



三陽工業 SANYANG MOTOR

Annual Report 2021

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SANYANG MOTOR CO.,LTD. Annual Report 2021



The All- New
Tucson L

SANYANG MOTOR CO.,LTD.

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M.O.P.S. Taiwan Stock Exchange Corporation : <http://mops.twse.com.tw>

Website of the Company : <http://www.sanyang.com.tw>

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Chapter 1. Letter to Shareholders

I. 2021 Business Report

(I) Results of Operation

Net sales amount was NT\$ 29,876,799 thousand in 2021, with a 2.99% decrease in YoY growth compared with NT\$ 30,796,834 thousand in 2020.

(II) Budget Execution

Unit: NTD\$ thousand

Item	Estimated 2021 net operating revenue	Actual 2021 net operating revenue	Difference	Control rate(%)
Motorcycles	18,607,393	18,651,475	44,082	100.24
Automobiles	8,052,893	8,788,924	736,031	109.14
Others	2,090,174	2,436,400	346,226	116.56
Total	28,750,460	29,876,799	1,126,339	103.92

(III) Financial Revenue and Expenditure and Profitability Analysis

1. Financial revenue and expenditure:

In 2021, net operating revenue was NT\$ 29,876,799 thousand, operating cost was NT\$ 26,161,020 thousand, operating expense was NT\$ 2,259,914 thousand, net operating income was NT\$ 1,434,778 thousand, net profit of non-operating income and expense was NT\$ 582,487 thousand and profit before income tax was NT\$ 2,017,265 thousand.

2. Profitability analysis:

Item	2021	2020
Return on assets (ROA) (%)	5.58	6.26
Return on equity (ROE) (%)	12.13	13.46
Net profit margin (%)	6.13	6.29
Earnings per share (EPS) (current period) (NT\$)	2.30	2.41

(IV) Research and Development

1. Motorcycles

(1) Mass production models launched in 2021:

A. Fiddle LT 115 (ZRSG) (domestic sales)

Introduction

Fiddle LT 115 is a small commuter motorcycle developed particularly for young women, with a retro, fashionable, simple shape and fresh accessories/colors. It features women's most coveted light, delicate shape, and carriage convenience Fiddles LT 115 is equipped with the latest ZRSG technology (Zero Resistance Starter & Generator System) enabling less fuel consumption, exhaust emission, and noise pollution.

Product Positioning

Fiddle LT 115 is a commuter motorcycle built for young women between 18 to 24 years old, suitable for every day needs, It features exquisite body shape, light size, convenient storage, low seat height, an easily maneuverable center stand with an affordable price.

B. Fiddle DX 150 (domestic sales)

Introduction

Fiddle DX 150 was launched in early 2021, after the successful launch of Fiddle 125 in mid-2020, This model is targeting quality-conscious metropolitan men to satisfy their romantic desire for riding. The body of this model was designed with the low-key luxury concept, breaking through the stereotype of masculinity for motorcycles with an engine displacement of 150 c.c.; the mellow shape of the body also gives the feel of elegance and low profile. Carrying dual disk brakes and dual shock-absorbing system; it equips new technology-based LED headlight, LED position light, and LED taillight; full performance of 150c.c. and energy-saving Grade I fuel consumption; coupled with SYM's exclusive triple zero technology. Two models are available - ABS and CBS2.0. With the perfect blend of exquisite texture aesthetics and advanced technology, when riding with Fiddle DX 150, customers are no longer just a rider, but a gentleman with a sense of quality and technology.

Product Positioning

The model targets middle and high income office workers aged 25 to 44, predominantly male consumers who prefer retro models and focus on

product designs. Applicable to medium/short-distance commuting, it is an urban motorcycle with excellent shape and practicability in virtue of Grade I fuel consumption.

C. JET SL 125 (domestic sales)

Introduction

JET S was launched in 2015, and upgraded to the JET SR series equipped with an LED fisheye headlamp and light bar taillight in 2020. It has successfully become one of the preferred models for young men aged 18-24 looking for popular sports models. In 2021, JET aggressively launched the JET SL series equipped with a liquid-cooled engine. In addition to the continuation of the diversified refitting of the JET series, SL's model shape has been adjusted to a more aggressive racing style. Equipped with an upgraded auto dimmer LCD instrument, upgraded sizes of both front and back brake disks, and the ZRSG system. The focusing point of the alteration is the introduction of the liquid-cooled engine, with 16% more horsepower and 9% more torque than the previous air-cooled engine, making JET SL the race winner in class performance and the king of the track.

Product Positioning

The products are primarily specific to young men between 18 to 24 years old. Beside going to school and commuting, the consumers like riding motorcycles for airing and climbing everywhere. They are also fond of having their motorcycles modified. In making purchases, priority is given to consider appearance, style, power control, price and modifiability.

D. 4MICA 125/150 (domestic sales)

Introduction

The 4MICA series is designed to adapt to the diverse work needs of the new generation, incorporate youthful genes and retain practical functions that can be installed in multi-functional organizations. The goal is to provide customized changes for different use to meet the many needs of new generation consumers who value flexible allocation of living and work. Enhanced active/passive safety with LED headlights and ABS system (placed in front wheels according to the model), fitted with handlebar brake locks, dual-flash lights, and the start & stop switch for the engine to improve the convenience of parking and meet the multi-functional model of leisure and work.

Product Positioning

4MICA seeks to expand the infinite aspects of life, transforming motorcycles into automobiles that are “good partners in life and good helpers in work”, so that consumers aged 25-50 can use modular accessories to combine customized automobiles that meet their personal needs. The multi-purpose 4MICA outlines a consumer-centric mobile life, makes everyday life unique.

E. DRGBT 158 R-Edition (domestic sales)

Introduction

DRG BT is a brand new generation of liquid-cooled engine 158 c.c. scooter introduced for the Taiwan market. With the dragon, one of the oriental four divine beasts, as its design inspiration, its edgy styling was integrated with the high-speed line of supercars. It is positioned as a “performance sporty scooter” among the various models of scooters. With its unique exterior design and excellent functional equipment, it has won numerous praises since its launch in 2019. The upgraded R-Edition was launched in 2021. In compliance with Phase VII environmental regulations, the power performance of DRG BT was further upgraded. It is equipped with the TCS anti-slip traction control system, exclusive tires developed in cooperation with MAXXIS, and enables the riders to enjoy the riding speed at the meantime being protected with a significant improvement in safety functions. On the other hand, the “sapphire blue coating technology” was introduced into the projective headlights, further enhancing the brightness of the lighting. The direction lights were upgraded to the “sequential LED direction lights”, which effectively alerted the automobiles at the back; a “3D Dragon Pattern LED Taillight Set” is adopted for a high recognition to enhance the night recognition and better serve the image of the dragon. The evolutionary DRG BT R-Edition not only optimized the power system but also upgraded the surrounding security and functionality, setting the DRG BT's flagship performance position.

Product Positioning

The major target customers are men aged 18-24, and the second-tier customers are men aged 25-29. With a unique, avant-garde, speedy appearance, and rich technological equipment, it meets the demands of young people's leisure life and heavy motorcyclists' daily multi-functional life.

F. JET4 RX 50/125 (foreign sales)

Introduction

JET4 RX is focused on the sporty market in Europe and Central and South America. Designed with an aggressive new sports style, it is equipped with LED headlights, handlebars with brake protectors. JET 4 RX is in compliance with Euro V emission regulations.

Product Positioning

TET4 RX 50/125 targets young men and women aged 16-35 (students/office workers); for uses of daily commuting and holiday leisure activities.

Modification spaces are provided which also offer riding pleasure.

G. Symphony ST 50/125/200 (foreign sales)

Introduction

There are three models in the Symphony series, including S, SR, and ST. Symphony ST is the 16-inch high-end model. Symphony ST is a brand new model with exterior lines primarily focused on agile, modern, and masculinity. Its frame is fully evolved, apart from the introduction of the Anti-Lift Engine Hanger system (A.L.E.H), the fast-charging outlet, and the spacious under-seat luggage box which allows two helmets storage are the unique selling points.

Product Positioning

A 16-inch commuting scooter for mature men strengthens the modern sense of fashion; a larger size makes the scooter more suitable for two passengers.

