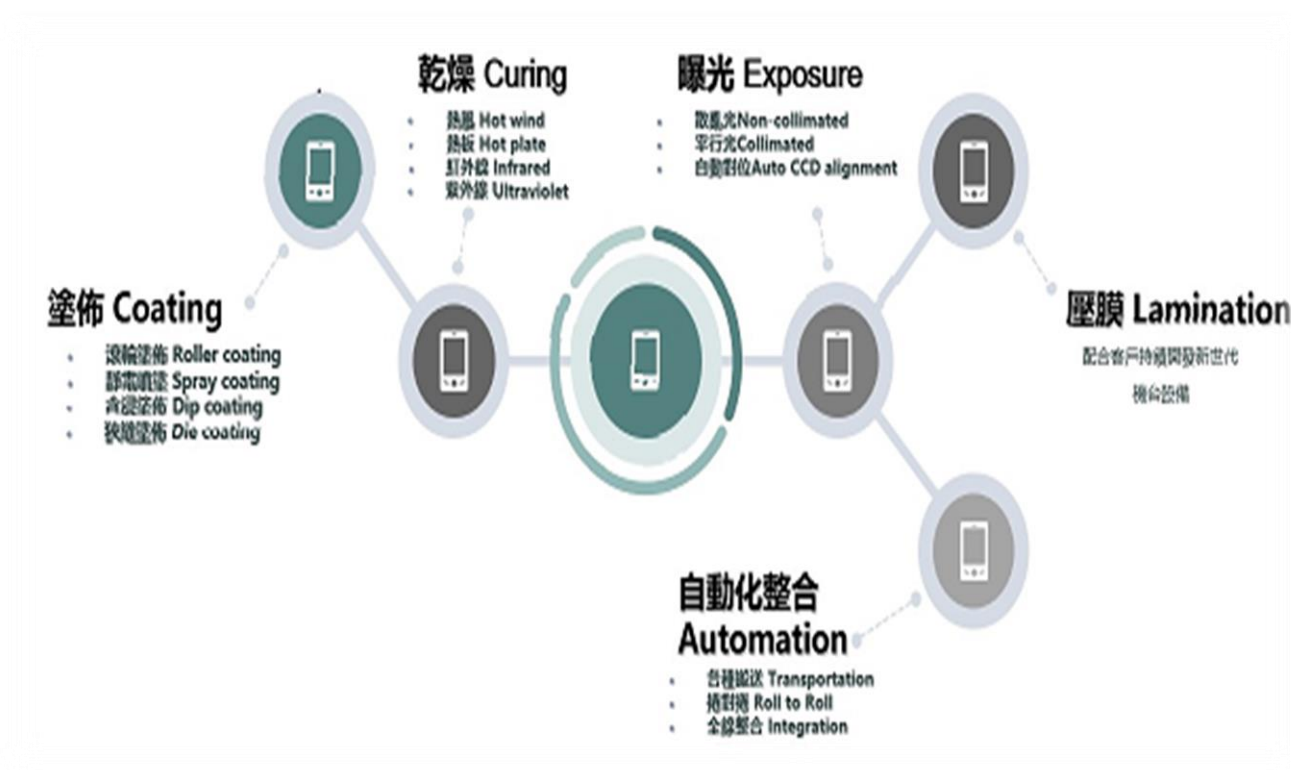




Stock Code : 6664

Group Up Industrial Co.Ltd.

## 2021 Annual Report



2022.05.04

<http://mops.twse.com.tw>

<http://www.gpline.com.tw>

## **Contact of the Company**

### **Spokesperson**

Name: Mr. Bill Yu

Job title: Deputy General Manager

Phone:(03)485-3536

Email: bill.yu@gpline.com.tw

### **Deputy Spokesperson**

Name: Mr. Ray Hung

Job title: Sales Manager

Phone:(03)485-3536

Email: ray.hung@gpline.com.tw

## **Address and Phone**

Headquarter: No.188, He-Ping Road, Yang-Mei District, Taoyuan City, Taiwan (R.O.C.)

Phone:(03)485-3536

## **Stock Agency**

Name: Grand Fortune Securities Co.Ltd.

Address: 6F, No.6, Section 1, Zhong Xiao West Road, Taipei City, Taiwan (R.O.C.)

Website: <http://www.gfortune.com.tw>

Phone: (02)2383-6888

## **Certified Accountant for the most recent financial statements**

Accountants: Ms. Chen, Pei-Chi and Mr. Lin, Heng-Shen

Name of Accounting Firm : KPMG Accounting Firm

Address: 68F, No. 7, Section 5, Xinyi Road, Taipei City, Taiwan (R.O.C.)

Website: <http://www.kpmg.com.tw>

Phone: (02)8101-6666

**Name of trading location where overseas securities are listed for trading and query the information of overseas securities: N/A**

**Official website of the Company: <http://www.gpline.com.tw>**

**The first (foreign) OTC Company should publish the details: not applicable.**

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## I. The Report to Shareholders

The Company's 2021 annual turnover is NT\$1,911,543,000, which is an increase of NT\$297,299,000 or approximately 18.42% compared with 2020 annual turnover of NT\$1,614,244,000. The net profit after tax is NT\$336,501,000 and earnings per share (EPS) is NT\$6.12 which details go as follows:

Unit : NT\$ 1,000 ; %

Accounting Items	2021	2020	Increase (decrease)	%
Operating income	1,911,543	1,614,244	297,299	18.42
Operating cost	1,149,198	895,803	253,395	28.29
Operating margin	762,345	718,441	43,904	6.11
Operating expenses	292,963	286,335	6,628	2.31
Business revenue	469,382	432,106	37,276	8.63
Non-operating income (expenditure)	(39,089)	(49,965)	10,876	(21.77)
Pre-tax benefits	430,293	382,141	48,152	12.60

Operating income in 2021 increased by 18.42% compared with 2020, mainly due to increase in PCB / IC substrate process equipment in 2021; operating gross profit from 2021 to 2020 was NT\$ 762,345,000 and NT\$ 718,441,000 respectively, and operating gross profit margin was 39.88% and 44.51, respectively. Gross profit margin changes 10.4%, due to product mix differences and COVID-19 impact; 2021~2020 operating profit is divided into NT\$469,382,000 and \$432,106,000, operating profit ratio is divided into 24.56% and 26.77%. Operating profit and business profit rate increased, mainly due to the increase in gross profit margin; the change in non-operating income (expenditure) was mainly due to exchange loss caused by exchange rate in 2021. Revenue by product is as follows:

Unit : NT\$ 1,000 ; %

Year Products	2021		2020	
	Revenue	%	Revenue	%
PCB equipment	1,341,332	70.17	1,137,982	70.50
Display equipment	68,937	3.61	45,501	2.82
Others	501,274	26.22	430,761	26.68
Total	1,911,543	100.00	1,614,244	100.00

### Company profitability

Items of analysis		2021	2020	2019
Profitability	Return on assets (%)	8.57	8.78	8.64
	Return on equity (%)	17.21	16.71	16.64
	Net profit before tax to capital ratio (%)	78.24	69.48	67.85
	Net profit rate (%)	17.60	19.26	17.81
	Earnings per share (NT\$)	6.12	5.65	5.40

The year of 2021 return on assets was 8.57%, the return on equity was 17.21%, the pre-tax net profit to paid-in capital ratio was 78.24%, net profit ratio was 17.6%, and overall profitability was 6.12 NT\$ per share.

### Summary of this year's business plan:

In addition to the following business policies, in order to ensure a highly competitive advantage, the Company's business plan will be flexibly adjusted at any time in line with new business strategy and market demand as the following area:

- A. All kinds of automotive electronic products
- B. Smartphone related components
- C. 5G infrastructure and application related electronic products and components
- D. Flexible Display

- E. Semiconductor Advanced Packaging
- F. Key materials and components for OLED panel process
- G. Touch sensitive film made of double-sided metal layer film material processed on both sides at the same time
- H. Medical materials and biotechnology products
- I. Green energy

## Development plan for the future

### 1. Short-term development plan

- Based on existing CIM system architecture support in the TFT-LCD industry and the equipment performance and experience accumulation supported by SECS/GEM300 protocol in the semiconductor industry, the intelligent functions of GP equipment are strengthened to respond to the trend of smart factory construction on the client side and enhance market competitiveness.
- Continue to conduct alliances with peers, jointly build a “turnkey solution,” expand new customers and actively strive for orders.
- Continue to develop markets such as semiconductor industry, OLED, 3D cover-glass, flexible electronics, biotechnology and medical materials, 5G infrastructure and other applications.

### 2. Mid-term development plan

- Based on Group Up Industrial’s R&D capability, we continue to invest in patent applications and optimize the specific actions of serving customers.
- In line with the relevant policies of Financial Regulatory Commission and the OTC Center for CSR and ESG sustainable investment and corporate governance 3.0, collect relevant market information and learn from benchmark listed companies.
- Cooperate with high-quality customers in Europe, America and Japan, participate in various industries and make good use of various industry exchange platforms and exhibitions, such as: International Semiconductor Association (SEMI), Taiwan Printed Circuit Association (TPCA), Taiwan Electronic Equipment Association (TEEIA)...etc. to collection new market trend, and develop new equipment for next generation.

### 3. Long-term development plan

- Based on GP's equipment customization development capabilities, to meet the new process requirements of the existing customer base, develop and import the next-generation process-specific equipment.
- Cooperate with the development of new materials upstream of the client, develop special process equipment in the form of alliances between different industries, and sell or recommend the materials and equipment together to create a win-win opportunity.
- Forge alliances with large factories in Europe, America and Japan to cooperate with OEM/ODM and carry out market development. Overall, we will seize the industry trend direction of "big man + 5G", that is, "big data, artificial intelligence, Internet of Things + 5G" to deeply cultivate niche products and services in the market.

Sincere yours,

Mr. Chen, An Shun  
Chairman of Board Director



## II. History of the Company

1. Date of establishment  
1990.1.24
2. Contact information  
Headquarter and factory  
Address: No.188, He-Ping Road, Yangmei District, Taoyuan city, Taiwan.  
Telephone: (03)485-3536  
Branch company address and phone: none

### 3. History of the Company

1990

- Ministry of Economic Affairs approved the establishment and registration, and the paid-in capital was NT\$5,000,000. The main business items are manufacturing and trading of automation hot air and curing related equipment.
- Developed Taiwan's first D/F\_LPI dedicated double-sided irradiation UV machine, with patent.
- Developed Taiwan's first slab-type hot air conveyor oven, completed the installation and successfully mass-production.

1991

- Developed the first CURTAIN\_COATING equipment in Taiwan, completed the installation and successfully mass-production.

1992

- Developed Taiwan's first direct-off-rack blackening oven, and the installation was completed and mass production was successful.

1993

- Completed the development of the metal halide ultraviolet lamp power supply system, and established an application team.
- Developed a special automatic conveyor oven for single-sided silver glue through holes.

1994

- Third-generation CURTAIN COATING equipment was successfully developed, and the production capacity was increased from 4 pieces/min to 8 pieces/min, setting a record for high-speed manufacturing operations.

1995

- Successfully developed and obtained a patent for PCB POSTCURE OVEN dust collection and oil filtration equipment.

1996

- The development of first-generation FPC process roll-to-roll special automatic equipment is completed.

1997

- The factory expanded due to production capacity and moved to a new factory office, at No. 8, Gao-ching Road, Yangmei District, Taoyuan City.

1998

- Developed Taiwan's first thin-plate clamp conveyor oven, completed the installation and successfully mass-produced.

1999

- ISO9001 quality certification.
- Formally launched exposure machine products.
- Successfully developed first vertical roller coating machine in Taiwan.

2000

- Roller coater has made a major breakthrough in technology, successfully applied to the FC/BGA/CSP process, and was introduced and published by Circuit Tree Journal in the United States.
- The light washer and hot plate machine were successfully introduced into the TFT-LCD manufacturing process.

2001

- Developed first automatic drying line for touch panels in Taiwan, and the installation was completed and mass production was successful.

2002

- Completed sixth generation of inner layer roller coating machine.

2003

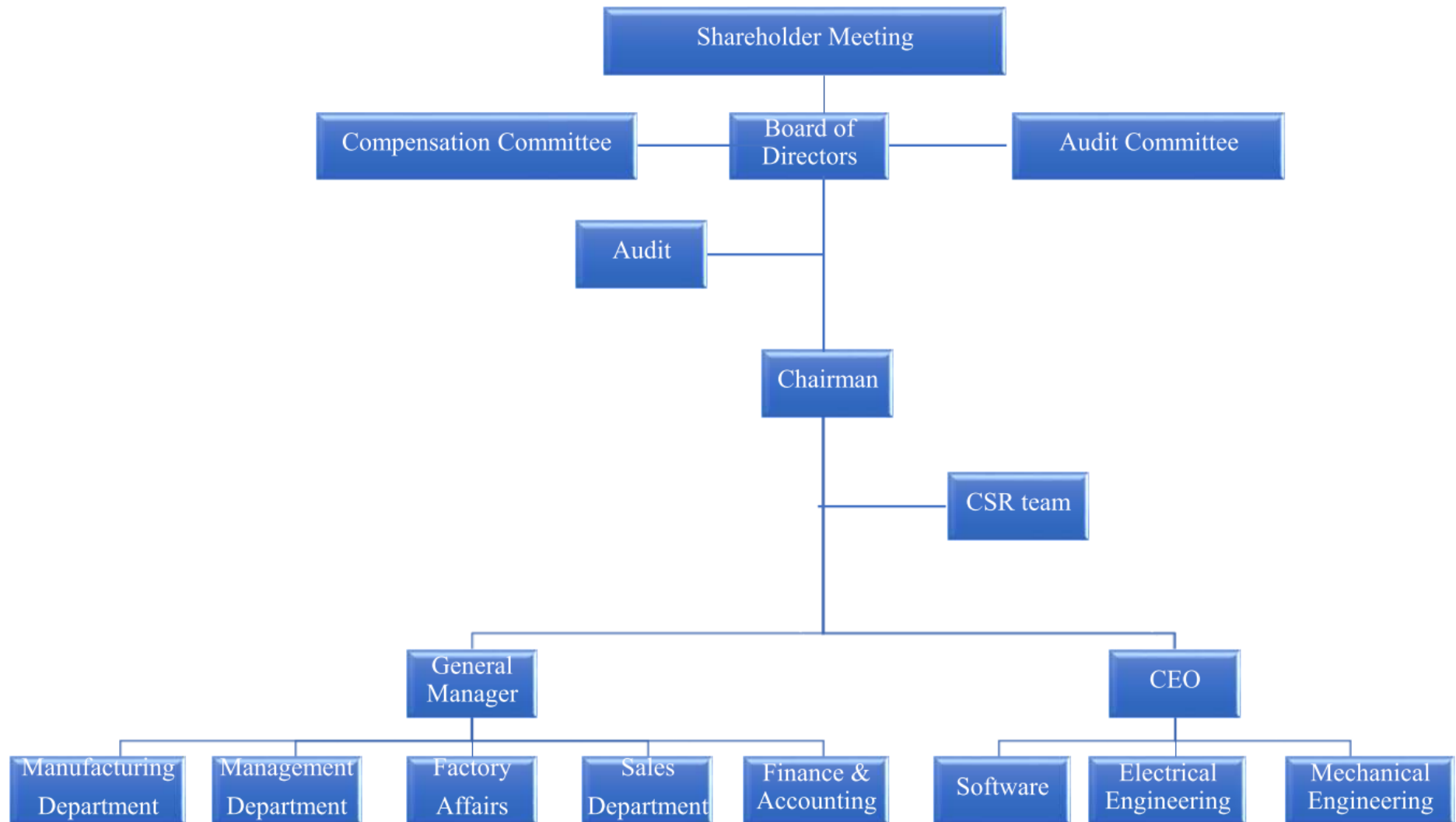
- Developed Taiwan's first automatic electrostatic spray baking line, completed the installation and

- mass production.
- Roll-to-roll automatic alignment exposure line was successfully introduced into the market.
- 2004
  - Roll-to-roll automatic pressing light successfully introduced into the market
  - Roll-to-roll automatic laminating line was successfully introduced into the market
- 2005
  - Invested in Suzhou Industrial Park to serve customers in central China area.
- 2006
  - The sales of automatic roller coating and baking line broke through 200 lines.
- 2007
  - The sales of automatic electrostatic spray coating line broke through 40 lines.
- 2008
  - Large-scale automatic robotic arm curing furnace and optical channel oven for solar energy successfully introduced into the market.
- 2009
  - Develop multi-layer hot-air hot-plate oven and other equipment and gradually introduce them into the market.
  - Roll-to-roll automatic coating machine was successfully introduced into the optical film precision coating market.
- 2010
  - Roll-to-roll air-floating oven was successfully introduced into the market.
- 2011
  - Imported smartphone drying process equipment
  - Selected as a BRIC company by China Credit Information Service in 2011.
- 2014
  - Roll-to-roll dual-column exposure machine successfully introduced into the market.
- 2015
  - Roll-to-roll vacuum laminator was successfully introduced into the market.
  - Established Group Up Trading (Shenzhen) Co., Ltd. to serve customers in southern China area.
  - Expansion of the factory due to capacity demand, relocated to a new factory office, No. 188, Heping Road, Yangmei District, Taoyuan City.
- 2016
  - The mSAP process dedicated automatic drying line was successfully introduced into the market.
  - Obtained 100% equity of GP Technology (Suzhou Industrial Park) Co., Ltd. due to business development.
- 2017
  - Selected as a BRIC company in 2017 by China Credit Information Service.
  - Commonwealth Magazine ranked 1278 in the top 2000 rankings of manufacturing industries published in 2017, of which the business growth rate item ranked 77th, and profitability ranked 54<sup>th</sup>.
  - Handle the public issuance of stocks and log in to the counter market for trading
- 2018
  - Commonwealth Magazine ranked 1090 among the top 2000 publishing manufacturing industries.
  - The company's stock is listed on the Taiwan Exchange, stock code: 6664.
- 2019
  - Successfully developed advanced semiconductor packaging drying equipment
  - The first domestic manufacturer of PCB circuit board baking equipment that has passed the TPCA certification of safety regulations for oven type.
  - Promote PCB smart manufacturing, and jointly develop PCBECI equipment communication protocol with TPCA Association.
  - Successfully imported equipment for baking special-shaped curved glass in vehicles from major American customer.
- 2020
  - Intellectual Property Bureau ranked 50th in the top 100 corporate patent applications.
  - ISO9001:2015 management system certification updated.
  - Commonwealth Magazine ranked no.1076 among the top 2000 manufacturing company.
  - Progress in the 7th Corporate Governance Evaluation, ranking top 36~50%
- 2021
  - RGV new rail robot curing system successfully developed for IC substrate market.
  - Joined in membership of SEMI association, and presented the show at SEMICOM in December.
  - Joined in iAsia alliance to promote common standard for smart manufacturing.
  - The company's CSR report firstly published.
  - Dow Jones Sustainability Index firstly invited GP to participate in ESG survey.
  - Progress in the 8th Corporate Governance Evaluation, ranking top 21~35%



### III. Corporate Governance Report

1. System of the Company
  - (1) Organizational structure



(2) Department and Function

Department	Role and Function
Chairman and CEO	Planning and execution of R&D development, manufacturing planning and technology development
General Manager	Corporate strategic planning, promotion and supervision
Chairman office	<ol style="list-style-type: none"> <li>1. Formulation of company's long-term business development strategy</li> <li>2. Planning and contract review for foreign investment and mergers and acquisitions</li> <li>3. Planning and execution of corporate social responsibility, public relations activities, media contact and other related matters</li> <li>4. Meeting affairs of board of directors and shareholders meeting</li> <li>5. Drafting of the company's short- and medium-term business objectives, guidelines, and implementation policies</li> <li>6. Implementation of board resolutions</li> </ol>
Audit office	<ol style="list-style-type: none"> <li>1. Promote and coordinate the self-inspection operation of relevant internal control implementation of various departments</li> <li>2. Check whether the company's internal control continues to operate and comply with laws and regulations, and whether the operating activities are implemented as planned, and propose improvements in a timely manner</li> </ol>
Manufacturing Department	<ol style="list-style-type: none"> <li>1. Improve process smoothness</li> <li>2. Control of the actual production process</li> <li>3. Production, outsourcing operations and outsourcing vendor management</li> <li>4. Execute production schedule and manufacture by order</li> </ol>
Management Department	<ol style="list-style-type: none"> <li>1. Management method development, manpower organization planning</li> <li>2. Execution of salary and attendance</li> <li>3. Planning and execution of general administrative affairs and asset management operations</li> </ol>
Factory Affairs Department	<ol style="list-style-type: none"> <li>1. Coordinate the schedule and inventory delivery of each product</li> <li>2. Establishment and implementation of procurement plan</li> <li>3. Supplier Evaluation and Management</li> <li>4. Quality system planning and quality management plan drafting</li> <li>5. Production process quality inspection</li> <li>6. Supplier Quality System Audit</li> <li>7. Project file and material number management</li> </ol>
Sales Department	<ol style="list-style-type: none"> <li>1. Analysis of market information, customer products and industry change data</li> <li>2. Sales plan, strategy and target formulation and execution</li> <li>3. Customer relationship management, account management, customer complaint tracking and order management</li> <li>4. Project progress planning and tracking, program control during manufacturing and shipment</li> </ol>
Accounting and Finance Department	<ol style="list-style-type: none"> <li>1. Financial scheduling and analysis, budget planning and tracking</li> <li>2. Accounting management, cost control, report analysis</li> <li>3. Execution of stock affairs operation process and management of reinvestment</li> </ol>
Mechanical Engineering Electrical Engineering Software Research and Development	<ol style="list-style-type: none"> <li>1. Product specification development and formulation</li> <li>2. Advanced technology research and development</li> <li>3. Process technology improvement research and development</li> <li>4. Evaluation of selection of materials and parts</li> </ol>
CSR team	<ol style="list-style-type: none"> <li>1. CSR reporting and ESG affairs.</li> <li>2. Social participation and social innovation.</li> <li>3. Corporate governance information disclosure.</li> <li>4. Environment protection events.</li> <li>5. ESG planning, project implementation and evaluation.</li> </ol>

2. Information of board directors, general manager, vice general managers, associates, managers of various departments

(1) basic information of board directors and independent directors

2022.3.31 ; Unit : share ; %

Title	Country	Name	Gender Age	Inauguration date	Term	Appointment date	Holding shares at the time of appointment		Number of shares currently held		Spouse, Children hold shares now		Holding shares in the name of another person		Experiences/academic background	Concurrently holding positions in the company and others	Other supervisors, directors or supervisors with spouse or second relative relationship			Note
							shares	%	shares	%	shares	%	shares	%			title	name	relationship	
Chairman of Board	R.O.C.	A.S. Chen	Male 61~70	1990.1.24	3 years	2021.7.30	879,408	1.76%	879,408	1.6%	892,211	1.62%	—	—	Bachelor of Mechanical Engineering Taipei City University of Science & Technology, TPCU Manager of Design Dept. CSUN Industrial Co.Ltd.	Chairman of Group Up Industrial Co.Ltd. Supervisor of Zhanhong Investment Co., Ltd. GROUP UP (SAMOA) LTD	Sales vice general manager	Asui Chen	brother	Chairman and CEO are the same person (Note 1)
	R.O.C.	Zhanhong Investment Co., Ltd.	—	2017.6.12	3 years	2021.7.30	2,755,104	5.51%	2,755,104	5.01%	—	—	—	—	n/a	—	n/a	n/a	n/a	—
Board Director	R.O.C.	Lee, Jung- Kung	Male 61~70	1990.1.24	3 years	2021.7.30	913,148	1.83%	913,148	1.66%	1,335,812	2.43%	—	—	Dept. of Mechanical Engineering Xiehe Vocational High School Manager of Sales Dept. CSUN Industrial Co.Ltd.	General Manager of Group Up Industrial Co.Ltd. Supervisor of Yufeng Investment Co., Ltd.	—	—	—	—
	R.O.C.	Yufeng Investment Co., Ltd.	—	2017.6.12	3 years	2021.7.30	2,757,309	5.51%	2,757,309	5.01%	—	—	—	—	n/a	—	n/a	n/a	n/a	—
Board Director	R.O.C.	Lai, Wen- Chang	Male 61~70	1990.1.24	3years	2021.7.30	976,853	1.95%	976,853	1.78%	878,521	1.6%	—	—	Bachelor of Mechanical Engineering Chien Hsin University of Science and Technology Manager of Quality Management CSUN Industrial Co.Ltd.	Vice general manager of Group Up Industrial Co.Ltd. Supervisor of Hongyi Investment Co., Ltd.	—	—	—	—
	R.O.C.	Hongyi Investment Co., Ltd.	—	2017.6.12	3 years	2021.7.30	2,758,119	5.52%	2,758,119	5.01%	—	—	—	—	n/a	—	n/a	n/a	n/a	—

Title	Country	Name	Gender Age	Inauguration date	Term	Appointment date	Holding shares at the time of appointment		Number of shares currently held		Spouse, Children hold shares now		Holding shares in the name of another person		Experiences/academic background	Concurrently holding positions in the company and others	Other supervisors, directors or supervisors with spouse or second relative relationship			Note
							shares	%	shares	%	shares	%	shares	%			title	name	relationship	
Board Director	R.O.C.	Yu, Bill	Male 61~70	1990.1.24	3 years	2021.7.30	857,097	1.71%	857,097	1.56%	925,036	1.68%	—	—	Bachelor of Electrical Engineering National Taipei University of Technology Manager of Sales Dept. CSUN Industrial Co.Ltd.	Vice general manager of Group Up Industrial Co.Ltd. Board Director of Living Water Investment Co., Ltd. Representative of Wangqun Technology (Suzhou Industrial Park) Co., Ltd. Representative of GP Trading (Shenzhen) Co., Ltd.	—	—	—	—
	R.O.C.	Living Water Investment Co., Ltd.	—	2017.6.12	3 years	2021.7.30	2,760,712	5.52%	2,760,712	5.02%	—	—	—	—	n/a	—	n/a	n/a	n/a	—
Board Director	R.O.C.	Dai, Shui- Chuan	Male 71~80	2015.10.30 (Note2)	3 years	2021.7.30	80,000	0.16%	80,000	0.15%	—	—	—	—	Fu-Hsin Trade and Arts School General Manager, Xiefeng Mingban Printing Co., Ltd.	Chairman of the Board Pizazzy International Co. Ltd.	—	—	—	—
Board Director	R.O.C.	Kao, Chuan Chih	Male 61~70	2018.2.22	3 years	2021.7.30	30,000	0.06%	30,000	0.05%	—	—	—	—	Bachelor of Mechanical Engineering Taipei City University of Science & Technology,TPCU Board Director, Xie-He-Xing Precision Machinery (Kunshan) Co., Ltd.	Sehosin Machinery Co., Ltd. (Kunshan)	—	—	—	—
Independent director	R.O.C.	Li, Robert	Male 51~60	2018.2.22	3years	2021.7.30	—	—	—	—	—	—	—	—	Industrial Management Institute National Cheng-Kung University, NCKU Vice General Manager, Chi-Feng Plastic Co., Ltd.	none	—	—	—	—
Independent director	R.O.C.	Hung, Ching- Chang	Male 61~70	2018.2.22	3years	2018.02.22	2,000	—	-	-	—	—	—	—	Dept. of Welding Engineering Cranfield University General Manager, He-Zeng Technology Co., Ltd.	none	—	—	—	—

Title	Country	Name	Gender Age	Inauguration date	Term	Appointment date	Holding shares at the time of appointment		Number of shares currently held		Spouse, Children hold shares now		Holding shares in the name of another person		Experiences/academic background	Concurrently holding positions in the company and others	Other supervisors, directors or supervisors with spouse or second relative relationship			Note
							shares	%	shares	%	shares	%	shares	%			title	name	relationship	
Independent director	R.O.C.	Chen, Ming Hsing	Male 61~70	2018.2.22	3years	2018.02.22	—	—	—	—	—	—	—	—	MBA, National Singapore University Consultant, Taiwan Printed Circuit Association (TPCA)	TPCA association Consultant	—	—	—	—

Note 1: Chairman of the company concurrently serves as the chief executive officer, mainly because he is the founding major shareholder of the company, leading the whole team to continue to grow and achieve good performance. for the interests of shareholders and the company, it is the best choice under his leadership.

Note 2: This independent director was elected for the first time on October 30, 2015, and in conjunction with the general re-election of directors at the interim shareholders' meeting on February 22, 2018. In accordance with the company's charter, an audit committee was then formed by all independent directors to replace the supervisors, so the original supervisors were in 2018 He was automatically dismissed on February 22, 2018 and was changed to the position of board director.

Note 3: The board of directors of the company does not have any government agency or a single legal person organization and its subsidiaries occupying more than one-third of the seats on the board of directors.

Note 4: Incumbent independent directors are re-elected for two consecutive terms, with none for more than three terms.

## 1.Main shareholders of corporate shareholders

2022.3.31

Name	Main shareholders
Zhanhong Investment Co., Ltd.	Chen, A.S. (30.00%) 、Yang, Yue Zhan (30.00%) 、Chen, Hung Chan (13.34%) 、Chen, Leyla (13.33%) 、Chen, Yu Xuan (13.33%)
Yufeng Investment Co., Ltd.	Lee, Jung-Kung(30.00%) 、Lin, Chin Jong (30.00%) 、Lee, Wan-Ting(20.00%) 、Lee, Hsin-Yun(20.00%)
Hongyi Investment Co., Ltd.	Lai, Wen-Chang(25.00%) 、Lai, Ying zhi(25.00%) 、Lai, Ying Yun(25.00%) 、Wang, Yumei (25.00%)
Living Water Investment Co., Ltd.	Yu, Bill(30.00%) 、Feng, Yixin (30.00%) 、Yu, Vivien(20.00%) 、Yu, Zhekuan (20.00%)

## 2. Professional knowledge and independence of directors or supervisors

Company and name	Professional qualifications	Experiences (note1)	Independence (note2)	Serve as independent director of other companies
Zhanhong Investment Co., Ltd. Mr. Chen, A.S.	1. Board leadership experience (For work experience, please refer to pages 12~14 for director information) 2. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc. 3. No circumstances under Article 30 of Company Law	Bachelor of Mechanical Engineering Taipei City University of Science & Technology, TPCU  Manager of Design Dept. CSUN Industrial Co.Ltd.	(4)(6)(8)(9)(11)(12)	None
Yufeng Investment Co., Ltd. Mr. Lee, Jung-Kung	1. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc. 2. No circumstances under Article 30 of Company Law	Dept. of Mechanical Engineering Xiehe Vocational High School  Manager of Sales Dept. CSUN Industrial Co.Ltd.	(4)(6)(8)(9)(11)(12)	None
Hongyi Investment Co., Ltd. Mr. Lai, Wen-Chang	1. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc. 2. No circumstances under Article 30 of Company Law	Bachelor of Mechanical Engineering Chien Hsin University of Science and Technology  Manager of Quality Management CSUN Industrial Co.Ltd.	(4)(6)(7)(8)(9)(11)(12)	None
Living Water Investment Co., Ltd. Mr. Yu, Bill	1. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc. 2. No circumstances under Article 30 of Company Law	Bachelor of Electrical Engineering National Taipei University of Technology  Manager of Sales Dept. CSUN Industrial Co.Ltd.	(4)(6)(7)(8)(9)(11)(12)	None
Mr. Dai, Shui-Chuan	1. Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc. 2. No circumstances under Article 30 of Company Law	Fu-Hsin Trade and Arts School  General Manager, Xiefeng Mingban Printing Co., Ltd.	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	None

Mr. Kao, Chuan Chih	<ol style="list-style-type: none"> <li>Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc.</li> <li>No circumstances under Article 30 of Company Law</li> </ol>	<p>Bachelor of Mechanical Engineering Taipei City University of Science &amp; Technology, TPCU</p> <p>Board Director, Xie-He-Xing Precision Machinery (Kunshan) Co., Ltd.</p>	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	None
Mr. Li, Robert	<ol style="list-style-type: none"> <li>Experiences in compensation committee and audit compensation</li> <li>Professional experience in operational judgment, accounting and finance, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc.</li> <li>No circumstances under Article 30 of Company Law</li> </ol>	<p>Industrial Management Institute National Cheng-Kung University, NCKU</p> <p>Vice General Manager, Chi-Feng Plastic Co., Ltd.</p>	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	None
Mr. Hung, Ching-Chang	<ol style="list-style-type: none"> <li>Experiences in compensation committee and audit compensation</li> <li>Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc.</li> <li>No circumstances under Article 30 of Company Law</li> </ol>	<p>Dept. of Welding Engineering Cranfield University, U.K.</p> <p>General Manager, He-Zeng Technology Co., Ltd.</p>	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	None
Mr. Chen, Ming Hsing	<ol style="list-style-type: none"> <li>Experiences in compensation committee and audit compensation</li> <li>Professional experience in operational judgment, business management, crisis management, industry knowledge, international market outlook, leadership decision-making, etc.</li> <li>No circumstances under Article 30 of Company Law</li> </ol>	<p>MBA, National Singapore University</p> <p>Consultant, Taiwan Printed Circuit Association (TPCA)</p>	(1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)(12)	None

Note 1: None of the above-mentioned directors and independent directors has any of the provisions of Article 30 of the Company Law.

Note 2: Independence of directors in the two years prior to their election and during their term of office. (Applicants are disclosed in the table above)

- (1) Non-employees of the company or its affiliates.
- (2) Directors and supervisors of companies other than the company or its affiliates (except if the company and its parent company, subsidiary, or subsidiary of the same parent company are independent directors set up in accordance with this law or local laws and regulations to concurrently serve each other, this is not the case).
- (3) Non-self, spouse, minor children or other natural person shareholders who hold more than 1% of the total issued shares of the company or hold the top 10 shares in the name of others.
- (4) The spouse, relatives within the second or third relatives of the managers listed in (1) or the persons listed in (2) and (3) or the direct blood relatives within the third.
- (5) Directors of corporate shareholders who do not directly hold more than 5% of the total issued shares of the company, hold the top five shares, or appoint a representative as the company's director or supervisor in accordance with Article 27, Item 1 or Item 2 of the Company Law, Supervisors or employees (except for independent directors established by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local laws and regulations).
- (6) More than half of the non-company directors or voting shares are directors, supervisors or employees of other companies controlled by the same person (but if the company or its parent company, subsidiary or child of the same parent company independent directors established by the company in accordance with this law or local laws and regulations concurrently serve each other, except for this limitation).
- (7) Directors (directors), supervisors (supervisors) or employees of other companies or institutions who are not the same person or spouse as the chairman, general manager or equivalent positions of the company (but if the company and its parent company, Subsidiaries or subsidiaries of the same parent company in accordance with this law or local laws and regulations set up independent directors to concurrently serve each other, not subject to this limitation).
- (8) Directors, supervisors, managers, or shareholders holding more than 5% of shares of a specific company or organization that are not in financial or

business dealings with the company (but if a specific company or organization holds the company's issued shares The total number is more than 20%, but not more than 50%, and independent directors established by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local laws and regulations concurrently serve each other, not limited to this).

- (9) Professionals, sole proprietorships, partnerships, companies or organizations that are not professionals, sole proprietors, partnerships, companies, or organizations that provide audits for companies or affiliated companies, or whose accumulated remuneration in the last two years does not exceed NT\$500,000. Business owners, partners, directors, supervisors, managers and their spouses. However, this does not apply to members of the Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their duties in accordance with the Securities Exchange Act or the relevant laws and regulations of Corporate Mergers and Acquisitions Act.
- (10) There is no relative relationship with other directors within a spouse or second relative.
- (11) There is no one of the conditions in Article 30 of the Company Law.
- (12) No government, legal person or representative was elected as required by Article 27 of the Company Law.

### 3.Board of Directors: Diversity and Independence

#### (1) Diversity

The composition of Board of Directors of the Company is based on "Corporate Governance Code" and "Board of Director Election Rule" to consider the diversity of Board of Directors from various aspects. The company has a total of 9 directors, including 3 independent directors. It advocates and respects the policy of director diversity. To strengthen corporate governance and promote the sound development of the composition and structure of board of directors, it is believed that the policy of diversity will help improve overall performance of the company. The selection and appointment of board members are based on the principle of employing talents based on their abilities, and they have diverse and complementary capabilities across industries, including basic conditions and values: (such as gender and age, etc.), and each has professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience...etc.

