group leases land and buildings for its office space, factory, and employees' dormitories. The leases of land typically run for five to fifty years, and of buildings for five to ten 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.

Some leases provide for additional rent payments that are based on changes in local price indices.

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. These leases are negotiated and monitored by local management, and accordingly, contain a wide range of different terms and conditions. The extension options held are exercisable only by the Group and not by the lessors. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Group leases transportation equipment, with lease terms of three years. In some cases, the Group has options to purchase the assets at the end of the contract term.

(l) Provisions

The movement in warranty provisions was as follow:

	<u>2021</u>	<u>2020</u>
Balance on January 1	\$ 41,932	46,228
Provisions made (reversed) during the year	<u>13,473</u>	<u>(4,296)</u>
Balance on December 31	\$ <u>55,405</u>	<u>41,932</u>

- (i) The provision for warranties relates mainly to maintenance of product. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year.

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- (ii) As of December 31, 2021 and 2020, the warranty provisions would have increased or decreased by \$4,257 and \$3,483 thousand, respectively, when the rate of warranty provisions increased or decreased by 0.25%.
- (m) Employee benefits
- (i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligations	\$ 84,528	89,333
Fair value of plan assets	<u>(30,985)</u>	<u>(27,980)</u>
Net defined benefit liabilities	<u>\$ 53,543</u>	<u>61,353</u>

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group Bank of Taiwan labor pension reserve account amounted to \$30,985 thousand as of the reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Group were as follows:

	<u>2021</u>	<u>2020</u>
Defined benefit obligations on January 1	\$ 89,333	87,775
Current service costs and interest cost	457	1,550
Remeasurements loss (gain):		
— Actuarial loss (gain) arising from financial assumptions	(4,010)	2,928
— Actuarial loss (gain) due to experience adjustments	<u>(1,252)</u>	<u>(2,920)</u>
Defined benefit obligations on December 31	<u>\$ 84,528</u>	<u>89,333</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets on January 1	\$ 27,980	24,231
Interest income	98	177
Re-measurements loss (gain)—return on plan assets excluding interest income	385	843
Contributions paid by the employer	<u>2,522</u>	<u>2,729</u>
Fair value of plan assets on December 31	<u>\$ 30,985</u>	<u>27,980</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current service costs	\$ 144	909
Net interest of net liabilities for defined benefit obligations	<u>215</u>	<u>464</u>
	<u>\$ 359</u>	<u>1,373</u>

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5) Actuarial assumptions

The principal actuarial assumptions at the reporting date was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.70 %	0.35 %
Future salary increase rate	3.0 %	3.0 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$2,522 thousand.

The weighted-average lifetime of the defined benefits plans is 9 years.

6) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<u>Influences on defined benefit obligation</u>	
	<u>Increased 0.50%</u>	<u>Decreased 0.50%</u>
December 31, 2021		
Discount rate	\$ (3,849)	4,181
Future salary increasing rate	4,063	(3,784)
December 31, 2020		
Discount rate	(4,582)	4,996
Future salary increasing rate	4,837	(4,490)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

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(ii) Defined contribution plans

The Company 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 Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contribution to the Bureau of the Labor Insurance amounted to \$15,204 thousand and \$11,811 thousand for the years ended December 31, 2021 and 2020, respectively.

(iii) Short-term employee benefits provisions

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Employee paid leave provisions (recognized in other payables)	<u>\$ 6,118</u>	<u>6,185</u>

(n) Income taxes

(i) Tax expense

The components of income tax for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense	\$ 75,695	66,129
Deferred tax expense	<u>18,097</u>	<u>5,075</u>
Income tax expense	<u>\$ 93,792</u>	<u>71,204</u>

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

	<u>2021</u>	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u>\$ (1,129)</u>	<u>(167)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation	<u>\$ 757</u>	<u>(1,501)</u>

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Reconciliation of income tax and profit before tax in 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Profit excluding income tax	\$ 430,293	382,141
Income tax using the Company's domestic tax rate	86,059	76,428
Effect of tax rates in foreign jurisdiction	4,283	1,630
Tax-exempt income	(49)	(241)
Tax incentives	(10,407)	(10,803)
Undistributed earnings additional tax	2,117	928
Change in provision in prior periods	831	217
Others	<u>10,958</u>	<u>3,045</u>
Income tax expense	<u>\$ 93,792</u>	<u>71,204</u>