H. MAXSYM TL (foreign sales)

Introduction

SYM launched a new 500c.c. scooter in the European market. With a fluid and charismatic exterior design and excellent manufacturing technology, its shape was built and weaved into a perfect style. Under the simple European-style appearance, it contains lines of extreme sports aggression, showing the sports aesthetics of the new generation of large-scale scooters. Maxsym TL is equipped with a newly developed liquid-cooled and twin cylinder engines increasing the emissions from the original 465 c.c. to 508 c.c. Maxsym TL also complies with Euro V emission regulations. It's also equipped with a wet clutch, one-piece crankshaft, and reverse balance cylinder. Its engine, minimum shaft length for the same class, 50:50 perfect weight distribution, and upside-down front fork suspension system with 6-link rear suspension has resulted in outstanding maneuverability. Equipped

with a keyless system replaced the key to access the ignition by placing the key fob around. It introduced the first LED optical filmed taillights to the industry and created a 3D flame effect through the LED, bringing a high level of recognition and a rich variation in colors of the light when riding on the road. The full-color TFT LCD instrument panel is integrated with multi-module panels and color selection, and the enriched and concise design gives consumers a fresh experience.

Product Positioning

MAXSYM TL targets ages 30-50, male office workers and professionals, outdoor activity lovers, fond of the feel of speed (similar to cycling), currently riding SC300-400 or medium to large size scooters but looking to transform to the SC series.

(2) 2022 mass production models

Besides the existing 50-600 c.c. motorcycles already under mass production, and light electric motorcycles, we will, satisfy different market demands and launch brand-new and modified motorcycle both in domestic and foreign markets in 2022, including five brand-new scooters, four modified scooters, and one modified electric scooter. We expect these modified models to increase SYM's revenue.

2. Automobiles

(1) 2021 automobiles under mass production:

A. The All-New Tucson L

Introduction

The All-New Tucson L has a fresh look that stunned the market since its release. Its design team has used the digital parametric dynamics technology for the first time to simulate the three-dimensional outlines, surface, angle, and shape, so as to finish the advanced accomplishment. The interspace is designed based on digital human engineering technology. It allows a broad and balanced view of the front seat and a 10.25-inch digital dashboard which is the largest size of the same class car. It features a borderless streamlined design and proprietary antiglare coating technology while integrating digital multimedia functions and air-conditioning. For the first time, through the hidden multi-point air outlet design, the wind-free air conditioner not only brings a natural breeze effect to the car cabin but also reduces the noise value of the air outlet, which is like a quiet enjoyment in a first-class cabin. The

flyover-shaped console and SBW electronic transmission gear design which is comparable to imported luxury cars are all brand new designs of the new generation HYUNDAI models. In addition, with The All-New Tucson L's industry-leading new technology, Remote Engine Start System, which allows users to start the engine remotely with the Smart Key. It also features the constant temperature air conditioner which the driver can turn on in advance; allowing passengers start a comfortable journey right when they get into the car. The All-New Tucson L is a European-standard long-wheelbase model supplied by the original factory for domestic demand, creating a large passenger space and a large luggage space that are crucial for family trips. Tucson L is equipped with up to 18 advanced safety technologies of "HYUNDAI SmartSense", and the Level-2 autonomous driving technology as a standard setup. In addition, The All-New Tucson L offers a lot more leading technologies than its class, including the advanced FCA-JX for Forward Collision-Avoidance Assist, BCA for Blind-Spot Collision-Avoidance Assist, RCCA for Rear-Cross-Traffic Collision-Avoidance Assist, SEW for Safe Exit Warning, and LVDA for Leading Automobile Departure Alert, etc., building a full range of active protection for The All-New Range L. Combining all the advantages of innovative design, solid engineering, and safety technology, The All-New Tucson L is an advanced innovative sporty SUV that will officially change your stereotyped impression of domestic SUVs.

Product Positioning

With new-generation 1.6L gas turbine engines and 7-speed DCT system, these cars target customers who attach importance to performances.

B. VENUE Vivid Color Limited Edition

Introduction

When it comes to elements such as limited edition, customization, and personalized design, regardless of the fashion industry or the global car market, it often requires a very high starting price. However, the VENUE Vivid Color Limited Edition once again takes advantage of the high C/P value characteristic of the VENUE series. It not only introduces the high-quality exclusive paint of "Tiffany Blue" or "Jennifer Yellow" for the appearance but also piping in the seat leather trim treatment corresponds to the same color as the body. The consistent exterior and interior design style are just like what fashionistas self required for dressing up. With the extremely limited quantity

of 100 automobiles available, buyers rush to get one the exhibition halls in Taiwan.

Product Positioning

Targeting young customers looking for new changes with limited vivid color edition.

C. VENUE Cool Grey

Introduction

When The All-New VENUE series of HYUNDAI was launched in May, the Vivid Color Limited Edition received a more overwhelming response from the market. The limited quantities available also attracted customers who are fond of ultra-bright colors. Therefore, a new limited edition of "Cool Grey" is launched, inheriting the fun and playful color appearance, it attracts customers with better driving pleasure than the same class and active safety technologies. With the VENUE Vivid Color collection, the one-tone color of silver, white and black that used to be on the street is replaced with the liveness of bright colors. Following the high praise of "Tiffany Blue" and "Jennifer Yellow", HYUNDAI introduced a new "Cool Grey" color pursuant to the trendy color of grey in fashion. The two-tone bright red roof, rearview mirrors, door handles, and Spark sports seats express your multiple characteristics and let people see not only your appearance but also your personality.

Product Positioning

The VENUE Cool Grey targets young customers looking for new changes with limited vivid color edition.

D. The New KONA / KONA N Line

Introduction

The New KONA / KONA N Line is powered by a second-generation Gamma 1.6 Turbo straight-line four-cylinder engine. The strongest features are enhanced horsepower and fuel efficiency. Brand new Continuously Variable Valve Duration (CVVD) tuned by the N Brand, integrated thermal management system, continuously variable oil pump (reduce engine power consumption), fuel injection system (350 bar, improve combustion efficiency), with the new seven-speed Dual Clutch Transmission (DCT) enhances the heat dissipation efficiency of the clutch and gear control optimization. Furthermore, with Hyundai's original Drive Mode upgraded

from 3 options to 6 options, you can select from multiple drive modes anytime you like, which is both practical and fun. HYUNDAI adheres to the development premise of the high-rigidity body and high safety equipment of the new car, 51.8% of the whole body of The New KONA / KONA N Line is made of AHSS advanced high-rigidity steel, which not only has a high-strength safety automobile structure but also helps to enhance the dynamic anti-twist and control stability. The KONA Plus model and above are equipped with Level 2 semi-autonomous driving technology and HYUNDAI SmartSense all-intelligent safety technology, which are the best active and passive safety for the same class of SUVs. The crossover sport utility and innovative design have always been the main reason why KONA has always drawn high attention within the same class SUV market, and the innovative design of the new model brings a more mature feel. The sporty and vibrant streamline of the car body, the Two-Tone color mix and match, plus the new honeycomb air intake dam and the new front and rear bumpers in sporty foggy silver, and the separate LED head and tail lights make the already outstanding atmosphere even more arrogant. In particular, the top KONAN Line's exclusive black mesh water tank cover, N Line nameplate, N Line honeycomb air intake dam, and front bumper vertical air intake curtain make the visual effect sharper. The rear spoiler fins, single-side double tailpipes, and the upgraded 18-inch diamond-shaped cutting sports aluminum rims equipped with performance sport tires show the personality of a vowed racing rogue.

Product Positioning

As the latest-generation small SUVs, Venue highlights elegant design, safe equipment and dynamic maneuvering feelings.