The company's current board member diversity policy and implementation are as follows

Name	Gender	Age	Core items							
			Operation	Accounting & finance	Manage ment	Crisis management	Industry knowledge	Global market	Leadership	Decision- making
Mr. Chen, A.S.	Male	61~70	√	√	√	√	√	√	√	√
Mr. Lee, Jung-Kung	Male	61~70	√	√	√	√	√	√	√	√
Mr. Lai, Wen- Chang	Male	61~70	√	√	√	√	√	√	√	√
Mr. Yu, Bill	Male	61~70	√	√	√	√	√	√	√	√
Mr. Dai , Shui-Chuan	Male	71~80	√	√	√	√	√	√	√	√
Mr. Kao, Chuan Chih	Male	61~70	√	√	√	√	√	√	√	√
Mr. Li, Robert	Male	51~60	√	√	√	√	√	√	√	√
Mr. Hung, Ching- Chang	Male	61~70	√	√	√	√	√	√	√	√
Mr. Chen, Ming Hsing	Male	61~70	√	√	√	√	√	√	√	√

#### (2) Independence

There are 9 seats on board of directors of the company, three of which are independent directors, accounting for 3/9 of the seats on the board of directors. For the independence of the board of directors, please refer to 1.3. 4. Disclosure of information on the professional qualifications of directors and the independence of independent directors. As you can see from the above-mentioned information table of directors, the company has established an audit committee to replace the supervisory position, and none of the 9 members of board of directors has a spouse or family relationship within the second degree of kinship with each other, so there is no Article 26-3(3) nor (4) of the Securities and Exchange Act.



## (2) General Manager, Vice General Manager, Associate and Supervisors of Various Departments and Branches

2022.3.31 ; Unit : share ; %

Title	Nationality	Name	Gender	Date of appointment	Shares held		Spouse and children holding shares		Holding shares in name of others		Main experiences and academic background	Currently concurrently holding positions in other companies	Managers with spouse or second relative relationship			Note
					Shares	%	Shares	%	shares	%			Title	Name	Relationship	
CEO	R.O.C.	Chen, An Shun	Male	1990.01.24	879,408	1.60%	892,211	1.62%	—	—	Bachelor of Mechanical Engineering Taipei City University of Science & Technology, TPCU Manager of Design Dept. CSUN Industrial Co.Ltd.	Supervisor of Zhanhong Investment Co., Ltd. Chairman and CEO of Group Up Industrial Co.Ltd.	Sales Vice GM	Chen, Asui	Brother	Chairman and CEO are the same person (note 1)
General Manager	R.O.C.	Lee, Jung-Kung	Male	1990.01.24	913,148	1.66%	1,335,812	2.42%	—	—	Dept. of Mechanical Engineering Xiehe Vocational High School Manager of Sales Dept. CSUN Industrial Co.Ltd.	Supervisor of Yufeng Investment Co., Ltd. General Manager of Group Up Industrial Co.Ltd.	—	—	—	
Manufacturing Vice GM	R.O.C.	Lai, Wen-Chang	Male	1990.01.24	976,853	1.78%	878,521	1.60%	—	—	Bachelor of Mechanical Engineering Chien Hsin University of Science and Technology Manager of Quality Management CSUN Industrial Co.Ltd.	Supervisor of Hongyi Investment Co.Ltd. Vice GM of Group Up Industrial Co.Ltd.	—	—	—	
Management Vice GM	R.O.C.	Yu, Bill	Male	1990.01.24	857,097	1.56%	925,036	1.68%	—	—	Bachelor of Electrical Engineering National Taipei University of Technology Manager of Sales Dept. CSUN Industrial Co.Ltd.	Board Director of Living Water Investment Co., Ltd. Vice General Manager of Group Up Industrial Co., Ltd.	—	—	—	
Sales Vice GM	R.O.C.	Chen, Asui	Male	2000.11.20	210,836	0.38%	—	—	—	—	Master of Materials Science Engineering Institute, National Tsinghua University Deputy Manager of Taiwan Mitsubishi Corporation	No	CEO	Chen, A.S.	Brother	
Sales Associate Manager	R.O.C.	Lee, Brent	Male	2006.07.01	33,461	0.06%	—	—	—	—	Ph.D., Institute of Electronic Engineering, Zhongyuan University Assistant Professor, Lingdong University of Science and Technology	No	—	—	—	
R&D Associate Manager	R.O.C.	Chen, Xiurong	Male	2000.04.10	109,460	0.20%	136,977	0.25%	—	—	Bachelor of Mechanical Engineering, National United University Engineer, Whirlho Company	No	—	—	—	
Accounting & Finance, Corporate Governance Manager	R.O.C.	Shen, Wendy	Female	2000.12.21	70,000	0.13%	—	—	—	—	Bachelor of Accounting, Fu Jen Catholic University Team Manager of Deloitte Accounting Firm	No	—	—	—	

Note: The chairman of the company concurrently serves as CEO, mainly because he is founding major shareholder of the company, leading the company to continue to grow and achieve good results. It is the best choice for the interests of shareholders and the company.

## 3. Remuneration of Directors, Supervisors, General Managers and Vice General Managers

## (1) Remuneration paid to directors in the most recent year (2021)

Unit : NT\$1,000 ; Share

Title	Name	Remuneration of Directors								The proportion of items A, B, C and D to net profit after tax (Note10)		Receiving employee-related remuneration								A, B, C, D, E, F, and G as a percentage of total net profit after tax (Note 10)		Whether to receive remuneration from non-subsidiary investment (Note 11)
		Remuneration (A)(Note2)		Pension(B)		Reward(C) (Note3)		Execution Cost(D) (Note4)				Salaries, bonuses and special expenses, etc. (E) (Note 5)		Pension(F)		Reward((G) (Note6)						
		GP	All companies in the report (Note7)	GP	All companies in the report (Note7)	GP	All companies in the report (Note7)	GP	All companies in the report (Note7)	GP	All companies in the report (Note7)	GP	All companies in the report (Note7)	GP	All companies in the report (Note7)	GP		All companies in the report (Note7)		GP	All companies in the report (Note7)	
By cash	By share															By cash	By share					
Chairman	Chen, An-Shun	1,440	1,440	-	-	2,900	2,900	126	126	1.33%	1.33%	12,638	12,638	-	-	6,110	-	6,110	-	6.9%	6.9%	
Board Director	Lee, Jung-Kung																					
Board Director	Lai, Wen-Chang																					
Board Director	Yu, Bill																					
Board Director	Dai, Shui-Chuan																					
Board Director	Kao, Chuan Chih																					
Independent Director	Li, Robert	720	720	-	-	1,100	1,100	63	63	0.56%	0.56%	-	-	-	-	-	-	-	0.56%	0.56%		
Independent Director	Hung, Ching-Chang																					
Independent Director	Chen, Ming-Hsing																					

1. Please state the policy, system, standards and structure of the remuneration payment for independent directors, and state the relevance to the amount of remuneration based on the responsibilities, risks, and time invested: it is based on the company's "directors, supervisors and managers" Salary payment method.

2. Except as disclosed in the above table, the remuneration received by the directors of the company for providing services to all companies in the financial report (such as serving as a consultant for non-employees, etc.) in the most recent year: None.

(2) Table of Board of Directors Remuneration scale (2021)

Remuneration to each director of the Company	Name of Board Directors			
	The total amount of the first four remunerations (A+B+C+D)		The total amount of the first seven remunerations (A+B+C+D+E+F+G)	
	The Company (note8)	All companies in this financial report H (note9)	The Company (note8)	All companies in this financial report I (note9)
< NT\$ 1,000,000	Chen An Shun, Zhanhong Investment Company, Lee Rung Kun, Yufeng Investment Company, Lai Wen Chang, Hongyi Investment Company, Yu Bill, Living Water Investment Company, Dai Shui Chuan, Kao Chuanchih, Li Robert, Hung Chihng-chang, Chen Ming Hsing	Chen An Shun, Zhanhong Investment Company, Lee Rung Kun, Yufeng Investment Company, Lai Wen Chang, Hongyi Investment Company, Yu Bill, Living Water Investment Company, Dai Shui Chuan, Kao Chuanchih, Li Robert, Hung Chihng-chang, Chen Ming Hsing	Zhanhong Investment Company, Yufeng Investment Company, Hongyi Investment Company, Living Water Investment Company, Dai Shuiquan, Gao Quanzhi, Li Jinde, Hong Qingchang, Chen Mingxing	Zhanhong Investment Company, Yufeng Investment Company, Hongyi Investment Company, Living Water Investment Company, Dai Shuiquan, Gao Quanzhi, Li Jinde, Hong Qingchang, Chen Mingxing
NT\$ 1,000,000~NT\$ 1,999,999				—
NT\$ 2,000,000~NT\$ 3,499,999	—	—	—	—
NT\$ 3,500,000~NT\$ 4,999,999	—	—	Lai, Wen Chang Yu, Bill	Lai, Wen Chang Yu, Bill
NT\$ 5,000,000~NT\$ 9,999,999	—	—	Chen, An Shun Lee, Jung Kung	Chen, An Shun Lee, Jung Kung
NT\$ 10,000,000~NT\$ 14,999,999	—	—	—	—
NT\$ 15,000,000~NT\$ 29,999,999	—	—	—	—
NT\$ 30,000,000~NT\$ 49,999,999	—	—	—	—
NT\$ 50,000,000~NT\$ 99,999,999	—	—	—	—
NT\$ 100,000,000 and more	—	—	—	—
Total number of Board Directors	13	13	13	13

Note 1: The names of directors should be listed separately (corporate shareholders should separately list the names of legal person shareholders and their representatives), and general directors and independent directors should be listed separately, and the payment amounts should be disclosed in a summary manner.

Note 2: Refers to the remuneration of directors in the most recent year (including directors' salary, post bonus, severance payment, various bonuses, incentives, etc.).

Note 3: This is the amount of directors' remuneration approved by the board of directors in the most recent year.

Note 4: Refers to the director's relevant business execution expenses in the most recent year (including carriage fees, special expenses, various allowances, dormitories, car allocation, etc.). When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration.

Note 5: Refers to the salary received by concurrent directors (including concurrent general manager, deputy general manager, other managers and employees) in the most recent year, including salary, post bonus, severance payment, various bonuses, incentives, carriage fees, special expenses, various Allowances, dormitories, car distribution and other in-kind provision, etc. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share Basic Benefits", including obtaining employee stock options, restricting employee rights, new shares, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Note 6: Refers to those who have received employee remuneration (including stocks and cash) for concurrent directors (including concurrently serving as general manager, deputy general manager, other managers and employees) in the most recent year, and the amount of employee remuneration approved by the board of directors in the most recent year shall be

disclosed. If it is not possible to estimate, the proposed distribution amount for this year shall be calculated based on the actual distribution amount last year, and the attached table 1-3 shall be filled in.

Note 7: The total amount of remuneration paid to the directors of the company by all companies (including the company) in the consolidated report should be disclosed.

Note 8: The company pays the total amount of remuneration to each director, and reveals the name of the director in the attribution level.

Note 9: The total amount of remuneration paid to each director of the company by all companies (including the company) in the consolidated report should be disclosed, and the names of the directors should be disclosed in the attribution level.

Note 10: Net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note 11: a. This column should clearly indicate the amount of relevant remuneration received by the directors of the company from the subsidiary company or the parent company (if none, please fill in "none").

b. If the directors of the company receive relevant remuneration from the out-of-subsiary investment business or the parent company, the remuneration received by the company directors from the out-of-subsiary investment business or the parent company shall be included in column I of the remuneration scale table. And change the field name to "parent company and all reinvested businesses".

c. Remuneration refers to the remuneration, remuneration (including remuneration of employees, directors and supervisors) and business execution expenses received by the directors of the company as directors, supervisors or managers of non-subsiary investment enterprises or parent companies' remuneration.

\* The content of the remuneration disclosed in this table is different from the income concept of the income tax law, so the purpose of this table is for information disclosure and not for taxation.

(3) Supervisor's remuneration: The company has changed to Audit committee, therefore not applicable.  
Remuneration paid to general manager and deputy general managers in 2021

Unit : NT\$1,000

Title	Name	Remuneration(A) (Note2)		Pension(B)		Bonuses and special expenses, etc. (C)		Employee Remuneration(D)				The proportion of four items A, B, C and D to net profit after tax ( % )		Whether to receive remuneration from non-subsidiary investment business
		GP	All companies in the report	GP	All companies in the report	GP	All companies in the report	GP		All companies in the report		GP	All companies in the report	
								cash	share	cash	share			
CEO	Chen, An Shun	11,498	11,498	-	-	3,510	3,510	6,760	-	6,760	-	6.47%	6.47%	-
General Manager	Lee, Jung Kung													
Manufacturing Vice GM	Lai, Wen Chang													
Management Vice GM	Yu, Bill													
Sales Vice GM	Chen, Asui													

Table of Remuneration scale (2021)

Remuneration levels paid to each general manager and deputy general manager of the company	Names	
	The Company	All companies in this report(E)
< NT\$1,000,000	—	—
NT\$ 1,000,000~NT\$ 1,999,999	—	—
NT\$ 2,000,000~NT\$ 3,499,999	Mr. Chen, Asui	Mr. Chen, Asui
NT\$ 3,500,000~NT\$ 4,999,999	Mr. Lai, Wen Chang / Mr. Yu, Bill	Mr. Lai, Wen Chang / Mr. Yu, Bill
NT\$ 5,000,000~NT\$ 9,999,999	Mr. Chen, An Shun / Mr. Lee, Jung Kung	Mr. Chen, An Shun / Mr. Lee, Jung Kung
NT\$ 10,000,000~NT\$ 14,999,999	—	—
NT\$ 15,000,000~NT\$ 29,999,999	—	—
NT\$ 30,000,000~NT\$ 49,999,999	—	—
NT\$ 50,000,000~NT\$ 99,999,999	-	-
NT\$ 100,000,000 and more	-	-
Total number of directors	5	5

Note 1: The names of the general manager and deputy general managers should be listed separately, and the payment amounts should be disclosed in a summary manner.

Note 2: It is to fill in the most recent annual general manager and deputy general manager salaries, job bonuses, and severance pay.

Note 3: The number of bonuses, incentives, carriage fees, special expenses, allowances, dormitories, car distribution, etc., provided by the general manager and deputy general managers in the most recent year, and other remunerations are listed. When providing housing, cars and other means of transportation or exclusive personal expenses, the nature and cost of the assets provided, the actual or fair market price rent, fuel and other payments should be disclosed. In addition, if there is a driver, please note the relevant remuneration paid by the company to the driver, but it will not be included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share Basic Benefits", including obtaining employee stock options, restricting employee rights, new shares, and participating in cash capital increase subscription for shares, should also be included in remuneration.

Note 4: Fill in the amount of employee compensation (including stocks and cash) approved by the board of directors to distribute the general manager and deputy general managers in the most recent year. If it cannot be estimated, the proposed distribution amount for this year will be calculated based on the actual distribution amount last year. Fill out Attachment One ter.

Note 5: The total amount of remuneration paid by all companies (including the company) to the general manager and deputy general managers of the company in the

consolidated report should be disclosed.

Note 6: The company pays the total amount of remuneration to each general manager and deputy general manager, and reveals the names of the general manager and deputy general managers in the attribution level.

Note 7: The total amount of remuneration paid to each general manager and deputy general manager of the company by all companies (including the company) in the consolidated report should be disclosed, and the names of the general manager and deputy general managers should be disclosed in the attribution level.

Note 8: Net profit after tax refers to the net profit after tax of the individual or individual financial report in the most recent year.

Note 9:

a. This column should clearly state the amount of remuneration received by the general manager and deputy general manager of the company from the subsidiary company or the parent company (if none, please fill in "none").

b. If the general manager and deputy general managers of the company receive relevant remuneration from the subsidiary company or the parent company, the general manager and deputy general managers of the company shall transfer the remuneration received from the subsidiary company or the parent company. Incorporate it into column E of the remuneration grading table, and change the name of the column to "parent company and all reinvested businesses".

c. Remuneration refers to the remuneration, remuneration (including remuneration for employees, directors and supervisors) received by the general manager and deputy general managers of the company as directors, supervisors or managers of subsidiaries outside the investment business or parent company. Remuneration related to business execution expenses.

\* The content of remuneration disclosed in this table is different from income concept of income tax law, so purpose of this table is for information disclosure, not for taxation.

(4) Name of the managers and distribution of compensation

2021.12.31 ; Unit : NT\$1,000

Title	Name	Shares	Cash	Total Amount	Total amount of Proportion of net profit after tax (%)
CEO	Mr. Chen, An Shun	—	7,610	7,610	2.26%
General Manager	Mr. Lee, Jung Kung				
Manufacturing Vice GM	Mr. Lai, Wen Chang				
Management Vice GM	Mr. Yu, Bill				
Sales Vice GM	Mr. Chen, Asui				
Sales Associate Manager	Mr. Lee, Brent				
Research & Development Associate Manager	Mr. Chen, Xiurong				
Accounting & Finance, Corporate Governance Manager	Ms. Shen, Wendy				

Note: Remuneration of the company's top five remuneration executives: Not applicable

(5) Analysis of the proportion of the total remuneration paid by the company and all companies in the consolidated report to the directors, supervisors, general managers and deputy general managers of the company in the net profit after tax of the individual or individual financial reports in the last 2 years and explain the policies, standards and combinations of remuneration, procedures for setting remuneration and its relevance to business performance and future risks.

1. Total remuneration paid by the company to the directors, supervisors, general managers and deputy general managers of the company in the most recent 2 years accounted for the percentage of after-tax profits and losses

Unit : NT\$1,000

Title	2020		2021	
	Remuneration	Proportion of net profit after tax (%)	Remuneration	Proportion of net profit after tax (%)
Board of Directors	6,340	2.04%	6,349	1.89%
General Manager and Vice General Managers	19,123	6.15%	21,768	6.47%

2. Remuneration policies, standards and combinations, procedures for determining remuneration, and their relevance to operating performance and future risks:

Article 19 of the company's charter shall deduct the current year's pre-tax benefits from the distribution of employee's remuneration and the benefits of director's remuneration. After retaining the number of accumulated losses, if there is a balance, no less than 2% should be allocated for employee compensation and no more than 5% for directors' compensation. The remuneration evaluation of directors and managers is based on salary level of the position in inter-industry market, the scope of rights and responsibilities of the position in the company, the degree of contribution to the company's operational goals, and the degree of operational participation, as well as company's "directors, supervisors" "Remuneration Measures for Managers" for overall consideration, including financial performance indicators, talent cultivation, compliance with laws and regulations, and other special contributions.

#### 4. Overview of Corporate Governance

##### (1) Meetings of Board of Directors

In the year of 2021 and 2022 Q1, the 11<sup>th</sup> and the 12<sup>th</sup> Board of Directors held a total of 8 board meetings with the details below:

Title	Name	Number of Attendance	Number of Delegate to attend	Attendance Rate (%) (B/A)	Note
Chairman	Mr. Chen, An Shun	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director
Board Director	Mr. Lee, Jung Kung	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director
Board Director	Mr. Lai, Wen Chang	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director
Board Director	Mr. Yu, Bill	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director
Board Director	Mr. Kao, Chuan Chih	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director
Board Director	Mr. Dai, Shui-Chuan	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director
Independent Director	Mr. Li, Robert	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director
Independent Director	Mr. Hung, Ching Chang	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director
Independent Director	Mr. Chen, Ming Hsing	8	0	100%	Re-elected as the 12 <sup>th</sup> Board of Director

Other matters to be recorded:

1. The operation of the board of directors, if one of the following situations occurs, shall state the date of the board of directors, the period, the content of the proposal, the opinions of all independent directors and the company's handling of the opinions of independent directors:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act.

Date	Period	Contents of the motion	Independent Director's opinions	Opinion notes
2021.03.26	No.20 Board meeting 11 <sup>th</sup> Board of Directors	Company's employee compensation and director compensation distribution plan in 2020.	Passed without objection	Not applicable
		The company's 2020 "Internal Control System Effectiveness Assessment" and "Internal Control Statement" case	Passed without objection	Not applicable
		The company's accounts receivable has not been recovered within 3 months of the normal credit period and the amount is significant	Passed without objection	Not applicable
		Amendments to some provisions of Company's "Rules of Procedure for Shareholders' Meetings"	Passed without objection	Not applicable
		The company regularly evaluates the independence of the certified accountant	Passed without objection	Not applicable
2021.05.07	No.21 Board meeting 11 <sup>th</sup> Board of Directors	The company's accounts receivable has not been recovered within 3 months of the normal credit period and the amount is significant	Passed without objection	Not applicable
		For the needs of business development, the company intends to apply to First Bank for a forward foreign exchange risk limit in New Taiwan Dollars	Passed without objection	Not applicable



		The Company's 2021 Annual Salary Adjustment Plan for Managers	Passed without objection	Not applicable
		Nomination and resolution of the list of candidates for directors (including independent directors)	Passed without objection	Not applicable
		Removal of non-compete restrictions on newly appointed directors and their representatives	Passed without objection	Not applicable
2021.7.31	1 <sup>st</sup> Board meeting 12 <sup>th</sup> Board of Directors	Nominate the chairman of the company	Passed without objection	Not applicable
		Appointed the third member of the Remuneration Committee	Passed without objection	Not applicable
2021.08.10	2 <sup>nd</sup> Board meeting 12 <sup>th</sup> Board of Directors	The company's accounts receivable has not been recovered within 3 months of the normal credit period and the amount is significant.	Passed without objection	Not applicable
		The company intends to apply for a credit line from Jingcheng Bank, and the credit extension period will end when the term of the current director expires, and the chairman will be authorized to sign the credit extension contract and other relevant documents on behalf of the company and handle credit extension related matters.	Passed without objection	Not applicable
		2020 Detailed Case of Remuneration Distribution for Directors	Passed without objection	Not applicable
2021.11.5	3 <sup>rd</sup> Board meeting 12 <sup>th</sup> Board of Directors	The company's accounts receivable has exceeded the normal credit period of 3 months and has not been recovered and the amount is significant	Passed without objection	Not applicable
		Amendment to the Company's "Acquisition or Disposal of Assets Handling Procedures"	Passed without objection	Not applicable
		The company leases and obtains the right to use real estate assets from related parties	Passed without objection	Not applicable
		Suspend the implementation of 2021 annual salary adjustment for managers	Passed without objection	Not applicable
		2021 Manager Quarterly Work Assessment Bonus Distribution Details	Passed without objection	Not applicable
2021.12.24	4 <sup>th</sup> Board meeting 12 <sup>th</sup> Board of Directors	Revised "Operating Procedures for Funds Loaning to Others"	Passed without objection	Not applicable
		Revised "Endorsement Warranty Procedures"	Passed without objection	Not applicable
		The company's 2020 annual manager	Passed without objection	Not applicable

		employee compensation and 2022 year-end bonus, business performance, and quarterly work assessment bonus distribution plan		
2022.2.25	5th Board meeting 12 <sup>th</sup> Board of Directors	The company handles the issuance of the first domestic unsecured convertible corporate bonds	Passed without objection	Not applicable
		The company's accounts receivable has not been recovered within 3 months of the normal credit period and the amount is significant	Passed without objection	Not applicable
		Cooperate with the internal rotation of the accounting firm to change the certified accountants and regularly evaluate the independence of the certified accountants	Passed without objection	Not applicable
		The Company's 2021 "Internal Control System Effectiveness Assessment" and "Internal Control Statement"	Passed without objection	Not applicable
		Amendments to some of the company's "Articles of Association"	Passed without objection	Not applicable
		Amendment to the Company's "Acquisition or Disposal of Assets Handling Procedures"	Passed without objection	Not applicable
		The Company's 2021 Years of Staff Remuneration and Director Remuneration Distribution Project	Passed without objection	Not applicable
		Manager's quarterly work assessment bonus distribution plan	Passed without objection	Not applicable

(2) In addition to the previous matters, other board meeting decisions that have been opposed or reserved by independent directors and have records or written statements: none.

2. The implementation of the director's avoidance of the interested proposal shall state the name of the director, the content of the proposal, the reason for the avoidance of interest and the circumstances of participation in voting:

Date	Name of Board Director	Contents of the motion	Reasons for avoiding benefits	Participation in voting
2021.05.07	Mr. Chen, A.S. Mr. Lee, Jung Kung Mr. Lai, Wen Chang Mr. Yu, Bill	The Company's 2021 Annual Salary Adjustment Plan for Managers	Mr. Chen Anshun, Mr. Lee Jung Kung, Mr. Lai Wen Chang, and Mr. Yu Bill are all Board Directors and managers of the company.	Except for the above-mentioned personnel who abstained from the meeting and did not participate in the discussion and voting in accordance with the law, the remaining directors who attended the meeting agreed to pass the meeting without objection.
2021.08.10	Mr. Chen, A.S. Mr. Lee, Jung Kung Mr. Lai, Wen Chang Mr. Yu, Bill Mr. Kao, Chuan Chih Mr. Dai, Shui Chuan Mr. Li, Robert Mr. Hung, Ching Chang	2020 Detailed Case of Remuneration Distribution for Directors	All of the 9 people are all Board Directors of the company.	Except for the above-mentioned personnel who abstained from the meeting and did not participate in the discussion and voting in accordance with the law, the remaining

	Mr. Chen, Ming Hsing			directors who attended the meeting agreed to pass the meeting without objection.
2021.11.05	Mr. Chen, A.S. Mr. Lee, Jung Kung Mr. Lai, Wen Chang Mr. Yu, Bill	2021 Manager Quarterly Work Assessment Bonus Distribution Details	Mr. Chen Anshun, Mr. Lee Jung Kung, Mr. Lai Wen Chang, and Mr. Yu Bill are all Board Directors and managers of the company.	Except for the above-mentioned personnel who abstained from the meeting and did not participate in the discussion and voting in accordance with the law, the remaining directors who attended the meeting agreed to pass the meeting without objection.
2021.11.05	Mr. Chen, A.S. Mr. Lee, Jung Kung Mr. Lai, Wen Chang Mr. Yu, Bill	The company leases and obtains the right to use real estate assets from related parties	Mr. Chen Anshun, Mr. Lee Jung Kung, Mr. Lai Wen Chang, and Mr. Yu Bill are all Board Directors and managers of the company. And this case includes the real estate leased to Group Up by some of his relatives	Except for the above-mentioned personnel who abstained from the meeting and did not participate in the discussion and voting in accordance with the law, the remaining directors who attended the meeting agreed to pass the meeting without objection.
2021.12.24	Mr. Chen, A.S. Mr. Lee, Jung Kung Mr. Lai, Wen Chang Mr. Yu, Bill	The company's 2020 annual manager employee compensation and 2021 year-end bonus, business performance, and quarterly work assessment bonus distribution plan	Mr. Chen Anshun, Mr. Lee Jung Kung, Mr. Lai Wen Chang, and Mr. Yu Bill are all Board Directors and managers of the company.	Except for the above-mentioned personnel who abstained from the meeting and did not participate in the discussion and voting in accordance with the law, the remaining directors who attended the meeting agreed to pass the meeting without objection.
2022.02.25	Mr. Chen, A.S. Mr. Lee, Jung Kung Mr. Lai, Wen Chang Mr. Yu, Bill	Manager's quarterly work assessment bonus distribution plan	Mr. Chen Anshun, Mr. Lee Jung Kung, Mr. Lai Wen Chang, and Mr. Yu Bill are all Board Directors and managers of the company.	Except for the above-mentioned personnel who abstained from the meeting and did not participate in the discussion and voting in accordance with the law, the remaining directors who attended the meeting agreed to pass the meeting without objection.

### 3. Evaluation by the board of directors:

Type	Period	Evaluation Scope	Method of Evaluation	Evaluation items
Every year	2021/1/01~ 2021/12/31	Board of directors, individual directors and functional committees	Self-evaluation by the board of directors, self-evaluation by directors	(note)

Note: The assessment content includes at least the following items according to the assessment scope:

- (1) The performance evaluation of the board of directors: including at least the degree of participation in the company's operations, the quality of board decisions, the composition and structure of the board, the selection and continuous education of directors, and internal control.
- (2) Performance evaluation of individual director members: at least including the mastery of company goals and tasks, awareness of directors' responsibilities, participation in company operations, internal relationship management and communication, directors' professional and continuous education, internal control, etc.
- (3) Functional committee performance evaluation: the degree of participation in the company's operations, the recognition of the responsibilities of the functional committee, the decision-making quality of the functional committee, the composition of the functional committee and the selection of members, internal control, etc.

### 4. Evaluation of the objectives and implementation of strengthening the functions of the board of directors in the current and recent years:

- (1) To enhance information transparency, the company's major operations related news is announced in the form of major messages.
- (2) The chairman of the board of directors and CEO of the company are the same person. The company intends to complete the four independent directors before December 31, 2025 in accordance with the "Key Points of the Board of Directors of OTC Companies to Follow in the Establishment and Exercise of Powers" by the OTC rule.

## Overview of Audit Committee

In the year of 2021 and 2022 Q1, Audit Committee held a total of 6 meetings with details below:

Title	Name	Number of Attendance	Number of Delegate to attend	Attendance Rate (%)	Note
Independent Director	Mr. Li, Robert	6	0	100%	Re-elected as the second term of audit member
Independent Director	Mr. Hung, Ching Chang	6	0	100%	Re-elected as the second term of audit member
Independent Director	Mr. Chen, Ming Hsing	6	0	100%	Re-elected as the second term of audit member
Other matters to be recorded:					
1. If the operation of the audit committee is in any of the following circumstances, the date, period, resolution of the board of directors, the resolution of the audit committee, and the company's handling of the audit committee's opinions should be stated:					
(1) Matters listed in Article 14-5 of the Securities and Exchange Act:					
Date	Period	Motion	Contents of independent directors' objections, reservations or major proposals	Resolution result	Opinions
2021.3.26	1 <sup>st</sup> term of Audit committee No.19 meeting	The company's 2020 "Internal Control System Effectiveness Assessment" and "Internal Control Statement" case	Not applicable	Passed without objection	Not applicable
		GP's 2020 Consolidation and Individual Financial Reports	Not applicable	Passed without objection	Not applicable
		The company's accounts receivable has not been recovered within 3 months of the normal credit period and the amount is heavy.	Not applicable	Passed without objection	Not applicable
		The company regularly evaluates the independence of the certified accountant	Not applicable	Passed without objection	Not applicable
2021.5.07	1 <sup>st</sup> term of Audit committee No.20 meeting	The company's accounts receivable has not been recovered within 3 months of the normal credit period and the amount is significant	Not applicable	Passed without objection	Not applicable
		For the needs of business development, the company intends to apply to First Bank for a forward foreign exchange risk limit in New Taiwan Dollars	Not applicable	Passed without objection	Not applicable
2021.8.10	2 <sup>nd</sup> term of Audit committee No.1 meeting	The company's accounts receivable has not been recovered within 3 months of the normal credit period and the amount is significant	Not applicable	Passed without objection	Not applicable
		Review Report of the Company's Consolidated Financial	Not applicable	Passed without objection	Not applicable

		Statements for the Second Quarter of 2021			
		The company intends to apply for a credit line from Jingcheng Bank, and the credit extension period will end when the term of the current director expires, and the chairman will be authorized to sign the credit extension contract and other relevant documents on behalf of the company and handle credit extension related matters.	Not applicable	Passed without objection	Not applicable
2021.11.5	2 <sup>nd</sup> term of Audit committee No.2 meeting	The company's accounts receivable has not been recovered within 3 months of the normal credit period and the amount is significant	Not applicable	Passed without objection	Not applicable
		Amendment to the Company's "Acquisition or Disposal of Assets Handling Procedures"	Not applicable	Passed without objection	Not applicable
		The company leases and obtains the right to use real estate assets from related parties	Not applicable	Passed without objection	Not applicable
2021.12.24	2 <sup>nd</sup> term of Audit committee No.3 meeting	The company's 2022 annual audit plan	Not applicable	Passed without objection	Not applicable
		Revised "Operating Procedures for Funds Loaning to Others"	Not applicable	Passed without objection	Not applicable
		Revised "Endorsement Warranty Procedures"	Not applicable	Passed without objection	Not applicable
		Revised "Director Election Rule"	Not applicable	Passed without objection	Not applicable
2022.2.25	2 <sup>nd</sup> term of Audit committee No.4 meeting	The Company's 2021 Consolidation and Individual Financial Reports	Not applicable	Passed without objection	Not applicable
		The company handles the issuance of the first domestic unsecured convertible corporate bonds (CB)	Not applicable	Passed without objection	Not applicable
		The company's accounts receivable has not been recovered within 3 months of the normal credit period and the	Not applicable	Passed without objection	Not applicable

		amount is significant			
		Cooperate with the internal rotation of the accounting firm to change the certified accountants and regularly evaluate the independence of the certified accountants	Not applicable	Passed without objection	Not applicable
		The company's 2021 "Internal Control System Effectiveness Assessment" and "Internal Control Statement" case	Not applicable	Passed without objection	Not applicable
		Amendment to the Company's "Acquisition or Disposal of Assets Handling Procedures"	Not applicable	Passed without objection	Not applicable

(2) Except for the previous matters, other matters that have not been approved by the Audit Committee and approved by more than two-thirds of all directors: none.

2. The implementation status of independent directors' avoidance of interested proposals shall state the names of independent directors, the content of the proposals, the reasons for the avoidance of interests, and the circumstances in which they participated in voting: none.

3. Communication between independent directors and internal audit supervisors and accountants:

(1) The company's internal audit supervisor regularly conducts audit business reports and discussions with the audit committee; the company's audit committee and the internal audit supervisor communicate with each other in good condition.

(2) The audit committee of the company and the certified accountant communicate with each other very well.

Corporate governance operation and its differences with code of practice of listed companies and reasons

Items of Evaluation	Practice and Progress(note)			Differences between the code and practice for corporate governance of listed companies
	yes	no	summary	
1. Does the company formulate and disclose the code of practice of corporate governance in accordance with the code of practice of corporate governance of listed companies?	V		The company has established the "Code of Practice for Corporate Governance", in order to establish good corporate governance and risk control, with the purpose of creating shareholder value and operating with integrity, aiming at protecting shareholders' rights and interests, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders, and enhancing information transparency. All have relevant specifications; and are disclosed on the public information observatory and the company's website for shareholders to inquire.	Comply with the Code, with no difference.
2. The company's share structure and shareholders' rights				
(1) Does the company establish internal operating procedures to handle shareholder suggestions, doubts, disputes and litigation matters, and implement them in accordance with the procedures?	V		(1) The company has set up spokespersons and acting spokespersons to deal with shareholder suggestions or disputes, and disclose e-mail, telephone and fax contact information in the annual report, the shareholder area of the company website, and the public information observatory, and have separately formulated the "Internal Major Information Processing Procedures" implement the spokesperson system.	Comply with the Code, with no difference.
(2) Does the company have a list of major shareholders who actually control the company and the final controllers of major shareholders?	V		(2) The company maintains close contact with major shareholders, and assigns a stock agency to grasp the changes in the list of major shareholders and their ultimate controllers based on the register of shareholders and shareholding declaration materials.	Comply with the Code, with no difference.
(3) Does the company establish and implement risk control and firewall mechanisms between affiliated companies?	V		(3) The risk control and transactions between the company and its affiliated companies should follow matters. A cross-departmental risk management team has been established to be responsible for the formulation and supervision of the implementation of risk control policies. In addition, the company has formulated "Subsidiary Supervision" and "Relationship Regulations such as "Management Standards for Financial Business Between Persons and Related Enterprises", "Procedures for Acquiring or Disposing of Assets", "Operating Procedures for Endorsement and Guarantee", etc. shall be regulated.	Comply with the Code, with no difference.
(4) Does the company set internal regulations to prohibit the company's insiders from using undisclosed information on the market to buy and sell securities?	V		(4) The company has formulated the "procedures for handling internal material information", "management procedures for preventing insider trading", "stakeholder trading guidelines" and "management measures for internal personnel entrusted trading of securities or futures trading" to prevent Insider trading and it is forbidden for insiders of the company to engage in securities or futures trading activities by using information known to their positions.	Comply with the Code, with no difference.
3. Composition and responsibilities of board of directors				
(1) Does the board of directors formulate and implement a diversified policy on the composition of members?	V		(1) In the "Code of Practice on Corporate Governance", the company stipulates the principle and policy that the composition of the board of directors should be	Comply with the Code, with no difference.