(ii) Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

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

Deferred tax liabilities:

	<u>Investment income and Others</u>
Balance on January 1, 2021	\$ 23,698
Recognized in profit or loss	<u>13,458</u>
Balance on December 31, 2021	<u>\$ 37,156</u>
Balance on January 1, 2020	\$ 17,608
Recognized in profit or loss	<u>6,090</u>
Balance on December 31, 2020	<u>\$ 23,698</u>

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Deferred tax assets:

	Defined Benefit Plans	Inventory provisions	Expected credit loss	Total
Balance on January 1, 2021	\$ 13,844	22,348	25,323	61,515
Recognized in profit or loss	(433)	1,090	(5,296)	(4,639)
Recognized in other comprehensive income	(1,129)	-	757	(372)
Balance on December 31, 2021	<u>\$ 12,282</u>	<u>23,438</u>	<u>20,784</u>	<u>56,504</u>
Balance on January 1, 2020	\$ 13,569	22,286	26,273	62,128
Recognized in profit or loss	442	62	551	1,055
Recognized in other comprehensive income	(167)	-	(1,501)	(1,668)
Balance on December 31, 2020	<u>\$ 13,844</u>	<u>22,348</u>	<u>25,323</u>	<u>61,515</u>

(iii) The Company's tax returns for the years through 2019 was assessed by the Taipei National Tax Administration.

(o) Capital and other equity

As of December 31, 2021 and 2020, the number of authorized ordinary shares were both 80,000 thousand shares, amounting to \$800,000 thousand with par value of \$10 per share. As of that date, \$55,000 thousand ordinary shares amounting to \$550,000 thousands were issued. All issued shares were paid up upon issuance.

(i) Capital surplus

The balances of capital surplus was as follows:

	December 31, 2021	December 31, 2020
Share capital	\$ 257,367	257,367
Employee share options	29,654	29,654
	<u>\$ 287,021</u>	<u>287,021</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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Notes to the Consolidated Financial Statements

(ii) Retained earnings

The Company's Articles of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. 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 directors in attendance; thereafter, to be submitted in the shareholders' meeting of the Company.

Since the Company is in its growth stage and developing its business expansion, earnings are distributed in consideration of the Company's capital expenditure budget and capital needs. The distribution will be proposed by the Board of directors and resolved during the shareholders' meeting. With the dividends exceeding 10% of the distributable earnings each year, unless the accumulated distributable earnings are less than 10% of the paid-in capital. Earnings can be distributed by way of cash or stock dividends, wherein cash dividends shall not be less than 10% of the total distribution.

1) Legal reserve

According to the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. 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

In accordance with the rule issued by the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. For 2020, special earnings reserve should be reclassified from current-period earnings and undistributed prior-period earnings. For 2021, special earnings reserve should be reclassified from current-period earnings, plus items other than current after-tax net profit and undistributed prior-period earnings. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and 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.

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Earnings distribution

The amounts of cash dividends for 2020 and 2019 had been approved during board meeting held on March 26, 2021 and March 20, 2020, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.30	<u>236,500</u>	4.20	<u>231,000</u>

The amount of cash dividends for 2021 have been approved and proposed during the board meeting held on February 25, 2022 as follow:

	<u>2021</u>	
	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders:		
Cash	\$ 4.90	<u>269,500</u>

(iii) Other equity (net of tax)

	<u>Exchange differences on translation of foreign financial statements</u>
Balance on January 1, 2021	\$ (29,200)
Exchange differences arising from translation of foreign operations	<u>(3,028)</u>
Balance on December 31, 2021	<u>\$ (32,228)</u>
Balance on January 1, 2020	\$ (35,202)
Exchange differences arising from translating foreign operations	<u>6,002</u>
Balance on December 31, 2020	<u>\$ (29,200)</u>

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Earnings per share

The calculation of basic earnings per share and diluted earnings per share for the year ended 2021 and 2020 was as follows:

	Unit: earnings per share in dollars	
	<u>2021</u>	<u>2020</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>336,501</u>	<u>310,937</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>55,000</u>	<u>55,000</u>
	<u>\$ 6.12</u>	<u>5.65</u>
Diluted earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>336,501</u>	<u>310,937</u>
Weighted average number of outstanding ordinary shares (in thousands)	55,000	55,000
Effect of employee share bonus	<u>257</u>	<u>287</u>
Weighted average number of outstanding ordinary shares (in thousands)	<u>55,257</u>	<u>55,287</u>
	<u>\$ 6.09</u>	<u>5.62</u>