E. KONA Electric

Introduction

KONA Electric is the first pure electric small SUV in the market, with its core advanced pure electric power and high mileage as major advantages eliminating consumer concerns about electric automobiles. Both standard EV300 and enhanced EV500 are equipped with high-performance permanent magnet synchronous electric motors, with the max power of 136 ps and 204 ps, the max torque of both 40.3 kgm. The zero-latency power output characteristic gives a quick acceleration that combustion engines can not deliver. The most critical battery system uses highly reliable liquid-cooled

lithium-ion battery modules. In addition to the excellent cooling heat dissipation function during its operation, its built-in EPCU energy system monitors data such as electricity and temperature at any time to ensure the battery system's performance and utilization are at ease. As for battery capacity related to endurance, the total battery capacity of standard EV300 and enhanced EV500 are 39.2 kWh and 64 kWh, with the maximum mileage of EV300 reaching 312 km (according to the WLTP test standard in Europe) and EV500 reaching 482 km, even exceeding the mileage of the same class gasoline-powered automobiles. In addition, it is equipped with exclusive technologies to accurately control the power of KONA Electric batteries: PDS three-stage kinetic energy regenerative braking system (with control paddles), low battery warning system, charging status indicator, CCC intelligent power monitoring system (with energy consumption ratio /preset charging time/charging max limit adjustable) and the VESS virtual engine sound system. KONA Electric continues the cool sports design style of the KONA series. The innovative aesthetics has been recognized by four major industrial design awards in Europe and the United States. The unique appearance of the electric automobile is its integrated water tank guard shape and the streamlined and rounded front, which are both aesthetical and practical. The interior inherits the configuration of sports style, so that driving electric automobiles can enjoy both technology, comfort, and convenience. In terms of safety technology, the whole KONA Electric series are equipped with 15 HYUNDAI SmartSense advanced active and passive safety technologies and a high level of Level-2 autonomous driving technology. Even with the position as an affordable electric automobile, it comes with state-of-the-art leading technology. Complemented with AHSS advanced high-rigidity steel body and the surrounding reinforced battery chassis structure to guard the last protective wall of safety.

Product Positioning

Kona electric is the first pure electric small SUV in the market, attracting customers who are passionate about technology and who care about the environment.

F. The New SANTA FE

Introduction

The two new power systems of the New SANTA FE will be the strongest to outperform others in the same flagship class. In addition to the new

generation of Smartstream 2.2 CRDi diesel turbine engine power, a new 1.6 Turbo Hybrid was introduced. HYUNDAI's turbo hybrid model is the only one in its class. The 1.6 Turbo engine (180ps/27kgm) adopts GDi direct-injection technology. Through the pioneering technology Continuously Variable Valve Duration (CVVD) system, different valve opening times are given for each speed range to meet the needs of high acceleration and high economical driving. It breaks the barrier of fuel engine performance and energy saving. Combined with a high-performance permanent magnet synchronous motor (60ps/26.9kgm) and the second-generation 6-speed manual automatic transmission system, it has a comprehensive output performance of up to 230ps, which also contributes to the excellent performance of low fuel tax and high fuel consumption, creating unmatched linearity, smooth and full acceleration experience.

The New SANTA FE flagship model inherits the honor, pursues new ideas, and delicately portrays the figure of the new generation king, which integrates its luxurious aristocratic momentum. The size of the new model is enlarged with a large and eye-catching Cascading Grill three-dimensional grille water tank guard, combined with the design of the T-Shaped LED light set, and the corresponding T-Shaped sequence impression LED tail light set is introduced at the rear of the car. The horizontal design that runs through the left and right sides continuously stacks the sense of technology, forming a new and evolved luxury pattern. The appearance of The New SANTA FE is bold and innovative, and the luxury interior design has also moved towards a high-quality evolution, providing a perfectly comfortable experience.

Benefiting from the larger size of the car, the legroom of the second-row seat is increased by 34mm, and the ride is more spacious and comfortable. An independent air-conditioning system for third-row passengers is also available. The acclaimed Easy-In electrically adjustable front passenger seat, Easy-Touch button to fast forward tilt in and out the second row, and the angle-adjustable / front and rear sliding second-row seat design are also continued. In addition, The New SANTA FE has a spacious luggage compartment. To make full use of the 6:4 separation of the second row or 5:5 separation of the third row, flexible space changes are available. Adhering to the concept of safety regardless of levels, The New SANTA FE is equipped with 10 HYUNDAI SmartSense all-intelligent safety technologies as standard and the Level-2 autonomous driving technology, making your wonderful

journeys easier.

Product Positioning

One of HYUNDAI's latest generation green energy SUV models. Through the introduction of Hybrid models, the overall brand image will be enhanced, and attracts customers who pay attention to safety equipment, have the need for third-row seats, large space, and care about performance.

G. ELANTRA Flagship Model

Introduction

ELANTRA's "Stunning Flagship" has a newly adjusted interior design which includes an upgraded ASUKA Flying Bird 8-inch multimedia audio and video touch console (including a Reverse Camera). ELANTRA is designed and manufactured locally in Taiwan. The double front-seat sports car seats are also embroidered with the model name "ELANTRA." The words and white piping stitching are applied on both sides of the seat, which not only provides a more convenient localized video and audio experience, but also has a better cabin texture performance.

Product Positioning

The car is equipped with a 1.6 L engine displacement and Level 1 energy efficiency, and an upgraded audio-visual system to accommodate daily use.

H. PORTER PRO

Introduction

In response to the trend of environmental protection in the new era and to provide a more advanced business partner for commercial car owners, HYUNDAI's new PORTER PRO diesel beast has been remodeled. In terms of appearance, the new PORTER PRO has a sleek front design and is upgraded with the 4-in-1 crystal drill headlight set. Replacing with a new sedan-style steering wheel and trip computer speed dial, and the upgraded leather automatic shift lever, the driver's grasping texture is to be further upgraded. Equipped with the Super Vision high-contrast instrument with a 3.5-inch TFT LCD display trip computer, offering driving information just like a sedan does, allows the driver to grasp the driving condition in real-time. In addition to the automatic transmission models, the new PORTER PRO has a fully evolved 5-speed automated manual transmission function, which has the advantage of changing the gears more efficiently in response to the requirements of high loading and complex road conditions. In response to the

trend of environmental protection, a new SCR Selective Catalytic Reduction system was added to meet the environmental regulations of Phase VI. The new PORTER PRO's standard safety equipment includes ESC electronic stability control system, ABS anti-lock braking system, TCS traction control system, EBD electronic brakeforce distribution system, BAS brake assist system, and reinforced steel beam on the automobile side. With the specially equipped HAC hill-start assist control system, there is no need to worry about the situation of sliding when climbing during daily trips. PORTER PRO also has the longest cargo platform of 10.3 feet and a legal load of up to 1,575 kg. One trip to carry twice the cargo, with the times progressing, a smart customer makes money by saving.

Product Positioning

PORTER PRO targets self-owned businesses, logistics, and business automobiles; customers who focus on cargo space and capacity.

(2) Automobile types that will be produced in bulk in 2022:

The brand new MPVs, refitted passenger automobiles and commercial trunks will be launched in 2021 to satisfy customers' diverse methods and requirements for repurchase and upgrading.

II. Outline of 2022 Business Plan

(I) Business strategies

1. Quality: Finish work and delivery punctually and by ensuring both quality and quantity.
2. Innovation: Keep improvement and enhance the company's competitiveness with new thinking and technology.
3. Service: Enhance professionalism, customer experience and brand satisfaction.

(II) Expected sales volume

Business volume objective in 2022: 356,000 motorcycles and 15,000 automobiles.

(III) Key production and distribution policy

1. Boost the marketing system focusing on "customer satisfaction".
 - (1) Keep improving the value of SY brand by enriching the scientific and humanistic features of the products; reflect the brand features of vitality, enjoyment, innovation and international vision and bring more traveling funs to customers;
 - (2) Keep upgrading the hardware and software level of distribution channel, intensify service and technical training, create the channel store style and decoration complying with professional brand image and enhance the channel

- management efficiency and the level of sales, maintenance and parts (3S);
- (3) Cooperate with overseas agents with high quality products, occupy overseas market actively and enhance the global market occupancy rate;
 - (4) Enhance the differentiated added value in virtue of innovative thinking, break through outdated ideas, resolve difficulties from a non-traditional perspective and grasp and cope with market changes quickly and effectively;
 - (5) Keep intensifying the management and sales systems of the spare parts, center while enhancing the quality and supply of parts and improve the sales volume of the original plant's parts.
2. Implement the production system where "quality" is prioritized.
 - (1) Boost the machine platform and balanced production constantly;
 - (2) Implement quality audit and auxiliary system and ensure the quality of global production base and satellite plant;
 - (3) Strengthen the problem awareness and problem-solving capacity of all staff and boost plant datamation, transparent information and reasonable process.
 3. Enhance automobile plant's productivity and product competitiveness comprehensively
 - (1) Cooperate with Hyundai Motor continuously and closely, keep the same pace with international HYUNDAI brand operation and intensify the capacity of the existing production line;
 - (2) Introduce energy-saving and NEVs, motor automobiles with high performance and discounted price and intensify brand image and product competitiveness;
 - (3) Introduce Hyundai Motor's most competitive commercial automobile, improve product sales line and expand market occupancy;
 - (4) Update production equipment and carry out reasonable process construction continuously, seek for overseas OEM orders and improve productivity.
 4. Put an emphasis on the cultivation of international talents
 5. Establish certain economic scale for SYM.