Items of Evaluation	Practice and Progress(note)			Differences between the code and practice for corporate governance of listed companies
	yes	no	summary	
(2) In addition to salary and remuneration committee and the audit committee established in accordance with the law, does the company voluntarily set up various other functional committees?		V	diversified, and formulates the "Director Election Method" to implement the legality of the membership of executive directors and the selection procedures. In addition to considering different professional backgrounds and fields of work, the composition of the board of directors of the company also has leadership, operational judgment, business management, crisis management, industry knowledge and international market outlook, financial and financial professional ability and experience, and the overall ability of the board members., please refer to Board diversity section.  (2) No other functional committees have been set up voluntarily at present.	Although the company currently only has compensation committee and an audit committee, the board of directors exercises its functions and powers in accordance with laws and regulations, the company's Charter, resolutions of the shareholders meeting, and the spirit of corporate governance. Comply with the Code, with no difference.
(3) Does the company formulate board performance evaluation methods and evaluation methods, conduct annual and regular performance evaluations, and report the results of performance evaluations to the board of directors, and use them as a reference for individual directors' remuneration and nomination for renewal?	V		(3) The board of directors of the company adopted the "Board Self-evaluation or Peer Evaluation Management Measures", which stipulates that the internal performance evaluation of the board of directors shall be implemented in accordance with the regulations every year, and may be implemented by an external professional independent institution or an external expert and scholar team as needed every 3 years to evaluate once. And before the end of the first quarter of the following year, the evaluation results will be reported to the board of directors, and will be used as a reference when selecting or nominating directors.	
(4) Does the company regularly assess the independence of certified public accountants?	V		(4) The board of directors of the company regularly obtains an "Independence Statement" from accountants every year to assess the independence of certified accountants. On Feb.25 <sup>th</sup> 2022 Board of Directors discussed and passed the assessment of the independence of the certified accountant. The assessment items include whether there is a financial relationship with the accountant, employment relationship, business relationship, non-audit services and public funds, etc. After the assessment, the company's certified accountant meets the independence assessment standard. (Note 1)	
4. Whether the listed company allocates competent and appropriate number of corporate governance personnel, and appoints a director of corporate governance to be responsible for corporate governance related matters (including	V		At 19th meeting of 11th session of board of directors, the company decided to appoint accounting & financial manager Ms. Shen Wendy as head of corporate governance since December 2020. She is top director of corporate governance-related matters and is responsible	Comply with the Code, with no difference.



Items of Evaluation	Practice and Progress(note)			Differences between the code and practice for corporate governance of listed companies
	yes	no	summary	
but not limited to providing information required by directors and supervisors to perform business, assisting directors and supervisors to follow Laws, handling matters related to the board of directors and shareholders meeting in accordance with the law, making minutes of the board of directors and shareholders meeting, etc.)			<p>for promotion of corporate governance. The company's corporate governance-related affairs are divided according to the organization's power and capabilities, and are completed with the assistance of personnel from all relevant departments.</p> <p>(1) Terms of reference: matters related to the meetings of the board of directors and the shareholders meeting, assisting directors in their appointments and continuing education, providing directors with information needed to perform their business, assisting directors in complying with laws and regulations, etc.</p> <p>(2) Annual corporate governance business execution status:</p> <ol style="list-style-type: none"> <li>1. Provide company information required by directors, and maintain smooth communication between directors and business executives.</li> <li>2. Cooperate with the latest laws and regulations related to corporate governance, revise internal regulations related to corporate governance, and report to the board of directors for resolutions.</li> <li>3. Cooperate with the policy of the competent authority and consider the industry trend, plan and arrange further courses for directors.</li> <li>4. Draft the agenda of the board of directors, notify the directors and provide meeting materials seven days in advance. If the agenda requires avoidance of interests, be reminded in advance, and complete the minutes of the board of directors within the time limit</li> <li>5. Handle the pre-registration of the date of the shareholders meeting in accordance with the law, prepare meeting notices, meeting handbooks, and minutes of proceedings within the statutory time limit, and handle change registration matters in the amendment of the articles of association or director re-election.</li> </ol>	

Items of Evaluation	Practice and Progress(note)			Differences between the code and practice for corporate governance of listed companies
	yes	no	summary	
5.Does the company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a special channel for stakeholders on the company's website, and appropriately respond to important CSR issues that stakeholders are concerned about?	V		(1) The company sets up the position of spokesman and deputy spokesman to deal with questions from shareholders, and disclose relevant information in Annual Report and Official Website. (2) The company has customer service mailbox and telephone for immediate handling of customer problems, suggestions, or dispute appeals, and reveals the customer service phone number, e-mail and other contact information in the "Contact Us" section of the company website. (3) The company provides interaction with stakeholders in "Investor Relations" section of the company website, and maintains a smooth communication channel with banks and other creditors, employees, customers, suppliers, society or company stakeholders. (4) The company appoints a person to collect and disclose company information, and also publish financial information and shareholder information on public information observatories and company websites to ensure that information that may affect the decisions of investors and stakeholders can be timely, fair and transparent.	Comply with the Code, with no difference.
6. Does the company appoint a professional stock affairs agency to handle the affairs of the shareholders meeting?	V		GP appointed the stock affairs agency department of Fubon Securities Co., Ltd., a professional stock affairs agency, as the company's stock affairs agency and handles the affairs of the shareholders meeting.	Comply with the Code, with no difference.
7. Information disclosure (1) Does the company set up a website to expose financial business and corporate governance information?	V		(1) The company's financial, business, investor services, and corporate governance information have been disclosed on the company's website, which is <a href="http://www.gpline.com.tw">http://www.gpline.com.tw</a> . Investors can inquire about the company's related information on the website.	Comply with the Code, with no difference.
(2) Does the company adopt other information disclosure methods (such as setting up an English website, appointing a special person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, placing the company website in the process of legal person briefings, etc.)?	V		(2) The company's finance department is responsible for the collection and disclosure of company information. In addition to the spokesperson and proxy spokesperson system, the information is disclosed in the "public information observatory" in accordance with regulations. In addition, the company's website has an investor service and corporate governance area, which fully exposes financial information, shareholder information, major information announcements, legal person briefings, and corporate governance related information for the reference of shareholders and the general public.	Comply with the Code, with no difference.
(3) Has the company announced and filed its annual financial report within two months after the end of the fiscal year, and announced and filed the financial report for the first, second and third quarters and the operating conditions of each month before the prescribed deadline?	V		(3) Although the company did not announce and file the annual financial report within two months after the end of the fiscal year, but in 2021 year, the announcement and filing were completed on the day the financial report was approved by the board of directors. The annual financial report of 2020 and the financial report of the first to third quarters of 2021 were announced on March 26, 2021, August 10 and November 5, 2021, respectively, on	Comply with the Code, with no difference.

Items of Evaluation	Practice and Progress(note)			Differences between the code and practice for corporate governance of listed companies
	yes	no	summary	
			the day when the board of directors passed the meeting; and the monthly revenue situation It should be completed before the 10th of the following month according to the regulations.	
8. Does the company have other important information that helps to understand the corporate governance and operation conditions (including but not limited to employee rights, employee care, investor relations, supplier relations, the rights of interested parties, directors and supervisors' training, Implementation status of risk management policies and risk measurement standards, implementation status of customer policies, status of companies purchasing liability insurance for directors and supervisors, etc.)?	V		<p>(1) Employee rights and interests: In addition to insuring employee group insurance for each employee, the company also regularly implements employee health checks to take care of employee safety and physical health, and has established employee retirement fund management committees, labor retirement reserve supervision committees, and employee benefits the committee etc. guard the rights and interests of employees.</p> <p>(2) Investor relations: In order to implement information transparency and facilitate investors to understand the company's operations, the company has a spokesperson mailbox, and relevant information is disclosed on the public information observatory and the corporate governance area of the company's website. The company's website also Provide the company's basic information, important information, financial statement information, monthly revenue and other information, and update it regularly to maintain its effectiveness. And provide investors' opinions to the company's management for reference. The company will continue to strengthen investor relations.</p> <p>(3) Supplier relationship: The company handles various procurements in accordance with the "Integrity Management Code" and "Procurement Management Measures" formulated by the company to implement the principles of fairness and transparency and prevent dishonest behavior. In addition, the company promotes environmental protection policies and concepts to suppliers. All suppliers must meet the company's environmental protection requirements before they can be listed as qualified suppliers.</p> <p>(4) Stakeholders: The company's business dealings with stakeholders are handled in accordance with the company's "Administrative Measures for Group Enterprises and Related Person Transactions" to avoid the occurrence of unconventional transactions and improper transfer of benefits. The company has established a completed internal control system and implemented it during business execution. Internal auditors regularly perform inspections and report the results to the major committee and management for review The company provides diversified channels and information disclosure, maintains good interaction and communication with stakeholders, and continues to respond to and implement issues that stakeholders care about.</p> <p>(5) Directors' training status: please refer to "2021</p>	Comply with the Code, with no difference.

Items of Evaluation	Practice and Progress(note)			Differences between the code and practice for corporate governance of listed companies
	yes	no	summary	
			<p>Directors Participated in Corporate Governance-related Courses” in this annual report. (Note 2)</p> <p>(6) Circumstances in which the company purchases liability insurance for directors and supervisors: In order to increase protection for directors, supervisors and managers and strengthen corporate governance, the company has insured directors, supervisors and managers’ liability insurance in 2021, and the amount and coverage of relevant liability insurance and related information such as insurance rates have been reported to the board of directors.</p> <p>(7) Implementation of risk management policies and risk measurement standards: The company's risk management policies are based on current capital scale, and the risks determined by the board of directors to create the greatest rewards for shareholders. Please refer to "Analysis and Evaluation of Risk Matters"</p>	
<p>9. Please explain the improved situation regarding the corporate governance evaluation results issued by Corporate Governance Center of Taiwan Stock Exchange in the most recent year, and propose priority strengthening matters and measures for those that have not yet improved.</p> <p>The company will improve the following items for corporate governance evaluation in 2021:</p> <p>(1). The company has incorporated functional committees into the scope of performance evaluation of the board of directors since 2020, and completed the performance evaluation of the board of directors (including functional committees) on December 31, 2021. The evaluation results have been reported on February 25, 2022 to Board of Directors.</p> <p>(2). The company will continue to cooperate with the competent authorities in the promotion and improvement of corporate governance evaluations in the future.</p>				

**Note 1 : Criteria for Accountant Independence Evaluation**

No.	Items for Accountant Independence Evaluation	yes	no
1	Not an employee of the company or its affiliates	V	
2	Directors and supervisors of non-company or its affiliates	V	
3	Non-self and their spouse, minor children or other natural person shareholders who hold more than 1% of the total issued shares of the company or hold the top ten shares	V	
4	The spouse, relatives within the second class or the immediate blood relatives within the third class of the persons not listed in the preceding three paragraphs	V	
5	Directors, supervisors or employees of corporate shareholders who do not directly hold more than 5% of the total issued shares of the company, or directors, supervisors or employees of corporate shareholders who hold shares of Top5	V	
6	Directors, supervisors, managers, or shareholders holding more than 5% of the company's specific companies or organizations that are not in financial or business dealings with the company	V	
7	Does not have a spouse or second relative relationship with other directors	V	
8	There is no one of the items in Article 30 of the Company Law	V	
9	Other valid reference information: Statement of Independence of Accountants	V	

**Note 2 : 2021 Board Directors and Corporate Governance Manager’s participation in the training courses**

Title	Name	Date	Training Unit	Module	Hours
Board Director	Chen, An Shun	2021.01.19	Republic of China Securities Association	Corporate Governance 3.0 - Blueprint for Sustainable Management	3
		2021.08.31	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
		2021.09.01	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
Board Director	Lee, Jung Kung	2021.01.19	Republic of China Securities Association	Corporate Governance 3.0 - Blueprint for Sustainable Management	3

Title	Name	Date	Training Unit	Module	Hours
		2021.08.31	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
		2021.09.01	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
Board Director	Lai, Wen Chang	2021.01.19	Republic of China Securities Association	Corporate Governance 3.0 - Blueprint for Sustainable Management	3
		2021.08.31	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
		2021.09.01	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
Board Director	Yu, Bill	2021.01.19	Republic of China Securities Association	Corporate Governance 3.0 - Blueprint for Sustainable Management	3
		2021.08.31	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
		2021.09.01	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
Board Director	Kao, Chuan Chih	2021.11.23	Business Council for Sustainable Development of the Republic of China (BCSD-Taiwan)	ESG Risk Management Trend Forum	3
		2021.12.14	Securities and Futures Institute	The Influence and Response of the New Labor Incident Law on Enterprise Risks	3
Board Director	Dai, Shui Chuan	2021.11.05	Securities and Futures Institute	The Influence and Response of the New Labor Incident Law on Enterprise Risks	3
		2021.08.31	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
		2021.09.01	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
Independent Director	Li, Robert	2021.2.24	Republic of China Accounting Research & Development Foundation	The latest development of my country's IFRS policy and analysis of financial reporting/supervision legal compliance issues	3
		2021.2.24	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
		2021.3.17	Republic of China Accounting Research & Development Foundation	Interpretation of the relevant provisions of the International Financial Reporting Standards [Material Judgment]	3
		2021.3.17	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
		2021.4.14	Republic of China Accounting Research & Development Foundation	The latest annual profit-seeking business income tax declaration practice seminar	3
		2021.4.14	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
		2021.5.12	Republic of China Accounting Research & Development Foundation	Corporate Governance Practice: Using Performance Management to Improve Operational Effectiveness	3
		2021.5.12	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
		2021.06.16	Republic of China Accounting Research & Development Foundation	Fiscal and taxation practices commonly used by enterprises in [real estate transactions]	3
		2021.06.16	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
		2021.07.14	Republic of China Accounting Research & Development Foundation	Enterprise [tax loss avoidance and proof] related legal liability and practical case analysis	3
		2021.07.14	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
		2021.09.15	Republic of China Accounting Research & Development Foundation	Financial Accounting and Evaluation Practice of Mergers and Acquisitions	3
		2021.09.15	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
		2021.10.13	Republic of China Accounting Research	Corporate Governance Practices in Enterprises:	3

Title	Name	Date	Training Unit	Module	Hours
			& Development Foundation	Discussion on Employee Reward Strategies and the Use of Tools	
		2021.10.13	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
		2021.11.17	Republic of China Accounting Research & Development Foundation	Financial accounting and appraisal practice of real estate, plant and equipment	3
		2021.11.17	Republic of China Accounting Research & Development Foundation	Analysis of the latest securities and financial tax laws and professional standards	1
Independent Director	Hung, Ching Chang	2021.08.10	Independent Director Association Taiwan (TIDA)	How can directors analyze the confidence of financial statements and pay close attention to enterprise risk management	3
		2021.08.31	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
		2021.09.01	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
Independent Director	Chen, Ming Hsing	2021.12.08	Independent Director Association Taiwan (TIDA)	Strategies and Secrets of the Board of Directors to Lead the Digital Transformation of Enterprises	3
		2021.08.31	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
		2021.09.01	Republic of China Securities OTC Trading Center	OTC Sustainability Upgrade Online Forum	2
Corporate Governance Manager	Shen, Wendy	2021.01.19	Republic of China Securities Association	Corporate Governance 3.0 - Blueprint for Sustainable Management	3
		2021.08.31	Securities OTC Trading Center	Decoding SME Sustainability DNA - Online Course	2
		2021.09.01	Securities OTC Trading Center	The 13th Taipei Corporate Governance Forum - Online Course	3
		2021.09.03	Corporate Operating and Sustainable Development Association	Offense and defense of non-consensual mergers and acquisitions and the responsibility of the person in charge of the company	3
		2021.09.07	Corporate Operating and Sustainable Development Association	M&A transaction due diligence and financial evaluation	3
		2021.09.08	Corporate Operating and Sustainable Development Association	Corporate M&A equity investment planning and practical analysis of joint venture agreements	3
		2021.10.18	Securities OTC Trading Center	Online course on publicity and briefing session on equity for insiders of emerging companies	3

**If the company has set up a remuneration committee or a nomination committee, it shall disclose its composition and operation.**

**1. Term of Compensation Committee**

Title	items Name	Professional qualifications and experiences	Independence	Number of Independent Directors of other companies
Independent Director	Li, Robert	Industrial Management Institute National Cheng-Kung University, NCKU Vice General Manager, Chi-Feng Plastic Co., Ltd.	(Note1)	-
Independent Director	Hung, Ching Chang	Department of Welding Engineering Cranfield University, U.K. General Manager, He-Zeng Technology Co., Ltd.	(Note1)	-
Independent Director	Chen, Ming Hsing	MBA, National Singapore University Consultant, Taiwan Printed Circuit Association (TPCA)	(Note1)	-

Note 1: The members of the Compensation and Remuneration Committee are all independent directors. For their relevant working years, professional qualifications and experience, and independence, please refer to previous pages for the professional knowledge and independence of directors or supervisors.

## 2. Overview of Remuneration and Compensation Committee

(1) There's a total of 3 board directors in this committee.

(2) Remuneration and Compensation Committee held a total of 6 meetings as follows:

Title	Name	Actual Attendance	Delegate to attend	Attendance Rate (%)	Note
Convener	Li, Robert	6	0	100%	Re-elected
Board member	Hung, Ching Chang	6	0	100%	Re-elected
Board member	Chen, Ming Hsing	6	0	100%	Re-elected
Other matters to be recorded: If the Board Director does not adopt or amend the recommendations of the Remuneration and Compensation Committee, the Board Director's meeting date, period, content of the proposals, Board Director's resolution results, and the company's handling of the opinions of the Remuneration and Compensation Committee (e.g. Board Director The salary remuneration that will be passed is better than the recommendation of the Remuneration and Compensation Committee, and the difference and reasons should be stated): None, see the attachment. The resolutions of Compensation Committee: If members have objections or reservations and have records or written declarations, the Remuneration and Compensation Committee date, period, content of the proposal, all members' opinions and the handling of members' opinions shall be stated: None.					

## 3. Role and function of Compensation and Compensation Committee

According to Article 6 of the Company's "Organizational Regulations of the Remuneration Committee", the functions and powers of the Remuneration Committee are as follows:

The committee shall faithfully perform the following functions and powers with the attention of good managers, and submit its recommendations to the board of directors for discussion. However, if the proposal on the remuneration of directors is submitted to the board of directors for discussion, the remuneration of directors is limited to those whose remuneration is stipulated in the company's articles of association or authorized by the board of directors through a resolution of the shareholders' meeting:

- Review this Regulation and propose amendments as necessary depending on the implementation situation.
- To formulate and regularly review performance evaluation standards for directors and managers, annual and long-term performance goals, and policies, systems, standards and structures for remuneration.
- Regularly evaluate the achievement of the performance objectives of directors and managers, and determine the content and amount of their individual salaries based on the evaluation results obtained from the performance evaluation standards. When performing the functions and powers of the preceding paragraph, the Committee shall do so in accordance with the following principles:
  - Ensure that the company's salary and remuneration arrangements comply with relevant laws and regulations and are sufficient to attract outstanding talents.
  - The performance evaluation and salary remuneration of directors and managers should refer to the usual level of payment in the industry, and consider the results of individual performance evaluation, the time invested, the responsibilities undertaken, the achievement of personal goals, the performance of other positions, the company's recent years Salary and remuneration given to those in the same position, and the rationality of the connection between individual performance and the company's operating performance and future risks is assessed by the achievement of the company's short-term and long-term business goals, the company's financial status, etc.
  - Directors and managers should not be led to engage in behavior that exceeds the company's risk appetite in pursuit of remuneration.
  - The proportion of the remuneration for the short-term performance of senior directors and managers and the payment time of part of the variable remuneration shall be determined in consideration of the industry characteristics and the nature of the company's business.
  - The content and amount of remuneration for directors and managers should be considered reasonable. The decision on remuneration for directors and managers should not be significantly inconsistent with financial performance. The remuneration should not be higher than the previous year.
  - Members of this committee shall not participate in discussions or vote on their personal salary and remuneration decisions. The salary and remuneration referred to in the preceding two paragraphs includes cash remuneration, stock options, dividends, retirement benefits or severance pay, various allowances and other measures with substantial incentives; The remuneration of directors and managers is the same.

If matters concerning the compensation and remuneration of directors and managers of the Company's subsidiaries are subject to the approval of the Company's Board of Directors, such matters should be approved by the Company's Board of Directors, and then submitted to the Board of Directors for discussion.

If there is any inconsistency between the recommendations of this committee and the resolutions of the board of directors, it shall be handled in accordance with the "Regulations on the Establishment and Exercise of Powers of the Compensation and Compensation Committee of Companies Listed in Stocks or Trading at the Business Office of Securities Firms"



#### 4. Important resolutions of Remuneration and Compensation Committee

Meeting Date	Proposal content and follow-up processing	Resolution result	The company's handling of the opinions of the Remuneration and Compensation Committee
2021.03.26	1. The company's employee compensation and director compensation distribution plan in the year of 2020.	After the chairman consulted all the members present, they all agreed to pass without objection.	The proposal is approved by all the board directors.
2021.05.07	1.2021 Annual Salary Adjustment of Managers	After the chairman consulted all the members present, they all agreed to pass without objection.	The proposal is approved by all the board directors.
2021.08.10	2020 Detailed Case of Remuneration Distribution for Directors	After the chairman consulted the members present, they all agreed to pass without objection.	These three proposals are approved by all the board directors.
2021.11.05	1. The Company's 2021 Annual Salary Adjustment Case for Managers 2.Detailed case for distribution of bonuses for quarterly work assessment of managers in 2021	After the chairman consulted the members present, they all agreed to pass without objection.	The proposal is approved by all the board directors.
2021.12.25	1. Remuneration of managers in 2020 and distribution of year-end bonuses, business performance and quarterly work assessment bonuses in 2021 2. Discuss the work plan of the company's salary and remuneration committee for the year of 2022	After the chairman consulted the members present, they all agreed to pass without objection.	The proposal is approved by all the board directors.
2022.2.24	1. Revise part of the company's "Remuneration Measures for Directors, Supervisors and Managers" 2. The Company's 2021 Full-time Staff Remuneration and Director Remuneration Distribution Plan 3. Manager's quarterly work assessment bonus distribution plan	After the chairman consulted the members present, they all agreed to pass without objection.	The proposal is approved by all the board directors.

3.Information on members of the Nomination Committee and information on their operation: None, so not applicable

(5) **Corporate Sustainability:** Implementation of promotion of sustainable development and the differences and reasons for the code of practice for sustainable development of listed OTC companies

Item of Evaluation	Operation and Progress			Differences and reasons for the code of practice for corporate sustainability of listed companies
	yes	no	Summary	
1. Does the company conduct risk assessments on environmental, social and corporate governance issues related to the company's operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies?	V		Following the vision and mission of the company's ESG policy, the company has established the "Corporate Sustainable Development Promotion Team" as a part-time unit to coordinate and promote corporate sustainable development. Senior executives Mr. Yu jointly review the company's core operational capabilities, identify sustainable issues related to the company's operations and stakeholders' concerns through meetings, plan and implement various programs, and ensure that the sustainable development strategy is fully implemented in daily operations. and report to board of directors at least once a year.	Comply with the Code, with no difference.
2. Does the company conducts risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulates relevant risk management policies or strategies?	V		1. The company is not slack in the environmental protection and industrial safety activities that reduce and prevent adverse environmental protection and occupational safety and health impacts. 2. There are also "Procedures for Preventing Insider Trading", "Code of Ethics", "Self-assessment of Internal Control System", etc. Through the continuous operation of the management system and various procedures, the operation-related environment and employee safety are, customers, suppliers, various stakeholders, etc. risks can be grasped and responded to in real time. 3. The company has formulated "risk management policies and procedures" as the company's highest guiding principle of risk. The chairman's office is the authority responsible for risk management, and the risk management results should be reported to the board of directors on a regular basis every year.	Comply with the Code, with no difference.
3. Environmental issues (1) Does the company establish an appropriate environmental management system based on its industrial characteristics?	V		(1) The company attaches great importance to environmental protection, cherishes resources, and purchases materials with	Comply with the Code, with no difference.

Item of Evaluation	Operation and Progress			Differences and reasons for the code of practice for corporate sustainability of listed companies
	yes	no	Summary	
			labels such as green building materials, water saving, and energy saving to ensure that air, noise, water and waste pollution can be effectively controlled. In line with the spirit of "cherishing natural resources", we combine environmental protection with the trust of customers, jointly create the concepts of "sustainable management" and "give back to the society", and continue to implement waste reduction work. On 2021/10/02, a seashore beach cleaning event was held at Guanyin District, Taoyuan City, and suppliers were invited to participate in the event as well.	
(2) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on the environment?	V		(2) The company has assessed the potential risks of climate change to the company now and in the future, committed to promoting energy conservation and carbon reduction, and planned to install solar power generation equipment. And on October 21, 2021, Zhenglong Paper Company assisted in destroying the company's unused documents and use them as recycled paper.	Comply with the Code, with no difference.
(3) Does the company assess the potential risks and opportunities of climate change to the company now and in the future, and take measures to respond to climate-related issues?	V		(3) The management department is responsible for maintaining the environment. The manufacturing department and the factory affairs department fully comply with environmental regulations in the environmental management system in the preceding paragraph; the management department strictly implements electricity saving plans such as turning off lights and controlling the temperature of air-conditioning to reduce energy waste. The current situation of the company's energy saving and carbon reduction and greenhouse gas reduction strategies is as follows: -Cooperate with and respond to the measures of participating government departments and related energy conservation and carbon reduction and greenhouse gas reduction strategies. -Strengthen the communication among the company's colleagues	Comply with the Code, with no difference.

Item of Evaluation	Operation and Progress			Differences and reasons for the code of practice for corporate sustainability of listed companies																
	yes	no	Summary																	
(4) Does the company make statistics on greenhouse gas emissions, water consumption, and total waste weight in the past 2 years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?	V		<p>on environmental protection and greenhouse gas reduction actions.</p> <p>-Develop itself into a green enterprise and do business with green cooperative suppliers.</p> <p>(4) The company implements energy-saving and carbon-reduction measures, in addition to replacing it with high-efficiency lamps, enhancing a/c efficiency, shortening the air-conditioning supply time and controlling temperature; and promoting paperless e-operations.</p> <table><tr><th>Item/unit</th><th>Year 2021</th><th>Year 2020</th><th>Year 2019</th></tr><tr><td>GHG/CO<sup>2</sup>e</td><td>334</td><td>332</td><td>335</td></tr><tr><td>Water/m<sup>3</sup></td><td>4605</td><td>4262</td><td>4397</td></tr><tr><td>Waste/Ton</td><td>22.84</td><td>20.18</td><td>19.08</td></tr></table>	Item/unit	Year 2021	Year 2020	Year 2019	GHG/CO <sup>2</sup> e	334	332	335	Water/m <sup>3</sup>	4605	4262	4397	Waste/Ton	22.84	20.18	19.08	Comply with the Code, with no difference.
Item/unit	Year 2021	Year 2020	Year 2019																	
GHG/CO <sup>2</sup> e	334	332	335																	
Water/m <sup>3</sup>	4605	4262	4397																	
Waste/Ton	22.84	20.18	19.08																	
4. Social issues																				
(1) Does the company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?	V		<p>(1) The company formulates relevant measures and urges timely compliance in accordance with the Labor Standards Law and relevant regulations to protect the legitimate rights and interests of employees. In terms of employment policies, there will be no discrimination based on race, class, language, ideology, religion, party affiliation, birthplace, gender, marriage, appearance, facial features, physical and mental disabilities, birthplace, sexual orientation, age, etc. In terms of gender equality, it has formulated “appeals and punishment measures for sexual harassment prevention measures in the workplace” and provided channels for appeals to protect the rights and interests of colleagues, and provide maternity leave, paternity leave, and parental leave in accordance with the law.</p>	Comply with the Code, with no difference.																
(2) Does the company formulate and implement reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee compensation?	V		<p>(2) The company has established work rules and related personnel management regulations, which cover the basic wages, working hours, vacations, pension payments, labor health insurance payments, occupational accident compensation, etc. of the employees employed by the company. The Employee Welfare Committee is established to</p>	Comply with the Code, with no difference.																

Item of Evaluation	Operation and Progress			Differences and reasons for the code of practice for corporate sustainability of listed companies
	yes	no	Summary	
(3) Does the company provide employees with a safe and healthy working environment, and provide employees with regular safety and health education?	V		<p>operate through the Welfare Committee elected by the employees to handle various welfare matters; the company's remuneration policy is based on personal ability, contribution to the company, performance, and the correlation with business performance is positively correlated.</p> <p>By employee welfare committees, labor-management meetings and other meetings on a quarterly basis to communicate with employees, and provide timely publicity of laws and regulations to avoid labor disputes. Employees can make suggestions through meetings or suggestion boxes, and the company and employees will work together to create a harmonious and good labor-management relationship.</p> <p>On 2021/08/13 a farewell party for retiring employee Ms. Li to thank her for her dedication to the company over the years.</p> <p>(3) The company has been equipped with guards, access control, automatic external cardiac defibrillator (AED), dry powder fire extinguisher, fire hydrant, foam fire extinguishing equipment, automatic fire alarm equipment, emergency broadcasting equipment, exit direction signs, refuge equipment, emergency lighting equipment , to maintain the elevators every month, in addition to regular fire inspections, and assign employees to obtain fire administrator licenses, and regularly hold fire drills. The company provides employee health checks, performs environmental sanitation and disinfection operations from time to time, and cooperates with the government's announcement of major epidemics to handle related publicity matters. On June 15, 2021, all staff were screened for Covid-19 testing. The company's staff training has included safety and disaster prevention knowledge, equipment operation, and AED equipment use.</p>	Comply with the Code, with no difference.

Item of Evaluation	Operation and Progress			Differences and reasons for the code of practice for corporate sustainability of listed companies
	yes	no	Summary	
(4) Does the company establish an effective career development training program for employees?	V		(4) To promote the implementation of the company's quality goals, long-term training of employees to give full play to their functions in the organizational system, improve personal quality, and then achieve mutual coordination, improve work efficiency and quality, and establish employee education and training methods. The objects of education and training are divided into: training for new recruits, training for in-service personnel, and training for professionals.	Comply with the Code, with no difference.
(5) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, does the company follow relevant laws and regulations and international standards, and formulate relevant consumer protection policies and appeal procedures?	V		(5) The company's marketing and labeling of products and services are in compliance with relevant laws and regulations and ISO 9001: 2015 international standards. The privacy of customers is in compliance with confidentiality agreements and personal data protection laws, and there is a complaint channel for stakeholders.	Comply with the Code, with no difference.
(6) Does the company formulate supplier management policies that require suppliers to comply with relevant regulations on topics such as environmental protection, occupational safety and health, or labor human rights, and their implementation?	V		(6) When the company signs a contract with its main supplier, the content includes compliance with CSR policies of both parties, and if the supplier violates the policy and has a significant impact on the environment and society of the community, contract may be terminated or cancelled at any time.	Comply with the Code, with no difference.
5. Does the company refer to the internationally accepted standards or guidelines for the preparation of reports and prepare CSR reports and other reports that disclose the company's non-financial information? Has the disclosure report obtained the assurance or assurance opinion of a third party to verify?	V		In August 2021, the company released the "Corporate Social Responsibility Report" for the first time. The company prepared the corporate social responsibility report with reference to the internationally accepted reporting standards or guidelines. In addition to disclosing the company's financial information, it also disclosed the company's non-financial information. The Company prepares the "Corporate Social Responsibility Report" voluntarily, so it has not yet obtained the assurance or assurance opinion of the third-party verification. The 2020 Sustainability Report had been	Comply with the Code, with no difference.

Item of Evaluation	Operation and Progress			Differences and reasons for the code of practice for corporate sustainability of listed companies
	yes	no	Summary	
			uploaded to the company's website and public information observatory website in August 2021.	
<p>6.If a company has its own CSR code based on the "Code of Practice for CSR for Listed Companies", please state the difference between its operation and the established code:</p> <p>In order to practice CSR, the company has formulated the "Code of Practice for CSR" and will continue to follow the norms and spirit of the "CSR Code of Practice", to promote RBA (Responsible Business Alliance) regulations with all colleagues in the company, and plan to publish the first CSR report in the near future.</p>				
<p>7. Other important information that helps to understand the operation of corporate sustainability:</p> <p>(1) The company promoted great importance to the health of all employees and held employee health checks on August 25<sup>th</sup> 2021.</p> <p>(2) Community Care Event: CSR team had visited at Yude Children's Home on August 19, 2021, and presented Mid-Autumn Festival gifts for the children on September 15<sup>th</sup> 2021.</p> <p>(3) Take the following measures in response to the global COVID-19 pandemic outbreak:</p> <ul style="list-style-type: none"> <li>i. Follow external guidelines such as "Guidelines for Continued Operations of Enterprises in Response to the Severe Special Infectious Pneumonia (COVID-19) Epidemic", "Guidelines for Employers Hiring Migrant Workers in Response to Severe Special Infectious Pneumonia: Precautions for Migrant Workers, Living and Going Out" As an internal countermeasure, and pay attention to the epidemic prevention information released by the CDC in a timely manner, dynamically adjust the company's epidemic prevention intensity.</li> <li>ii. Encourage employees to vaccinate to reduce the company's risk of infection.</li> <li>iii. Develop diverse talent-seeking channels to fill manpower gaps.</li> </ul>				

(6) The company's performance of integrity management and the measures adopted

Item of Evaluation	Operation and Progress			Differences and reasons for the integrity management code of listed companies
	yes	no	Summary	
1. Formulate honest management policies and plans (1) Does the company formulate an honest operation policy approved by the Board Director, and clearly indicate the honest operation policy and practice in the regulations and external documents, and the Board Director and senior management will actively implement the promise of the operation policy?	V		(1) The company is approved by the Board Director to implement the "Code of Integrity Management", and the Board Director and senior management should be required to issue a statement of compliance with the integrity management policy, and it should be disclosed in internal regulations, annual reports, company websites, or other publications Its integrity management policy is announced at product launches, legal person briefings and other external events in a timely manner, so that its suppliers, customers, or other business-related institutions and personnel can clearly understand its integrity management philosophy and norms.	Comply with the Code, with no difference.
(2) Whether the company has established a risk assessment mechanism for dishonest conduct, regularly analyzes and evaluates business activities with a higher risk of dishonest conduct in the business scope, and formulates a plan to prevent dishonest conduct, and at least covers "listing on the OTC". What are the precautionary measures for each of the actions in paragraph 2 of Article 7 of the Code of Corporate Integrity Management?	V		(2) The board director of the company assists the board director and the management to check and evaluate whether the preventive measures established in the implementation of integrity management are operating effectively, and regularly evaluate and follow the relevant business processes and prepare reports; the company reports on " The Code of Integrity Management stipulates: 1. Prohibition of providing or receiving improper benefits and receiving improper benefits 2. Prohibition of bribery and bribery of facilitation payments, 3. Processing of political donations, charitable donations or sponsorships, 4. Avoidance of benefits, 5. Organization and responsibility of confidentiality mechanism (intellectual property rights), 6. Prohibit engaging in unfair competition, 7. Prevent product or service damage to stakeholders, 8. Prohibit insider trading and confidentiality agreements.	Comply with the Code, with no difference.
(3) Does the company clearly define operating procedures, behavior guidelines, punishment and appeal systems for violations in the plan for preventing dishonest behavior, and implement them, and regularly review the pre-revision plan?	V		(3) The company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the integrity management policy and actively prevent dishonest behaviors, the "Code of Integrity Management" was formulated in accordance with the "Code of Integrity Management of Listed Companies". Matters those personnel should pay attention to when performing their business and regularly review and revise	Comply with the Code, with no difference.



Item of Evaluation	Operation and Progress			Differences and reasons for the integrity management code of listed companies
	yes	no	Summary	
			them. The company has set up employee mailboxes to provide employees and related personnel to report any improper practices, and the company assigns management to handle it in person.	
2. Implementing integrity management (1) Does the company evaluate the integrity records of its counterparties and specify the integrity behavior clauses in the contracts it signs with its counterparties?	V		(1) Before the company establishes a business relationship with others, it should first evaluate the legality of its agents, suppliers, customers or other business partners, the integrity management policy, and whether there have been any records of dishonest behavior to ensure its business operations. The method is fair, transparent and will not ask for, offer or accept bribes. When the company signs a contract with others, it should fully understand the other party's integrity management status and incorporate compliance with the company's integrity management policy into the contract terms.	Comply with the Code, with no difference.
(2) Does the company set up a dedicated unit for the promotion of corporate integrity management under the Board Director, and regularly (at least once a year) report to the Board Director its integrity management policies, plans for preventing dishonest behavior, and supervision and implementation?	V		(2) The board director office of the company is dedicated to the promotion of corporate integrity management. It is responsible for the inspection and supervision of the relevant matters mentioned in this method, and submits reports to the board director as necessary, and assists the board director and the management in the inspection and evaluation. Implement the effective operation of the preventive measures established by integrity management, and regularly evaluate the compliance with the relevant business processes, and prepare reports.	Comply with the Code, with no difference.
(3) Does the company formulate policies to prevent conflicts of interest, provide appropriate channels for presentation, and implement them?	V		(3) The company has provisions for avoiding conflicts of interest in the "Code of Integrity Management" and "Code of Ethical Conduct", and announcing the report mailbox on the company's website for use by internal and external personnel of the company.	Comply with the Code, with no difference.
(4) Whether the company has established an effective accounting system and internal control system for the implementation of honest operation, and the internal audit unit draws up relevant audit plans based on the assessment results of dishonest behavior risks, and verifies the plan for preventing dishonest behaviors based on this. Follow the situation, or entrust an accountant to perform the check?	V		(4) The company has established an effective accounting system and internal control system. In addition, where the "Code of Integrity Management" refers to dishonest behavior or internal control audit findings, illegal or improper conduct violates the company's regulations (including but not limited to all Regulations, service agreements, integrity commitments, etc.), the Board Director will form a special case for investigation and processing. If an illegal	Comply with the Code, with no difference.