(q) Revenue from contracts with customers

(i) Details of revenue

	<u>2021</u>			
	<u>GROUP UP INDUSTRIAL CO., LTD.</u>	<u>GROUP UP TECHNOL OGY (SIP) CO., LTD.</u>	<u>Other segments</u>	<u>Total</u>
Primary geographical markets:				
Taiwan	\$ 698,603	-	-	698,603
China	767,808	188,840	40,659	997,307
Others	<u>215,633</u>	<u>-</u>	<u>-</u>	<u>215,633</u>
	<u>\$ 1,682,044</u>	<u>188,840</u>	<u>40,659</u>	<u>1,911,543</u>
Major products:				
Equipment	\$ 1,651,453	148,890	34,633	1,834,976
Service	30,591	18,525	6,026	55,142
Others	<u>-</u>	<u>21,425</u>	<u>-</u>	<u>21,425</u>
	<u>\$ 1,682,044</u>	<u>188,840</u>	<u>40,659</u>	<u>1,911,543</u>

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2020			
	GROUP UP INDUSTRIAL CO., LTD.	GROUP UP TECHNOL OGY (SIP) CO., LTD.	Other segments	Total
Primary geographical markets:				
Taiwan	\$ 497,787	-	-	497,787
China	822,707	99,422	47,683	969,812
Others	146,645	-	-	146,645
	\$ 1,467,139	99,422	47,683	1,614,244
Major products:				
Equipment	\$ 1,438,049	68,619	41,126	1,547,794
Service	29,090	11,191	6,557	46,838
Others	-	19,612	-	19,612
	\$ 1,467,139	99,422	47,683	1,614,244

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 5,477	10,129	5,996
Accounts receivable (including overdue receivables)	378,640	295,901	320,015
Less: allowance for impairment	(12,371)	(17,231)	(40,070)
Total	\$ 371,746	288,799	285,941
Contract liabilities	\$ 1,015,508	864,895	835,520

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

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balance at the beginning of the period were \$738,819 thousand and \$685,717 thousand, respectively.

The contract liabilities primarily relate to the advance consideration received from customers for the equipment sales contracts, and the customer has not confirmed the function of the machine yet. Revenue is recognized after the function of the machine is confirmed by the customer.

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

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Employees compensation and directors' remuneration

In accordance with the articles of incorporation, the Company shall allocate no less than 2% of the profit as employee remuneration and no more than 5% as directors' remuneration when there is profit for the year. The distribution of remuneration shall be approved by the majority of directors at the Board of Directors meeting, attended by more than two thirds of the directors; thereafter, to be submitted during the shareholders' meeting. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration at \$17,000 thousand and \$14,000 thousand, and directors' remuneration at \$4,450 thousand and \$4,000 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses each year. The differences between accrual and actual distribution, if any, would be treated as changes in accounting estimates and recognized as profit or loss in next year. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2021 and 2020.

(s) Non-operating income and expenses

(i) Interest income

The details of interest income for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	\$ 14,098	18,282
Other interest income	35	116
	<u>\$ 14,133</u>	<u>18,398</u>

(ii) Other gains and losses

The details of other gains and losses for 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Foreign exchange losses	\$ (55,194)	(78,057)
Gains on disposals of investments	246	1,206
Losses on disposals of property, plant and equipment	(21)	(791)
Losses on financial assets at fair value through profit or loss	(58)	(587)
Others	-	767
	<u>\$ (55,027)</u>	<u>(77,462)</u>

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) 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