III. Future Development Strategies of the Company and Effects of External Competitions, Legal Environment and Overall Business Environment

- (I) The COVID-19 pandemic continues to impact the global economy but Taiwan has maintained stable control over its spread. The pending expiry of the commodity tax subsidies for replacement of old automobiles also increased the demand for the replacement of automobiles and motorcycles. The overall motorcycle market in 2021 was approximately 809,000 automobiles and the automobile market was approximately 450,000 automobiles. In response to rapid changes in the market and competition from imported automobiles, Sanyang continues to strengthen product competitiveness to meet international environmental protection/energy conservation trends and the government's energy conservation and carbon emissions reduction policies. The Company continues to develop new energy and energy-saving commodities with its outstanding R&D strengths and develops energy-saving internal-combustion engines and electric automobiles, in order to improve energy efficiency and keep up with accelerated development of new energy automobiles.
- (II) In consideration of developed public traffic network, extended service life of automobiles, secondhand automobile trading markets, sub-replacement facility and aging, the Company actively promotes integration of motorcycle platforms. By sharing its value chain, it expands purchases of shared parts, enhances purchasing personnel's bargaining power, and alleviates impacts of growing costs. In addition, the Company supplies energy-saving new energy automobiles with safe, superior, and reliable quality to improve customer satisfaction.
- (III) Continuously enhance R&D capabilities and manufacturing technologies; develop key energy technologies for electric automobiles, increase added value of products, expand overseas sales markets, improve overall business performances and enhance international competitiveness of domestic and overseas companies in response to declining duties, rigorous environmental requirements and great challenges from competitive international manufacturers.
- (IV) The global pandemic situation has caused a shortage of automotive chips, shortage of key components, and increase in raw material costs, which have delayed the launch of certain models. We anticipate that the overall sales market supply will be affected and the Company shall continue to monitor industry trends and combine the Group's capacity for flexible deployment resources to maximize the synergy.

Chapter 2. Company Overview

I. Company Profile

Items	Summary
Date of Incorporation	Incorporated on August 29, 1961, and formerly known as Sanyang Electric Machinery Plant, which was incorporated in 1954
Headquarters	3 Chung Hua Rd., Hukou, Hsinchu Tel: (03)5981911
Xingfeng Plant	184 Keng Tzu Kou, Shangkung Village, Xinfeng, Hsinchu Tel: (03)5576788
Parts Center	815 Xinxing Road, Xinfeng Township, Hsinchu Tel: (03)5970612
Authorized Capital	NT\$9.5 billion
Major Products	Automobiles, motorcycles, automotive products, parts and assemblies, etc.

II. Company History

- 1954 · Sanyang Electric Machinery Plant was founded in Neihu District, Taipei to manufacture dynamoelectric light sets for bicycles.
- 1959 · Sanyang Electric Machinery Plant was reorganized as Sanyang Electrical Machinery Co., Ltd..
- 1961 · Sanyang Electrical Machinery Co., Ltd. was reorganized as Sanyang Industry Co., Ltd..
- 1962 · Sanyang collaborated with Honda, Japan to manufacture motorcycles.
- 1967 · Sanyang signed a technology agreement with Honda, Japan on automobile production.
- 1969 · Sanyang's automobile plant was inaugurated to manufacture automobiles.
- 1976 · Sanyang independently developed and applied Steadite Alloy Cylinders to her products with a 50,000km warranty; Steadite Alloy Cylinders were exported to Honda, Japan.
- 1977 · The first 1200cc automobile, Honda Civic, was launched and Nanyang Industries Co., Ltd. became the exclusive distributor of Sanyang automobiles.
- 1978 · Foundation Stone Laying Ceremony of Hsinchu Plant was held.
- 1980 · Dr. Shih-Hui Huang took over as Chairperson of the Board.
· Hsinchu Plant was inaugurated and the motorcycle production lines were relocated to Hsinchu Plant.
- 1982 · Sanyang started to export motorcycles to the Dominican Republic.
- 1989 · Hsinchu Automobile Plant was inaugurated.
· Automobile production lines were relocated to Hsinchu Plant.
- 1990 · Sanyang Safety Driving Center was opened to the public; Sanyang Educational and Training Center was inaugurated; Taiwan's first automatic auto body welder G/W M/C was utilized in the production lines.
- 1992 · Sanyang entered into a technology alliance with VMEP in Vietnam.
- 1995 · Passed ISO 9001 and ISO 9002 certification.
· Sanyang commenced technical cooperation with Xiashing Motorcycle Co., Ltd.
· Sanyang commenced technical cooperation with Qingzhou Engineering Industry Co., Ltd. in China
- 1996 · Sanyang was listed on the Taiwan Stock Exchange.
- 1998 · Sanyang was certified to ISO 9000, ISO 14001 and OHSAS 18001, the

- three-in-one integrated management system.
- 1999 · The Engineering Division was inaugurated; administration and other functional offices in Neihu were relocated to the Hsinchu Plant and Sanyang resettled in Hsinchu completely
 - 2000 · Sanyang acquired VMEP, Xiashing and Qingzhou.
 - 2001 · The engine plant of VMEP started operations.
 - 2002 · Sanyang severed ties with Honda, Japan and engaged in a technology cooperation with Hyundai Motors, Korea; Aerospace Ceramic Cylinders and Electronic Fuel Injection System were able to be applied to all lines of products.
 - 2003 · The Engineering Division was certified to QS 9000; VMEP was certified to ISO 9001
 - 2004 · Sanyang acquired 25% stake in King Long United Automotive Industry Co., Ltd.; the Product Life Cycle Management System (PLM) was applied.
 - 2005 · Sanyang won the Ministry of National Defense bid to manufacture 4988 units of military tactical trucks; Sanyang Motor Vietnam Company Limited (SMV), the 13th automaker in Vietnam was established; Sanyang Italia S.R.L. in Italy started operations; PT.Sanyang Industri Indonesia was formally granted license to commence production.
 - 2006 · Sanyang announced her brand new logo, the Moving Arrow.
 - 2007 · The ground-breaking ceremony of SMV was held; Sanyang entered into a cooperation with Mahindra & Mahindra Limited (MTWL) to produce scooters in India; VMEPH was listed on the Hong Kong Stock Exchange.
 - 2008 · Sanyang Global (Xiamen) Co., Ltd. started operations.
 - 2009 · Sanyang announced the application of Swirl Tumble Control System (S.T.C.S.) and cooperated with Unitek's Gida Tekstil Motorlu Araclar San. Ve Tic. A.S. in Turkey to manufacture motorcycles; ISO14064 was certified; VMEPH issued Taiwan Depository Receipts (TDR) in Taiwan; electric bicycles were launched.
 - 2010 · VMEP R&D Centers in Vietnam was inaugurated.
 - 2011 · The Groundbreaking Ceremony of Sanyang Nei-Hu Headquarter Park was held
 - 2012 · SYM launched E-WOO, a light electric scooter..
 - 2013 · SYM launched two brand new big scooters, MAXSYM 400i and GTS 300i.
 - 2014 · Sanyang entered into an OEM agreement with Kia Motors Corp..
· Messrs. Walter H. C. Chang and C. Y. Wu were elected Chairperson and Vice Chairperson respectively in the Board of Directors Meeting.
 - 2015 · SYM SB300 was launched in Taiwan.
· SYM brand logo and font (typeface) were formally revised.
· Sanyang Industry Co., Ltd. was formally renamed as Sanyang Motor Co., Ltd..
 - 2016 · Shark Mini, a new 125cc scooter, was launched in Vietnam.
· Hyundai's new SUV All New Tucson was launched in Taiwan.
· Xiashing Motor received the Chinese High-Tech Enterprise Certification from the Xiamen Government.
 - 2017 · Mr. C. Y. Wu and Ms. Li-Chu Wu were elected Chairperson and Vice Chairperson respectively in the Board of Directors Meeting.
· VMEP opened a new office in Ho Chi Minh City.
· VMEP held a groundbreaking ceremony for its new plant in Phu Nghia.
· SYM announced its whole new engine with Zero-Resistance Starter & Generator System (ZRSG) in the 2017 Milan Motorcycle Shows (EICMA).
 - 2018 · "Solar Roof" was installed to practically support our national green policy.