Item of Evaluation	Operation and Progress			Differences and reasons for the integrity management code of listed companies
	yes	no	Summary	
(5) Does the company regularly organize internal and external education and training on integrity management?	V		situation is involved in an internal investigation, it will be transferred to the Legal Unit for legal procedures. (5) The company attaches great importance to business integrity and regularly promotes the "Code of Integrity Management" formulated by the company for all colleagues to follow the guidelines.	Comply with the Code, with no difference.
3. The operation of company's whistleblowing system (1) Does the company formulate a specific reporting and reward system, and establish a convenient reporting channel, and assign appropriate acceptance personnel to the reported object?	V		(1) The company establishes and announces reporting mailboxes and special lines on the company website for use by internal and external personnel of the company; and encourages internal and external personnel to report dishonest acts or improper behaviors, and bonuses will be given according to the severity of the report; The Auditing Office is the person responsible for the acceptance. If necessary, the relevant departments shall cooperate and provide necessary assistance.	Comply with the Code, with no difference.
(2) Has the company established standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?	V		(2) The company has established standard operating procedures for the investigation and acceptance of reported matters. The investigation process shall be handled impartially and strictly confidential, and the identity of the informant shall never be revealed.	Comply with the Code, with no difference.
(3) Does the company take measures to protect the informant from being improperly handled as a result of the report?	V		(3) The company promises to protect the informant from being improperly handled due to the report.	Comply with the Code, with no difference.
4. Improve information disclosure Does the company disclose on its website and public information observatory the content and promotion effect of its code of integrity management?	V		The company has formulated the "Code of Integrity Management" and reviews the effectiveness of its implementation from time to time. In addition, the company has disclosed relevant and reliable integrity management information in the annual report, and the annual report and corporate governance information have also been disclosed on the company's website <a href="http://www.gpline.com.tw">http://www.gpline.com.tw</a> .	Comply with the Code, with no difference.
5. If the company has its own code of integrity management in accordance with the "Code of Integrity Management of Listed OTC Companies", please state the difference between its operation and the established code:				
The company formulated the "Code of Integrity Management of Listed Companies" There is no major difference between the operation of the Code of Integrity Management and the established code.				
6. Other important information that helps to understand the company's integrity management operations: (such as the company's review and revision of the integrity management code, etc.) For the company's "Integrity Management Code", please refer to the public information observatory or the company's website <a href="http://www.gpline.com.tw">http://www.gpline.com.tw</a>				

- (7) If the company has formulated a corporate governance code and related regulations, it should disclose its inquiry methods: the company has formulated the "Code of Ethical Conduct", "Code of Integrity Management", "Independent Director's Responsibility Scope Rules", "Company Governance Code of Practice, "CSR Code of Practice", "Rules of Procedure for Shareholders' Meetings", "Rules of Procedures for Board Directors", and a complete internal control system and internal audit system to implement the operation and promotion of corporate governance. The relevant regulations have been It is placed in the company's internal query system and can be queried on the public information observatory.
- (8) Other important information sufficient to improve understanding of the workings of corporate governance may also be disclosed: none.

(9) The implementation status of the internal control system is as follows:

1. Statement of Internal Control :

Group Up Industrial Co., Ltd.  
Declaration of Internal Control System



2022.02.25

Based on the results of self-assessment, the company's internal control system in 2021, hereby declares as follows:

1. The company is sure that the establishment, implementation and maintenance of the internal control system is the responsibility of the board directors and managers of the company, and the company has established this system. Its purpose is to achieve the objectives of operation effectiveness and efficiency (including profit, performance and asset safety, etc.), reporting reliability, timeliness, transparency, compliance with relevant regulations and compliance with relevant laws and regulations, and provide reasonable to ensure.
2. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable guarantee for the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system May change accordingly. However, the company's internal control system has a self-monitoring mechanism. Once the defect is identified, the company will take corrective action.
3. The company judges whether the design and implementation of the internal control system are effective in accordance with the judgment items of the effectiveness of the internal control system stipulated in the "Handling Guidelines for the Establishment of an Internal Control System by Public Offering Companies" (hereinafter referred to as the "Handling Guidelines"). The internal control system judgment items adopted in the "processing criteria" are based on the process of management control, which divides the internal control system into five components: 1. control environment, 2. risk assessment, 3. control operations, 4. Information and communication, and 5. Supervise operations. Each component includes several items. For the aforementioned items, please refer to the "Handling Guidelines".
4. The company has adopted the above-mentioned internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the evaluation results of the preceding paragraph, the company believes that the company's internal control system (including supervision and management of subsidiaries) as of December 31, 1991, includes understanding the effectiveness of operations and the extent to which the efficiency objectives are achieved, and the reporting system The design and implementation of the internal control system that is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations are effective, which can reasonably ensure the achievement of the above objectives.
6. This statement will become the main content of the company's annual report and public prospectus, and will be made public. If the content of the above disclosure is false, concealed, etc., it will involve legal liabilities under Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Act.
7. This statement was approved by the Board Director of the company on March 26, 2021. Among the 9 people who attended the Board Director, 0 people had objections. All others agreed with the content of this statement and declared here.

Group Up Industrial Co., Ltd.

Chairman : Mr. Chen, An Shun



General Manager : Mr. Lee, Jung Kung



2. Those who entrust an accountant to review the internal control system should disclose the accountant's review

report: none.

(10) The company and its internal personnel have been punished in accordance with the law in the most recent year and as of the publication date of the annual report, and the company's penalties for its internal personnel for violating the provisions of the internal control system, major defects and improvements: none

(11) Important resolutions of the shareholders meeting and board director meeting in the most recent year and as of the printing date of the annual report:

1. Important resolutions of the shareholders meeting

Date	Important Resolution	Resolution	Operation Result
2021.07.30	<b>【Report items】</b> 1. 2020 Annual Business Report 2. Audit Committee Audit Report 3. 2020 Annual Report on Staff Remuneration and Director's Remuneration Distribution 4. 2020 Annual Report on Earnings Distribution of Cash Dividends		Announced on the company's website Announced on the company's website Announced on the company's website The ex-dividend base date was set on August 2, 2021, and all distributions were completed on August 20, 2021 in accordance with the resolution of the shareholders' meeting. (Cash dividend of 4.3 NT\$ per share)
	<b>【Acknowledgement items】</b> 1. 2020 business report and financial statement. 2. 2020 surplus distribution proposal.	Passed according to the original bill after voting Passed according to the original bill after voting	Had been announced on the company's website Had been announced on the company's website
	<b>【Discussion items】</b> 1. Revise some of the provisions of the "Rules of Procedures for Shareholders' Meetings" of the company 2. Abolish the company's "Board Director meeting management operation procedures" 3. Removal of non-compete restrictions on newly appointed directors and their representatives	Passed according to the original bill after voting Passed according to the original bill after voting Passed according to the original bill after voting	Has been announced on the company's website and processed in accordance with the revised procedures Has been announced on the company's website Has been announced on the company's website

## 2. Important Resolutions from Board Directors

Date	Meeting	Important Resolution Items	Matters listed in Article 14-3 of the Securities and Exchange Act	Matters listed in Article 14-5 of the Securities and Exchange Act	Not been approved by Audit Committee, but agreed by more than 2/3 of all Board Directors	Independent directors hold objections or reservations
2021.03.26	The 11th of 20th Board Director Meeting	1. The company's employee compensation and director compensation distribution plan in 2020. 2. The company's 2020 "Internal Control System Effectiveness Assessment" and "Internal Control Statement" case. 3. The company's consolidated and individual financial report in 2020. 4. The company's 2020 earnings distribution plan. 5. The company's 2020 annual business report. 6. The company's accounts receivable have not been recovered within 3 months of the normal credit period and the amount is significant. 7. Revised some provisions of the Company's "Rules of Procedure for Shareholders' Meeting". 8. The company regularly evaluates the independence of the certified accountants. 9. The case of comprehensive re-election of directors. 10. Decide on matters related to holding 2021 Annual General Meeting of Shareholders.	V V V V V V V V V V	V V V V V V V V V V	No No No No No No No No No No	None None None None None None None None None None
2021.05.07	The 11th of 21st Board Director Meeting	1. The Company's consolidated financial report for the first quarter of 2021. 2. The company's 2021 annual salary adjustment case for managers. 3. Formulate the draft of the company's "Risk Management Policies and Procedures". 4. The company's accounts receivable have not been recovered within 3 months of the normal credit period and the amount is significant. 5. Nominate and decide on the list of candidates for directors (including independent directors). 6. The case of lifting the non-compete restriction on newly appointed directors and their representatives. 7. For the needs of business development, the company intends to apply to the First Bank for a forward foreign exchange risk limit in New Taiwan Dollars.	V V V V V V V	V V V V V V V	No No No No No No No	None None None None None None None
2021.07.09	The 11th of 22nd Board Director Meeting	1. It is proposed to re-determine the date and place of 2021 annual general meeting of shareholders of the company	V	V	No	None
2021.07.30	The 12th of 1st Board Director Meeting	1. To elect the chairman of the company. 2. Appoint members of the third remuneration committee.	V V	V V	No No	None None
2021.08.10	Minutes of the 12th Board Director Board Meeting of the 2nd session	1. The company's accounts receivable have not been recovered within 3 months of the normal credit period and the amount is significant. 2. The company's consolidated financial statement review report for the second quarter of 2021. 3. The company intends to renew the "Board Director's Liability Insurance". 4. The company intends to apply for a credit line from Jingcheng Bank, and the credit extension period will end when the term of the current director expires, and the chairman will be authorized to sign the credit extension contract and other relevant documents on behalf of the company and handle credit extension related matters. 5. 2020 Annual Director's Remuneration Distribution Details.	V V V V V	V V V V V	No No No No No	None None None None None
2021.11.05	Minutes of the 12th Board Director Board meeting of the 3rd session	1. The company's accounts receivable have not been recovered within 3 months of the normal credit period and the amount is significant. 2. The company's consolidated financial statement review report for the third quarter of 2021. 3. Revise the company's "Acquisition or Disposal of Assets Handling Procedures" 4. The company leases and obtains the right to use real estate assets from related parties. 5. Suspend the implementation of the company's 2021 annual salary adjustment for managers 6. 2021 Managers Quarterly Work Assessment Bonus Distribution Details.	V V V V V V	V V V V V V	No No No No No No	None None None None None None

Date	Meeting	Important Resolution Items	Matters listed in Article 14-3 of the Securities and Exchange Act	Matters listed in Article 14-5 of the Securities and Exchange Act	Not been approved by Audit Committee, but agreed by more than 2/3 of all Board Directors	Independent directors hold objections or reservations
2021.12.24	Minutes of the 12th Board Director  Board meeting of the 4th session	1. The company's 2022 annual company operation plan and financial budget 2. The company's 2022 annual audit plan. 3. Revised "Operating Procedures for Funds Loan to Others". 4. Revise the "Endorsement Guarantee Operation Procedures". 5. Revise the "Measures for Election of Directors". 6. The company's 2020 annual manager employee compensation and 2021 year-end bonus, business performance, and quarterly work assessment bonus allocation case	V V V V V V	V V V V V V	No No No No No No	None None None None None None
2022.2.25	Minutes of the 12th Board Director  Board meeting of the 5th session	1. The company's consolidated and individual financial reports for the year 2021. 2. The company's 2021 annual business report. 3. The case of the company's earnings distribution in 2021. 4. The company handles the issuance of the first unsecured convertible corporate bonds in Taiwan. 5. The company's accounts receivable have not been recovered within 3 months of the normal credit period and the amount is significant. 6. Cooperate with the internal rotation of the accounting firm to change the certified accountant and regularly evaluate the independence of the certified accountants. 7. The company's 2021 "Internal Control System Effectiveness Assessment" and "Internal Control Statement" 8. Revise part of the Company's Articles. 9. Revise the company's "Acquisition or Disposal of Assets Handling Procedures" 10. Revised some provisions of the Company's "Remuneration and Remuneration Measures for Directors, Supervisors and Managers" 11. The company's employee compensation and director compensation distribution plan in the year 2021. 12. Manager's quarterly work assessment bonus distribution plan. 13. Decide on matters related to the holding of 2022 Annual General Meeting of Shareholders.	V V V V V V V V V V V V V	V V V V V V V V V V V V V	No No No No No No No No No No No No No	None None None None None None None None None None None None None

- (12) In the most recent year and as of the date of publication of the annual report, if the Board Director or supervisor has different opinions on the important resolutions that the Board Director will pass and has a record or written statement, its main content: None.
- (13) A summary of the resignation and dismissal of the company's Board Director, General Manager, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, and R&D Supervisor in the most recent year and as of the printing date of the annual report: None.

## 5. Public Accountant Information

The company's payment of public accountants in 2021:

Name of Accounting Firm	Name of Accountants		Period	Note
KPMG Accounting Firm	Ms. Chen, Pei Chi	Mr. Lin, Heng Seng	2021/1/1 ~ 2021/12/31	none

Unit : NT\$1,000

item		Public audit	Non-Public audit	Total
Range				
1	<2,000	-	-	-
2	2,000 ~ 4,000	✓	-	✓
3	4,000 ~ 6,000	-	-	-
4	6,000 ~ 8,000	-	-	-
5	8,000 ~ 10,000	-	-	-
6	More than 10,000	-	-	-

Unit : NT\$1,000

Name	Accountant	Payment for Public Audit	Non-Public audit					Review Period	Note
			System Design	Business Registration	Human Resource	Others (note 2)	Total		
KPMG	Chen, Pei Chi	2,250					2,250	Year 2021	
	Lin, Heng Shen							Year 2021	
Note									

Note 1: If the company changes accountants or accounting firms this year, please list the inspection period separately, explain the reason for the replacement in the remarks column, and disclose the audit and non-audit public fees paid in order.

Note 2: Please list the non-audit public expenses separately according to the service items. If the "other" of the non-audit public expenses reaches 25% of the total amount of the non-audit public expenses, the service content should be listed in the remarks column.

(1) If the non-audit public expenses paid to the certified public accountant, the certified public accountant's firm and its affiliated companies account for more than one-fourth of the audit public expenditure, the amount of the audited and non-audited public expenditure and the content of the non-audit service shall be disclosed: Not applicable.

(2) If the accounting firm is replaced and the public audit fees paid during the replacement year are less than the public audit fees of the previous year, the amount, proportion and reason for the reduction in public audit fees shall be disclosed: none.

(3) If the public audit expenses are reduced by more than 15% compared with the previous year, the amount, proportion and reason for the reduction of public audit expenses shall be disclosed: None.

## 6. Change accountant information: none.

## 7. The company's board director, general manager, manager in charge of financial or accounting affairs, and those who have worked in the firm or affiliated company of the certified public accountant within the most recent year, shall disclose their name, title and work in the certified public accountant Period of the affiliated firm or its affiliated company: none.



**8. In the most recent year and as of publication date of annual report, board directors, supervisors, managers, and shareholders who hold more than 10% of shareholding ratios of equity transfers and equity pledge changes:**

**(1) Changes in the equity of Board Directors, supervisors, managers and major shareholders**

Title	Name	2020		2021		2022.3.29	
		Number of shares held Increase (decrease) number	Number of pledged shares Increase (decrease) number	Number of shares held Increase (decrease) number	Number of pledged shares Increase (decrease) number	Number of shares held Increase (decrease) number	Number of pledged shares Increase (decrease) number
Chairman	Mr. Chen, An Shun	—	—	—	—	—	—
	Legal person represented: Zhanhong Investment Company	—	—	—	—	—	—
Board Director	Mr. Lee, Jung Kung	—	—	—	—	—	—
	Legal person represented: Yufeng Investment Co., Ltd.	—	—	—	—	—	—
Board Director	Mr. Lai, Wen Chang	—	—	—	—	—	—
	Legal person represented: Hongyi Investment Co., Ltd.	—	—	—	—	—	—
Board Director	Mr. Yu, Bill	—	—	—	—	—	—
	Legal person represented: Living Water Investment Company	—	—	—	—	—	—
Board Director	Mr. Dai, Shui Chuan	—	—	—	—	—	—
Board Director	Mr. Kao, Chuan Chih	—	—	—	—	—	—
Independent Director	Mr. Li, Robert	—	—	—	—	—	—
Independent Director	Mr. Hung, Ching Chang	(3,000)	—	—	—	—	—
Independent Director	Mr. Chen, Ming Hsing	—	—	—	—	—	—
Sales Vice GM	Mr. Chen, Asui	—	—	—	—	—	—
Sales Associate Manager	Mr. Lee, Brent	—	—	—	—	—	—
R&D Associate Manager	Mr. Chen Xiurong	—	—	—	—	—	—
Accounting & Finance, Corporate Governance Manager	Ms. Shen, Wendy	—	—	—	—	—	—

(2) Equity transfer information: no situation where the counterparty of the equity transfer is a related party.

(3) Equity pledge information: no situation where the counterparty of the equity pledge is a related party.

**9.The shareholding ratio accounts for the top 10 shareholders, who are related persons, spouses, second parents, etc.**

2022.3.29; Unit: shares; %

Name of Shareholders	Shares held		Spouse and children hold shares		Total holding of shares in the name of others		The name and relationship of the top ten shareholders who have a relationship with each other or are a spouse, etc.		note
	Shares	%	Shares	%	Shares	%	Name	Relations	
Tongde Investment (Stock) Company Representative: Ms. Wang Yumei	3,632,928	6.61%	—	—	—	—	—	—	—
	878,521	1.60%	976,853	1.78%	—	—	Ms. Lai, Yingzhi	Mother and daughter	—
Living Water Investment (Stock) Company Representative: Ms. Yu Zhe Wei	2,760,712	5.02%	—	—	—	—	—	—	—
	15,699,499	2.85%	—	—	—	—	Mr. Yu, Zhe Kuan	Sister and brother	—
Hongyi Investment Co., Ltd. Representative: Ms. Lai Yingzhi	2,758,119	5.02%	—	—	—	—	—	—	—
	940,000	1.71%	—	—	—	—	Ms. Wang, Yumei	Mother and daughter	—
Yufeng Investment Co., Ltd. Representative: Ms. Lee, Hsin-Yun	2,757,309	5.01%	—	—	—	—	—	—	—
	813,333	1.48%	—	—	—	—	Ms. Lin, Chin-Jung	Mother and daughter	—
Zhanhong Investment (Stock) Company Representative: Ms. Chen Yu Xuan	2,755,104	5.01%	—	—	—	—	—	—	—
	1,227,502	2.23%					Mr. Chen, Hong Chan	Brother and sister	—
Ms. Lin, Chin-Jung	1,335,812	2.43%	913,148	1.66%	—	—	Ms. Lee, Hsin-Yun	Mother and daughter	—
Ms. Chen, Yu Xuan	1,227,502	2.23%	—	—	—	—	Mr. Chen, Hong Chan	Brother and sister	—
Ms. Yu, Zhe Wei	1,569,499	2.85%	—	—	—	—	Mr. Yu, Zhe Kuan	Sister and brother	—
Mr. Yu, Zhe Kuan	1,569,300	2.85%					Ms. Yu, Zhe Wei	Sister and brother	
Mr. Chen, Hong Chan	1,107,333	2.01%	736,000	1.34%	—	—	Ms. Chen, Yu Xuan	Brother and sister	—

**10. Number of shares held by the company's Board Director, supervisors, managers, and businesses directly or indirectly controlled by the company in the same reinvested enterprise, and combined calculation of the comprehensive shareholding ratio.**

2021.3. 31, Unit: shares; %

Reinvestment business	The Company's investment		Board Director, Supervisors, managers and companies directly or indirectly control business investment		Total investment	
	Shares	%	Shares	%	Shares	%
GROUP UP (SAMOA) Ltd.	12,500,000 shares	100.00%	-	-	12,500,000 shares	100.00%
Group Up Technology (Suzhou Industrial Park) Co.Ltd.	U.S. Dollar 10,000,000 (note)	100.00%	-	-	U.S. Dollar 10,000,000 (note)	100.00%
Group Up Trading (Shenzhen) Co. Ltd.	U.S. Dollar 500,000 (note)	100.00%	-	-	U.S. Dollar 500,000 (note)	100.00%

Note : Mainland China equity is not divided into shares.

## IV. Market and Shares

### 1. Capital and Shares

Share formation process

(1) Changes in shares in the last 5 years and up to the date of publication of the prospectus

Unit: NT\$ ; Share

Year/ Month	Issue Price	Approved share capital		Paid-in capital		Note		
		Shares	NT\$	Shares	NT\$	Source of equity	Property other than cash to offset the share price	Note
2014.11	10	60,000,000	600,000,000	40,000,000	400,000,000	Surplus to capital increase 100,000,000	None	2014.12.24 Jingshui Zhongzi No. 10334004820
2014.12	10	60,000,000	600,000,000	50,000,000	500,000,000	Cash increase 100,000,000	None	2014.12.24 Jingshui Zhongzi No. 10334004820
2018.09	10	60,000,000	600,000,000	55,000,000	550,000,000	Cash increase 50,000,000	None	2014.12.24 Jingshui Zhongzi No. 10334004820
2019.07	10	80,000,000	800,000,000	55,000,000	550,000,000	-	None	2014.12.24 Jingshui Zhongzi No. 10334004820

2. In the last 3 years as of publication date of prospectus, the status of private common shares: none

3. Information about the general declaration system: not applicable.

(2) Type of shares

Unit : share

Type of share	Approved share capital			Note
	Shares in the market	Unissued shares	Total	
Common shares	55,000,000	25,000,000	80,000,000	Over-the-counter (OTC) Company Stock.

(3) Shareholder structure

2022.3.29 ; Unit : share / %

Type Number	Government	Financial institution	Other legal persons	Foreign institutions And foreigners	Investing in individuals	Total
Number of shareholders	0	0	30	40	3,288	3,358
Number of Shares	0	0	18,555,420	1,755,000	34,689,580	55,000,000
Percentage of shares	0 %	0 %	33.74%	3.19%	63.07%	100.00%

## (4) Diversification of shareholding

2022.03.29 ; Unit : Share / %

Level of shares	Number of shareholders	Shares	Percentage of shares
1 to 999	1,533	22,970	0.04%
1,000 to 5,000	1,363	2,593,611	4.72%
5,001 to 10,000	175	1,389,587	2.53%
10,001 to 15,000	68	887,102	1.61%
15,001 to 20,000	39	707,228	1.29%
20,001 to 30,000	37	927,744	1.69%
30,001 to 40,000	27	952,358	1.73%
40,001 to 50,000	21	1,006,000	1.83%
50,001 to 100,000	36	2,654,202	4.83%
100,001 to 200,000	21	2,844,344	5.17%
200,001 to 400,000	8	2,212,079	4.02%
400,001 to 600,000	6	2,710,489	4.93%
600,001 to 800,000	1	736,000	1.33%
800,001 to 1,000,000	10	9,021,082	16.40%
More than 1,000,001	13	26,335,204	47.88%
Total shares	3,358	55,000,000	100.00%

## (5) List of main shareholders

2022.03.29 ; Unit : share / %

Share	Shares	Percentage of Shares
Main shareholders		
Tung Der Investment Co., Ltd.	3,632,928	6.61%
Living Water Investment Co., Ltd.	2,760,712	5.02%
Hong Yi Investment Co., Ltd.	2,758,119	5.02%
Yufeng Investment Co., Ltd.	2,757,309	5.01%
Zhanhong Investment Co., Ltd.	2,755,104	5.01%
Shanlin Investment Co.Ltd.	2,749,000	5.00%
Ms. Yu, Zhe Wei	1,569,499	2.85%
Mr. Yu, Zhe Kuan	1,569,300	2.85%
Ms. Lin, Chin Jong	1,335,812	2.43%
Ms. Chen, Yu Xuan	1,227,502	2.23%

## (6) Each stock market price, net worth, surplus and dividend information

Unit: New Taiwan Dollar; a thousand shares

item		year	2020	2021	2022 Q1
Stock price	Highest		71.10	81.30	93.00
	Lowest		45.35	61.70	76.00
	Average		62.74	71.50	84.05
Net value per share	Before distribution		34.62	36.47	39.34
	After distribution		30.32	Note4	34.44
Earnings per share	Weighted average number of shares		55,000	55,000	55,000
	Earnings per share		5.65	6.12	2.57
Dividend per share	Cash dividend		4.3	Note4	93.00
	Free allotment	Surplus allotment	—	---	n/a
		Capital reserve allotment	—	---	n/a
	Accumulated unpaid dividends		—	---	n/a
Return on investment analysis	Price to Earnings ratio (Note1)		11.10	11.68	n/a
	Price to cash dividend ratio (Note2)		14.59	14.59	n/a
	Dividend yield (Note3)		6.85	6.85	n/a

Note 1: P/E ratio = average closing price per share for the year/earnings per share.

Note 2: Cost-to-earnings ratio = average closing price per share for the year/cash dividend per share.

Note 3: Cash dividend yield = cash dividend per share/average closing price per share for the year.

Note 4: The 2021 cash dividend was approved by the board of directors of the company on February 25, 2022, and the chairman was authorized to set the ex-dividend base date, distribution date and other related matters, and it has not been distributed as of the date of publication of this prospectus.

Note 5: P/E ratio = average closing price per share for the year/earnings per share.

Note 6: Cost-to-earnings ratio = average closing price per share for the year/cash dividend per share.

Note 7: Cash dividend yield = cash dividend per share/average closing price per share for the year.

Note 8: The net value per share and earnings per share should be filled with the information checked (reviewed) by the accountants in the latest quarter up to the printing date of the annual report; other fields should be filled in the information as of the printing date of the annual report (2022/5/4). annual information

## (7) Company dividend policy and implementation status

## 1. Dividend policy stipulated in the company's articles of association

- (1) If the company's total annual final accounts have net profit after tax for the current period, it should first make up for the previous losses, and 10% of the second increase will be the statutory surplus reserve, but this is not the case when the statutory surplus reserve has reached the company's paid-in capital; Subject to the provisions of the law or transfer the special surplus reserve. If there is surplus and the undistributed surplus at the beginning of the same period, Board Directors will draft a surplus distribution plan and submit it to the shareholders meeting for distribution.

For distribution of the surplus in the preceding paragraph, the Board Director will present dividends and bonuses or all or part of the statutory surplus reserve and capital reserve in the form of more than two-thirds of the board director's attendance and the attendance of more than half of the board director's special resolutions. Distributed in cash and reported to the shareholders meeting.

- (2) GP's dividend policy is still in the growth stage due to considerations, and will be coordinated with business development and expansion in the future. The distribution of surplus should take into account the company's future capital expenditure budget and capital needs. The board of directors shall draw up an allocation plan and distribute it after the resolution of the shareholders meeting. Among them, the annual distribution of dividends to shareholders should not be less than 10% of the surplus available for distribution for the year. However, if the cumulative surplus for distribution is less than 10% of the paid-in share capital, it may not be distributed; when dividends to shareholders are distributed, it can be done in cash or stocks, but distribution of dividends shall be not less than 10% of the dividends distributed in the current year in cash dividends.

## 2. The situation of dividend distribution this year

The company decided to distribute the 2021 cash dividend of **NT\$269,500,000**, and the allotment of **NT\$4.9** per share. The cash dividend distribution proposal was passed by the board director meeting of the company on Feb 25, 2022. In addition, the Chairman of Board Director is authorized to set the ex-dividend base date, issuance date and other related matters.

- (8) The impact of the free allotment proposed by the shareholders' meeting on the company's operating performance and earnings per share:

The company's 2021 earnings distribution plan passed by the Board Director on Feb 25, 2022 did not distribute stock dividends, so it is not applicable.

- (9) Remuneration for employees, Board Directors and supervisors

1. The number or scope of compensation for employees, Board Directors and supervisors as stated in the company's articles of incorporation

Article 19 of the Company Charter shall deduct the current year's pre-tax benefits from the distribution of employee remuneration and director's remuneration. After retaining the number of accumulated losses, if there is any remaining balance, it shall allocate no less than 2% as employee remuneration and no more than 5%. Board Director remuneration. The distribution of employee remuneration and Board Director remuneration shall be made by the Board Director on the basis of two-thirds or more of the Board Director's attendance and a resolution approved by more than half of the Board Director's attendance, and report to the shareholders meeting.

2. The estimated basis for the estimated amount of compensation for employees, Board Directors and supervisors in the current period, the calculation basis for the number of shares of employee compensation distributed by stocks, and the accounting treatment when the actual distribution amount is different from the estimated amount: employee compensation and The remuneration of directors and supervisors is recognized as expenses and liabilities when there are legal or constructive obligations and the amount can be reasonably estimated. If there is a difference between the actual allotment amount and the estimated amount in subsequent resolutions, it shall be treated as a change in accounting estimates. In addition, for the payment of employee compensation in stocks, the basis for calculating the number of shares is to assess the fair value by means of evaluation techniques in accordance with the provisions of the International Financial Reporting Standards No. 2 "Basic Share Benefits".

3. The Board Director will approve the distribution of remuneration:

- (1) The amount of compensation for employees and board directors and supervisors distributed in cash or stocks. If there is a discrepancy with the annual estimated amount of recognized expenses, the number of discrepancies, reasons and handling circumstances should be disclosed:

The company has passed the resolution of the Board Director meeting on Feb 25, 2022 that in the year of 2021 plans to allocate **NT\$17,000,000** in employee compensation and **NT\$4,450,000** in Board Director compensation. The above remuneration will be paid in cash, and the Board Director has been authorized. The payment date and other related matters are set, and there is no difference between the aforesaid provision of employee remuneration and Board Director remuneration and 2021 annual cost estimate.

- (2) The proportion of the amount of employee compensation distributed by stocks to the total after-tax net profit and total employee compensation for the current period: Not applicable.

4. Shareholders' meeting reports on the situation and results of the distribution of remuneration

As of the date of publication of the prospectus, the board of directors of the company approved on February 25, 2022 that employee remuneration and director remuneration for 2021 are NT\$17,000,000 and NT\$4,450,000 respectively.

5. Actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number of shares distributed, amount and stock price), and the discrepancies between the remuneration of employees, directors and supervisors recognized, and the difference, reasons and handling the situation

On March 26, 2021, the board of directors of the company approved the payment of employee remuneration and director and supervisor remuneration in cash for 2020. The amounts were NT\$14,000,000 and NT\$4,000,000 respectively, which were not different from the estimated amount.

- (10) Circumstances when the company buys back the company's shares: no such circumstances.

- 2. Corporate debt handling situation: None.**

- 3. Handling of special shares: None.**

- 4. Circumstances for handling overseas depositary receipts: None.**

- 5. Employee stock option certificate processing situation: None.**

- 6. Circumstances for restricting employee rights to new shares: None.**

- 7. M&A or transfer of shares of other companies to issue new shares: None.**

- 8. Implementation status of fund utilization plan:**

- (1) The content of the fund utilization plan

As of the quarter before the publication date of the annual report, the previous issuance or private placement of securities has not been completed or the analysis has been completed within the last three years and the benefits of the project have not yet appeared: No such incident.

- (2) Implementation of the fund utilization plan: Not applicable.

## V. Operation

### 1. Business overview

#### (1) Business scope:

1. The content of profit-making business approved by the Ministry of Economic Affairs:

- (1) General box type drying, baking, preheating, curing equipment, automatic conveying hot air, IR ovens, baking equipment, professional dust-free explosion-proof, vacuum oven manufacturing business.
- (2) Constant temperature and humidity box, thermal shock box, temperature life box, aging test box and environmental test equipment, high-precision, high-stability constant temperature test equipment manufacturing business for scientific physical and chemical tests.
- (3) Automated UV instant drying, glazing equipment, UV treatment machines for sterilization, special drying equipment for PCB manufacturing, semiconductor IC and advanced packaging, and the processing, manufacturing, and trading of dust-free ovens for LCD manufacturing.
- (4) Import and export and agency of the previous related products.

### 2. Operating proportion:

The company's business proportions based on customer industries from 2020 to 2021 are as follows:

Unit : NT\$1,000

Year Product type	2020		2021	
	Sales NT\$	(%)	Sales NT\$	(%)
Equipment	1,547,794	95.88%	1,834,976	95.99%
Service	46,838	2.90%	55,142	2.89%
Others	19,612	1.22%	21,425	1.12%
Total	1,614,244	100.00%	1,911,543	100.00%

### 3. The company's current product items:

The company's products are mainly used in industries such as displays, printed circuit boards, touch panels, semiconductors, LED lighting, solar energy, energy components, and passive components. The equipment is listed as follows:

- (1) All kinds of automatic hot air conveyor furnaces, infrared hot air conveyor furnaces
- (2) The robotic arm automatically loads and unloads hot-blast multi-layer furnaces, hot-plate multi-layer furnaces, and tunnel conveyor furnaces
- (3) Vertical double-sided roller coating baking line
- (4) Electrostatic spraying baking line
- (5) All kinds of precision hot air ovens, dust-free precision hot air ovens, nitrogen hot air ovens, vacuum ovens
- (6) CCD alignment exposure machine, ultraviolet dryer
- (7) Roll-to-roll single-sided coating baking line, roll-to-roll laminating machine, roll-to-roll CCD alignment exposure machine,
- Various rewinding and unwinding machines for wet process/screen printing/AOI VRS optical inspection/laser etching/laser cutting applications

### 4. New product application areas planned to be developed:

- (1) All kinds of vehicle electronic products
- (2) Smartphone related parts and components
- (3) 5G infrastructure and application related electronic products and components
- (4) Flexible display
- (5) Semiconductor advanced packaging
- (6) Key materials and components for the OLED panel manufacturing process
- (7) Touch sensor film made of double-sided metal layer thin film materials processed at the same time on both sides
- (8) Medical materials and biotechnology products
- (9) Green energy

To ensure a high degree of competitive advantage, the company will flexibly adjust the content of its R&D plan at any time in line with its operating strategy and market demand.

### (2) Industry overview

#### 1. Equipment industry

##### A. PCB industry



Printed Circuit Board (PCB) is often referred to as "mother of electronic system products" or "the foundation of the 3C industry." PCBs play an indispensable role in the information, communications, and consumer electronics industries. Its products Types and technologies are diversified and changeable with the application requirements of various electronic products. PCB products can be classified into HDI (High Density Interconnect), Multilayer, Flexible PCB (Flex, FPC, Flex Printed Circuit), IC Substrate, etc.

In terms of the development of the global PCB industry, entering into 2022, as the penetration rate of the 5G mobile phone market continues to rise, telecom operators in various countries will continue to invest in the construction of 5G base stations and other infrastructure, and artificial intelligence (AI) and the Internet of Things, etc. The application will help to increase the demand for high-performance computing, and the demand for applications such as wearable devices and automotive electronics will continue to increase, which will drive the global printed circuit board output value to continue to grow in 2022. Further observing the development trend of various printed circuit board products, it is expected that in 2022, the output value of IC substrates and HDI boards will grow relatively strongly. Among them, IC substrates will continue to expand due to application requirements such as 5G base stations, 5G mobile phones, and high-performance computing. The visibility of orders is relatively high; and HDI boards continue to improve due to the continuous improvement of application specifications such as smart phones, tablet computers, and laptops, and the demand for applications such as wearable devices and automotive electronics will gradually increase, and they still have growth momentum; on the other hand, Brand automakers accelerate their entry into the electric vehicle market and expand the introduction of advanced driver assistance systems (ADAS), which has led to a significant increase in the global sales of electric vehicles and a significant increase in the market demand for automotive circuit boards.

As the demand for applications such as 5G communication, high-performance computing, automotive electronics and wearable devices continues to increase, in January 2022, the Sankei database of the Taiwan Economic Research Institute pointed out that it is estimated that the global output value of printed circuit boards will show steady growth in 2022. 83.7 billion yuan, with a growth rate of 4.8%; and Prismark predicts that the PCB industry is expected to grow at a growth rate of 8.6% in 2021, and will grow at a compound annual growth rate of 5.8% between 2020 and 2025. By the year 2025, the global PCB industry will grow the output value will reach 86.33 billion US dollars, of which packaging substrates will lead the growth of the PCB industry. On the whole, with the development of emerging technologies such as 5G communication, AI applications, and automotive electronics, it will help to increase the demand for printed circuit boards, and drive the further upgrade of printed circuit board specifications, driving the growth of the output value of the global printed circuit board industry.

#### 【Global PCB market overview】

Unit: 100 million USD

Type	2019	2020	Growth rate	2025	Expected growth rate in 5 years
Single/Double	80.9	78.3	-3.20%	93.4	3.60%
Multilayer	238.8	247.6	3.70%	316.8	5.10%
HDI	90.1	99.5	10.50%	137.4	6.70%
Flex	122	124.8	2.40%	153.6	4.20%
IC Substrate	81.4	101.9	25.20%	161.9	9.70%
Total	613.1	652.2	64.40%	863.3	5.80%

Source: Prismark

#### B. Semiconductor industry

##### Overview of global semiconductor sales trends in recent years



資料來源:WSTS、台灣經濟研究院產經資料庫整理，2022年2月

In 2022, the global semiconductor industry will gradually normalize the demand due to the increase in the global vaccine penetration rate and the gradual recovery of economic activities. Therefore, the related long-distance demand will decrease, and the customer will reduce the pulling force, so that the demand will gradually normalize. It will help to improve the problem of long-term and short-term materials, and it will also limit the space for chip prices to increase, which will lead to a slowdown in sales growth. According to WSTS statistics, the annual growth rate of global semiconductor sales is expected to slow down to 8.8% in 2022, reaching \$601.5 billion. In addition, thanks to the acceleration of digital transformation, it is conducive to the rapid rise of emerging application markets. The product specifications are the same, and the product specifications are also improved. While my country maintains its global leadership in advanced manufacturing processes, it will help maintain its global leadership in advanced manufacturing processes. It will help support the growth momentum of semiconductor sales.