The Group believes that there is no significant concentration of credit risk due to the Group's large number of customers and their wide geographic spread. In order to reduce credit risk, the Group evaluates the financial status of customers regularly without requiring its customers to provide collateral.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6~12 months</u>	<u>1~2 years</u>	<u>2~ 5 years</u>	<u>Over 5 years</u>
December 31, 2021							
Non-derivative financial liabilities							
Accounts payable and other payables	\$ 567,685	567,685	567,685	-	-	-	-
Short-term borrowings	263,700	263,924	263,924	-	-	-	-
Long-term borrowings (including current portion)	14,889	14,898	14,898	-	-	-	-
Lease liabilities	17,830	18,212	2,680	2,520	4,736	5,666	2,610
	<u>\$ 864,104</u>	<u>864,719</u>	<u>849,187</u>	<u>2,520</u>	<u>4,736</u>	<u>5,666</u>	<u>2,610</u>
December 31, 2020							
Non-derivative financial liabilities							
Accounts payable and other payables	\$ 500,930	500,930	500,930	-	-	-	-
Short-term borrowings	273,340	273,496	273,496	-	-	-	-
Long-term borrowings (including current portion)	74,448	74,826	30,015	29,905	14,906	-	-
Lease liabilities	10,659	10,774	3,100	1,745	2,719	3,210	-
	<u>\$ 859,377</u>	<u>860,026</u>	<u>807,541</u>	<u>31,650</u>	<u>17,625</u>	<u>3,210</u>	<u>-</u>

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

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) 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
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 44,980	27.68	1,245,046	39,720	28.48	1,131,226
CNY	34,518	4.344	149,946	21,457	4.377	93,917
<u>Financial liabilities</u>						
<u>Monetary items:</u>						
USD	254	27.68	7,031	431	28.48	12,275
CNY	58	4.344	252	11	4.377	48

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, accounts receivables and trade payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD and CNY as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$11,102 thousand and \$9,703 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For 2021 and 2020, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(55,194) thousand and \$(78,057) thousand, respectively.

(iv) Interest rate analysis

The following sensitivity analysis is based on the exposure to floating-interest-rate loans at the reporting date. The analysis is based on the assumption that the amount of liabilities at the reporting date was outstanding throughout the year. If the interest rate had increased/decreased by 1%, the Group's net income before tax would have decreased/increased by \$2,229 thousand and \$2,782 thousand for the years ended December 31, 2021 and 2020, respectively.

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging is measured on a recurring basis. 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 lease liabilities, disclosure of fair value information is not required :

		December 31, 2021			
		Fair Value			
Financial assets at fair value through	Book Value	Level 1	Level 2	Level 3	Total
profit or loss	\$	-	-	-	-
		December 31, 2020			
		Fair Value			
Financial assets at fair value through	Book Value	Level 1	Level 2	Level 3	Total
profit or loss	\$	328,058	-	-	328,058

2) Valuation techniques for financial instruments measured at fair value

(2.1) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Financial risk management

(i) Overview

The Group have exposure 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 risks exposures, please refer to the respective notes in the accompanying consolidated financial statement

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(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.

- 1) Notes receivable, accounts and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment are offered. The Group's review includes external ratings, when available, and, in some cases, bank references. Purchase limits are established for each customer; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Investments

The cash of the Group is kept in different financial institutions and credit risks exposed to each financial institution are properly controlled, and therefore, there is no significant credit risk.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 2020, no other guarantees were outstanding.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

(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, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD), Chinese Yuan (CNY) and US Dollar (USD).

2) Interest rate risk

Some of the Group's long and short-term borrowings are debts with floating interest rates. Therefore, movement of the market interest rate will affect the interest rate of the loans accordingly, which will cause fluctuations in its future cash flow.

3) Other Risk

The Group has not entered into a long-term purchase contract other than to meet anticipated consumption and sales requirement.

(v) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's equity capital ratios on December 31, 2021 and 2020 was as follows:

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Total equity	<u>\$ 2,005,788</u>	<u>1,904,298</u>
Total assets	<u>\$ 4,085,538</u>	<u>3,790,947</u>
Equity capital ratio at December 31	<u>49%</u>	<u>50%</u>

There were no changes in the Group's approach to capital management during the year.

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

The Group's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2021 were acquisition of right-of-used assets by leasing. Please refer to Note 6(g) and (k).

(7) Related-party transactions:

(a) Names and relationship with the Group

The followings are the Group that have had transactions with the Group during the periods covered in the financial statements.