- Xiashing Motor celebrated the relocation of its R&D Center.
- Sanyang's Spare Part Center held its groundbreaking ceremony.
- Sanyang signed a memorandum of understanding (MOU) with the state-run CPC Corporation for a joint development of electric-vehicle business.
- 2019 • President Tsai Ing-wen visited Sanyang's Hsinchu Plant.
- Vietnam Manufacturing and Export Processing Co., Ltd. formally relocated its Dongnai Plant to Nhon Trach.
- Sanyang Motor was elected as the 2019 Happy Enterprise.
- SYM was awarded the silver prize of the 2019 German Best Brand and Dealer Satisfaction for the motorcycle segment.
- SYM DRG BT, a 158cc sporty scooter, was launched.
- 2020 • The Sanyang Parts Center was inaugurated.
- The new Hyundai compact SUV, Venue, was launched.
- Sanyang Motor formed a brand alliance, SYM x GPX, with GP Motor Thailand Company Limited to further expand both enterprises' market share in the ASEAN market.
- The SYM Service Innovation Academy was inaugurated.

(I) 2021 Important Events:

- | | |
|----------|---|
| March | SYM VF3i 185 was awarded as a Five-Star Model by the Government of Malaysia. |
| April | SYM JET series have be crowned the champion in three diffent categories of the 2021 Taiwan TSR Racing Competition. The Jet series has won a total of 72 racing champions since 2016. |
| April | Qingzhou Engineering Industry Co., Ltd. was recognized and awarded as the "2020 Smart and Advanced Manufacturer " by the Township Government of Nanfong. |
| May | SYM regained its leading posititon, with market share exceeding 29%, in the Taiwan motorcycle market after 17 years. |
| May | Xiashing Motorcycle Co., Ltd. was recognized and awarded as the "Key Industrial Enterprise" as well as the "High-Tech, High-Growth, and High-Added Value Enterprise" by the Xiamen Municipal People's Government. |
| June | Sanyang Motor was the firstTaiwan enterprise who voluntarily underwent a Group-wide rapid screening test for Covid-19. |
| July | Qingzhou Engineering Industry Co., Ltd. won the "Excellence Award" in both die casting and mold cateories in China Diecasting and China Nonferrous Expo. |
| August | Qingzhou Engineering Industry Co., Ltd. was recognized and awarded as a "Level A Enterprise for the labor and social security in2020" by the People's Government of Changchiang City. |
| December | The New Tucson L was launched. |

(II)The Company's M&A, Reinvestment in Affiliates and Restructuring during the Most Recent Year and as of the Date of the Annual Report:

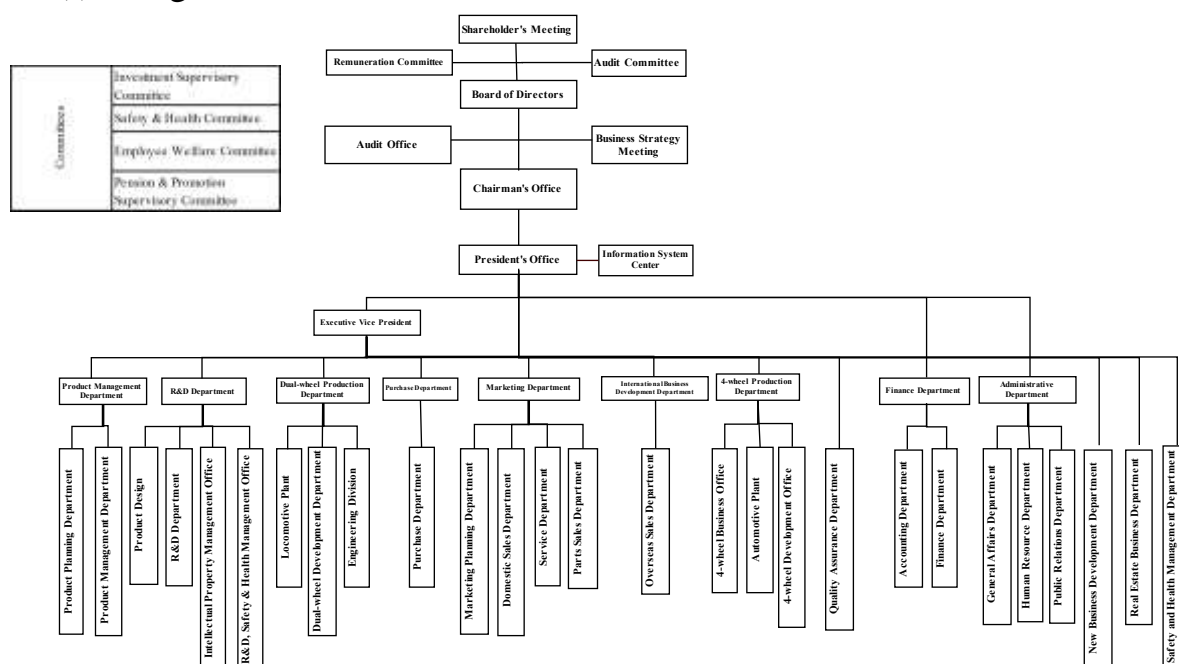
1. Nanyang Industries Co., Ltd. purchased 994 thousand shares of Nanyang Industries Co., Ltd. from non-related parties with NT\$6,819 thousand in the first quarter of 2021, and completed the simple merger procedure on March 1, 2021, with Nanyang

- Industries Co., Ltd. as the surviving company.
2. Fu Da completed the liquidation process in the first quarter of 2021.
 3. Suzhou Huiying completed the liquidation process in the second quarter of 2021.
 4. In the first quarter of 2022, the company resolved by the board of directors to increase Shan Yang Assets Management Co., Ltd.'s capital by NT\$1,000,000 thousand in cash, and made the full payment on April 6, 2022.
 5. In the first quarter of 2022, the company increased the capital of Yi Yang with NT\$200,000 thousand in cash and obtained 100% equity.
 6. In the first quarter of 2022, Xiaxing Motorcycle was resolved by the board of directors to increase the capital of Xiaxing Commerce and Trade with RMB 3,000 thousand in cash, and made full payment on April 6, 2022.
- (III) Significant Transfer of Company Shares by Directors, Supervisors, or Major Shareholders with More Than 10% of shares in the Most Recent Year and as of the Date of Annual Report: None.
- (IV) Changes in Right of Management, Significant Changes in Management Mode or Businesses and Other Important Matters Sufficient for Affecting Shareholder Equity during the Most Recent year and as of the Date of Annual Report: None.

Chapter 3. Corporate Governance Report

I. Company Organization Structure

(I) Organization Chart



(II) Businesses of Main Departments

1. Product Management Department:

- (1) Strengthen product design and plan exquisite products according to core market ideas and customer requirements; integrate product specifications and plans with style design mechanism; draft plans for new domestic and foreign models.
- (2) Coordinate and integrate product plans, development, and product life cycles for domestic and foreign production bases; manage model naming.
- (3) Control target costing from corporate planning to design development and mass production; coordinate and manage all related communications to ensure improvement of product competitiveness.
- (4) Enhance market research and propose core ideas with market value; draft plans for new domestic and foreign models, and products of the headquarters.

2. R&D Department:

- (1) Develop, design and test technologies and functions of 2-wheel models; analyze competitive models, plan and promote R&D related businesses.
- (2) Manage project materials, technical information and financial affairs related to R&D.
- (3) Plan and promote R&D of intellectual property businesses.

3. Purchase Department:

- (1) Promote purchase of parts at home and abroad as well as import and export related businesses; manage resale businesses of overseas subsidiaries.
- (2) Promote reduction of purchase costs and improvement of purchase quality.