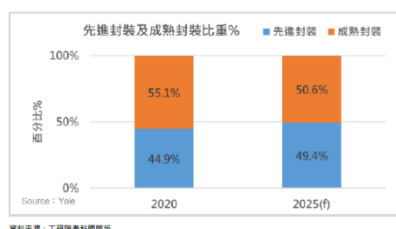
In terms of the domestic semiconductor market overview, due to the severe global chip shortage and the quarterly increase of domestic foundry quotations, the semiconductor manufacturing industry will still rank first in the sales value of the semiconductor manufacturing industry in 2021, accounting for 66.22% of the total. The main reason is that the global semiconductor industry has strong demand for advanced processors for 5G smartphones in the network and data centers, and the domestic foundry quotations have been increasing quarter by quarter, which has led to a higher proportion of foundry sales. In 2020, there will be an expansion. The overall semiconductor demand in 2021 will still be at a high level compared to previous years. In addition, new production capacity will not be released until 2023. Therefore, the supply and demand of this industry will not reverse in the short term. In 2022, thanks to the rapid growth of emerging markets such as the Internet of Things and data centers, it will help customers to maintain a stable momentum in pulling goods, but the effect of the home economy is gradually weakening, and the production capacity of Chinese manufacturers will increase, which will crowd out some domestic memory manufacturers. Fortunately, TSMC's advanced manufacturing process continues to advance and is ahead of other competitors. Moreover, the diversification of domestic semiconductor packaging and testing plants can fully meet market demand. In February 2011, the Taiwan Economic Research Institute's Sankei Database report estimated that domestic sales of this industry in 2022. The value will reach 3.25 trillion yuan, with an annual growth rate of 18.1%

As for the packaging and testing industry, benefiting from the limited impact of the domestic epidemic on the semiconductor industry and the transfer of orders from IDM factories around the world, the visibility of domestic industry orders is clear, which helps to maintain a high level of capacity utilization, and various application ICs the content only increases but does not decrease, prompting high visibility of domestic semiconductor packaging and testing plants. Some manufacturers are already negotiating production capacity in 2023. With full production capacity and the benefit of upstream price increases, the trend of quarterly price increases remains unchanged, and factory expansion continues.

### C. Advanced packaging industry

In the process of semiconductor chip manufacturing, after the chip is produced from the fab, it must go through the last very critical step before it can become a component with different functions. This step is: packaging and testing. The so-called packaging is to connect the chip to the printed circuit board or other electronic components, so that the signal and current can be transmitted smoothly, and the test is to carry out different degrees of testing at each stage of the chip manufacturing process to confirm the reliability of the chip and yield rate.

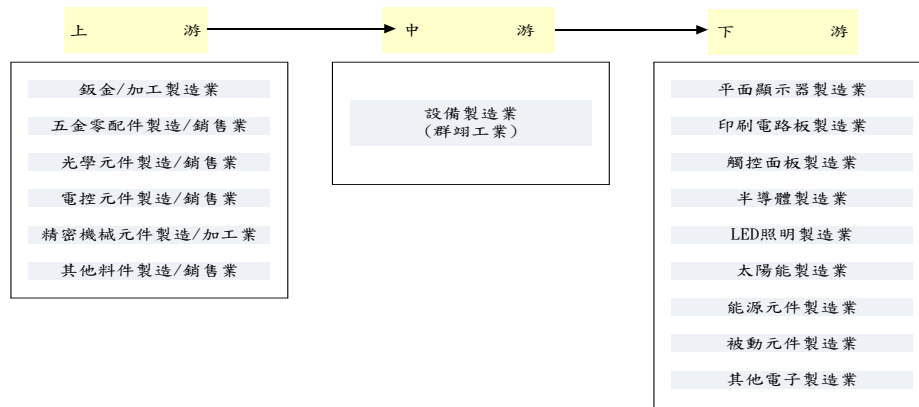
Due to applications such as big data, high-performance computing (HPC), artificial intelligence (AI), edge computing, advanced memory, 5G infrastructure expansion, 5G smartphone adoption, growth in electric vehicle usage, and enhanced vehicle safety features the continuous growth of surface-use demand applications also drives the growth of the semiconductor packaging material market. According to research by market research company Yole, the overall revenue compound annual growth rate (CAGR) of the advanced packaging industry from 2018 to 2024 will grow by 8%. Packaging technology (FOP) has grown the fastest, with a growth rate of more than 20%. According to IEK's August 110 report, it is expected that the global advanced packaging output value will gradually be the same as other packaging and testing output values by 2025. From 2020 to 2025 The annual compound growth rate of the output value of advanced packaging will be as high as 6.6%, which is better than the compound annual growth rate of other non-advanced packaging output value of 1.9% and the compound annual growth rate of all packaging output value of 4%. The proportion of wafer-level packaging in global packaging and testing companies varies, but most of them are still dominated by flip-chip packaging, followed by fan-in packaging, and fan-out packaging accounts for less than 20% of each company.



(2). The relevance of industry's upper, middle and lower reaches

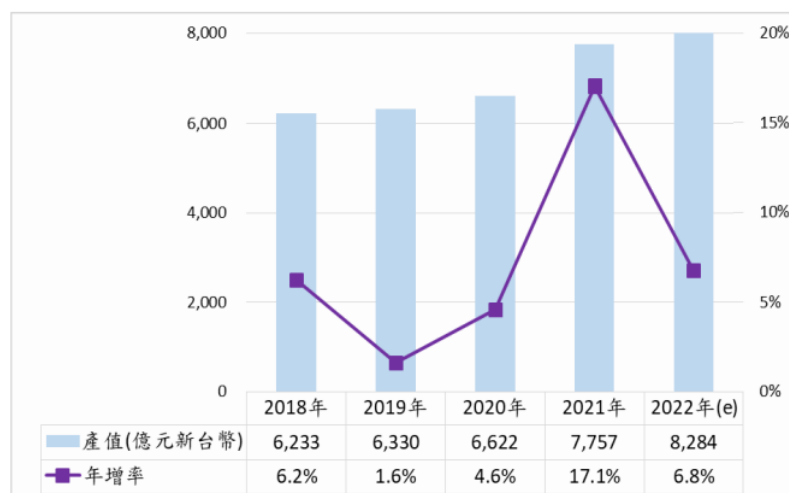
The company has been deeply engaged in the design, manufacturing and assembly, sales and after-sales service of special machinery for electronic and semiconductor production for more than 32 years. After receiving the order, the upstream industry obtains relevant components and assembles in its own factory through mechanical design and motor design. After the assembly test is completed, it is then provided to customers in various application fields in the downstream industry. The company belongs to the midstream industry in the following figure. The flow chart of the relationship between the upstream and downstream industries is as follows:

【Industry upstream, mid-stream, and downstream correlation diagram】



(3). Various development trends and competitive situations of products

In Taiwan's PCB industry, thanks to the accelerated investment in 5G infrastructure in various countries, the penetration rate of 5G manual market continues to rise, and the application of electric vehicles and self-driving cars will continue to drive the further expansion of automotive electronics market demand, all of which will help push up printed circuits. The demand for boards has grown and specifications have been upgraded, and the development of emerging technologies such as 5G communication, AIOT, and high-performance computing has also kept the market demand for ABF substrates high. Furthermore, emerging application fields such as Mini LED and satellite communications are accelerating investment in Taiwan factories. Under the expansion, the layout benefits will gradually ferment. On the whole, with the further expansion of application requirements such as 5G communication and automotive electronics, it effectively drives the growth of PCB market demand and specification upgrade, and the market demand for ABF substrates continues to flourish, coupled with the rise of emerging application technologies such as Mini LED and low-orbit satellite communications., will help push up the performance of my country's printed circuit board industry in 2022. According to the data of the International Institute of Obstetrics and Technology of Industrial Technology Research Institute and the ITIS research team in March 2011, it is estimated that the value of my country's printed circuit board industry will reach NT\$828.4 billion in 2022., with an annual growth rate of 6.8%, continuing to show a growth trend



注：我國印刷電路板產值係包括台商在台灣、中國及其他地區產值，統計範圍包括硬板、載板與軟板等。  
資料來源：工研院產科國際所及 ITIS 研究團隊、台灣經濟研究院產經資料庫整理及估計，2022 年 3 月。

In terms of automotive circuit boards, various countries are actively promoting the development of electric vehicles. In addition to the global electric vehicle brand-Tesla, traditional brand car manufacturers have successively announced to expand the number of electric vehicle models, and actively attack the global electric vehicle market manufacturers. The scale of the global electric vehicle market is gradually expanding; on the other hand, major car manufacturers are also actively investing in the development of advanced driver assistance systems (ADAS) to improve the level of self-driving, enhance driving safety and performance, and drive the continuous improvement of the degree of automotive electronics, which will further expand Applications of printed circuit boards in the automotive market. For my country's printed circuit board manufacturers, the continuous expansion of the global electric vehicle market and the improvement of the degree of automotive electronics will help boost the demand for automotive PCBs. According to the data, it is the consensus of various countries to replace traditional fuel vehicles with new energy vehicles, and the demand for high-end automotive substrates will also increase with the demand for self-driving platforms. The compound annual growth rate of global automotive circuit boards in 2020-2025 is about 5~8%, and if it is estimated from the sales volume, price and the degree of electronation, the circuit boards used in electric vehicles will account for about 6~8% of the overall automotive application in 2020. If optimistically estimated, it may even reach 15% by 2025.

### 全球車用電路板產值趨勢

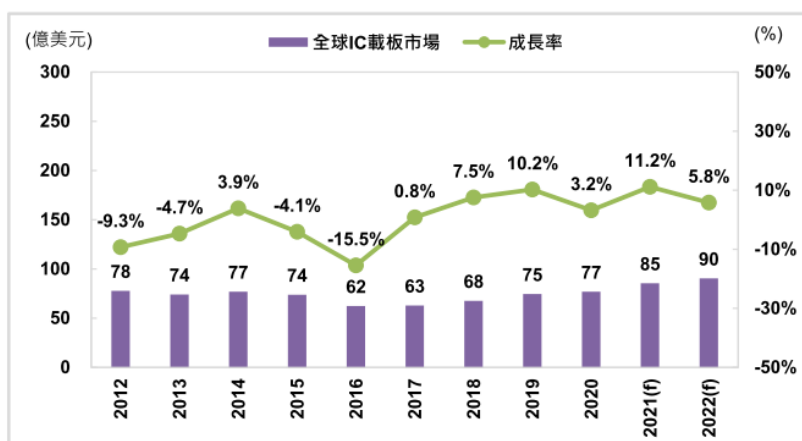


- 2020-2025全球車用電路板年複合成長率約為5~8%，雖然僅略高於整體電路板，但對照於過去幾年普遍低於整體平均而言，表現已有明顯的好轉。
- 電動車的部份，若從銷售量、價格以及電子化的程度來估算，2020年電動車使用之電路板約占整體汽車應用比重的6~8%，若以樂觀預估至2025年甚至有機會達到15%。

產業科技國際策略發展所 資料來源：工研院產科國際所



In terms of IC substrates, IC substrates are used as substrates for semiconductor packaging. Therefore, the market development of IC substrates is closely related to the development of the semiconductor industry. The main application markets of IC substrates are smartphones and high-performance computing platforms. The application range covers personal computers, tablet computers, servers, game consoles and base stations, etc. The core products are central processing units (CPUs) and graphics processing units (GPUs), and ABF carriers are mainly used for chip packaging. The advanced IC packaging business opportunities for 5G, AI, high-performance computing and other applications continue to ferment. According to the statistics of SEMI, the international semiconductor industry association, it is estimated that the global IC substrate market will continue to grow to US\$8.5 billion and US\$9 billion in 2021-2022.



資料來源：工研院產科國際所

備註：數據源自 SEMI 於 2021 年第二季發布

In terms of ABF carrier board, ABF carrier board is one of IC carrier boards, which is mainly used in high computing performance ICs such as CPU, GPU, FPGA, and ASIC. From 2020 to 2021, benefiting from the continuous fermentation of the housing economy effect, the sales of products such as personal computers, tablet computers, servers and game consoles will grow significantly, driving the demand for high-performance computing applications to increase significantly, stimulating the continued expansion of the market demand for ABF substrates. In the future, as countries continue to invest in the deployment of 5G base stations, the demand for high-end AI servers in data centers increases, and the sales of consumer electronic products such as game consoles continue to grow, the market size of CPU and GPU applications will be further expanded. According to Markets and Market estimates that the global CPU and GPU market size in 2020 is about 84.4 billion US dollars, and it is expected to grow to 105 billion US dollars in 2025, which can effectively support the further expansion of the market demand for ABF substrates. As far as the supply and demand of the ABF substrate market is concerned, in 2021, thanks to the continuous growth of applications such as 5G and AI chips, the improvement of chip performance, and the evolution of various advanced packaging process technologies such as CoWos, InFO, EMIB, and Chiplet, large-scale, multi- the demand for ABF substrates with multiple layers is increasing. According to the estimates of the International Institute of Obstetrics and Gynecology, ITRI, the global ABF substrate market supply and demand gap will reach 11% in 2021, which will push up the average selling price of ABF substrates and further increase the market demand. until 2023.

#### (4) Market competitor's overview

At present, the company has cooperated with the market trend to develop the latest special equipment products for the process of thin circuit high-density PCB-type and IC substrates, and meet the process requirements such as cleanliness and no scratches on the board surface during the production process. In addition, the company adopts MSAP according to customer needs. In the production process, the automatic loading and unloading dust-free clean hot air conveying furnace will be standardized and modularized in specifications and processes, so as to greatly improve the quality of the equipment and shorten the delivery time.

In addition, the company also cooperates with the introduction of the latest flexible circuit board (FPC) key materials. In addition to greatly reducing the number of steps in the existing processing method, and improving the accuracy of flexible circuit board (FPC) products, the company will provide a series of products for this trend. The complete equipment corresponds to the coating, filming, exposure, baking and other processes of this key material.

Over the years, the company has cooperated with displays, printed circuit boards, IC substrates, advanced packaging, touch panels, cover glass, semiconductors, LED lighting, solar energy, energy components, passive The production needs of customers in components and other industries develop various special equipment. Due to the strong design and service team, in addition to stably providing customers with high-quality standard products, the company develops various new products with market competitive advantages every year according to customer needs, establish long-term partnerships with customers, the customer base is stable and spans a variety of industries, and is relatively unaffected by ups and downs of a single industry.

### 3. Overview of technology and R&D

#### (1.) The technical level of the business

Since its establishment, the company has accumulated many years of experience in the development and mass production of special process equipment such as automated coating, drying, lamination, and exposure. The R&D team has continued to cooperate with domestic and foreign research units, upstream related manufacturers, and customer groups. Exchange and cooperate to improve key technology levels and R&D capabilities. Looking forward to the future, the company will continue to integrate the four core technologies of coating, drying, exposure and automation to develop high-quality products with technical standards that are better than those of the industry's peers, and create a win-win situation with customers.

#### (2.) Research and development planning

To meet the needs of the client, we will continue to develop and deepen the development of various automatic coating, drying, laminating, exposure and other process-specific equipment. The research and development of each technical field are summarized as follows:

- A. Coating: In line with the customer's product needs, continue to improve the function, accuracy and production speed of the roller coating line, electrostatic spraying line, roll-to-roll coating line... and other equipment.
- B. Curing: In response to low oxygen content, vacuum drying and high temperature requirements of the new manufacturing process of various industries, various non-oxidation baking, vacuum drying, infrared and ultraviolet drying equipment on the existing basis.
- C. Laminating: Roll-to-roll vacuum laminating machine has established a benchmark performance in the market. In the future, it will continue to add functions and improve performance in response to the customized needs of

different industries and customers.

- D. Exposure: Develop LED light source exposure machines in line with market demand, and continue to improve the exposure accuracy and production speed of existing species.
- E. Automation: With the trend of Industry 4.0 smart and intelligent manufacturing system, the company will use the existing system automation software and hardware technology as the basis for related technology development and actual performance experience accumulation, and provide robotic arms and EFEM applications in accordance with customer factory requirements , automated organization development, CCD vision system construction, equipment-side production data collection and analysis, cooperation with CIM, EMS and other systems for data transfer and transmission and other functions and services, so that related products and systems can cooperate with eyes, hands, and brains And use it together to achieve customers' goals of intelligent, intelligent and automated system manufacturing.

### 3. Research and Development Team

Unit: person

Academic Background	2020		2021		2022 Q1	
	Number of staff	%	Number of staff	%	Number of staff	%
Ph.D.	—	—	—	—	—	—
Master	9	18	9	16.36	9	16.36
Undergraduate	38	76	43	78.18	43	78.18
High school and below	3	6	3	5.45	3	5.45
Total	50	100	55	100	55	100.00
Average (year)	7.47		7.9		8.13	

### 4. R&D expenses invested each year in the last five years

Unit : NT\$1,000

Year	2017	2018	2019	2020	2021
R&D	36,072	55,485	75,306	112,775	85,951
Sales Net Revenue	1,453,952	1,644,002	1,668,286	1,614,244	1,911,543
R&D expenses and costs as % of net revenue	2.48%	3.37%	4.51%	7.00%	4.50%

Note : The company expects to invest in R&D in 2021 for approximately 5% ~ 7% of revenue

### 5. Successfully developed technologies or products during the year of 2017~2022

Year	R&D performance	Explanation
2017	FPC soft board automatic line integration scheme	Single connection of yellow light FPC equipment CCD cutting, water-moisturizing film/vacuum filming, single/double-sided exposure, continuous CCD screen printing, continuous drying Totally composed of roll material and sheet material Full line planning
2018	Roll-to-roll vacuum infrared high temperature furnace	To meet the baking requirements of new materials, after the coiled film material is released in a vacuum environment, it is baked under high temperature and adiabatic with an IR hot plate, and the winding is completed after cooling.
	Roll-to-roll low-tension conveyor drying oven	Applied to COF products after printing and tin-plating baking process baking, with air floatation and lightweight rollers with tension control and EPC patrol control design to meet the high-precision production requirements of COF materials
2019	Nitrogen high temperature automatic baking system	Automatic baking system used in advanced semiconductor packaging with high temperature, high cleanliness, EFEM, GEM300 spec and high temperature uniformity process conditions
	5G-Special baking oven	Aiming at the trend of 5G infrastructure printed circuit boards with diversification of specifications and sizes, differences in board weight, etc., the development of patented models for the full range of pallet baking furnaces has been completed
	Intelligent networking of PCB baking equipment	Participate in the industrial upgrading and innovation platform counseling plan, and cooperate with the realization of the intelligent networking of PCB baking equipment
2020	Nitrogen plate warping machine	It is a part of the intelligent automation of the whole factory production, and the whole factory is connected in series to realize the intelligent automatic production process
	AI lens DIP automatic line	In response to the needs of AI/AR/MR, develop a full-automatic DIP coating and drying line for AR glasses
	Clean hot plate oven	Develop a large and heavy substrate platen oven for 5G.

Year	R&D performance	Explanation
	EMIB automatic competitor's door opening drying line	For 5G BGA substrate circuit becoming more and more subtle, it is necessary to reduce the vibration during baking, GP developed EMIB cabinet baking
	Auto open-door oven	In response to the 5G BGA substrate plant's AGV smart automation needs, develop an automatic door opening oven
2021	Ultra-high temperature nitrogen oven automatic line	Wafer-level packaging, coating cure before deposition
	3D packaging solder mask curing automatic line	Use 3D package solder mask curing to automate the whole line
	Mechanical equipment automatically grabs CCD alignment system	Automatic edge finding system
	3D Packaging Hot Plate Multilayer Furnace	Advanced Package Grade Hot Plate Bake
	Thermal kerosene heating system	New drying system for energy saving and disaster prevention
	Hot water dipping treatment curing automatic line	Optical lens surface treatment
2022	A new generation of automatic roller automatic line for ABF substrate	High cleanliness roller coating automatic line
	Advanced packaging UV curing automatic line	Used in advanced packaging UV curing

#### (4) Long-term and short-term business development plans

##### 1.short-term business development plan

- Based on the existing LCD industry CIM system architecture support, the semiconductor industry SECS/GEM300 agreement support equipment performance and experience accumulation, the equipment intelligent function enhancement, in response to the client's smart factory construction trend, enhance the market competitive advantage.
- Continue to make alliances with peers to jointly construct turnkey solutions, expand new customers and actively strive for orders.
- Continue to develop markets for semiconductors, OLEDs, 3D cover glass, flexible electronics, biotechnology and medical materials, 5G infrastructure and applications.

##### 2.long-term business development plan

- Based on GP's equipment customization development capabilities, to meet the new process needs of existing customer groups, develop and introduce next-generation process-specific equipment.
- Cooperate with the development of new upstream materials on the client side, develop special process equipment synchronously in the form of cross-industry alliances, and use materials and equipment to sell or recommend each other to jointly create a win-win opportunity.
- Form alliances with major manufacturers in Europe, America and Japan, cooperate with OEM/ODM and carry out market development. On the whole, grasp the industry trend direction of "big man + 5G", that is, "big data, artificial intelligence, Internet of things + 5G" to deepen market niche products and services.



## 2. Market and Sales

### 1. Market analysis

#### (1) Sales (provided) area of main products (services)

As shown in the following table:

Domestic and foreign sales amount and its ratio

Unit : NT\$1,000 ; %

year item	2019		2020		2021	
	NT\$	%	NT\$	%	NT\$	%
Inbound	645,162	38.67	497,787	30.84	698,603	36.55
Outbound	1,023,124	61.33	1,116,457	69.16	1,212,940	63.45
Total	1,668,286	100.00	1,614,244	100.00	1,911,543	100.00

#### (2) Market share

The company is committed to the design and manufacture of special machinery for electronics and semiconductor production. Up to now, customers have installed machines in Asia, Europe and the Americas. The customer base includes major European, American, Japanese, Korean, mainland and domestic major factories, and has close relationships with customers. The partnership has successfully developed practical cases of special process equipment for many times, and has taken the lead in the drying equipment of the baking process in the IC substrate industry, the roller coating drying line for the inner circuit process of the printed circuit board industry, and the solder mask process. The electrostatic spraying baking line and the newly launched tunnel-type hot air conveyor furnace used in the carrier-like MSAP process in 2016 have achieved market opportunities and occupy a leading position in the world. Overall, the company's turnover from 2019 to 2021 accounts for approximately 1.5% to 1.82% of the annual output value of my country's electronics and semiconductor manufacturing machinery and equipment manufacturing industry. However, the company's main revenue from 2019 to 2021 is PCB process equipment and display process equipment, accounting for 82.83%, 73.32% and 73.78% of its revenue respectively. Therefore, only the overall electronic production equipment and parts and display production equipment and compared with the sales value of parts, the company accounts for about 4.05%~4.99%

Unit: NT\$ 1000; %

Product items	2019 Sales			2020 Sales			2021 Sales		
	Market	GP	%	Market	GP	%	Market	GP	%
Other equipment and parts (2928990)	28,678,720	1,307,492	4.56%	30,253,542	1,137,982	3.76%	37,718,222	1,341,332	3.56%
Display equipment and parts (2928110)	17,410,554	74,432	0.43%	10,126,314	45,501	0.45%	13,839,762	68,937	0.50%
Others (note1)	45,638,962	286,362	0.63%	52,408,027	430,761	0.82%	76,007,993	501,274	0.66%
Total (note2)	91,728,236	1,668,286	1.82%	92,787,883	1,614,244	1.74%	127,565,977	1,911,543	1.50%

Source: ITIS Zhiwang and the company's financial statements verified by accountants

Note 1: Others include semiconductor production equipment and components (2928010).

Note 2: The details of the electronic and semiconductor production machinery and equipment manufacturing industry include other electronic production equipment and components (2928990), flat-panel display production equipment and components (2928110), and semiconductor production equipment and components (2928010).

#### (3) The future supply and demand situation and growth of the market

The company is mainly engaged in the design, manufacturing and assembly, sales and after-sales service of special machinery for electronic and semiconductor production, providing coating, drying, exposure and automation with four major technical axes in printed circuit boards, displays and touch panels and special glass cover plates Application, etc.; the company continues to focus on the process equipment sets used in the production of high-end rigid boards, flexible boards, multi-layer boards and IC-type substrates, and tailor-made customized production equipment lines with high quality and efficiency for customers, and for the combination of process precision and production line on-site needs, the company has accumulated experience over the years, whether it is in the integration with automation equipment, software customized design for more intelligent man-machine synchronization control, or even in Whole plant planning and vertical integration services for capacity expansion are all professional service items of the company. In addition, the company targets single machines that can be used individually in circuit board manufacturing processes such as electronics and semiconductors—automatic and semi-automatic exposure machines, various types of pre-exposure machines. Oven bodies and various precision plate tilting equipment are the first choice of many manufacturers in Taiwan and mainland China. At present, the purpose and scope of Industry 4.0 have been actively applied to the process equipment production lines of various industries to achieve the purpose of intelligent production. According to IC substrate manufacturing industry report of the Institute in February 2022, the following is an analysis of the future development trend of the related industries of the company's products.

A. International mobile phone brand manufacturers gradually introduce full-screen design, driving the rise of COF substrates

In 2017, major mobile phone brands such as Apple and Samsung introduced full-screen designs one after another, prompting changes in the packaging technology of panel driver ICs. Chip on Film) and COG (Chip on Glass), COF is made by flip-chip bonding, using a flexible carrier board as a packaged chip carrier, and the technology of bonding the chip and the flexible substrate circuit. In the past, the COF process was mostly used for large-size panels, and the COG process was the mainstream for small and medium-sized panels. However, since the COG process is not suitable for flexible displays, as smartphone screens move towards high-definition, full-screen designs, driver ICs are also developing in the design direction of system lines, high pin count, extremely multi-channel design, etc. Thin-film IC substrate manufacturers must It can meet the requirements of product design in line with the miniaturization of chip circuit spacing. Therefore, under the trend of smartphones gradually moving towards high resolution and high screen ratio, the development of driving IC packaging technology to adopt COF process has attracted market attention.

Under this market trend, the market demand for COF substrates has emerged. As far as Taiwanese manufacturers are concerned, COF substrates are mainly based on Chipbond and Yihuadian. Among them, Chipbond and Apple have cooperated to develop COF substrates with Super Fine Pitch specifications for supply Apple needs; Yihuadian develops fine-pitch COF substrates for mobile phone panels. It adopts semi-additive process, supports single-layer and double-layer specifications, and has a line width and line spacing of 14 microns. It mainly supplies Huawei, Xiaomi and other Chinese mobile phone brands.

B. High-performance computing pushes up the demand for ABF carrier boards

IC carrier boards can be divided into BT carrier boards, ABF carrier boards and EMC carrier boards according to the substrate material. BT carrier boards and ABF carrier boards are the main ones. The BT carrier board contains a glass fiber cloth layer, which is not easy to expand and contract with heat and has stable dimensions., The material is hard, the line is thick, and it is usually used in mobile phones and memory products. In contrast, ABF substrates were mostly used in processing chips, graphics chips and other products required by personal computers in the past due to their precise circuits, good electrical conductivity, and good chip performance. However, with the gradual rise of application requirements such as artificial intelligence, cloud computing, big data analysis, and 5G mobile communications, base stations, high-performance computers, and Netcom equipment all require high-performance computing chips. With the continuous improvement of the ABF carrier board process, the number of carrier boards can be greatly increased to more than 20 layers, and it has the advantages of fine line spacing and large area, so it has become a key product for the active development of domestic and foreign IC carrier board manufacturers.

C. The rise of semiconductor technologies such as chiplets and heterogeneous integration attracts Chinese IC substrate manufacturers to accelerate their layout

As domestic and foreign companies accelerate their investment in digital transformation, trends such as 5G communications, the Internet of Things, and artificial intelligence (AI) applications continue to develop, driving the demand for semiconductor chips to increase significantly, and accelerating the gradual rise of semiconductor technologies such as chiplets and heterogeneous integration. Attract my country's IC carrier board rulers to accelerate the layout. As far as chiplets are concerned, the large-scale multi-core design is divided into different tiny chips, each of which is enhanced in function and reduced in size, and then integrated into a fully functional chip through advanced packaging. In order to meet the requirements of diverse applications and specifications, semiconductor manufacturers have successively invested in the development of heterogeneous integration technologies, including TSMC, ASE, Samsung Electronics and other manufacturers have invested in the development of related technical solutions.

For IC substrate manufacturers, in the past, it was believed that the rise of heterogeneous integration technology would lead to a decrease in the demand for IC substrates. With the development of packaging technology, the selection of carrier board production technology and materials is also significantly different, and the advanced packaging required for small chips will also significantly increase the area and number of layers of the carrier board. It is obvious that IC substrate manufacturers will play an important role in the field of heterogeneous integration, including Unimicron and Nanya PCB, which are both ASE's fan-out packaging partners. Among them, Unimicron has further laid out its panel-level fan-out packaging solutions, striving for more manufacturer's approval.

To sum up, to welcome the arrival of the 5G era, the current situation is stable and continuous in receiving orders for electronic product-related process equipment in the application fields of 5G infrastructure, VR, AR, Internet of Vehicles, smart manufacturing, Internet of Things, AI assistants, and smart cities., mobile phone cover plates, electronic whiteboards, advanced packaging, etc. The demand for special process equipment for coating, baking, lamination and exposure required for manufacturing is currently in continuous contact, and the follow-up operation growth of the market layout can be expected. The company operates in a pragmatic and stable manner. In the face of a market that may be affected by

uncertainties such as the epidemic and Sino-US trade in the future, GP team remain cautiously optimistic.

(4) Competitive niche

(A) Core Technology

The company's main business R&D team has more than 10 years of development experience in the roll-to-roll and flexible electronics fields. The company's product line will also continue to evolve in response to this theme. Ranked 50th in the number of patent applications nationwide in 2020.

(B) A pragmatic and forward-looking R&D team

The R&D team carefully examines and communicates with the market information returned by the business side, planning products and arranging R&D progress from a pragmatic and forward-looking perspective, and prioritizes the achievement of the company's operational goals and customer satisfaction.

(C) Resilience R&D and production management team

According to customer needs, the company's R&D and production management team reviews and optimizes process specifications with upstream and downstream suppliers from time to time to meet customer needs. It can also achieve cost control and continue to integrate R&D plans with suppliers' future development technologies., Flexibility to create a win-win partnership in the future.

(D) Tax-sensitive and flexible business marketing team

The company's business marketing team, with years of first-line deep cultivation of the target market and sensitivity to market dynamics, has entered the PCB, flexible electronics, mobile phone peripherals and optoelectronics markets, fully demonstrating the flexibility of tax sensitivity and continuous development of customer groups. Ability. Because of the cooperation with brand customers for many years, the company has the opportunity to first sniff business opportunities in the market, and has repeatedly won the recognition of domestic and foreign index customers.

(E) Provide perfect after-sales service and set up real-time service bases

When there is a problem with the process equipment, if it is not repaired immediately, it will cause huge losses to customers with defective products or shutdown. Therefore, the number of perfect after-sales service and service bases will affect customers' purchasing intentions. Therefore, the company expands its customer base. The trend of the region, with the establishment of service bases, has established Suzhou and Shenzhen subsidiaries in mainland China, and has also established a number of service bases in various places to solve problems that customers may encounter in production, so as to provide immediate assistance and help enhance customer interests. Maximizing and providing perfect after-sales service is also one of the company's developments niches

(5) Favorable and unfavorable factors and countermeasures for development prospects

(A) Favorable factors for future development

(a) Excellent technical ability

The company leads the industry in developing automatic roller coating lines, automatic electrostatic coating lines, roll-to-roll exposure machines, roll-to-roll vacuum laminators and high-end baking lines for special purposes. With an experienced and strong R&D team and a business team that keeps abreast of market trends, based on long-term partnerships with customers, we provide special equipment that meets customers' new products/new processes, grow hand in hand with customers and share win-win results.

(b) Brand effect

The company's customer base includes major manufacturers in Taiwan, mainland China, Japan, South Korea, Southeast Asia, Europe and the United States. With long-term market cultivation, the brand image in the industry has been quite well-known, and it is the first business partner of customers.

(c) Exert industrial synergy

This customer base spans multiple industries, and equipment investment needs are stable and growing continuously, and the market is relatively unaffected by the ups and downs of a single industry. The equipment and technologies of different industries can also be introduced and applied mutually, which is also the driving force to stimulate the growth of technological innovation.

(d) Customer satisfaction strategy

The company has a dedicated and strong customer service and technical department. In addition to providing customers with high-quality after-sales service, it also cooperates with the geographical distribution of the customer base to establish a regional service base to provide real-time comprehensive technical consultation and support services.

(e) Smart manufacturing

The company gradually accumulates intelligent software information integration capabilities that others cannot take away, has its own software department, and participates in the TPCA intelligent software committee, the SEMI standard committee... etc. For example, PCBECI standard specifications, SECS/GEM300 architecture, and output real-time information format requirements, ranging from induction, communication (machine networking), logical information, etc., are sufficient to help customers

move towards smart manufacturing.

(B) Unfavorable factors for future development and corresponding measures

(a) The risk that end products are mostly concentrated in consumer electronic products

The company's products are mainly printed circuit board process equipment for soft and hard printed circuit boards and IC substrates, display process equipment for displays and touch panels, and terminal application products are mostly used for consumer products such as LCD TV, Monitor and NB Electronic products, so the rise and fall of the terminal electronic product market directly affects the market demand for printed circuit boards and displays, and indirectly affects the scale of capital expenditures of printed circuit board and display manufacturers, which in turn affects the company's business and operating conditions..

Response policy:

Due to the characteristics of the industry the company belongs to, the market demand for terminal electronic products indirectly affects the scale of capital expenditure of printed circuit board and display manufacturers. In areas other than consumer electronic products, including: Industry 4.0 smart intelligent manufacturing systems, semiconductors, LED lighting, various automotive electronic products, medical materials and green energy, niche-type special processes with long life cycles and special fields Equipment products, and have been successfully introduced and sold in succession, expect to improve the company's competitive niche with other high value-added and new products in special fields.

(b) Competition among other equipment manufacturers

In middle and low-end products, competition will become more and more fierce, facing an environment of price cut competition in the same industry.

Response policy:

The company continues to develop new technical products to enhance competition by developing diversified and high value-added products. The company's process models are diversified and high-end. The company will continue to strengthen its customized research and development capabilities, and focus on refined and high-level technology products as the main goal of the company's products in the market.

(c) Exchange rate fluctuation risk

The main currency of the company's export and export transactions is US dollars, while the transaction currency of raw materials and expenses is mainly Taiwan dollars. Therefore, changes in market exchange rates have a considerable impact on the company's profits.

Response policy:

A. In addition to maintaining close contact with the foreign exchange departments of various financial institutions, the company's financial personnel also pay close attention to exchange rate changes and changes in the international economic situation at any time, prudently study and judge exchange rate trends, and take appropriate measures as a reference for adjusting foreign currency accounts.

B. By establishing a consensus on risk sharing with customers, when making quotations to customers, fully consider international exchange rate trends and exchange rate fluctuations, and use appropriate and reasonable exchange rates as the basis for quotations to reduce the impact of exchange rate fluctuations on order profits.

(d) Operational risk of talent loss

The company's equipment production technology and quality have a high brand image and reputation in the industry, so experienced and outstanding personnel often become the target of competitors, creating a potential risk of brain drain. In addition to knowledge and experience in electrical machinery and machinery, it is also necessary to have the ability to design system automation. However, it is not easy to cultivate talents who understand electrical machinery, machinery and automation, resulting in potential risks of talent inheritance.

Response policy:

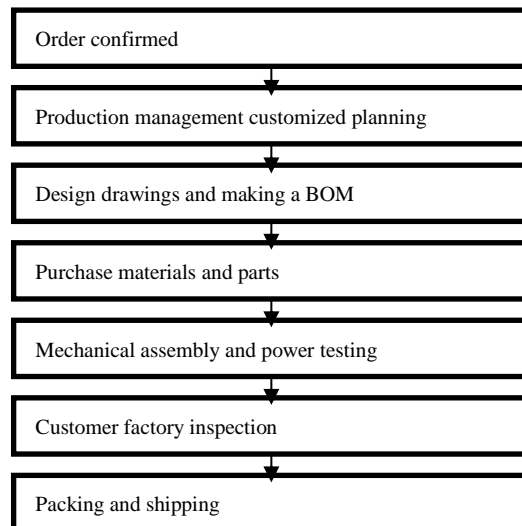
The company's current R&D personnel have an average service experience of more than 7 years, which shows that the R&D personnel have many years of experience in R&D and design process. The company also continuously cultivates and recruits electrical, mechanical and automation talents to accumulate R&D energy and continue to promote the improvement of welfare. The system retains existing talents, and encourages employees to strengthen their studies and improve their professional skills and quality.