<u>Key management personnel</u>	<u>Relationship with the Group</u>
An-Shun Chen	Key management personnel
Jung-Kung Lee	Key management personnel
Tien-Ho Yu	Key management personnel
Wen-Chang Lai	Key management personnel
Hung-Chan Chen	The person is a first-degree relative of the Key management personnel
Che-Kuan Yu	The person is a first-degree relative of the Key management personnel

(b) Significant transactions with related parties

(i) Leases

The Group rented office buildings from its related party. A five-year lease contract was signed, in which the rental fee is determined based on nearby office rental rates. The total value of the contract was \$14,826 thousand. For the year ended December 31, 2021 and 2020, the Group recognized the amount of \$46 thousand and \$26 thousand as interest expense, respectively. As of December 31, 2021 and 2020, the balance of lease liabilities amounted to \$8,583 thousand and \$2,525 thousand.

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 28,506	25,680

(8) Pledged assets:

The carrying value of pledged assets were as follows:

		December 31, 2021	December 31, 2020
Pledged assets	Pledged assets		
Land	Long-term borrowings	\$ 259,316	259,316
Buildings	"	184,675	191,555
Time deposits (classified in other financial assets)	Performance guarantee letter and borrowings	395,553	409,570
		\$ 839,544	860,441

(9) Significant commitments and contingencies:

As of December 31, 2021, the Group's performance guarantee letter and standby letter of credit provided by the bank was \$1,000 thousand.

(10) Losses due to major disasters:None

(11) Subsequent events:

For saving on the bank interest expense and capital considerations, the Group's Board of Directors made a decision on February 25, 2022 the Group would issue its first domestic unsecured convertible bond in the amount of \$500,000 thousand, with a duration of 3 years,

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

		2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sale	Operating expenses	Total
By item	By function						
Employee benefits							
Salary		177,280	105,926	283,206	140,556	111,448	252,004
Labor and health insurance		11,782	6,423	18,205	9,649	6,842	16,491
Pension		11,275	4,288	15,563	7,605	5,579	13,184
Remuneration of directors		-	7,159	7,159	-	6,700	6,700
Others		11,157	5,159	16,316	7,883	7,067	14,950
Depreciation		19,281	12,888	32,169	15,454	15,517	30,971
Amortization		204	261	465	265	510	775

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the 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: None.
- (ii) Guarantees and endorsements for other parties: None.
- (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 NT\$300 million or 20% of the capital stock:

(In Thousands of shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss – current	-	-	3,356	35,002	11,970	125,000	15,326	160,049	160,000	49	-	-
"	Capital Money Market Fund	"	-	-	1,845	30,004	7,065	115,000	8,910	145,045	145,000	45	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	GROUP UP TECHNOLOGY (SIP) CO., LTD.	1	Purchases	18,247	The terms of transaction are not significantly different from those of the third parties.	0.95%
0	"	"	1	Sales	45,171	"	2.36%
0	"	"	1	Maintenance costs	32,989	"	1.73%
0	"	"	1	Accounts receivable due from related parties	8,571	"	0.21%
0	"	"	1	Accounts payable due from related parties	17,234	"	0.42%
0	"	GROUP UP Trading (Shenzhen) Limited	1	Purchases	4,295	The terms of transaction are not significantly different from those of the third parties.	0.22%
0	"	"	1	Sales	15,315	"	0.80%
0	"	"	1	Maintenance costs	18,810	"	0.98%
0	"	"	1	Account receivables due from related parties	2,779	"	0.07%
0	"	"	1	Account payables due to related parties	4,001	"	0.10%

Note 1: 0 represents the parent company. The subsidiaries start sequentially from 1 in Arabic numerals.

Note 2: The relationships between transaction parties are as follows:

1. parent to subsidiary
2. subsidiary to parent
3. subsidiary to subsidiary

Note 3: The aforementioned transactions have been eliminated when preparing the consolidated financial statements.

Note 4: Significant intercompany transactions are disclosed only for transactions of the parent company to its subsidiary. Transactions from subsidiary to parent company are not disclosed.

(b) Information on investees:

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

(In Thousands of shares and USD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
The Company	GROUP (SAMOA) Ltd.	SAMOA	Investment holdings	399,464 (USD12,500)	399,464 (USD12,500)	12,500	100.00 %	533,305	12,500	66,248	67,288	

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GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of USD)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment (note 1)	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							
GROUP UP TECHNOLOGY (SIP) CO., LTD.	Manufacture and sales of equipment, maintenance services	326,105 (USD 10,000)	(2)	373,898 (USD11,700)	-	-	373,898 (USD11,700)	54,159	100.00%	100.00%	54,159	460,736	-
GROUP UP Trading (Shenzhen) Limited	Sales of equipment and maintenance services	15,979 (USD 500)	(2)	15,979 (USD500)	-	-	15,979 (USD500)	12,032	100.00%	100.00%	12,032	76,508	-

Note 1: There are three kinds of investments.
 (1) Invest directly in Mainland China Companies.
 (2) Invest in Mainland China by remitting through a third region.
 (3) Others.