- (3) Control businesses related to automobile platforms, domestic and foreign supply chain integration.
- (4) Implement strategies for cutting purchasing costs of parts in domestic and foreign production sites of the Company.
- (5) Coordinate management of international purchases and improve internationalized organizational effectiveness.
4. Quality Assurance Department:
 - (1) Plan, establish, promote and maintain quality management system of the Company.
 - (2) Plan and promote quality management activities of the Company.
5. Marketing Department:
 - (1) Formulate and promote domestic marketing strategies; set and draft annual, mid and long-term sales objectives and plans.
 - (2) Formulate and promote policies and rules related to domestic and foreign marketing services.
 - (3) Formulate and promote policies and rules related to sales of parts in domestic and foreign markets.
6. International Business Development Department:
 - (1) Formulate and promote global marketing strategies; set and draft annual, mid and long-term foreign sales objectives and plans.
 - (2) Formulate and promote policies and rules related to orders and sales in foreign markets of three areas.
 - (3) Coordinate maximization of resource utilization in three areas; improve manufacturing, sales and services of products sold abroad.
 - (4) Promote businesses for integration of 3S systems in three areas.
 - (5) Develop global markets and increase global sales.
7. Dual-wheel and 4-wheel Production Departments:
 - (1) Prepare materials on engines and structural parts of motorcycles and some automobiles; assemble automobiles and motorcycles as well as their engines.
 - (2) Ensure normal factory production and manufacturing quality; cut manufacturing costs and collaborate with development units to put newly developed products into trial and mass production, to guarantee smooth mass production of new models.
 - (3) Ensure normal design, machining, manufacturing, assembly, repair and maintenance of machines, fixtures, tools, inspection tools and dies, to assure product quality, cut costs and deliver products on time according to needs.
 - (4) Manage product development, model integration and product life cycle in domestic and foreign production bases.
 - (5) Improve factory production regime, rationalize production, improve production technologies, and draft related technical standards and specifications.
8. Finance Department:
 - (1) Raise funds; operate and schedule businesses; manipulate and adopt foreign exchange rates and interest rates.
 - (2) Formulate accounting and cost rules, and manage related businesses.
 - (3) Evaluate investments, manage and supervise reinvested entities.
9. Real Estate Business Department:

- (1) Develop land assets of the Company.
 - (2) Plan land leases and sales of the Company's land and factory buildings, and manage businesses.
 - (3) Plan and execute construction projects and factory repairs of the Company.
10. Administrative Department:
- (1) Plan and draft human resource plans, strategies, visions and development blueprints; assist in implementing operations strategies of the Company; formulate employment and salary rules according to human resource strategies, promote businesses such as training development, and ensure effective utilization of human resources.
 - (2) Plan and promote matters, employee services, dormitory management, welfare businesses and general purchase businesses related to general affairs of the Company.
 - (3) Manage and promote integrated information businesses of the Company; coordinate planning of business processes of multinational operations; assist subsidiaries and affiliates in information development.
 - (4) Manage trademarks, legal instruments, litigations and non-litigation cases of the Company.
 - (5) Formulate development strategies for public affairs, and dominate promotion of activities and businesses related to public affairs.
11. Safety & Health Management Office:
Formulate policies and ideas of the Company on environmental safety and health, to ensure all operations and procedures conform to government rules; assist in creating and maintaining healthy and safe workplace environment.
12. President's Office:
- (1) Draft and promote business concepts, visions, policies, mid and long-term objectives as well as annual business plans.
 - (2) Supervise and promote planning of the Company's KPI and business performances.
 - (3) Plan, suggest, supervise and promote integrated businesses of the Company.
 - (4) Manage and coordinate subsidiaries home and abroad.
 - (5) Establish and improve business management systems of subsidiaries home and abroad.
13. Audit Office:
- (1) Establish audit systems and promote internal audit businesses.
 - (2) Submit, provide recommendations, follow up, and check annual audit plan and audit report.

II. Information of Directors and Main Managers

(I) Information of Directors

April 25, 2022

Position	Nationality/Place of Registration	Name	Gender and Age	Date Elected	Term of Office	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Main Experience (Educational Attainment)	Other Position Concurrently Held at the Company and Other Companies	Other Executives or Directors who are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Chairperson	Republic of China	Ching-Yuan Wu	Male (65)	2020.06.23	3	2011.05.27	20,126,240	2.36%	20,126,240	2.52%	281,360	0.04%	-	-	Master in Agriculture and Urban Planning of Chung Hua University	Chairperson of Nanyang Industries Co., Ltd. Chairperson of Qingda Investment Chairperson of Taiwan Tea Corp.	Vice Chairperson	Li-Chu Wu	Sibling	Note 1
Vice Chairperson	Republic of China	Chien-Jin Investment Co., Ltd. Representative: Li-Chu Wu	Female (56)	2020.06.23	3	2014.06.18 2017.06.20	29,181,000 -	3.42% -	29,181,000 17,046,560	3.66% 2.14%	- 4,269,600	- 0.54%	-	-	EMBA, Nanjing Normal University	Chairperson of Shangyang Assets Vice Chairperson of Nanyang Industries Co., Ltd.	Chairperson	Ching-Yuan Wu	Sibling	-
Managing Director/Independent Director	Republic of China	Chung-Chuan Shih	Male (54)	2020.06.23	3	2017.06.20	-	-	-	-	-	-	-	-	National Chengchi University Master of Law	Supervisor of GoldField Culture Co., Ltd.	-	-	-	-
Director	Republic of China	Chien-Jin Investment Co., Ltd. Representative: Li-Hsi Chiang	Male (56)	2020.06.23	3	2014.06.18	29,181,000 -	3.42% -	29,181,000 106,200	3.66% 0.01%	- -	- -	-	-	Department of International Trade, Feng Chia University	-	-	-	-	-
Director	Republic of China	Chao-Yao Investment Co., Ltd. Representative: Ren-Hao Tien	Male (36)	2020.06.23	3	2014.06.18	14,625,000 -	1.71% -	14,625,000 17,000	1.83% 0.00%	- -	- -	-	-	Cass Business School Investment Management	Director of Nanyang Industries Co., Ltd. Chairperson of Three Brothers Machinery Industrial Co., Ltd.	-	-	-	-
Director	Republic of China	Chao-Yao Investment Co., Ltd. Representative: Yu-Chang Huang	Male (54)	2020.06.23	3	2014.06.18	14,625,000 -	1.71% -	14,625,000 1,531,000	1.83% 0.19%	- -	- -	38,128,000	4.78%	-	Director of Taiwan Tea Corp.	-	-	-	-
Director	Republic of China	Chao-Yao Investment Co., Ltd. Representative: Te-Ching Chang	Male (56)	2020.06.23	3	2014.06.18 2017.06.20	14,625,000 -	1.71% -	14,625,000 -	1.83% -	- -	- -	-	-	University of Ottawa	-	-	-	-	-

Position	Nationality/Place of Registration	Name	Gender and Age	Date Elected	Term of Office	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Main Experience (Educational Attainment)	Other Position Concurrently Held at the Company and Other Companies	Other Executives or Directors who are Spouses or within the Second Degree of Kinship			Note
							Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Independent Director	Republic of China	Chen Chiang	Male (51)	2020.06.23	3	2017.06.20	-	-	-	-	-	-	-	-	Master of Commerce in the Department of Accounting and Information Technology, National Chung Cheng University	-	-	-	-	-
Independent Director	Republic of China	Chih-Hung Hsieh	Male (63)	2020.06.23	3	2017.06.20	-	-	-	-	-	-	-	-	National Chengchi University Doctor of Juridical Science	Independent Director of Grand Pacific Petrochemical Corporation Independent	-	-	-	-

Note 1. In case that the Chairperson and the President or their equivalents (top manager) are the same person, or two persons who are spouses or relatives within 1 degree of kinship, the reason, nationality, necessity and corresponding measures (such as increasing the number of Independent Directors, and a majority of the Directors not concurrently serving as employees or managers) should be described:

The Chairperson of the Company also acts as President to improve operational efficiency and abilities to execute decisions. At present, a majority of the directors of the Board of Directors do not concurrently serve as employees or managers.