## 2. Important use and production process of main products

### (1) Important uses of main products

No.	Equipment name	Explanation
1	Vertical roller coating drying line	Used in PCB inner layer circuit process double-sided coating photoresist and baking at the same time, IC carrier board soldering process double-sided coating solder mask ink and baking at the same time
2	Electrostatic spraying baking line	Used in PCB solder mask process to apply solder mask ink and bake
3	Various tunnel-type hot air/hot plate conveyor oven	Used in the baking process of PCBs, IC substrates, touch panels, automotive LCD modules and other products
4	Infrared hot air conveyor oven	Used in the baking process of touch panels, glass front covers, medical materials, LCDs, backlight modules, light guide plates, PCBs, FPCs, etc.
5	Hot-blast multi-layer furnace, hot-plate multi-layer furnace	Used in the baking process of touch panels, LCD panels, OLED panels, glass front covers, solar cells and other products
6	Roll-to-roll laminating machine and roll-to-roll vacuum laminating machine	Used in the photoresist dry film bonding process of various soft electronic products such as FPC, COF, Film capacitive touch, electronic paper, RFID, etc.
7	Roll-to-roll CCD automatic alignment exposure machine	Used in the circuit exposure process of various flexible electronic products such as FPC, COF, Film capacitive touch, RFID, etc.
8	Roll-to-roll coating baking line	Applied to the coating and baking process of optical films, flexible electronics and other products
9	Roll-to-roll air-floating conveyor furnace, roll-to-roll infrared hot-air conveyor furnace, roll-to-roll nitrogen infrared hot air air-floating conveyor oven	Used in the baking process of various soft electronic products such as FPC, COF, Film capacitive touch, etc.
10	All kinds of precision hot air ovens, precision hot air ovens, nitrogen hot air ovens, nitrogen hot air ovens, vacuum ovens, etc.	Used in the baking process of PCB, FPC, IC substrate, touch panel, glass front cover, LCD, OLED, semiconductor, passive components, battery, LED and other products
11	Various types of UV dryers, low-temperature UV dryers	Used in the baking process of PCB, IC substrate, touch panel, glass front cover, OLED and other products
12	Various roll-to-roll rewinding and unwinding machines	Used in various flexible electronics industries such as FPC, COF, Film capacitive touch, electronic paper, etc., with process equipment such as developing, etching, stripping, AOI, VRS, laser etching, laser cutting, etc.

### (2) Product manufacturing process



## 3. Supply status of main raw materials

The main raw materials of the company's products include sheet metal/processed parts, precision mechanical components, hardware parts, optical components, electronic control components, etc. All kinds of materials have stable long-term cooperation with domestic and foreign high-quality suppliers.

4. The names of customers who have accounted for more than 10% of the total purchases (sales) in any of the most recent two years, as well as the purchases (sales) amount and proportion, and the reasons for the increase or decrease:

(1) Suppliers who have accounted for more than 10% of total purchases in any of the last 2 years:

The company has no suppliers who have accounted for more than 10% of total purchases in any of the last two years.

(2) Customers who have accounted for more than 10% of total sales in any of the last two years

Unit : NT\$1,000 ; %

No.	2020				2021			
item	Name	Amount	% Of net purchases in the whole year	Relationship with the issuer	Name	Amount	% Of net purchases in the whole year	Relationship with the issuer
1					A company	192,205	10.05	none
2								
	Others	1,614,244	100.00		Others	1,719,338	89.95	
	Net purchase	1,614,244	100.00		Net purchase	1,911,543	100.00	

Reason for increase or decrease:

Among the company's sales customers from 2020 to 2021, Customer A is mainly engaged in the research and development, design, manufacture and sales of its own brand contact lenses, and also undertakes contact lens OEM business at home and abroad. The growth momentum of the business continues to be strong, so since 2019, it has also begun to expand the new factory, build automated production lines, expand production capacity, and purchase custom-made pad printing equipment required for the production of pupil enlargement films and color contact lenses from the company chemical machine. On the whole, the company is an electronic equipment factory. Customers change process equipment according to market changes, mainly customized products. There is no major abnormality in the changes in sales customers.

#### 5. Production value in the last two years

The company is mainly engaged in the research and development, design, manufacturing, sales of process equipment such as PCB, display, semiconductor, LED and passive components, as well as parts sales and maintenance services. It is marketed worldwide under its own brand "GP". The equipment includes coating, Professional process equipment such as baking, laminating, UV curing, exposure and automation. Its main product line covers optoelectronics, semiconductor and panel industries, etc. At present, it uses flexible and hard printed circuit boards and printed circuit board process equipment and displays for IC substrates. And display process equipment for touch panels accounted for the bulk of the revenue.

Unit : NT\$1,000

Quantity year	2020			2021		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Products						
PCB equipment	Note1	Note2	629,816	Note1	Note2	766,050
Display equipment	Note1	Note2	22,755	Note1	Note2	57,136
Others	Note1	Note2	243,232	Note1	Note2	326,012
Total	Note1	Note2	895,803	Note1	Note2	1,149,198

Note1: The process equipment produced by our company is customized according to customer specifications. The components required for assembly of each equipment are different. The production capacity data is not comparable, so n/a.

Note2: The process equipment produced by our company is customized production, including the entire production line, stand-alone equipment or parts, so the product difference is large, the measurement unit is inconsistent, so the quantity is not listed here.

Reasons for increase or decrease:

In 2021, the production capacity and output of PCB and semiconductor equipment were affected by the fluctuation of the printed circuit board industry, and the increase in demand resulted in an increase in output compared with the previous year. On the whole, there is no major abnormality in the changes in the production value of the company in the two years.

6. Sales volume value table for the most recent two years

Unit : NT\$1,000

<div> <div>year</div> <div>Quantity</div> <div>Product</div> </div>	2020				2021			
	Domestic sales		Sale abroad		Domestic sales		Sale abroad	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
PCB equipment	Note	241,595	Note	896,387	Note	307,018	Note	1,034,314
Display equipment	Note	45,501	Note	-	Note	58,930	Note	10,007
Others	Note	210,691	Note	220,070	Note	332,655	Note	168,619
Total	Note	497,787	Note	1,116,457	Note	698,603	Note	1,212,940

Note: The process equipment sold by our company is a customized production, including the entire production line, stand-alone equipment or parts, so the product difference is large, the measurement unit is inconsistent, so the quantity is not listed here.

Reasons for the increase or decrease:

In 2021, the revenue of PCB and semiconductor equipment was affected by the fluctuation of the printed circuit board industry, and the increase in demand caused the sales volume to increase compared with the previous year. Overall, there was no major abnormality in the change of the company's sales volume in the two years. t.

### 3. Full-time Employee

Unit : number of staff; %

Year		2020	2021	2022Q1
Full time staff	Administration	49	50	51
	Sales & Marketing	29	29	29
	Technology support	270	283	288
	Total	348	362	368
Age in average		34.55	35.36	35.68
Average years of service		6.23	6.76	6.90
Academic degree%	Ph.D.	0.3%	0.28%	0.27%
	Master	4.6%	4.42%	4.35%
	Undergraduate	61.9%	62.15%	62.23%
	High School	33.2%	33.15%	33.15%

### 4. Environmental Protection Expenses

1. According to laws and regulations, those who should apply for a pollution facility installation permit or a pollution discharge permit, or should pay pollution prevention and control fees, or should set up a unit responsible for environmental protection, and their application, payment or establishment status:  
The company's factories mainly include Taiwan and Suzhou. Among them, the Taiwan factory mainly conducts assembly and testing for stand-alone machines and production lines, and there is no concern about pollution, so there is no need to obtain pollution-related setup, operation or emission permits. Besides, the Suzhou factory has obtained it in accordance with the law because the manufacturing process includes baking varnish. Permit for urban sewage to be discharged into the drainage network.
2. List the company's investment in major equipment for the prevention and control of environmental pollution and its use and possible benefits: none.
3. Explain the company's process of improving environmental pollution in the last 2 years and as of the publication date of the public brochure; if it has a pollution dispute, it should explain its handling process: none.
4. Explain the total amount of losses (including compensation) suffered by the company due to environmental pollution in the last two years and as of the publication date of the public brochure, and disclose its future countermeasures (including improvement measures) and possible expenditures (including failure to take countermeasures) The estimated number of losses, dispositions and compensation that may occur in the countermeasures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated): None.
5. Explain the impact of the current pollution situation and its improvement on the company's earnings, competitive position and capital expenditures and the expected major environmental capital expenditures in the next 2 years: None.

### 5. Labor Relations

1. The company's various employee welfare measures, further education, training, and retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures.

The company's labor-management relationship is harmonious and stable. The company maintains a positive and positive business development, and is committed to improving employee welfare, while maintaining a smooth labor-management communication channel. Through the joint efforts of all colleagues, they can use their personal expertise to enable colleagues and the company to grow simultaneously and share the good Results.

#### (1) Employee welfare measures and implementation status

In addition to the health insurance and labor insurance in accordance with the relevant provisions of the Labor Standards Law of the Republic of China, the company also provides group insurance for employees and a system to allocate labor individual retirement pension accounts to protect employees' related benefits. The measures and implementation are as follows:

- A. Enjoy special vacations, allocate retirement funds in accordance with the law, set up an employee welfare committee, coordinate welfare activities, and protect labor rights.
- B. In addition to participating in labor insurance and national health insurance in accordance with the law, all employees also provide employee group insurance and travel insurance, and the company will bear the premium.
- C. Regularly handle employee health checks and organize employee activities and tourism activities from time to time to enrich colleagues' leisure activities and enhance friendship.
- D. Subsidy the cost of car parking spaces for colleagues, and provide regular maintenance and inspection of



- official vehicles, so that colleagues have corresponding protection.
- E. There are gifts or gifts for Dragon Boat Festival and Mid-Autumn Festival.
- F. There are subsidies for marriages, funerals, and childbirth.
- G. Encourage colleagues to set up associations and subsidize association funds.

(2) Further education and training

In order to enhance the professional and technical capabilities of employees, strengthen work efficiency and pay attention to product quality, education and training are carried out in accordance with the annual education and training schedule. Internal and external training are carried out at the same time to strengthen the professional capabilities of employees in various functions. The company's various trainings are listed as follows:

- A. Training for new recruits: On the day of employment, provide the company's corporate culture, organizational history, work rules, employee benefits, precautions, environmental introduction and other explanatory courses, so that new recruits have a basic understanding of the company.
- B. On-the-job staff training: cultivate colleagues' professional skills, knowledge and management ability in work.
- C. Professional function training: Send colleagues to relevant institutions for training as needed, so that colleagues can obtain professional inspection certification.

(3) Retirement system and implementation status

Since July 1, 2005, to cooperate with the implementation of the Labor Pension Regulations, employees who have been employed on June 30, 2005 will retain their retirement years calculated in accordance with the Labor Standards Law. After July 1, 2005, the seniority will be 6% of the pension is allocated monthly and stored in the individual labor pension account to protect the rights and interests of employees. Employees can also choose to transfer 0~6% of their monthly salary to their personal pension accounts.

(4) Agreements between labor and management and various employee rights protection measures

The company values the rights and interests of employees and has harmonious labor-management relations. Employees can exchange opinions through open communication or monthly meetings to maintain a good interaction between labor and management. Therefore, no labor disputes have occurred so far.

(5) Work environment and employee personal safety protection measures

- A. According to the company's "Occupational Safety and Health Management Regulations", the safety and health management measures are as follows:
- Should follow the automatic inspection plan and management procedures to check the current safety and health status. If there is a non-compliance with laws and regulations or a higher risk of harm, improvement or operation control should be adopted. After the improvement, a comprehensive analysis of the improvement results should be carried out to ensure its effectiveness.
  - The use of machinery, appliances and equipment shall be in accordance with laws and regulations, and machinery and appliances that do not meet the protection standards set by the central competent authority shall be installed for labor to avoid possible harm in the workplace.
  - In order to avoid safety and health hazards and risks caused by non-compliant machinery, equipment, chemicals, etc., control should be carried out before procurement, taking safety and health requirements into consideration; before use, confirm machinery, equipment and chemicals The product has complied with safety and health regulations to avoid major hazards and risks caused by lack of safety and health during use.
  - For the purchase of gases and chemicals, it should be confirmed whether the safety data sheet (SDS) is attached and updated regularly. The container shall be displayed with hazard icons according to laws and regulations and environmental safety and health control requirements.
  - Rights and Responsibilities When the unit purchases professional equipment, protective equipment, monitoring equipment, and explosion-proof equipment, it shall provide the environmental safety and health advice of the purchase unit and clearly state it in the purchase specification.
  - Rights and Responsibilities If the unit needs to purchase radioactive or ionizing radiation equipment, the vendor's qualifications shall be stated in the purchase specification, and the vendor shall be required to provide the necessary documents for the import permit and use registration.
  - When labor procurement is involved, the insurance agreement and the required labor service personnel should be stated in the procurement contract, and they agree to abide by the provisions of the Occupational Safety and Health Law and the company's operating standards and other relevant regulations.
  - If the procurement project involves leasing the supplier's machinery, equipment, or labor services, the relevant safety control regulations should be specified in the lease contract and manual of both parties.
  - In order to protect the safety of the people, to avoid property or equipment loss, and adverse impact on the environment, all operation changes should be managed to prevent possible changes due to changes in manufacturing processes, equipment, experimental procedures, or chemicals used the resulting unacceptable environmental safety and health risks occur.

- Containers containing hazardous substances shall be clearly marked in accordance with the classification and hazard patterns stipulated in the labeling of hazardous substances and hazardous substances and the general rules. The language used shall be mainly Chinese, and foreign languages shall be supplemented when necessary.
- For hazardous substances, a safety data sheet containing safety and health precautions for labor should be provided, and the correctness of the content of the safety data sheet should be reviewed according to the actual situation and updated in a timely manner. The update record of its content, update date, version, etc. should be kept for three years.
- In order to prevent occupational disasters caused by workers not knowing the hazard information of hazardous substances, the following necessary measures should be taken:
  - ◆ Formulate a hazard communication plan based on the actual situation, review and update it in a timely manner, and implement it according to the plan. The execution record is kept for 3 years.
  - ◆ Make a list of hazardous substances, and its content should include the name of the article, other names, the index code of the safety data sheet, the name of the manufacturer or supplier, address and telephone number, usage information, and storage information.
  - ◆ Put the safety data sheets of hazardous substances in the workplace where they can be easily obtained.
  - ◆ To enable workers to receive education and training on the manufacture, disposal, or use of dangerous or hazardous materials, and the content and time of the courses shall be handled in accordance with the regulations of the labor safety and health education and training rules.
  - ◆ Other necessary measures to make workers surely aware of hazardous substance information.
- In accordance with Article 12 of the Occupational Safety and Health Law, the work environment designated by the central competent authority shall be monitored in accordance with the regulations. The inspection items and time limit shall be handled in accordance with Article 6 to Article 7 of the Labor Work Environment Monitoring Implementation Measures.
- Each applicable place should operate in accordance with applicable standard operating procedures and safety and health work rules to avoid disasters caused by improper operations.
- To ensure that chemicals can be used safely and avoid harm to the human body or the environment, each laboratory chemical should be automatically inspected in accordance with the automatic inspection plan.

#### B. Work Safety Implementation Status

Work Safety Check Status	
Occupational safety room inspection	Check at least once a month
Site supervisor walking around management	Level 1 supervisor checks at least once a week Level 2 supervisor checks at least twice a week

2. In the recent 2 years and up to the publication date of the prospectus, the company has suffered losses due to labor disputes, and disclosed the estimated amount and corresponding measures that may occur at present and in the future. If there is no reasonable estimate, the facts that cannot be reasonably estimated shall be stated. The company always attaches great importance to employee welfare, provides a good working environment, and emphasizes two-way communication between employees and harmonious labor-management relations. Therefore, there have been no major labor disputes in the recent 2 years and as of publication date of the public brochure.

#### (5) Information security management

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

##### (1) Information Security Risk Management Framework

The information office of the management department is responsible for planning, construction, and continuous improvement of the information security work within the existing company. And for the system server, operating system, network system, establish due control and protection mechanisms, and prepare emergency protection plans for abnormal disasters, data damage, and sensitive data to protect the company, customers, and investors. Interests

##### (2) Information Security Policy

Establish a safe and reliable computerized operating environment

(3) Specific management plans

Items	Explanations
network protection and User Internet Control Mechanism	Through ramp controller, control network access permissions, and detect malicious intrusions and prevent external network attacks. Through permission control to give users network access rights, regularly check and audit Internet access records through log files
Email Security Control	Filter emails before users receive emails through email ramps, prevent unsafe attachment files, phishing emails, spam in advance, and prevent malicious links. Antivirus software also scans for unsafe attachments after the PC receives emails
Data backup mechanism	All systems and databases are scheduled for automatic backup jobs
Antivirus software and system program update	Operating system and applications and anti-virus software are automatically updated to reduce virus infection and patch application vulnerabilities
Employee security education	Conduct information security education, training, tests and email social engineering drills for employees on a quarterly basis to strengthen employees' awareness of information security risks
Risk Assessment and Vulnerability Detection	Regularly conduct inspection mechanisms such as system vulnerability scans and review information security protection to improve the existing information operating environment

(4) information security policy implementation

In 2021, 1 million NT\$ was invested in information security upgrade; and in 2022, a budget of 1.5 million NT\$ was allocated to improve a better information security environment.

List the losses, possible impacts and countermeasures suffered by major information security incidents in the last two years and up to the date of publication of the prospectus. If it is impossible to estimate reasonably, the fact that it cannot be reasonably estimated shall be stated.

The company has not suffered any losses due to information security issues in the last two years and up to the date of publication of the prospectus, and continues to implement the information security management policy objectives to protect the company's important systems and data security

**6. Important contracts**

Contract type	Name of Bank	Contract start and end date	Main Content	Restrictions
Loan contract	Wangdao Bank (王道銀行)	2014/08/25 ~ 2022/01/15	Long-term financing contract	None
Construct contract	Yu-Cheng Construction Company (煜承營造)	2021/9/27	Taoyuan Factory 4F building expanding up construction project	None

## VI. Financial Overview

1. Concise balance sheet and comprehensive income statement for the most recent five years

(1). Adopt International Financial Reporting Standards-Consolidated Condensed Balance Sheet

Unit : NT\$1,000

Year Item		Financial information for the most recent five years				
		2017	2018	2019	2020	2021
Current assets		1,911,435	2,635,063	2,306,055	2,760,491	3,138,016
Real estate, plant and equipment		593,134	578,700	557,905	543,582	547,183
Intangible assets		—	—	—	—	--
Other assets		307,785	382,901	448,342	486,874	400,339
Total assets		2,812,354	3,596,664	3,312,302	3,790,947	4,085,538
Current liabilities	Before distribution	1,193,652	1,625,091	1,330,420	1,776,059	1,971,546
	After distribution	1,393,652	1,845,091	1,561,420	2,012,559	Note
Non-current liabilities		225,369	217,293	164,191	110,590	108,204
Total liabilities	Before distribution	1,419,021	1,842,384	1,494,611	1,886,649	2,079,750
	After distribution	1,619,021	2,062,384	1,725,611	2,123,149	Note
Equity attributable to owners of the parent company		1,393,333	1,754,280	1,817,691	1,904,298	2,005,788
Capital stock		500,000	550,000	550,000	550,000	550,000
Capital reserve		29,391	287,021	287,021	287,021	287,021
Retained surplus	Before distribution	879,168	938,685	1,015,872	1,096,477	1,200,995
	After distribution	679,168	718,685	784,872	859,977	Note
Other equity		(15,226)	(21,426)	(35,202)	(29,200)	(32,228)
Non-controlling equity		-	—	—	—	—
Total equities	Before distribution	1,393,333	1,754,280	1,817,691	1,904,298	2,005,788
	After distribution	1,193,333	1,534,280	1,586,691	1,667,798	Note

Source: 2017~2021 financial information has been verified by KPMG accountants

Note1: The 2021 earnings distribution plan was approved by the resolution of the board of directors on February 25, 2022, and the chairman was authorized to set the ex-dividend base date, distribution date and other related matters, which have not been distributed as of the date of publication of this prospectus.

## (2). Adopting International Financial Reporting Standards-Consolidated Condensed Consolidated Income Statement

Unit : NT\$1,000

item \ year	Financial information for the last five years				
	2017	2018	2019	2020	2021
Operating revenue	1,453,952	1,644,002	1,668,286	1,614,244	1,911,543
Operating gross profit	556,871	549,873	614,730	718,441	762,345
Operating loss & profit	358,162	284,407	342,243	432,106	469,382
Non-Operating income & expenses	(31,492)	44,187	30,912	(49,965)	(39,089)
Net profit before tax	326,670	328,594	373,155	382,141	430,293
Income before tax from continuing operations	254,508	262,640	297,149	310,937	336,501
Loss from dis-continuing operations	—	—	-	-	-
Net income	254,508	262,640	297,149	310,937	336,501
Net income after tax	(5,797)	(9,323)	(13,738)	6,670	1,489
Total comprehensive profit & loss for the current period	248,711	253,317	283,411	317,607	337,990
Net profit attributable to owners of parent company	254,508	262,640	297,149	310,937	336,501
Net profit attributable to non-controlling equities	—	—	—	—	-
The total comprehensive profit and loss is attributable to owners of the parent company	248,711	253,317	283,411	317,607	337,990
Total comprehensive profit and loss attributable to non-controlling interests	—	—	—	—	-
Earnings per share (NT\$)	5.09	5.10	5.40	5.65	6.12

Source: all the 5-year financial information has been verified by KPMG accountants.

## (3) Adopt International Financial Reporting Standards-Individual Concise Balance Sheet

Unit : NT\$1,000

item \ year		Financial information for the last five years				
		2017	2018	2019	2020	2021
Current assets		1,637,850	2,404,198	2,119,068	2,559,179	2,888,093
Real estate, plant and equipment		527,447	519,391	505,299	494,763	502,526
Intangible assets		—	—	—	—	—
Other assets		583,671	615,914	633,810	656,633	624,876
Total assets		2,748,968	3,539,503	3,258,177	3,710,575	4,015,495
Current liabilities	Before distribution	1,133,964	1,572,692	1,281,494	1,700,891	1,907,111
	After distribution	1,333,964	1,792,692	1,512,494	1,937,391	Note
Non-current liabilities		221,671	212,531	158,992	105,386	102,596
Total liabilities	Before distribution	1,355,635	1,785,223	1,440,486	1,806,277	2,009,707
	After distribution	1,555,635	2,005,223	1,671,486	2,042,777	Note
Capital stock		500,000	550,000	550,000	550,000	550,000
Capital reserve		29,391	287,021	287,021	287,021	287,021
Retained surplus	Before distribution	879,168	938,685	1,015,872	1,096,477	1,200,995
	After distribution	679,168	718,685	784,872	859,977	Note
Other equity		(15,226)	(21,426)	(35,202)	(29,200)	(32,228)
Total equities	Before distribution	1,393,333	1,754,280	1,817,691	1,904,298	2,005,788
	After distribution	1,193,333	1,534,280	1,586,691	1,667,798	Note

Source: 2017~2021 financial information has been verified by KPMG accountants

Note1: The 2021 earnings distribution plan was approved by the resolution of the board of directors on February 25, 2022, and the chairman was authorized to set the ex-dividend base date, distribution date and other related matters, which have not been distributed as of the date of publication of this prospectus.

## (4) Adopting International Financial Reporting Standards-Individual Concise Comprehensive Income Statement

Unit : NT\$1,000

item \ year	Financial information for the last five years				
	2017	2018	2019	2020	2021
Operating revenue	1,301,271	1,502,878	1,532,366	1,515,803	1,742,530
Operating gross profit	468,668	477,254	551,472	651,633	650,603
Operating loss & profit	315,826	256,697	316,783	403,785	391,005
Non-Operating income & expenses	(5,593)	64,130	44,949	(25,711)	19,827
Net profit before tax	310,233	320,827	361,732	378,074	410,832
Income before tax from continuing operations	254,508	262,640	297,149	310,937	336,501
Loss from dis-continuing operations	—	—	—	—	—
Net income	254,508	262,640	297,149	310,937	336,501
Net income after tax	(5,797)	(9,323)	(13,738)	6,670	1,489
Total comprehensive profit & loss for the current period	248,711	253,317	283,411	317,607	336,501
Earnings per share (NT\$)	5.09	5.10	5.40	5.65	6.12

Source: 2017~2021 financial information has been verified by KPMG accountants

## 5. The name of the certified accountant for the most recent five years and their review opinions

The name of accountant for 2017~2021 and their review opinions below:

Year	Name of Accounting Firm	Name	Opinions
2017	KPMG Accounting Firm	Yu Jilong Lin, Heng Shen	No opinion
2018	KPMG Accounting Firm	Chen Pei Chi Lin, Heng Shen	No opinion
2019	KPMG Accounting Firm	Chen Pei Chi Lin, Heng Shen	No opinion
2020	KPMG Accounting Firm	Chen Pei Chi Lin, Heng Shen	No opinion
2021	KPMG Accounting Firm	Chen Pei Chi Lin, Heng Shen	No opinion

If there is a change of accountant in the last five years, the company, the previous and successor accountants should list the reasons for the change:

In cooperation with the internal job rotation and adjustment from KPMG Accounting Firm,

In 2017, the certified public accountants were changed from CPA Chen, Pei Chi and CPA Lin, Heng Shen, to CPA Yu Jilong and CPA Lin, Heng Shen.

In 2018, the certified public accountants were changed to accountants Mr. Chen, Pei Chi and Mr. Lin, Heng Shen from accountants Mr. Yu, Ji Long and Mr. Lin Heng Shen.

Important events that affect the consistency comparison of the above-mentioned condensed financial statements, such as accounting changes, company mergers or suspension of business departments, etc., and their impact on the financial report of the current year: None.

## 2. Financial analysis in the last five years

## (1) Adopting International Financial Reporting Standards-Consolidated Financial Analysis

year item		Financial information for the last five years (Note1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt to assets ratio	50.46	51.22	45.12	49.77	50.91
	The ratio of long-term funds to real estate, plant and equipment	272.91	340.69	355.24	370.67	386.34
Debt-paying ability (%)	Current ratio	160.13	162.15	173.33	155.43	159.17
	Quick ratio	84.94	96.56	106.88	97.31	91.90
	Interest coverage ratio	178.63	169.94	233.79	324.30	335.86
Management capacity	Turnover rate of accounts receivable (times)	5.99	4.73	4.58	5.78	5.79
	Average cash collection days	61	77	80	64	64
	Inventory turnover rate (times)	1.21	1.13	1.10	0.95	0.98
	Payable turnover rate (times)	3.30	3.37	4.12	3.25	2.99
	Average sales days	302	322	331	383	373
	Turnover rate of real estate, plant and equipment (times)	2.35	2.81	2.94	2.93	3.50
	Turnover rate of total assets (times)	0.56	0.51	0.48	0.45	0.49
Profitability	Return on assets (%)	9.92	8.25	8.64	8.78	8.57
	Return on equity (%)	19.34	16.69	16.64	16.71	17.21
	Ratio of net profit before tax to paid-in capital (%)	65.33	59.74	67.85	69.48	78.24
	Net profit rate (%)	17.50	15.98	17.81	19.26	17.6
	Earnings per share (NT\$)	5.09	5.10	5.40	5.65	6.12
Cash Flow	Cash flow ratio (%)	24.65	20.03	30.01	20.65	12.83
	Allowable cash flow ratio (%)	(Note2)	103.64	156.66	136.49	84.88
	Cash reinvestment ratio (%)	19.11	6.82	10.07	7.55	0.82
Leverage	Operating leverage	1.72	2.11	1.94	1.73	1.75
	Financial leverage	1.01	1.01	1.00	1.00	1.00

Note 1: 2017~2021 financial information has been verified by accountants.

Note 2: The company has applied International Financial Reporting Standards (IFRS) for the first time since 2015.



## (2) Adopting International Financial Reporting Standards-Individual Financial Analysis

Year		2017	2018	2019	2020	2021
Item for analysis						
Financial structure (%)	Debt to assets ratio	49.31	50.44	44.21	48.68	50.05
	The ratio of long-term funds to real estate, plant and equipment	306.19	378.68	391.19	406.19	419.56
Debt-paying ability (%)	Current ratio	144.44	152.87	165.36	150.46	151.44
	Quick ratio	69.61	87.73	99.04	93.19	85.15
	Interest coverage ratio	169.70	166.46	235.13	327.49	323.47
Management Capacity	Turnover rate of accounts receivable (times)	7.07	5.36	4.97	6.68	6.70
	Average cash collection days	52	69	74	55	55
	Inventory turnover rate (times)	1.09	1.02	0.97	0.96	0.98
	Payable turnover rate (times)	3.12	3.15	3.77	3.12	2.80
	Average sales days	337	358	378	380	373
	Turnover rate of real estate, plant and equipment (times)	2.44	2.87	2.99	3.03	3.49
	Turnover rate of total assets (times)	0.52	0.48	0.45	0.44	0.45
Profitability	Return on assets (%)	10.15	8.40	8.78	8.95	8.74
	Return on equity (%)	19.34	16.69	16.64	16.71	17.21
	Ratio of net profit before tax to paid-in capital (%)	62.05	58.33	65.77	68.74	74.70
	Net profit rate (%)	19.56	17.48	19.39	20.51	19.31
	Earnings per share (NT\$)	5.09	5.10	5.40	5.65	6.12
Cash Flow	Cash flow ratio (%)	24.92	17.99	28.22	18.46	11.37
	Allowable cash flow ratio (%)	(Note2)	92.96	124.60	125.12	76.75
	Cash reinvestment ratio (%)	14.81	5.25	8.88	3.99	Note3
Leverage	Operating leverage	1.65	1.94	1.75	1.59	1.66
	Financial leverage	1.01	1.01	1.00	1.00	1.00
Reasons for changes in various financial ratios in the last two years: (Analysis is exempted if the increase or decrease does not reach 20%)						
Interest protection multiple: due to the decrease in interest expenses due to continuous repayment of medium and long-term borrowings in accordance with the contract.						
Turnover rate of accounts receivable (times): Mainly due to the effectiveness of strengthening accounts receivable management and collection.						
Average cash collection days: Mainly due to the effectiveness of strengthening the management and collection of accounts receivable.						
Cash flow ratio: Mainly due to the substantial increase in current liabilities due to the increase in short-term borrowings.						
Cash reinvestment ratio: Mainly due to the decrease in cash inflow from operating activities and the increase in cash dividends.						

Source: 2017~2021 financial reports had been verified by accountants.

Note 1: The above-mentioned financial data for each year has been verified by accountants.

Note 2: The company has applied the International Financial Reporting Standards for the first time since 2015, and 2014 comparative figures are attached. As there is no financial analysis information for 2013, it is impossible to calculate the allowable cash flow ratio.

Note 3: At the end of this form in the annual report, the following calculation formula should be listed:

1. Financial structure

(1) Liabilities to assets ratio = total liabilities/total assets.

(2) The ratio of long-term funds to fixed assets = (net shareholders' equity + long-term liabilities)/net fixed assets.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets-inventory-prepaid expenses) / current liabilities.

(3) Interest protection multiple = net profit before income tax and interest expense/interest expense in the current period.

### 3. Operating ability

- (1) Accounts receivable (including accounts receivable and notes receivable due to business) turnover rate = net sales/average accounts receivable for each period (including accounts receivable and notes receivable due to business) Notes receivable) balance.
- (2) Average number of days for cash collection = 365/ turnover rate of accounts receivable.
- (3) Inventory turnover rate = cost of goods sold/average inventory value.
- (4) Accounts payable (including accounts payable and bills payable due to business) turnover rate = cost of goods sold/average payables (including accounts payable and bills payable due to business) balance in each period.
- (5) Average sales days=365/inventory turnover rate.
- (6) Turnover rate of fixed assets = net sales/average net fixed assets.
- (7) Turnover rate of total assets = net sales/total average assets.

### 4. Profitability

- (1) Return on assets = [After-tax profit and loss + interest expense x (1-tax rate)] / average total assets.
- (2) Return on shareholders' equity = after-tax profit and loss/average net shareholders' equity.
- (3) Net profit rate = after-tax profit and loss/net sales.
- (4) Earnings per share = (net profit after tax-special stock dividend)/weighted average number of issued shares. (Note 4)

### 5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
- (2) Net cash flow allowable ratio = net cash flow from operating activities in the most recent five years/the most recent five years (capital expenditure + inventory increase + cash dividends).
- (3) Cash reinvestment ratio = (net cash flow from operating activities-cash dividends) / (gross fixed assets + long-term investment + other assets + working capital). (Note 5)

### 6. Leverage:

- (1) Operating leverage = (net operating income-variable operating costs and expenses) / operating profit (Note 6).
- (2) Financial leverage = operating profit / (operating profit-interest expense).

Note 4: The formula for calculating the earnings per share of the Shanghai Development Bank shall pay special attention to the following matters when measuring:

1. Based on the weighted average number of ordinary shares, rather than the number of issued shares at the end of the year.
2. For those who have cash capital increase or treasury stock trading, the weighted average number of shares should be calculated in consideration of the circulation period.
3. Where there is a capital increase from surplus or capital reserve to capital increase, when calculating the earnings per share of previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the period of the issuance of the capital increase.
4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (regardless of whether they are paid) should be deducted from the net profit after tax or increase the net loss after tax. If the special stock is non-cumulative, in the case of net profit after tax, the dividend of the special stock shall be deducted from the net profit after tax; if it is a loss, no adjustment is necessary.

Note 5: The following items should be paid special attention to when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflow from capital investment each year.
3. The increase in inventory is only included when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends for ordinary shares and special shares.
5. Gross fixed assets refers to the total fixed assets before deduction of accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses as fixed and variable according to their nature. If estimates or subjective judgments are involved, they should pay attention to their reasonableness and maintain consistency.

3. Audit Committee Audit Report of the most recent financial year

Group Up Industrial Co., Ltd.

Audit Committee's Review Report



The board of directors is hereby to prepare the company's 2021 business report, financial statements (including individual financial statements and consolidated financial statements) and the proposal for the distribution of surplus, which have been reviewed by the audit committee and believe that there are no discrepancies. Among them, the 2021 financial statements have been checked by accountants Ms. Chen Pei-Chi and Mr. Lin Heng-Shen from KPMG Accounting Firm, and a check report has been issued. The report is prepared in accordance with Article No.14-4 of the Securities Exchange Law and Article No.219 of the Company Law.