- (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
389,877 (USD 12,200)	389,877 (USD 12,200)	1,203,472

- (iii) Significant transactions: None.

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Tung Tak Investment Co., Ltd.		3,632,928	6.60 %
Huo Shui Investment Co., Ltd.		2,760,712	5.01 %
Houg Yi Investment Co., Ltd.		2,758,119	5.01 %
Yu Feng Investment Co., Ltd.		2,757,309	5.01 %
Zhan Hong Investment Co., Ltd.		2,755,104	5.00 %

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The management of the Group has identified the reporting departments based on the reporting information used by the operational decision makers in making decisions. The operating decision makers run the business in the point of view by categorized of product and service. Also, divided the reported department into Group Up Industrial Co., Ltd and Group Up Technology (SIP) Co., Ltd. Part of subsidiaries 's information is not included in the operating decision-making report due to the small scale of operation, its operating results expressed under "other segment".

(b) Information about reportable segments and their measurement and reconciliations

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

	2021				
	GROUP UP INDUSTRIAL CO., LTD.	GROUP UP TECHNOLOGY (SIP) CO., LTD.	Other segment	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 1,682,044	188,840	40,659	-	1,911,543
Intersegment revenues	60,486	51,615	23,502	(135,603)	-
Total revenue	<u>\$ 1,742,530</u>	<u>240,455</u>	<u>64,161</u>	<u>(135,603)</u>	<u>1,911,543</u>
Reportable segment profit or loss	<u>\$ 410,832</u>	<u>72,632</u>	<u>79,268</u>	<u>(132,439)</u>	<u>430,293</u>
Reportable segment assets	<u>\$ 3,482,190</u>	<u>547,299</u>	<u>102,106</u>	<u>(46,057)</u>	<u>4,085,538</u>
Reportable segment liabilities	<u>\$ 2,009,707</u>	<u>86,563</u>	<u>16,987</u>	<u>(33,507)</u>	<u>2,079,750</u>
	2020				
	GROUP UP INDUSTRIAL CO., LTD.	GROUP UP TECHNOLOGY (SIP) CO., LTD.	Other segment	Reconciliation and elimination	Total
Revenue:					
Revenue from external customers	\$ 1,467,139	99,422	47,683	-	1,614,244
Intersegment revenues	48,664	22,888	19,382	(90,934)	-
Total revenue	<u>\$ 1,515,803</u>	<u>122,310</u>	<u>67,065</u>	<u>(90,934)</u>	<u>1,614,244</u>
Reportable segment profit or loss	<u>\$ 378,075</u>	<u>18,438</u>	<u>42,911</u>	<u>(57,283)</u>	<u>382,141</u>
Reportable segment assets	<u>\$ 3,240,530</u>	<u>499,675</u>	<u>87,775</u>	<u>(37,033)</u>	<u>3,790,947</u>
Reportable segment liabilities	<u>\$ 1,805,925</u>	<u>90,043</u>	<u>14,015</u>	<u>(23,334)</u>	<u>1,886,649</u>

(Continued)

GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Product and service information

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

<u>Product and services</u>	<u>2021</u>	<u>2020</u>
Equipment	\$ 1,834,976	1,547,794
Services	55,142	46,838
Others	21,425	19,612
Total	<u>\$ 1,911,543</u>	<u>1,614,244</u>

(d) 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.

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
Taiwan	\$ 698,603	497,787
China	997,307	969,812
Other	215,633	146,645
Total	<u>\$ 1,911,543</u>	<u>1,614,244</u>

<u>Geographical information</u>	<u>2021</u>	<u>2020</u>
Non-current assets:		
Taiwan	\$ 539,882	622,142
China	351,136	346,799
Total	<u>\$ 891,018</u>	<u>968,941</u>

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

(e) Major customers

Operating revenue from a customer exceeding 10% of the Consolidated statement of comprehensive income as 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Revenue from external customers:		
Customer - O	<u>\$ 192,205</u>	<u>24,368</u>