1. Major Shareholders of Corporate Shareholders

April 25, 2022

Names of Corporate Shareholders	Major Shareholders of Corporate Shareholders
1. Chien-Jin Investment Co., Ltd.	(1) Li-Chu Wu (80%) (2) Chun-Mei Fan Chiang (20%)
2. Chao-Yao Investment Co., Ltd.	(1) Li-Chu Wu (33.33%) (2) Chin-Nu Yang (66.67%)

2. Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors

Criteria Name	Professional Qualifications and Experience	Compliance with the Independence Criteria	Number of Other Public Companies where the Individual Concurrently Serves as an Independent Director
Ching-Yuan Wu	Has over five years business-related work experience ; serves as a chairperson and a president in the Company ; not a person of any conditions defined in Article 30 of the Company Act.	-	0
Chien-Jin Investment Co., Ltd. Representative Li-Chu Wu	Has over five years business-related work experience ; serves as a vice chairperson in the Company ; not a person of any conditions defined in Article 30 of the Company Act.	-	0
Chien-Jin Investment Co., Ltd. Representative: Li-Hsi Chiang	Has over five years business-related work experience ; serves as a director in the Company ; not a person of any conditions defined in Article 30 of the Company Act.	-	0
Chao-Yao Investment Co., Ltd. Representative: Ren-Hao Tien	Has over five years business-related work experience ; serves as a director and Assistant Vice President of Administration Sector in the Company ; not a person of any conditions defined in Article 30 of the Company Act.	-	0
Chao-Yao Investment Co., Ltd. Representative: Yu-Chang Huang	Has over five years business-related work experience ; serves as a director in the Company ; not a person of any conditions defined in Article 30 of the Company Act.	-	0
Chao-Yao Investment Co., Ltd. Representative: Te-Ching Chang	Has over five years business-related work experience ; serves as a director in the Company ; not a person of any conditions defined in Article 30 of the Company Act.	-	0
Chung-Chuan Shih	Has over five years accounting and business-related work experience ; serves as an independent director in the Company and lead accountant in GuoJu Certified Public Accounting Firm ; not a person of any conditions defined in Article 30 of the Company Act.	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates. (3) Not the natural person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.	0
Chen Chiang	Has over five years law and business-related work experience ; serves as an independent director in the Company, Attorney-at-law in Chiang Chen Law Firm and Adjunct Professor in Department of Accounting and Information Technology, National Chung Cheng University ; not a person of any conditions defined in Article 30 of the Company Act.		0

Chih-Hung Hsieh	Has a lecture in colleges and universities and business-related work experience ; serves as an independent director in the Company and associate professor in Department of Law, Fu Jen Catholic University ; not a person of any conditions defined in Article 30 of the Company Act.	<p>(4) Not a spouse, kin within the second degree of kinship under the Civil Code, or the lineal blood relatives within the third degree of kinship under the Civil Code as specified in (1) through (3).</p> <p>(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act.</p> <p>(6) Not a director, supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person.</p> <p>(7) Not a director (or governor), supervisor, or employee of other company or institutions who is the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses.</p> <p>(8) Does not have financial or business relationships with the Company or with directors (executive), supervisors, managers, or major shareholders with over 5% shareholdings.</p> <p>(9) Does not provide the Company or associated companies with auditing or in the past 2 years in business, legal, financial, accounting services, by professionals, sole proprietorships, partnerships, companies, or institutional owners, partners, directors, supervisors, managers, and spouses.</p> <p>(10) Not a spouse or relative within the second degree of kinship of any other directors.</p> <p>(11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</p>	1
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3. Diversity and Independence of the Board of Directors

(1) Diversity of the Board of Directors

According to Corporate Governance Best Practice Principles Article 20 of the Company, the composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.

- 3.Ability to conduct management administration.
- 4.Ability to conduct crisis management.
- 5.Knowledge of the industry.
- 6.An international market perspective.
- 7.Ability to lead.
- 8.Ability to make policy decisions.

(2) The current Board of Directors of the Company consists of nine directors. The specific management objectives of the board diversity policy and their achievement status are as follows:

Diversity management objectives	Achievement status
The number of independent directors exceeds one third of the board seats.	Done
It is advisable that the number of the directors who concurrently serve as the managers of the Company should not exceed one-third of the board seats.	Done
The independent directors shall not hold office for more than 3 terms.	Done
At least to have a female member in the Board of Director.	Done

(3) Diversity of the Board of Directors

Name and Title		Core of diversify	Nationality	Gender	Employee	Age			Professional background				Professional knowledge and capabilities								
						30 ~ 40	51 ~ 60	61 ~ 70	Accounting	Industry	Finance	Law	Operational judgment capability	Business management capability	Leadership and decisionmaking capability	Risk management capability	Industry knowledge	International market outlook			
Director	Ching-Yuan Wu	R.O.C	Male	✓			✓			✓				✓	✓	✓	✓	✓	✓		
	Li-Chu Wu		Female				✓				✓				✓	✓	✓	✓	✓	✓	
	Li-Hsi Chiang		Male				✓				✓				✓	✓	✓	✓	✓	✓	
	Ren-Hao Tien		Male	✓	✓						✓				✓	✓	✓	✓	✓	✓	
	Yu-Chang Huang		Male					✓				✓				✓	✓	✓	✓	✓	✓
	Te-Ching Chang		Male					✓				✓				✓	✓	✓	✓	✓	✓
Independent Director	Chung-Chuan Shih		Male					✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	
	Chen Chiang		Male					✓			✓				✓	✓	✓	✓	✓	✓	
	Chih-Hung Hsieh		Male						✓		✓				✓	✓	✓	✓	✓	✓	

(4) Independence of the Board of Directors

Independence of the Board of Directors: The Board of Directors of the Company consists of 9 directors, of which 3 are independent directors and 2 directors as employee (33.33% and 22.22% of all directors). It accords with the number that not less than 3 independent directors, as well as the independent directors are more than one third of the board seats. As of 2021.12.31, In addition, all of independent directors comply with the regulations of the Securities and Futures Bureau and none of the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act exist among the directors and independent directors. The Board of Directors of the Company is independent (Please refer to page 25-26 of this Annual Report - Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors). The experience (education), gender and work experience (Please refer to page 23-24 of this Annual Report - Information of Directors).

(II) President, Vice Presidents, Associate Managers, and Supervisors of All the Company's Divisions and Branch Units

April 25, 2022

Position	Nationality	Name	Gender	Date Taking Office (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Main Experience (Educational Attainment)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officers who are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
President	Republic of China	Ching-Yuan Wu	Male	2016.05.13	20,126,240	2.52%	281,360	0.04%	-	-	Master in Architecture and Urban Planning of Chung Hua University	Chairperson of Nanyang Industries Co., Ltd. Chairperson of Qingda Investment Chairperson of Taiwan Tea Corp.	-	-	-	Note 2
Vice President	Republic of China	Nai-Shih Lin	Male	2005.06.01	-	-	-	-	-	-	Master of Business Administration, New York Institute of Technology	Chairperson of Sunshine Auto-Lease	-	-	-	-
Vice President	Republic of China	Hsu-Pin Chen	Male	2017.05.03	-	-	-	-	-	-	Master, Department of Mechanical Engineering, National Chiao Tung University	Chairperson of Chu-Yang Motor Co., Ltd. Director of Sanyang Italia S.r.l Director of Sanyang Deutschland GmbH Director of Three Brothers Machinery Industrial Co., Ltd. Director of Astemo	-	-	-	-
Vice President	Republic of China	Shih-Liang Hsu	Male	2019.10.15	569	0.00%	-	-	-	-	Department of Industrial Engineering and Management, Tunghai University	Director and President of Sanyang Global, Director and President of Xiamen Xiasheng Motorcycle, Chairperson of Qingzhou Engineering Industry	-	-	-	-
Assistant Vice President	Republic of China	Ying-Feng Chiu	Male	2010.12.01	18,412	0.00%	-	-	-	-	Master of Mechanical Engineering, National Taiwan University	Chairperson of Nova Design	-	-	-	-
Assistant Vice President	Republic of China	Chao-Shun Lin	Male	2013.02.06	11,064	0.00%	1,719	0.00%	-	-	Master of Machinery, National Taiwan University of Science and Technology	-	Assistant Vice President	Chao-Sheng Lin	Brothers	-
Assistant Vice President	Republic of China	Hsi-Cheng Chang	Male	2014.10.01	11,694	0.00%	-	-	-	-	Master of International Business Management, National Taiwan University	Chairperson of Youth Taisun Co., Ltd.	-	-	-	-
Assistant Vice President	Republic of China	Kuei-Chin Huang	Male	2016.12.23	53	0.00%	-	-	-	-	Kaohsiung Municipal Kaohsiung Vocational High School of Commerce	Supervisor of Qingda Investment Supervisor of Zhaoyang Lease	-	-	-	-