Sincerely yours,

Robert Li  
Convener of Audit Committee



Feb 25<sup>th</sup> 2022

4. Consolidated financial report for the most recent year, verified by an accountant

## Letter of Statement

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 : Chen, An-Shun



Date : Feb 25, 2022



安侯建業聯合會計師事務所

KPMG

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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	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
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
		3,138,016	77	2,760,491	73	2399	Other current liabilities, others	11,494	-	5,100	-
								1,971,546	48	1,776,059	47
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1600	Property, plant and equipment (notes 6(f) and 8)	547,183	13	543,582	14						
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	-	2645	Guarantee deposits received	4,772	-	4,776	-
		947,522	23	1,030,456	27			108,204	3	110,590	3
								2,079,750	51	1,886,649	50
						<b>Total liabilities</b>					
						<b>Equity attributable to owners of parent (notes 6(o)(p)(v)):</b>					
						3110	Ordinary share	550,000	14	550,000	14
						3200	Capital surplus	287,021	7	287,021	8
						<b>Retained earnings:</b>					
						3310	Legal reserve	344,443	8	313,283	8
						3320	Special reserve	29,200	1	35,202	1
						3350	Unappropriated retained earnings	827,352	20	747,992	20
								1,200,995	29	1,096,477	29
						<b>Other equity:</b>					
						3410	Exchange differences on translation of foreign financial statements	(32,228)	(1)	(29,200)	(1)
						<b>Total equity attributable to owners of parent:</b>		2,005,788	49	1,904,298	50
						<b>Total equity</b>		2,005,788	49	1,904,298	50
						<b>Total liabilities and equity</b>		<b>\$ 4,085,538</b>	<b>100</b>	<b>3,790,947</b>	<b>100</b>
<b>Total assets</b>		<b>\$ 4,085,538</b>	<b>100</b>	<b>3,790,947</b>	<b>100</b>						

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)**

		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue, net (notes 6(q))</b>	\$ 1,911,543	100	1,614,244	100
5000	<b>Operating costs (notes 6(e)(k)(l)(m)(r), 7 and 12)</b>	1,149,198	60	895,803	55
	<b>Gross profit from operations</b>	762,345	40	718,441	45
	<b>Operating expenses (notes 6(c)(k)(m)(r), 7 and 12):</b>				
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	(4,780)	-	(22,020)	(1)
	<b>Total operating expenses</b>	292,963	15	286,335	18
6900	<b>Net operating income</b>	469,382	25	432,106	27
	<b>Non-operating income and expenses (notes 6(k)(s) and 7):</b>				
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	(1,285)	-	(1,182)	-
	<b>Total non-operating income and expenses</b>	(39,089)	(2)	(49,965)	(3)
7900	<b>Profit before income tax</b>	430,293	23	382,141	24
7950	Less: income tax expenses (note 6(n))	93,792	5	71,204	5
	<b>Profit</b>	336,501	18	310,937	19
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
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))	(1,129)	-	(167)	-
	<b>Total items that may not be reclassified subsequently to profit or loss</b>	4,517	-	668	-
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
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))	757	-	(1,501)	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	(3,028)	-	6,002	-
8300	<b>Other comprehensive income</b>	1,489	-	6,670	-
	<b>Comprehensive income</b>	<u>\$ 337,990</u>	<u>18</u>	<u>317,607</u>	<u>19</u>
	<b>Profit attributable to:</b>				
	Owners of parent	<u>\$ 336,501</u>	<u>18</u>	<u>310,937</u>	<u>19</u>
	<b>Comprehensive income attributable to:</b>				
	Owners of parent	<u>\$ 337,990</u>	<u>18</u>	<u>317,607</u>	<u>19</u>
	<b>Earnings per share (note 6(p))</b>				
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>	

(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						Other equity		
	Retained earnings						Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings			
Balance on January 1, 2020	\$ 550,000	287,021	283,564	21,426	710,882	1,015,872	(35,202)	1,817,691	1,817,691
Profit for the year ended December 31, 2020	-	-	-	-	310,937	310,937	-	310,937	310,937
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	668	668	6,002	6,670	6,670
Comprehensive income for the year ended December 31, 2020	-	-	-	-	311,605	311,605	6,002	317,607	317,607
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	29,719	-	(29,719)	-	-	-	-
Special reserve	-	-	-	13,776	(13,776)	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(231,000)	(231,000)	-	(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	1,904,298
Profit for the year ended December 31, 2021	-	-	-	-	336,501	336,501	-	336,501	336,501
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	4,517	4,517	(3,028)	1,489	1,489
Comprehensive income for the year ended December 31, 2021	-	-	-	-	341,018	341,018	(3,028)	337,990	337,990
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	31,160	-	(31,160)	-	-	-	-
Special reserve	-	-	-	(6,002)	6,002	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(236,500)	(236,500)	-	(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	2,005,788

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)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	\$ 430,293	382,141
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
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)
<b>Total adjustments to reconcile profit (loss)</b>	<u>14,839</u>	<u>(7,318)</u>
<b>Changes in operating assets and liabilities:</b>		
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)
<b>Total adjustments</b>	<u>(125,912)</u>	<u>54,941</u>
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)
<b>Net cash flows from operating activities</b>	<u>252,967</u>	<u>366,696</u>
<b>Cash flows from (used in) in investing activities:</b>		
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)
<b>Net cash flows from (used in) investing activities</b>	<u>361,401</u>	<u>(840,748)</u>
<b>Cash flows used in financing activities:</b>		
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)
<b>Net cash flows used in financing activities</b>	<u>(311,797)</u>	<u>(22,418)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(2,361)	4,248
<b>Net increase (decrease) in cash and cash equivalents</b>	300,210	(492,222)
<b>Cash and cash equivalents at beginning of period</b>	<u>225,743</u>	<u>717,965</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 525,953</u></u>	<u><u>225,743</u></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**

**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”

## 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”

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

### Notes to the Consolidated Financial Statements

#### (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.

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

### Notes to the Consolidated Financial Statements

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

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2021	December 31, 2020
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.



## 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.

## 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

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

### Notes to the Consolidated Financial Statements

- 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.

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

### Notes to the Consolidated Financial Statements

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 asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 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.

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

### Notes to the Consolidated Financial Statements

#### (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.

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

### Notes to the Consolidated Financial Statements

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;

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

### Notes to the Consolidated Financial Statements

- 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 are 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.

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

### Notes to the Consolidated Financial Statements

(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.



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

### Notes to the Consolidated Financial Statements

(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.

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

### Notes to the Consolidated Financial Statements

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.

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

### Notes to the Consolidated Financial Statements

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.

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

### Notes to the Consolidated Financial Statements

**(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).

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

**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

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

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

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

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

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

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:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age loss rate</b>	<b>Loss allowance provision</b>
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	11,658	50%~100%	10,427
	<b><u>\$ 384,117</u></b>		<b><u>12,371</u></b>

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

**Notes to the Consolidated Financial Statements**

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age loss rate</b>	<b>Loss allowance provision</b>
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	<u>16,824</u>	50%~100%	<u>12,513</u>
	<b><u>\$ 306,030</u></b>		<b><u>17,231</u></b>

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

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

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

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

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

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

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

### Notes to the Consolidated Financial Statements

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:

	Land	Buildings	Transportation Equipment	Office and Other Equipment	Construction in progress Equipment	Total
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>

# GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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>
<b>Cost:</b>				
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><b>\$ 17,905</b></u>	<u><b>11,013</b></u>	<u><b>8,534</b></u>	<u><b>37,452</b></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><b>\$ 16,091</b></u>	<u><b>4,248</b></u>	<u><b>13,816</b></u>	<u><b>34,155</b></u>
<b>Accumulated depreciation and impairment losses:</b>				
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><b>\$ 4,407</b></u>	<u><b>2,302</b></u>	<u><b>3,332</b></u>	<u><b>10,041</b></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><b>\$ 5,546</b></u>	<u><b>1,175</b></u>	<u><b>6,318</b></u>	<u><b>13,039</b></u>



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

**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
<b>Carrying amount:</b>				
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.

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

**Notes to the Consolidated Financial Statements**

(i) Short-term borrowing

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

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

(j) Long-term borrowings

The details were as follows:

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

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

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

(k) Lease liabilities

The Group's lease liabilities was as follows:

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

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

# GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss was as follows:

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

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

	2021	2020
Total cash outflow for leases	\$ 7,560	6,690

(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:

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

- (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.

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

### Notes to the Consolidated Financial Statements

- (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	(30,985)	(27,980)
Net defined benefit liabilities	<u><u>\$ 53,543</u></u>	<u><u>61,353</u></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.

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

### Notes to the Consolidated Financial Statements

#### 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:

	<b>2021</b>	<b>2020</b>
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	(1,252)	(2,920)
Defined benefit obligations on December 31	<b><u>\$ 84,528</u></b>	<b><u>89,333</u></b>

#### 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:

	<b>2021</b>	<b>2020</b>
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	2,522	2,729
Fair value of plan assets on December 31	<b><u>\$ 30,985</u></b>	<b><u>27,980</u></b>

#### 4) Expenses recognized in profit or loss

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

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

# GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### 5) Actuarial assumptions

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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:

	<b>Influences on defined benefit obligation</b>	
	<b>Increased 0.50%</b>	<b>Decreased 0.50%</b>
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.

# GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

### (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

	December 31, 2021	December 31, 2020
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:

	2021	2020
Current tax expense	\$ 75,695	66,129
Deferred tax expense	18,097	5,075
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:

	2021	2020
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>

# GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

	<b>2021</b>	<b>2020</b>
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	10,958	3,045
Income tax expense	<b><u>\$ 93,792</u></b>	<b><u>71,204</u></b>

(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:

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



# GROUP UP INDUSTRIAL CO.,LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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 were 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.

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

### 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.

# **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:

	2020		2019	
	Amount per share	Total amount	Amount per share	Total amount
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:

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

### (iii) Other equity (net of tax)

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

# 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	
	2021	2020
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)	55,000	55,000
	<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	257	287
Weighted average number of outstanding ordinary shares (in thousands)	55,257	55,287
	<u>\$ 6.09</u>	<u>5.62</u>

### (q) Revenue from contracts with customers

#### (i) Details of revenue

	2021			
	GROUP UP INDUSTRIAL CO., LTD.	GROUP UP TECHNOL OGY (SIP) CO., LTD.	Other segments	Total
Primary geographical markets:				
Taiwan	\$ 698,603	-	-	698,603
China	767,808	188,840	40,659	997,307
Others	215,633	-	-	215,633
	<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	-	21,425	-	21,425
	<u>\$ 1,682,044</u>	<u>188,840</u>	<u>40,659</u>	<u>1,911,543</u>

# 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
	<b>\$ 1,467,139</b>	<b>99,422</b>	<b>47,683</b>	<b>1,614,244</b>
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
	<b>\$ 1,467,139</b>	<b>99,422</b>	<b>47,683</b>	<b>1,614,244</b>

### (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	<b>\$ 371,746</b>	<b>288,799</b>	<b>285,941</b>
Contract liabilities	<b>\$ 1,015,508</b>	<b>864,895</b>	<b>835,520</b>

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.

## 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:

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

(ii) Other gains and losses

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

	<b>2021</b>	<b>2020</b>
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
	<b><u>\$ (55,027)</u></b>	<b><u>(77,462)</u></b>

# 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.

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~ 5 years	Over 5 years
<b>December 31, 2021</b>							
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
	<b>\$ 864,104</b>	<b>864,719</b>	<b>849,187</b>	<b>2,520</b>	<b>4,736</b>	<b>5,666</b>	<b>2,610</b>
<b>December 31, 2020</b>							
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	-
	<b>\$ 859,377</b>	<b>860,026</b>	<b>807,541</b>	<b>31,650</b>	<b>17,625</b>	<b>3,210</b>	<b>-</b>

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

# 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.



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

## 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.

## 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.

# 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:

	December 31, 2021	December 31, 2020
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.

Key management personnel	Relationship with the Group
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
Zhe-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.

# 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:

Pledged assets	Pledged assets	December 31, 2021	December 31, 2020
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
		<u>\$ 839,544</u>	<u>860,441</u>

(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:

By item	By function	2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sale	Operating expenses	Total
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

# 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.

## 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	

# 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 (USD10,000)	(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 (USD500)	(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 (USD12,200)	389,877 (USD12,200)	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%



# 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:

	<b>2021</b>				
	<b>GROUP UP INDUSTRIAL CO., LTD.</b>	<b>GROUP UP TECHNOLOGY (SIP) CO., LTD.</b>	<b>Other segment</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
<b>Revenue:</b>					
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>
<b>Reportable segment profit or loss</b>	<u>\$ 410,832</u>	<u>72,632</u>	<u>79,268</u>	<u>(132,439)</u>	<u>430,293</u>
<b>Reportable segment assets</b>	<u>\$ 3,482,190</u>	<u>547,299</u>	<u>102,106</u>	<u>(46,057)</u>	<u>4,085,538</u>
<b>Reportable segment liabilities</b>	<u>\$ 2,009,707</u>	<u>86,563</u>	<u>16,987</u>	<u>(33,507)</u>	<u>2,079,750</u>
<b>2020</b>					
	<b>GROUP UP INDUSTRIAL CO., LTD.</b>	<b>GROUP UP TECHNOLOGY (SIP) CO., LTD.</b>	<b>Other segment</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
<b>Revenue:</b>					
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>
<b>Reportable segment profit or loss</b>	<u>\$ 378,075</u>	<u>18,438</u>	<u>42,911</u>	<u>(57,283)</u>	<u>382,141</u>
<b>Reportable segment assets</b>	<u>\$ 3,240,530</u>	<u>499,675</u>	<u>87,775</u>	<u>(37,033)</u>	<u>3,790,947</u>
<b>Reportable segment liabilities</b>	<u>\$ 1,805,925</u>	<u>90,043</u>	<u>14,015</u>	<u>(23,334)</u>	<u>1,886,649</u>

## (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><u>\$ 1,911,543</u></u>	<u><u>1,614,244</u></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><u>\$ 1,911,543</u></u>	<u><u>1,614,244</u></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><u>\$ 891,018</u></u>	<u><u>968,941</u></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><u>\$ 192,205</u></u>	<u><u>24,368</u></u>

5.The individual financial report of the most recent year that has been verified by accountants



安侯建業聯合會計師事務所  
KPMG

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## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of Group Up Industrial Co., Ltd. ( “the Company” ), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### 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 Financial Statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 financial statements.

Description of key audit matter:

The Company 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 Company's internal controls on revenue recognition; assessing whether the revenue recognition was performed in accordance with the Company'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(f) "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 financial statements.

Description of key audit matter:

The Company'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 Company'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.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying 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 financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)  
GROUP UP INDUSTRIAL CO., LTD.  
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	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (notes 6(a)(t))	\$ 446,346	11	175,444	5	2102	Short-term borrowings (notes 6(i)(t) and 8)	\$ 263,700	7	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))	998,149	25	838,413	23
1150	Notes receivable, net (notes 6(c)(q))	1,855	-	1,142	-	2170	Accounts payable (note 6(t))	405,557	10	342,687	9
1170	Account receivables, net (notes 6(c)(q))	274,257	7	218,625	6	2180	Accounts payable to related parties (notes 6(t) and 7)	21,235	1	9,086	-
1180	Accounts receivable due from related parties, net (notes 6(c)(q) and 7)	11,350	-	12,565	-	2200	Other payables (notes 6(m)(t))	115,580	3	108,227	3
130X	Inventories (note 6(e))	1,256,620	32	966,282	26	2230	Current tax liabilities	28,659	1	21,087	1
1410	Prepayments	7,661	-	7,771	-	2250	Current provisions (note 6(l))	50,350	1	40,613	1
1476	Other current financial assets (note 6(d) and 8)	879,005	22	842,290	23	2280	Current lease liabilities (notes 6(k)(t) and 7)	4,741	-	4,588	-
1479	Other current assets, others	10,999	-	7,002	-	2320	Long-term borrowings, current portion (notes 6(j)(t) and 8)	14,889	-	59,559	2
		<u>2,888,093</u>	<u>72</u>	<u>2,559,179</u>	<u>69</u>	2399	Other current liabilities, others	<u>4,251</u>	<u>-</u>	<u>3,291</u>	<u>-</u>
								<u>1,907,111</u>	<u>48</u>	<u>1,700,891</u>	<u>46</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1550	Investments accounted for using equity method, net (note 6(f))	533,305	13	470,045	13		Long-term borrowings (notes 6(j)(t) and 8)	-	-	14,889	-
1600	Property, plant and equipment (notes 6(g) and 8)	502,526	13	494,763	13	2540	Deferred tax liabilities (notes 6(n))	37,156	1	23,698	1
1755	Right-of-use assets (note 6(h))	16,584	1	9,996	-	2570	Non-current lease liabilities (notes 6(k)(t) and 7)	11,897	-	5,446	-
1840	Deferred income tax assets (note 6(n))	54,215	1	59,209	2	2580	Net defined benefit liability, non-current (notes 6(m))	53,543	1	61,353	2
1980	Other non-current financial assets (notes 6(d) and 8)	14,840	-	110,530	3	2640		<u>102,596</u>	<u>2</u>	<u>105,386</u>	<u>3</u>
1995	Other non-current assets, others	<u>5,932</u>	<u>-</u>	<u>6,853</u>	<u>-</u>			<u>2,009,707</u>	<u>50</u>	<u>1,806,277</u>	<u>49</u>
		1,127,402	28	1,151,396	31		<b>Total liabilities</b>				
							<b>Equity attributable to owners of parent (notes 6(o)(p)(v)):</b>				
						3110	Ordinary shares	<u>550,000</u>	<u>14</u>	<u>550,000</u>	<u>15</u>
						3200	Capital surplus	<u>287,021</u>	<u>7</u>	<u>287,021</u>	<u>8</u>
							<b>Retained earnings:</b>				
						3310	Legal reserve	344,443	8	313,283	8
						3320	Special reserve	29,200	1	35,202	1
						3350	Unappropriated retained earnings	<u>827,352</u>	<u>21</u>	<u>747,992</u>	<u>20</u>
								<u>1,200,995</u>	<u>30</u>	<u>1,096,477</u>	<u>29</u>
							<b>Other equity:</b>				
						3410	Exchange differences on translation of foreign financial statements	<u>(32,228)</u>	<u>(1)</u>	<u>(29,200)</u>	<u>(1)</u>
							<b>Total equity</b>	<u>2,005,788</u>	<u>50</u>	<u>1,904,298</u>	<u>51</u>
<b>Total assets</b>		<u><u>\$ 4,015,495</u></u>	<u><u>100</u></u>	<u><u>3,710,575</u></u>	<u><u>100</u></u>		<b>Total liabilities and equity</b>	<u><u>\$ 4,015,495</u></u>	<u><u>100</u></u>	<u><u>3,710,575</u></u>	<u><u>100</u></u>

(English Translation of Financial Statements Originally Issued in Chinese)

**GROUP UP INDUSTRIAL CO., LTD.****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)**

		<b>2021</b>		<b>2020</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenue, net</b> (notes 6(q), 7 and 12)	\$ 1,742,530	100	1,515,803	100
5000	<b>Operating costs</b> (notes 6(e)(k)(l)(m)(r), 7 and 12)	1,091,927	63	864,170	57
	<b>Gross profit from operations</b>	650,603	37	651,633	43
5910	Unrealized profit (loss) from sales	243	-	115	-
		650,360	37	651,518	43
	<b>Operating expenses</b> (notes 6(c)(k)(m)(r), 7 and 12):				
6100	Selling expenses	107,629	6	102,997	7
6200	Administrative expenses	67,743	4	57,462	4
6300	Research and development expenses	83,674	5	110,729	7
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	309	-	(23,455)	(2)
	<b>Total operating expenses</b>	259,355	15	247,733	16
6900	<b>Net operating income</b>	391,005	22	403,785	27
	<b>Non-operating income and expenses</b> (notes 6(s) and 7):				
7100	Interest income	6,101	-	11,515	1
7010	Other income	2,389	-	9,723	1
7020	Other gains and losses, net	(54,677)	(3)	(76,243)	(5)
7050	Finance costs	(1,274)	-	(1,158)	-
7070	Share of profit of investment accounted for using equity method	67,288	4	30,452	2
	<b>Total non-operating income and expenses</b>	19,827	1	(25,711)	(1)
7900	<b>Profit before income tax</b>	410,832	23	378,074	26
7950	Less: income tax expenses (note 6(n))	74,331	4	67,137	5
	<b>Profit</b>	336,501	19	310,937	21
8300	<b>Other comprehensive income (loss):</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
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))	(1,129)	-	(167)	-
	Total items that may not be reclassified subsequently to profit or loss	4,517	-	668	-
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
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))	757	-	(1,501)	-
	Total items that may be reclassified subsequently to profit or loss	(3,028)	-	6,002	-
8300	<b>Other comprehensive income</b>	1,489	-	6,670	-
8500	<b>Comprehensive income</b>	<b>\$ 337,990</b>	<b>19</b>	<b>317,607</b>	<b>21</b>
	<b>Earnings per share</b> (note 6(p))				
9750	Earnings per share (NT dollars)	<b>\$ 6.12</b>		<b>5.65</b>	
9850	Diluted earnings per share (NT dollars)	<b>\$ 6.09</b>		<b>5.62</b>	



(English Translation of Financial Statements Originally Issued in Chinese)

**GROUP UP INDUSTRIAL CO., LTD.****Statement of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Other equity		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2020	\$ 550,000	287,021	283,564	21,426	710,882	1,015,872	(35,202)	1,817,691
Profit for the year ended December 31, 2020	-	-	-	-	310,937	310,937	-	310,937
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	668	668	6,002	6,670
Comprehensive income for the year ended December 31, 2020	-	-	-	-	311,605	311,605	6,002	317,607
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	29,719	-	(29,719)	-	-	-
Special reserve	-	-	-	13,776	(13,776)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(231,000)	(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
Profit for the year ended December 31, 2021	-	-	-	-	336,501	336,501	-	336,501
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	4,517	4,517	(3,028)	1,489
Comprehensive income for the year ended December 31, 2021	-	-	-	-	341,018	341,018	(3,028)	337,990
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	31,160	-	(31,160)	-	-	-
Special reserve	-	-	-	(6,002)	6,002	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(236,500)	(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

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

**Statement of Cash Flows**

**For the years ended December 31, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Profit before tax	\$ 410,832	378,074
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	20,203	19,119
Amortization expense	316	603
Expected credit loss (gain)	309	(23,455)
Net loss on financial assets or liabilities at fair value through profit or loss	58	587
Interest expense	1,274	1,158
Interest income	(6,101)	(11,515)
Share of profit of investments accounted for using equity method	(67,288)	(30,452)
Gain on disposal of investments	(246)	(1,206)
Unrealized profit from sales	243	115
<b>Total adjustments to reconcile profit (loss)</b>	<u>(51,232)</u>	<u>(45,046)</u>
<b>Changes in operating assets and liabilities:</b>		
Notes receivable	(713)	(243)
Accounts receivables	(55,941)	17,613
Accounts receivable due from related parties	1,215	(2,678)
Inventories	(290,338)	(135,683)
Prepayments	110	11,520
Other current assets	(4,133)	(1,567)
Contract liabilities	159,736	11,291
Accounts payable	62,870	149,227
Accounts payable to related parties	12,149	1,232
Other payables	7,391	7,071
Provisions	9,737	(4,125)
Other current liabilities	960	1,270
Deferred benefit liability	(2,164)	(1,356)
<b>Total adjustments</b>	<u>(150,353)</u>	<u>8,526</u>
Cash inflow generated from operations	260,479	386,600
Interest received	6,237	11,132
Interest paid	(1,216)	(1,063)
Income taxes paid	(48,679)	(82,639)
<b>Net cash flows from operating activities</b>	<u>216,821</u>	<u>314,030</u>
<b>Cash flows from (used in) investing activities:</b>		
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	(22,152)	(4,085)
Other financial assets	58,975	(726,935)
Other non-current assets	605	(2,614)
<b>Net cash flows from (used in) investing activities</b>	<u>365,674</u>	<u>(793,428)</u>
<b>Cash flows used in financing activities:</b>		
Short-term borrowings	(9,640)	273,340
Repayments of long-term borrowings	(59,559)	(59,559)
Payment of lease liabilities	(5,894)	(4,557)
Cash dividends paid	(236,500)	(231,000)
<b>Net cash flows used in financing activities</b>	<u>(311,593)</u>	<u>(21,776)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	270,902	(501,174)
<b>Cash and cash equivalents at beginning of period</b>	175,444	676,618
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 446,346</u></u>	<u><u>175,444</u></u>

(English Translation of Financial Statements Originally Issued in Chinese)

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

**Notes to the 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 mainly engages in 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 financial statements:**

These 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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company has initially adopted the following new amendments, which do not have a significant impact on its 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 Company 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 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"

## GROUP UP INDUSTRIAL CO., LTD.

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

The Company 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 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”

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

#### (4) Summary of significant accounting policies:

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

##### (a) Statement of compliance

These 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” ).

##### (b) Basis of preparation

###### (i) Basis of measurement

Except for the following significant accounts, the 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 an entity is determined based on the primary economic environment in which the entity operates. The 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) Foreign currencies

###### (i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Company 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.

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

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

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 Company 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 Company 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.

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

- (iv) The Company 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.

(e) 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.

(f) 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 Company 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 Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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.

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

#### 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 Company 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 Company 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 Company 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 receivable, other receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.



## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

At each reporting date, the Company 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 Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

#### 4) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

#### (g) 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.

## **GROUP UP INDUSTRIAL CO., LTD.**

### **Notes to the Financial Statements**

(h) Investment in subsidiaries

The Company uses the equity method on investees over which the Company has control when preparing the parent-company-only financial statement. The profit or loss for the period and other comprehensive income presented in individual financial statements shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the individual financial statements shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions.

(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 Company.

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

#### (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.

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 Company 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 Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

## **GROUP UP INDUSTRIAL CO., LTD.**

### **Notes to the Financial Statements**

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;
- 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 Company'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 are 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 Company 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 Company 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 Company 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 Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

(ii) As a lessor

When the Company 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 Company 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 Company 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 Company 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 Company 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.

## **GROUP UP INDUSTRIAL CO., LTD.**

### **Notes to the Financial Statements**

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company 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 Company's main types of revenue are explained below.

(i) Sale of goods

The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

The Company'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 Company has a right to an amount of consideration that is unconditional.

(ii) Rendering Service

The Company provides service of equipment maintenance. Revenue from providing services is recognized at a point in time when the Company 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 Company'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 Company, 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.

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

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 Company 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 Company 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 Company 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 Company 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.

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

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 Company 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 Company 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

The Company has already disclosed the segment information in the consolidated financial statements; therefore, the Company will not disclose the segment information again in the separate financial statements.

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

In preparing these financial statements, 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.



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### Notes to the Financial Statements

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 amounts 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 Company 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 Company 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 Company 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. 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 Company regularly reviews the basis of the estimate and, if necessary, amends it as appropriate, please refer to note 6(l).

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand, checking accounts and demand deposit	\$ 170,354	141,058
Time deposits	275,992	34,386
	<b><u>\$ 446,346</u></b>	<b><u>175,444</u></b>

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 Company.

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

**Notes to the Financial Statements**

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

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Notes receivable from operating activities	\$ 1,855	1,142
Trade receivables (including related parties and overdue receivables)	295,689	240,968
Less: loss allowance	(10,082)	(9,778)
	<b>\$ 287,462</b>	<b>232,332</b>

The Company 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 allowances were determined as follows:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age loss rate</b>	<b>Loss allowance</b>
Current	\$ 285,830	0.1%	286
1 to 90 days past due	362	10%	36
90 to 180 days past due	1,144	30%	343
More than 180 days past due	10,208	50%~100%	9,417
	<b>\$ 297,544</b>		<b>10,082</b>

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

**Notes to the Financial Statements**

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-aver age loss rate</b>	<b>Loss allowance</b>
Current	\$ 224,654	0.1%	225
1 to 90 days past due	5,671	10%	567
90 to 180 days past due	2,830	30%	849
More than 180 days past due	8,955	50%~100%	8,137
	<b><u>\$ 242,110</u></b>		<b><u>9,778</u></b>

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

	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 9,778	34,001
Impairment losses recognized	309	-
Impairment losses reversed	-	(23,455)
Amounts written off	(5)	(768)
Balance on December 31	<b><u>\$ 10,082</u></b>	<b><u>9,778</u></b>

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

(d) Other financial assets

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Time deposits with maturity of more than three months	\$ 498,292	543,250
Restricted time deposits	395,553	409,570
Total	<b><u>\$ 893,845</u></b>	<b><u>952,820</u></b>

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

(e) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials and semi-finished goods	\$ 72,497	49,574
Work in progress	1,183,676	916,708
Finished goods	447	-
	<b><u>\$ 1,256,620</u></b>	<b><u>966,282</u></b>

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

In 2021 and 2020, inventories recognized as cost of sales amounted to \$1,003,630 thousand and \$804,517 thousand, respectively.

In 2021 and 2020, the write-downs of inventories to the net realizable value amounted to \$5,450 thousand and \$311 thousand, respectively. The write-downs and reversals are included in cost of sales.

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

(f) Investments accounted for using equity method

A summary of the Company's financial information about investments accounted for using equity method at the reporting date was as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	<u>\$ 533,305</u>	<u>470,045</u>

(i) Subsidiaries

Please refer to the consolidated financial statements.

(ii) Collateral

None of the investments accounted for using equity method held by the Company was pledged as collateral as of December 31, 2021 and 2020.

(g) Property, plant and equipment

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

	Land	Buildings	Transportation Equipment	Office and other Equipment	Construction in progress equipment	Total
Cost or deemed cost:						
Balance on January 1, 2021	\$ 259,316	227,059	7,855	72,523	-	566,753
Additions	-	-	4,090	3,506	14,556	22,152
Balance on December 31, 2021	<u>\$ 259,316</u>	<u>227,059</u>	<u>11,945</u>	<u>76,029</u>	<u>14,556</u>	<u>588,905</u>
Balance on January 1, 2020	\$ 259,316	227,059	6,660	69,633	-	562,668
Additions	-	-	1,195	2,890	-	4,085
Balance on December 31, 2020	<u>\$ 259,316</u>	<u>227,059</u>	<u>7,855</u>	<u>72,523</u>	<u>-</u>	<u>566,753</u>
Depreciation and impairments loss:						
Balance on January 1, 2021	\$ -	35,504	4,158	32,328	-	71,990
Depreciation	-	6,880	1,850	5,659	-	14,389
Balance on December 31, 2021	<u>\$ -</u>	<u>42,384</u>	<u>6,008</u>	<u>37,987</u>	<u>-</u>	<u>86,379</u>
Balance on January 1, 2020	\$ -	28,623	2,655	26,091	-	57,369
Depreciation	-	6,881	1,503	6,237	-	14,621
Balance on December 31, 2020	<u>\$ -</u>	<u>35,504</u>	<u>4,158</u>	<u>32,328</u>	<u>-</u>	<u>71,990</u>
Carrying amounts:						

# **GROUP UP INDUSTRIAL CO., LTD.**

## **Notes to the Financial Statements**

	<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>
Balance on December 31, 2021	<u>\$ 259,316</u>	<u>184,675</u>	<u>5,937</u>	<u>38,042</u>	<u>14,556</u>	<u>502,526</u>
Balance on January 1, 2020	<u>\$ 259,316</u>	<u>198,436</u>	<u>4,005</u>	<u>43,542</u>	<u>-</u>	<u>505,299</u>
Balance on December 31, 2020	<u>\$ 259,316</u>	<u>191,555</u>	<u>3,697</u>	<u>40,195</u>	<u>-</u>	<u>494,763</u>

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

### (h) Right-of-use assets

The Company leases many assets including land, buildings and transportation equipment. Information about leases for which the Company has been a lessee is presented below:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
<b>Cost:</b>				
Balance on January 1, 2021	\$ 2,213	3,165	12,510	17,888
Additions	4,133	6,313	1,956	12,402
Disposal	(2,213)	-	(6,132)	(8,345)
Balance on December 31, 2021	<u>\$ 4,133</u>	<u>9,478</u>	<u>8,334</u>	<u>21,945</u>
Balance on January 1, 2020	\$ 2,213	1,851	7,354	11,418
Additions	-	1,751	5,430	7,181
Disposal	-	(437)	(274)	(711)
Balance on December 31, 2020	<u>\$ 2,213</u>	<u>3,165</u>	<u>12,510</u>	<u>17,888</u>
<b>Accumulated depreciation and impairment losses:</b>				
Balance on January 1, 2021	\$ 1,660	670	5,562	7,892
Depreciation	828	1,134	3,852	5,814
Disposal	(2,213)	-	(6,132)	(8,345)
Balance on December 31, 2021	<u>\$ 275</u>	<u>1,804</u>	<u>3,282</u>	<u>5,361</u>
Balance on January 1, 2020	\$ 830	559	2,716	4,105
Depreciation	830	548	3,120	4,498
Disposal	-	(437)	(274)	(711)
Balance on December 31, 2020	<u>\$ 1,660</u>	<u>670</u>	<u>5,562</u>	<u>7,892</u>
<b>Carrying amounts:</b>				
Balance on December 31, 2021	<u>\$ 3,858</u>	<u>7,674</u>	<u>5,052</u>	<u>16,584</u>
Balance on January 1, 2020	<u>\$ 1,383</u>	<u>1,292</u>	<u>4,638</u>	<u>7,313</u>
Balance on December 31, 2020	<u>\$ 553</u>	<u>2,495</u>	<u>6,948</u>	<u>9,996</u>

**GROUP UP INDUSTRIAL CO., LTD.****Notes to the Financial Statements**

## (i) Short-term borrowings

	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 rate	<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 were as follows:

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

December 31, 2020				
	Currency	Rate	Maturity year	Amount
Secured bank loans	TWD	0.66%~0.92%	2022	\$ 74,448
Less: current portion				(59,559)
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 Company's lease liabilities were as follows:

	December 31, 2021	December 31, 2020
Current	<u>\$ 4,741</u>	<u>4,588</u>
Non-current	<u>\$ 11,897</u>	<u>5,446</u>

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

**GROUP UP INDUSTRIAL CO., LTD.****Notes to the Financial Statements**

The amounts recognized in profit or loss were as follows:

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<u><u>\$ 96</u></u>	<u><u>64</u></u>
Expenses relating to short term leases	<u><u>\$ 31</u></u>	<u><u>245</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u><u>\$ 45</u></u>	<u><u>33</u></u>

The amounts recognized in the statement of cash flows by the Company were as follows:

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u><u>\$ 5,970</u></u>	<u><u>4,835</u></u>

(i) Real estate leases

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

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

### (l) Provisions

The movement in warranty provisions was as follow:

	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 40,613	44,738
Provisions made (reversed) during the year	9,737	(4,125)
Balance on December 31	<b><u>\$ 50,350</u></b>	<b><u>40,613</u></b>

- (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 Company expects to settle the majority of the liability over the next year.
- (ii) As of December 31, 2021 and 2020, the warranty provisions would have increased or decreased by \$3,967 thousand and \$3,427 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:

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

The Company 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 Company 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 Company's 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.



**GROUP UP INDUSTRIAL CO., LTD.****Notes to the Financial Statements**

## 2) Movements in present value of the defined benefit obligations

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

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

## 3) Movements of defined benefit plan assets

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

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

## 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

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

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

**Notes to the Financial Statements**

5) Actuarial assumptions

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

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

The expected allocation payment to be made by the Company 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:

	<b>Impact on the defined benefit obligations</b>	
	<b>Increased 0.50%</b>	<b>Decreased 0.50%</b>
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.

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

**Notes to the Financial Statements**

(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 \$8,318 thousand and \$8,192 thousand for the years ended December 31, 2021 and 2020, respectively.

(iii) Short-term employee benefits provisions

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

(n) Income taxes

(i) Tax expense

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

	<b>2021</b>	<b>2020</b>
Current tax expense	\$ 56,252	62,063
Deferred tax expense	18,079	5,074
Income tax expense	<b><u>\$ 74,331</u></b>	<b><u>67,137</u></b>

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

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

**GROUP UP INDUSTRIAL CO., LTD.****Notes to the Financial Statements**

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

	<b>2021</b>	<b>2020</b>
Profit excluding income tax	\$ 410,832	378,074
Income tax using the Company's domestic tax rate	82,166	75,615
Tax-exempt income	(49)	(241)
Tax incentives	(10,407)	(10,803)
Additional tax on undistributed earnings	2,117	928
Change in provision in prior periods	504	1,638
Income tax expense	<u><u>\$ 74,331</u></u>	<u><u>67,137</u></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:

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

Deferred tax assets:

	<b>Defined Benefit Plans</b>	<b>Inventory provisions</b>	<b>Expected credit loss</b>	<b>Total</b>
Balance on January 1, 2021	\$ 13,844	20,992	24,372	59,208
Recognized in profit or loss	(433)	1,090	(5,278)	(4,621)
Recognized in other comprehensive income	(1,129)	-	757	(372)
Balance on December 31, 2021	<u><u>\$ 12,282</u></u>	<u><u>22,082</u></u>	<u><u>19,851</u></u>	<u><u>54,215</u></u>
Balance on January 1, 2020	\$ 13,569	20,930	25,361	59,860
Recognized in profit or loss	442	62	512	1,016
Recognized in other comprehensive income	(167)	-	(1,501)	(1,668)
Balance on December 31, 2020	<u><u>\$ 13,844</u></u>	<u><u>20,992</u></u>	<u><u>24,372</u></u>	<u><u>59,208</u></u>

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

(iii) The Company's tax returns for the years through 2019 were 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 were as follows:

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

According to the R.O.C. Company Act, capital surplus can only be used to offset a 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.

(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 the growth stage and developing 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.

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

#### 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.

#### 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:

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

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

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

**GROUP UP INDUSTRIAL CO., LTD.****Notes to the Financial Statements**

## (iii) Other equity (net of tax)

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

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

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

**Notes to the Financial Statements**

(q) Revenue from contracts with customers

(i) Details of revenue

	<u>2021</u>	<u>2020</u>
Primary geographical markets:		
Taiwan	\$ 698,603	497,787
China	828,294	871,371
Others	215,633	146,645
	<u><b>\$ 1,742,530</b></u>	<u><b>1,515,803</b></u>
Major products:		
Equipment	\$ 1,711,871	1,486,252
Service	30,659	29,551
	<u><b>\$ 1,742,530</b></u>	<u><b>1,515,803</b></u>

(ii) Contract balances

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes receivable	\$ 1,855	1,142	899
Accounts receivable (including overdue receivables)	295,689	240,968	256,671
Less: allowance for impairment	(10,082)	(9,778)	(34,001)
Total	<u><b>\$ 287,462</b></u>	<u><b>232,332</b></u>	<u><b>223,569</b></u>
Contract liabilities	<u><b>\$ 998,149</b></u>	<u><b>838,413</b></u>	<u><b>827,122</b></u>

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 \$724,211 thousand and \$681,312 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.



# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

### (r) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute no less than 2% of the profit as employee remuneration and less 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 of employees and directors of each period, multiplied by the percentage of remuneration of 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 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:

	<b>2021</b>	<b>2020</b>
Interest income from bank deposits	\$ 6,066	11,477
Other interest income	35	38
	<b><u>\$ 6,101</u></b>	<b><u>11,515</u></b>

#### (ii) Other gains and losses

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

	<b>2021</b>	<b>2020</b>
Foreign exchange losses	\$ (54,865)	(76,862)
Gains on disposals of investments	246	1,206
Gains (losses) on financial assets at fair value through profit or loss	(58)	(587)
	<b><u>\$ (54,677)</u></b>	<b><u>(76,243)</u></b>

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the 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 Company believes that there is no significant concentration of credit risk due to the Company's large number of customers and their wide geographic spread. In order to reduce credit risk, the Company 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.

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~ 5 years	Over 5 years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Accounts payable and other payables (including related parties)	\$ 542,372	542,372	542,372	-	-	-	-
Short-term borrowings	263,700	263,924	263,924	-	-	-	-
Long-term borrowings (including current portion)	14,889	14,898	14,898	-	-	-	-
Lease liabilities	16,638	17,005	2,499	2,339	4,372	5,185	2,610
	<b>\$ 837,599</b>	<b>838,199</b>	<b>823,693</b>	<b>2,339</b>	<b>4,372</b>	<b>5,185</b>	<b>2,610</b>
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Accounts payable and other payables (including related parties)	\$ 460,000	460,000	460,000	-	-	-	-
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 liability	10,034	10,138	2,976	1,667	2,561	2,934	-
	<b>\$ 817,822</b>	<b>818,460</b>	<b>766,487</b>	<b>31,572</b>	<b>17,467</b>	<b>2,934</b>	<b>-</b>

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

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

**Notes to the Financial Statements**

(iii) Currency risk

1) Exposure of foreign currency risk

The Company'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	\$ 44,416	27.68	1,229,435	39,162	28.48	1,115,334
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	49

2) Sensitivity analysis

The Company'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 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 \$10,977 thousand and \$9,575 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 Company 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 \$(54,865) thousand and \$(76,862) 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 Company'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.

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the 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 Company'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			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ -	-	-	-	-
		December 31, 2020			
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$ 328,058	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.

## **GROUP UP INDUSTRIAL CO., LTD.**

### **Notes to the Financial Statements**

(u) Financial risk management

(i) Overview

The Company has exposure to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company'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 companying financial statements.

(ii) Structure of risk management

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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 Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

1) Notes receivable, accounts and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment are offered. The Company'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 Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

## **GROUP UP INDUSTRIAL CO., LTD.**

### **Notes to the Financial Statements**

#### 2) Investments

The cash of the Company 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 Company'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 Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company'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 Company'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 Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the Chinese Yuan (CNY) and US Dollar (USD).

##### 2) Interest rate risk

Some of the Company'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 Company has not entered into a long-term purchase contract other than to meet anticipated consumption and sales requirement.

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

### (v) Capital management

The Group's policy is to manage its capital to safeguard the capacity to continue as a going concern, to continue to provide returns for shareholders, 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 Company 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.

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

	December 31, 2021	December 31, 2020
Total equity	<u>\$ 2,005,788</u>	<u>1,904,298</u>
Total asset	<u>\$ 4,015,495</u>	<u>3,710,575</u>
Equity capital ratio at December 31	<u>50%</u>	<u>51%</u>

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

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

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2021 and 2020 were acquisition of right-of-used assets by leasing. Please refer to Note 6(h) and (k).

## (7) Related-party transactions:

### (a) Names and relationship with the Company

The followings are related parties that had transactions with the Company during the periods covered in the financial statements.

Key management personnel	Relationship with the Company
GROUP UP (SAMOA) Ltd.	A subsidiary
GROUP UP TECHNOLOGY (SIP) Co., Ltd.	A subsidiary
GROUP UP Trading (Shenzhen) Limited	A subsidiary
An-Shun Chen	Key management personnel
Jung-Kung Lee	Key management personnel
Hung-Chan Chen	The person is a first-degree relative of the Key management personnel

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

### (b) Significant transactions with related parties

#### (i) Sales

The amounts of significant sales by the Company to related parties was as follow:

<b>Relationship</b>	<b>2021</b>	<b>2020</b>
Subsidiary:		
GROUP UP TECHNOLOGY (SIP) Co., Ltd.	\$ 45,171	33,175
GROUP UP Trading (Shenzhen) Limited	15,315	15,489
	<b>\$ 60,486</b>	<b>48,664</b>

The selling price of equipment with related parties is incomparable as the equipment sold to the Company's related parties are customized. The selling prices of other products and components are based on the cost, plus 10%~20%, with payment terms ranging from 2 to 4 months, having no significant difference from those with the general customers.

#### (ii) Purchases

The amounts of significant purchases by the Company to related parties were as follow:

<b>Relationship</b>	<b>2021</b>	<b>2020</b>
Subsidiary:		
GROUP UP TECHNOLOGY (SIP) Co., Ltd.	\$ 18,247	2,802
GROUP UP Trading (Shenzhen) Limited	4,295	6,971
	<b>\$ 22,542</b>	<b>9,773</b>

The purchase price of equipment with related parties is incomparable as the equipment purchased from the Company's related parties are customized. The purchase prices of other products and components are based on the cost, plus 10%~20%, with payment terms ranging from 2 to 3 months, having no significant difference from those with the general suppliers.

#### (iii) Maintenance costs

<b>Relationship</b>	<b>2021</b>	<b>2020</b>
Subsidiary:		
GROUP UP TECHNOLOGY (SIP) Co., Ltd.	\$ 32,989	19,106
GROUP UP Trading (Shenzhen) Limited	18,810	16,235
	<b>\$ 51,799</b>	<b>35,341</b>

The Company delegates its related parties to provide equipment maintenance service to its customers in China, with payment terms ranging from 2 to 3 months, having no significant difference from the general suppliers.



# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

### (iv) Lease

The Company 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 \$13,063 thousand. For the years ended December 31, 2021 and 2020, the Company recognized the amount of \$36 thousand and \$19 thousand as interest expense. As of December 31, 2021 and 2020, the balance of lease liabilities amounted to \$7,391 thousand and \$1,957 thousand, respectively.

### (v) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivables	Subsidiary	<u>\$ 11,350</u>	<u>12,565</u>

### (vi) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payables	Subsidiary	<u>\$ 21,235</u>	<u>9,086</u>

### (c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	<u>\$ 28,506</u>	<u>25,680</u>

### (8) Pledged assets:

The carrying value of borrowings and pledged assets were as follows:

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

### (9) Significant commitments and contingencies:

As of December 31, 2021 and 2020, the Company's performance guarantee letter and standby letter of credit provided by the bank is \$1,000 thousand.

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

### (10) Losses due to major disasters: None

### (11) Subsequent events:

For saving on the bank interest expense and capital considerations, the Company's Board of Directors made a decision on February 25, 2022 that the Company 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:

By item	By function	2021			2020		
		Cost of sales	Operating expenses	Total	Cost of sale	Operating expenses	Total
Employee benefits							
Salary		139,770	88,103	227,873	115,756	90,544	206,300
Labor and health insurance		11,782	6,422	18,204	9,649	6,842	16,491
Pension		5,884	2,793	8,677	5,743	3,822	9,565
Remuneration of directors		-	7,159	7,159	-	6,700	6,700
Others		6,886	3,191	10,077	5,607	3,368	8,975
Depreciation		11,276	8,927	20,203	10,575	8,544	19,119
Amortization		204	112	316	265	338	603

The Company's employee headcounts and employee benefits for 2021 and 2020 was as follows:

	2021	2020
Number of employees	<u>230</u>	<u>219</u>
Number of non-employee directors	<u>5</u>	<u>5</u>
The average employee benefit	<u>\$ 1,177</u>	<u>1,128</u>
The average salaries	<u>\$ 1,013</u>	<u>964</u>
Adjustment of average employee salaries	<u>5.08%</u>	<u>4.44%</u>
Compensation to the supervisor	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) is as follows:

- Salary and remuneration policy, procedure, and the relationship of operating performance for employees.
  - The scope and method of "employee compensation" provision is in accordance with Company's Articles 19 of Incorporation. After the current year's pre-tax profit is deducted from the profit prior to the distribution of related remunerations, after retaining the amount of accumulated losses, if there is any remaining balance, it shall be withdrawn. Appropriate not less than 2% for employee compensation, with the agreement of the Board of Directors.

## GROUP UP INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

(2) The Company implements the "employee rewards" system in order to motivate work performance, according to the Company's "R&D design", "manufacture", "sales" and other departments operating performance targets, assessing the individual performance of the employees, based on the individual performance. Bonuses, special bonuses, and year-end bonuses will be issued depending on the profitability.

2. Salary and remuneration policy, procedure, and the relationship of operating performance for directors.

"Directors' remuneration" includes transportation allowance, directors' remuneration and independent directors' remuneration, in accordance with Article 19 of the Company's Articles of Incorporation. After the current year's pre-tax profit is deducted from the profit prior to the distribution of related remunerations, and after offsetting the accumulated losses, a maximum of 5% of the remaining balance shall be appropriated as Directors' remuneration. The "Independent Directors' Remuneration" is based on the Company's "Directors' and Managers' Salary and Remuneration Measures".

3. Salary and remuneration policy, procedure, and the relationship of operating performance for managers.

"Managers' remuneration" is based on the Company's "Directors', Supervisors' and Managers' Salary and Remuneration Measures", taking into account the Company's business strategy, profitability, performance and job contribution, also the salary market. The proposal by the Salary and Compensation Committee will be implemented after the Board of Directors' resolution.

### (13) Other disclosures:

- (a) Information on significant transactions:

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

- (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	-	-

# GROUP UP INDUSTRIAL CO., LTD.

## Notes to the Financial Statements

- (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\$300 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.

### (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			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	66,248	67,288	

### (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	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 (USD10,000)	(2)	373,898 (USD11,700)	-	-	373,898 (USD11,700)	54,159	100.00%	54,159	460,736	-
GROUP UP Trading (Shenzhen) Limited	Sales of equipment and maintenance services	15,979 (USD500)	(2)	15,979 (USD500)	-	-	15,979 (USD500)	12,032	100.00%	12,032	76,508	-

Note 1: There are three kinds of investment.

(1) Invest directly in Mainland China Companies.

(2) Invest in Mainland China by remitting through a third region.

(3) Others.

**GROUP UP INDUSTRIAL CO., LTD.****Notes to the Financial Statements**

(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 (USD12,200)	389,877 (USD12,200)	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%

**(14) Segment information:**

Please refer to consolidated financial statements of the Company and its subsidiaries as of December 31, 2021 and 2020, and for the years then ended.

**Group Up Industrial Co., Ltd.**  
**Statement of cash and cash equivalents**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash and cash on hand	\$ 1,813
Checking accounts and demand deposits		27,524
Foreign currency deposits (Note)	USD: 3,212,287.91	88,916
	CNY: 3,082,309.31	13,390
	HKD: 280,699.99	996
	JPY: 156,818,038.27	37,715
Foreign time deposits (Note)	USD: 9,500,000.00	262,960
	CNY: 3,000,000.00	13,032
Total		<u><u>\$ 446,346</u></u>

Note: The aforementioned foreign currency was valued in the rate on December 31, 2021.

USD : NTD=1 : 27.68

CNY : NTD=1 : 4.344

HKD : NTD=1 : 3.549

JPY : NTD=1 : 0.2405

**Group Up Industrial Co., Ltd.**  
**Statement of trade receivables**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Amount</u>
Customer O	\$ 65,338
Customer F	36,347
Customer C	21,722
Customer K	14,881
Other (including overdue receivables) (Note)	<u>146,051</u>
Subtotal	284,339
Less: loss allowance	<u>(10,082)</u>
Total	<u><u>\$ 274,257</u></u>

Note: Amounts less than 5% of the account balance are not disclosed individually.

**Group Up Industrial Co., Ltd.**  
**Statement of inventories**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>		<b>Market price basis</b>
	<b>Cost</b>	<b>Market price</b>	
Raw materials and semi-finished goods	\$ 123,560	72,497	Net realizable value
Work in progress	1,238,734	1,183,676	"
Finished goods	4,735	447	"
Less: allowance for inventory impairment	<u>(110,409)</u>		
Total	<u><b>\$ 1,256,620</b></u>		



Group Up Industrial Co., Ltd.

Statement of changes in investments accounted for using equity method

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Investees	Beginning balance		Additions		Decrease		Others		Share of profit of investments accounted for using equity method equity method	Exchange differences on translation of foreign financial statements	Shares	Ending balance Percentage of ownership	Amount	Collateral
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
Equity method:														
GROUP UP (SAMOA) Ltd.	12,500	<u>\$ 470,045</u>	-	<u>-</u>	-	<u>-</u>	-	<u>(243)</u>	<u>67,288</u>	<u>(3,785)</u>	12,500	100.00	<u>533,305</u>	Nil

**Group Up Industrial Co., Ltd.**  
**Statement of current contract liabilities**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Amount</u>
Contract liability j	\$ 90,157
Contract liability k	86,950
Contract liability i	67,280
Contract liability l	60,020
Contract liability m	52,032
Contract liability n	50,997
Others (Note)	<u>590,713</u>
Total	<u><b>\$ 998,149</b></u>

Note: Amounts less than 5% of the account balance are not disclosed individually.

**Group Up Industrial Co., Ltd.**  
**Statement of Short-term borrowings**  
**December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Creditor</u>	<u>Amount</u>	<u>Borrowing period</u>	<u>Rate</u>	<u>Credit lines</u>	<u>Collateral</u>
Secured bank loans	Kings Town Bank Co., Ltd.	\$ 126,000	2021.10.12~2022.1.12	0.34%	Note	Time deposit
		62,700	2021.10.26~2022.1.26	0.34%	Note	"
		<u>75,000</u>	2021.11.3~2022.2.3	0.34%	Note	"
		<u><b>\$ 263,700</b></u>				

Note: The total credit lines is 274,000 thousand.

**Statement of long-term borrowings (including current portion)**

<u>Type</u>	<u>Creditor</u>	<u>Amount</u>	<u>Borrowing period</u>	<u>Rate</u>	<u>Credit lines</u>	<u>Collateral</u>
Secured bank loans	O-Bank	\$ 14,889	2015.1.22~2022.1.15	0.66%~0.92%	250,000	Land, buildings and time deposit
Less: current portion		<u>(14,889)</u>				
		<u><b>\$ -</b></u>				

**Group Up Industrial Co., Ltd.**

**Statement of cost of revenue**

**December 31, 2021**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Items</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 93,342
Add: Raw materials purchased	1,098,594
Less: Raw materials, end of year	(123,560)
Reclassified into expense	(174)
Cost adjustment	(885)
Sales of raw materials	(63,296)
Others	(134)
Raw materials consumed	1,003,887
Processing cost	153,732
Manufacturing overhead	148,497
Manufacturing cost	1,306,116
Add: Work in process, beginning of year	968,908
Less: Work in process, end of year	(1,238,734)
Reclassified into expense	(83,674)
Maintenance costs	(16,537)
Cost of finished goods	936,079
Add: finished goods, beginning of year	8,990
Less: finished goods, end of year	(4,735)
Cost of merchandise inventory	940,334
Allowance for inventory written off	5,450
Sales of raw materials	63,296
Maintenance costs	82,847
Cost of revenue	<b><u>\$ 1,091,927</u></b>

**Group Up Industrial Co., Ltd.**  
**Statement of operating expenses**  
**For the year ended December 31, 2021**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling expense</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Payroll and bonus	\$ 28,011	51,248	63,665
Travel expense	3,094	196	6,204
Sales commission	9,186	-	-
Exporting expense	23,910	-	-
Packaging expense	20,775	-	-
Shipping fee	9,242	3	2
Depreciation	2,760	5,111	1,056
Others (Note)	<u>10,651</u>	<u>11,185</u>	<u>12,747</u>
Total	<u><b>\$ 107,629</b></u>	<u><b>67,743</b></u>	<u><b>83,674</b></u>

Note: Amounts less than 5% of the account balance are not disclosed individually

Property, plant and equipment, please refer to Note 6(g).

Accumulated depreciation of property, plant and equipment, please refer to Note 6(g).

Operating revenue, please refer to Note 6(q).

6. For the company and its affiliates in the most recent year and as of the date of publication of the annual report, if financial difficulties occur, their impact on the company's financial status should be stated none.

## VII. Financial status & financial performance review analysis & risk issues

### 1. Financial Status

#### (1) Financial Status (Consolidated)

Unit : NT\$1,000

Item	Year		Difference	
	2021	2020	Amount	%
Current assets	3,138,016	2,760,491	377,525	13.68
Real estate, plant and equipment	547,183	543,582	3,601	0.66
Other non-current assets-other	8,182	10,018	(1,836)	(18.33)
Total assets	4,085,538	3,790,947	294,591	7.77
Current liabilities	1,971,546	1,776,059	195,487	11.01
Non-Current liabilities	108,204	110,590	(2,386)	(2.16)
Total liabilities	2,079,750	1,886,649	193,101	10.24
Capital stock	550,000	550,000	0	0.00
Capital reserve	287,021	287,021	0	0.00
Retained surplus	1,200,995	1,096,477	104,518	9.53
Other equity	(32,228)	(29,200)	(3,028)	10.37
non-controlling interests	2,005,788	1,904,298	101,490	5.33
Total shareholders' equity	3,138,016	2,760,491	377,525	13.68

#### 1. The main reasons of major changes:

The main reasons for the major changes in assets, liabilities and shareholders' equity in the last two years (with changes of more than 20% in the previous and later periods, and the number of changes reached NT\$10 million) and its impact and future response and impact and Future Response Plan: NA

2. Response plan: There is no significant abnormality in the overall performance of the Company, so there is no response plan.

## (2) Financial Status (Individual)

Unit: NT\$ 1,000

Item	Year	2021	2020	Difference	
				Amount	%
Current assets		2,888,093	2,559,179	328,914	12.85
Real estate, plant and equipment		502,526	494,763	7,763	1.57
Other non-current assets-other		5,932	6,853	(921)	(13.44)
Total assets		4,015,495	3,710,575	304,920	8.22
Current liabilities		1,907,111	1,700,891	206,220	12.12
Non-Current liabilities		102,596	105,386	(2,790)	(2.65)
Total liabilities		2,009,707	1,806,277	203,430	11.26
Capital stock		550,000	550,000	0	0.00
Capital reserve		287,021	287,021	0	0.00
Retained surplus		1,200,995	1,096,477	104,518	9.53
Other equity		(32,228)	(29,200)	(3,028)	10.37
Total equity		4,015,495	3,710,575	304,920	8.22
<p>1. Explanation of the reasons for major changes:  The main reasons for the major changes in assets, liabilities and shareholders' equity in the last two years (with changes of more than 20% in the previous and later periods, and the number of changes amounted to NT\$10 million), its impact and future response plans: NA</p> <p>2. Response plan: There is no major abnormality in the overall performance of the company, so there is no response plan.</p>					

2. Financial performance

(1) Financial performance (Consolidated)

Unit : NT\$1,000

Item	Year 2021	2020	Increase (decrease) amount	% Of change
Operating revenues	1,911,543	1,614,244	297,299	18.42
Operating cost	1,149,198	895,803	253,395	28.29
Operating margin	762,345	718,441	43,904	6.11
Operating expenses	292,963	286,335	6,628	2.31
Operating profit	469,382	432,106	37,276	8.63
Non-operating income and expenses	(39,089)	(49,965)	10,876	(21.77)
Net profit before tax	430,293	382,141	48,152	12.60
Income tax	(93,792)	(71,204)	(22,588)	31.72
Net profit for the current period	336,501	310,937	25,564	8.22

1. Analysis and explanation of the change in the increase and decrease ratio in the last two years:

- (1) Operating income/operating cost/operating gross profit: In 2010, due to the impact of the epidemic, the customer's factory expansion plan continued to be deferred, but in 2011, due to the impact of the epidemic, home applications such as communications and computers were improved, resulting in an increase in customer demand, driving as operating income grew, operating costs and gross profit also grew at the same time.
- (2) Operating expenses: mainly due to the relative increase in related expenses driven by the increase in operating profit.
- (3) Non-operating income and expenses: mainly due to the fact that the exchange rate of the New Taiwan dollar against the US dollar continued to appreciate in 2010, resulting in more exchange losses on the net assets held in US dollars than in the current period.
- (4) Net profit before tax and net profit for the current period: In 2010, due to the continuous increase in operating scale, the net profit before tax and the net profit for the current period increased.

2. The expected sales volume and its basis, the possible impact on the company's future financial business and response plan: The company's overall performance has no major abnormality, so there is no response plan.



## (2) Financial performance(individual)

Unit : NT\$1,000

Item \ Year	2021	2020	Increase (decrease) amount	% Of change
Operating revenues	1,742,530	1,515,803	226,727	14.96
Operating cost	1,091,927	864,170	227,757	26.36
Operating margin	650,603	651,633	(1,030)	(0.16)
Operating expenses	259,355	247,733	11,622	4.69
Operating profit	391,005	403,785	(12,780)	(3.17)
Non-operating income and expenses	19,827	(25,711)	45,538	(177.11)
Net profit before tax	410,832	378,074	32,758	8.66
Income tax	(74,331)	(67,137)	(7,194)	10.72
Net profit for the current period	336,501	310,937	25,564	8.22

If the change in the last two years has reached more than 20%, and the amount of change has reached NT\$10 million, the main reasons are as follows:

1. The main reasons and impacts of major changes:

(1) Increase in operating profit: Mainly due to the increase in operating gross profit due to differences in product mix.

2. The company continues to serve customers with high-efficiency and high-quality products, maintains a stable financial structure, and adheres to the company's operating policies.

### 3. Cash Flow

#### (1) Analysis of cash flow changes in the last year (2021)

Unit : NT\$1,000

Cash balance at the beginning of the year①	Annual net cash flow from operating activities ②	Net cash from other activities throughout the year ③	Cash remaining (insufficient) amount ①+②+③	Remedies for insufficient cash	
				Investment plan	Financial plan
225,743	252,967	47,243	525,953	n/a	n/a

(1) Cash inflow from operating activities amounted to NT\$ 252,967,000, which was mainly due to the increase in payables and advance receipts.

(2) Cash inflow from investing activities amounted to NT\$ 361,401,000, which was mainly due to the disposal of financial assets measured at fair value through profit or loss.

(3) Cash outflow from financing activities was NT\$ 311,797,000, which was mainly due to the distribution of cash dividends and the repayment of long-term and short-term loans.

(2) Improvement plan for insufficient liquidity: The company has no situation of insufficient liquidity.

(3) Analysis of cash flow in the next year (2022)

Unit: NT\$1,000

Cash balance at the beginning of the year①	Estimated net cash flow from operating activities throughout the year ②	Estimated cash outflow from investing activities throughout the year ③	Estimated cash remaining (insufficient) amount ①+②-③	Countermeasures for cash balance	
				Investment plan	Financial Plan
525,953	544,336	(57,715)	1,012,574	n/a	n/a

The company and its subsidiaries are expected to have a net cash inflow of NT\$544,336,000 from operating activities in 2022, a net cash outflow of NT\$57,715,000 from investing activities, and an estimated surplus of cash of NT\$ 1,012,574,000. It is expected that there will be no shortage of cash in 2022.

#### 4. The impact of major capital expenditures on financial operations in the most recent year

The company has no major capital expenditures in the most recent year, so it has no major impact on the financial business.

#### 5. The reinvestment policy in the most recent year and the main reason for profit or loss and its improvement plan and investment plan for the next year

##### (1) Reinvestment policy

The company's reinvestment policy is based on the consideration of sustainable operation and operational growth, and "procedures for the acquisition or disposal of assets" stipulated in accordance with the "Procedures for the Handling of Assets Acquired or Disposed by Public Companies" stipulated by the competent authority as the company's reinvestment. The basis of the business is to grasp the relevant business and financial status. In addition, in order to improve the supervision and management of the investment company, the company has formulated the "Supervision and Management Measures for Subsidiaries" in the internal control system., inventory and financial management to formulate relevant norms, the company also regularly conducts audit operations, and establishes a relevant operational risk mechanism, so that the company's reinvestment business can maximize its effectiveness.

##### (2) Main reasons for profit or loss of reinvested business in the most recent year and improvement plan

Unit : NT\$1,000

Reinvestment business	Main Business	2021 Annual recognition Investment gains and losses	Main reasons for profit or loss	Improvement plan
GROUP UP (SAMOA) LTD.	Investment holding	67,288	Third place reinvestment company, recognize the investment income of the Chinese subsidiary in accordance with the equity method	n/a
Group Up Technology (SIP) LTD.	Equipment manufacturing,	54,159	Mainly due to the steady growth of orders	n/a

	Sale and maintenance			
Group Up Trading (Shenzhen)LTD.	Sale and maintenance	12,032	Mainly due to the steady growth of orders	n/a

(3) Investment plan for the coming year

According to the needs of operation and development, appropriate funds will be invested in each reinvestment business to improve and enrich working capital.

## 6. Analysis and evaluation of risk issues

### (1) Risk factors

1.The impact of interest rate, exchange rate changes, and inflation on the company's profit and loss and future countermeasures

(a)The impact of interest rate changes on the company's profit and loss and future plans

The company's 2021 interest expense is NT\$ 1,285,000, accounting for 0.07% of operating income. Therefore, overall, interest changes have no significant impact on the company's revenue and operations. In addition, the company will, depending on the changes in interest rates in the financial market, make appropriate plans for the use of funds and maintain close contact with banks to strive for more favorable interest rates to maximize the cost-effectiveness of funds

(b)The impact of exchange rate changes on company's profit and loss and future plans

The company's main sales income is mostly denominated in US dollars, and the cost of materials and processing is mostly denominated in Taiwan dollars, resulting in risk of exchange rate fluctuations. The exchange (loss) and profit in 2021 is NT\$(55,194,000), accounting for 2.89% in net operating income, showing that exchange rate changes have a certain degree of impact on the company's revenue and profit. Related exchange rate risks come from future commercial transactions and recognized assets and liabilities. The company's financial personnel maintain close contact with the foreign exchange departments of various financial institutions, and pay close attention to exchange rate information and changes in the international economic situation at all times, and carefully study and judge exchange rate trends, and Take appropriate measures as a reference for adjusting foreign currency accounts, and by establishing a consensus with customers to share risks, when quoting customers, fully consider international exchange rate trends and exchange rate fluctuations, and use appropriate and reasonable exchange rates as the basis for quotation. Reduce the impact of exchange rate fluctuations on the profit of receiving orders to reduce the impact of exchange rate risks

(c) Impact of inflation on the company's profit and loss and future plans

The company's quotations to customers are adjusted with reference to the fluctuations in the prices of raw materials in the market. Therefore, inflation will not have a significant impact on the company's profits and losses. The company will always pay attention to market price fluctuations and maintain good interaction with suppliers and customers. Relationship to avoid the risk of adverse effects of inflation on the company's profit and loss

(2) Engage in high-risk, high-leverage investment, fund lending to others, endorsements and derivatives trading policies, main reasons for profit or loss, and future countermeasures.

The company focuses on the operation of the industry and adheres to the principle of financial soundness and conservativeness. It does not engage in high-risk, high-leverage transactions. Therefore, the company has not engaged in high-risk, high-leverage investments or capital loans in the most recent year and as of the publication date of the prospectus. Transactions with others, endorsements and derivatives; if you want to engage in fund loans to others, endorsements and derivatives transactions in the future, based on operational risk considerations, we will follow the company's "funding loans and others operations procedures" ", "Endorsement Guarantee Processing Procedures" and "Processing Procedures for Engaged in Derivative Commodity Transactions"

(3) Future R&D plans and estimated R&D expenses

In addition to continuously improving R&D personnel's own capabilities, the company's R&D capabilities are established, and the R&D system is established to nurture outstanding talents and enhance the company's competitiveness. The company also interprets market demand, confirms product development directions, and invests in new products and new products. Technology research and development, the company's future product development directions are as follows:

A. GP's products for further research and development:

- IC substrate solder mask and PCB circuit roller coating baking line
- Electrostatic spray baking line for PCB solder resist
- Robotic arm loading and unloading clamp frame tunnel furnace for IC carrier ultra-thin board
- Various conveyor furnaces and UV machines for PCB HDI process

- e. Roll-to-roll laminating machine for FPC circuit
- f. Roll-to-roll exposure machine for FPC circuit and solder mask
- g. Low oxygen content and dust-free nitrogen precision oven
- h. Roll-to-roll lamination, exposure and baking equipment for RFID and Smartcard circuits
- i. CoverGlass uses dewatering IR oven, pre-baking hot plate oven, post-baking hot blast stove, various vertical ovens and UV machines

B. Actively develop niche special process equipment for the production needs of the following industrial products:

- a. All kinds of vehicle electronic products
- b. Smart phone related parts and components
- c. Flexible display
- d. Key materials and components for OLED panel manufacturing process
- e. Touch film made of double-sided metal layer thin film materials
- f. Medical materials
- g. Green energy

C. Develop and integrate smart industry related products

The company follows the trend of Industry 4.0 intelligent manufacturing system, cooperates with CIM, EMS and CCD vision system, and with the company's system automation design capabilities, successfully introduced robotic arms, and related products and systems are used in conjunction with eyes, hands, and brains., To meet the needs of customers for intelligent, intelligent and automated system manufacturing.

The company invested NT\$ 85,951,000 in research and development in 2021. In order to ensure a high degree of competitive advantage, the company will flexibly adjust the content of the research and development plan at any time in line with its operating strategy and market demand.

- (4) The impact of important domestic and foreign policy and legal changes on the company's financial business and corresponding measures

The company's operations are handled in accordance with relevant laws and regulations, and we are always aware of important domestic and foreign policy development trends and changes in laws and regulations to provide management decision-making reference, and take appropriate countermeasures in response to changes in the market environment. The company also adjusts in time Operational strategy.

In addition, the company always pays attention to the important policies and laws and regulations implemented by the governments of various countries in the industry, adopts appropriate business strategies, and develops new technologies and products that are in line with the industry to expand the market. In the most recent year and as of the publication date of the prospectus, the company has not been affected by major domestic and foreign policy and legal changes that have affected the company's financial business.

- (5) The impact of technological changes and industrial changes on the company's financial business and corresponding measures.

The company always pays attention to the changes and development of related technologies in the industry in order to be able to quickly grasp the industry dynamics. In addition, it also continuously improves R&D and design capabilities, and invests resources in research and development of new technologies, and actively expands product applications in new areas to create market revenue.

For the needs of customers, tailor-made according to their differentiation, and timely grasp the changes in technology and industry, to adjust the development direction, make relevant plans and take necessary response measures. In the most recent year and as of the publication date of the prospectus, there has been no significant impact on the company's financial business due to technological changes and industrial changes.

- (6) The impact of corporate image change on corporate crisis management and countermeasures  
Since its establishment, the company has complied with relevant laws and regulations, so it has established a good corporate image with good service, high efficiency and high quality. In the most recent year and as of the publication date of the prospectus, there has been no incident that has had any impact on the company's crisis management due to changes in the corporate image.
- (7) Expected benefits, possible risks and corresponding measures of mergers and acquisitions:  
As of the printing date of the annual report, the company has no such situation.
- (8) Expected benefits, possible risks and corresponding measures of the expansion of the plant:  
As of the printing date of the annual report, the company has no such situation.
- (9) Risks faced by purchase or sales concentration and corresponding measures:  
(A) Concentration risk of purchases:

At this stage, the company does not have concentrated purchases and maintains a good relationship with suppliers. Therefore, it is safe to grasp the source of raw materials. In addition, the company does not purchase more than 20% of the same supplier from a single supplier, and the company will continue to be active Planning to seek more quality suppliers, there is no risk of concentration of purchases.

(B) Concentration risk of sales:

The company maintains a good relationship with its customers, and actively expands the industry with new customers. Currently, there is no single customer who sells the same customer more than 20%. In addition, with the expansion of the scale of operations, the company is actively developing new products and opening up new customers, and there is no risk of concentration of sales.

- (10) Board Directors, supervisors, or major shareholders holding more than 10% of the shares, the impact, risks and countermeasures of the company's massive transfer or replacement of shares:

As of the printing date of the annual report, the company has no such situation °

- (11) The impact, risks and countermeasures of the change of management rights on the company

As of the most recent year of the company and as of the publication date of the prospectus, there has been no change in the operating rights of the company.

- (12) Litigation or non-litigation events:

As of the printing date of the annual report, the company has no such situation.

- (13) Information security risk assessment analysis and corresponding measures:

With the increasingly developed network and the increasing threat of network security, the company has built a complete information security protection system to ensure the effective operation of related important systems such as company operations and accounting.

The company has also formulated relevant operating methods related to the use of computerized information system processing to implement internal control systems and maintain information security policies.

The goal of the company's electronic information security policy:

- Handle information security education, training and publicity, and establish employees' information security awareness.
- Protect our company's confidential information.
- Respect intellectual property rights and protect customer and company information.
- Prevent the invasion of computer viruses.
- Ensure that all information security accidents or suspicious security weaknesses should be reported to the top in accordance with an appropriate notification mechanism, and be properly investigated and handled.
- Comply with the requirements of relevant laws or regulations and achieve the goal of continuous business operation.
- The above measures effectively protect the company's information security and prevent improper access and hacking. In 2021, the company has not discovered any major cyber security threats, nor has there been any legal cases or regulatory investigations related to this.

- (14) Other important risks and corresponding measures:

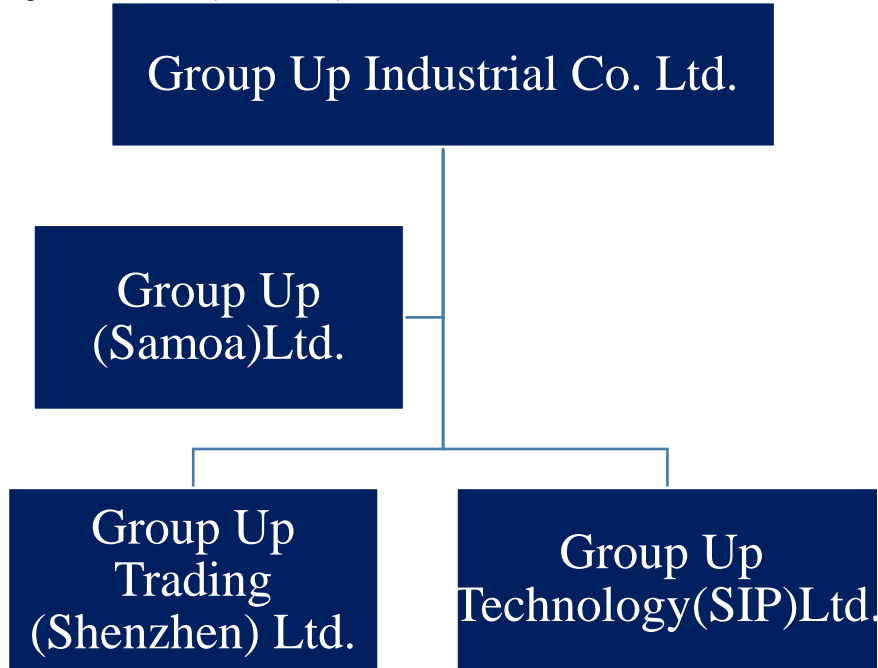
As of the printing date of the annual report, the company has no such situation.

## 7. Other important items none

## VIII. Special Records

### 1. Related information of related companies

#### (1) Organization Chart (2021.12.31)



#### (2) The relationship between the company and its affiliates, mutual shareholding ratio, shares and actual investment amount

2021.12.31, Unit: thousand shares; Currency: foreign currency /NT\$1,000

Name of Company	Relations with the Company	The company holds shares in affiliated companies			Holding shares
		Shares	Shareholding ratio	Investment amount	
GROUP UP (SAMOA) LTD.	Subsidiary of the company	12,500	100.00%	399,464 (USD12,500)	None
Group Up Technology (SIP) LTD.	Subsidiary of the company	(note)	100.00%	373,898 (USD11,700)	None
Group Up Trading (Shenzhen) LTD.	Subsidiary of the company	(note)	100.00%	15,979 (USD500)	None

Note: It is a limited company established in mainland China.

- In the most recent year and as of the date of publication of the annual report, the handling of privately placed securities: none
- Status of holding or disposing of the company's stocks by subsidiaries in the most recent year and as of the date of publication of the annual report: none
- Other necessary supplementary explanation items: none
- Matters that have a significant impact on shareholders' equity or securities prices as specified in second paragraph of Article 36 of the Securities Exchange Law: none.

群翊工業股份有限公司  
Group Up Industrial Co. Ltd.



Mr. Chen, An Shun  
Chairman of Board Director