Position	Nationality	Name	Gender	Date Taking Office (Note 1)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominees		Main Experience (Educational Attainment)	Other Position Concurrently Held at the Company and Other Companies	Managerial Officers who are Spouses or within the Second Degree of Kinship			Note
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio			Position	Name	Relationship	
Assistant Vice President	Republic of China	Chao-Sheng Lin	Male	2017.05.26	11,606	0.00%	-	-	-	-	Department of Mechanical Engineering, Industrial Technology Research Institute	Director of Qingzhou Engineering Industry	Assistant Vice President	Chao-Shun Lin	Brothers	-
Assistant Vice President	Republic of China	Chien-Sheng Chen	Male	2017.05.26	10,718	0.00%	-	-	-	-	Department of Mechanical Engineering, National Taipei University of Technology	Director of Qingzhou Engineering Industry, Director of Sanyang Global	-	-	-	-
Assistant Vice President	Republic of China	Ren-Hao Tien	Male	2017.07.03	17,000	0.00%	-	-	-	-	Cass Business School Investment Management	Director of Nanyang Industries I Co., Ltd. Chairperson of Three Brothers Machinery Industrial Co., Ltd.	-	-	-	-
Assistant Vice President	Republic of China	Yuan-Ping Huang	Male	2017.07.03	7,211	0.00%	-	-	-	-	Department of Mechanical Engineering, National Chung Hsing University	Director of Three Brothers Machinery Industrial Co., Ltd. Director of Astemo	-	-	-	-
Assistant Vice President	Republic of China	Ming-Chieh Lin	Male	2017.07.17	-	-	-	-	-	-	Master of the School of Civil Engineering, National Chiao Tung University	-	-	-	-	-
Assistant Vice President	Republic of China	Yuh-Shying Gau	Male	2018.10.08	5,000	0.00%	-	-	-	-	Ph.D. in Mechanical Engineering, Department of Industrial Engineering, University of Wisconsin-Madison	-	-	-	-	-
Assistant Vice President	Republic of China	Hsu-Chi Cheng (Note 3)	Male	2021.01.11	-	-	-	-	-	-	Department of Mechanical Engineering, National Kaohsiung University of Applied Sciences	-	-	-	-	-

Note 1. Date taking office means the date on which one is appointed as manager of the Company.

Note 2. In case that the Chairperson and the President or their equivalents (top manager) are the same person, or two persons who are spouses or relatives within 1 degree of kinship, the reason, rationality, necessity and corresponding measures (such as increasing the number of Independent Directors, and a majority of the Directors not concurrently serving as employees or managers) should be described: The Chairperson of the Company also acts as President to improve operational efficiency and abilities to execute decisions. At present, a majority of the directors of the Board of Directors do not concurrently serve as employees or managers.

Note 3. Hsu-Chi Cheng was appointed on January 11, 2021, and transferred to the post as VMEP on April 22, 2021. He resigned on March 24, 2022.

(III) Remuneration of Directors, Independent Directors, President, and Vice Presidents in 2021

1-1. Remuneration of General Directors and Independent Directors

Unit: NT\$ thousand

Position	Name	Remuneration of Directors								Sum of A, B, C and D to After-tax Net Income Ratio (%)	
		Compensation (A)		Severance Pay and Pension (B)		Directors' Compensation (C)		Business Execution Expenses (D)		The Company	All Companies in Consolidated Financial Statements
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements		
Chairperson	Ching-Yuan Wu	15,900	15,900	-	-	6,861	6,861	40	40	1.25	1.25
Vice Chairperson	Chien-Jin Investment Co., Ltd. Representative: Li-Chu Wu	9,596	9,596	108	108	4,574	4,574	30	30	0.78	0.78
Director	Chien-Jin Investment Co., Ltd. Representative: Li-His Chiang	-	-	-	-	2,287	2,287	40	40	0.13	0.13
Director	Chao-Yao Investment Co., Ltd. Representative: Ren-Hao Tien	-	-	-	-	2,287	2,287	35	35	0.13	0.13
Director	Chao-Yao Investment Co., Ltd. Representative: Yu-Chang Huang	-	-	-	-	2,287	2,287	40	40	0.13	0.13
Director	Chao-Yao Investment Co., Ltd. Representative: Te-Ching Chang	-	-	-	-	2,287	2,287	30	30	0.13	0.13
Managing Director/Independent Director	Chung-Chuan Shih	2,880	2,880	-	-	-	-	110	110	0.16	0.16
Independent Director	Chen Chiang										
Independent Director	Chih-Hung Hsieh										

Position	Name	Relevant Remuneration Received by Directors who Are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		Salary, Bonus, and Allowance (E)		Severance Pay and Pension (F)		Employee Compensation (G)				The Company	All Companies in Consolidated Financial Statements	
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements				
Cash	Stock	Cash	Stock	Cash	Stock	Cash	Stock					
Chairperson	Ching-Yuan Wu	-	-	-	-	721	-	721	-	1.29	1.29	None
Vice Chairperson	Chien-Jin Investment Co., Ltd. Representative: Li-Chu Wu	-	-	-	-	-	-	-	-	0.78	0.78	
Director	Chien-Jin Investment Co., Ltd. Representative: Li-His Chiang	-	-	-	-	-	-	-	-	0.13	0.13	
Director	Chao-Yao Investment Co., Ltd. Representative: Ren-Hao Tien	2,965	2,965	108	108	120	-	120	-	0.30	0.30	
Director	Chao-Yao Investment Co., Ltd. Representative: Yu-Chang Huang	-	-	-	-	-	-	-	-	0.13	0.13	
Director	Chao-Yao Investment Co., Ltd. Representative: Te-Ching Chang	-	-	-	-	-	-	-	-	0.13	0.13	
Managing Director/Independent Director	Chung-Chuan Shih	-	-	-	-	-	-	-	-	0.16	0.16	
Independent Director	Chen Chiang	-	-	-	-	-	-	-	-	0.16	0.16	
Independent Director	Chih-Hung Hsieh	-	-	-	-	-	-	-	-	0.16	0.16	

Note 1. Please explain the independent director remuneration policy, system, standard, and structure, and the connections between the amount of remuneration and the considered factors such as their duties, risks, and working hours.

According to Article 24 of the Articles of Incorporation of the Company, the remuneration paid to the Chairperson, directors and supervisors shall be determined by the Board of Directors based on the degree of their participation and contributions to business operations of the Company as well as industry standards home and abroad. According to Article 31-1 of the Articles of Incorporation, if the Company has earnings, it shall set aside over 1% of the pretax earnings as employee remuneration and no more than 1% as remuneration to directors and supervisors. When the Company suffers accumulated losses, it shall first offset the appropriate amount of such losses with the earnings. Independent Directors shall not participate in the foregoing remuneration distribution. In attending Board of Directors meetings of the Company, the travel fees shall be additionally disbursed.

Note 2. The remuneration paid to Directors for providing services (e.g., providing consulting services as non-employees) for all companies in the consolidated financial statements lately: None.

Note 3. The remuneration paid to Directors (including Independent Directors) by the Company in 2020 accounted for 2.26% of the net profits after tax, and the remuneration paid to Directors (including Independent Directors) by all companies in the financial statements in 2020 accounted for 2.26% of the net profits after tax in 2020.

2-1. Remuneration of the President and Vice Presidents

Unit: NT\$ thousand

Position	Name	Salary (A)		Severance Pay and Pension (B) (Note 4)		Bonuses and Allowances etc. (C)		Employee Compensation (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Remuneration from Invested Companies Other than Subsidiaries or the Parent Company
		The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company	All Companies in Consolidated Financial Statements	The Company		All Companies in Consolidated Financial Statements		The Company	All Companies in Consolidated Financial Statements	
								Cash	Stock	Cash	Shares Amount			
President	Ching-Yuan Wu													
Vice President	Nai-Shih Lin	8,170	8,170	440	440	4,441	4,441	1,110	-	1,110	-	0.77	0.77	None
Vice President	Hsu-Pin Chen													
Vice President	Shih-Liang Hsu													

Note 1. The actual amount of retirement pension in 2021: NT\$0 thousand, amount allocated for retirement pension in 2021: NT\$440 thousand.

Note 2. The policies, standards, combinations, decision-making procedure for managers' remuneration and their relation to business performance:

According to the Company's policies on remuneration paid to managers, the managers' remuneration is mainly dependent upon their individual performances and in accordance with the market level, so that the salaries will be competitive in the Company. The decision-making procedure for the remuneration shall be submitted to the Company's Remuneration Committee for review and delivered to the Board of Directors for approval after it is determined according to the foregoing remuneration policies.

Note 3. The remuneration paid by the Company to the President and the Vice Presidents in 2020 accounted for 0.97% of the net profit after tax in 2020; the remuneration paid to the President and the Vice Presidents in 2020 by all companies in the financial statements was equivalent to 0.97% of the net profits after tax in 2020.

2-2. Range of Remuneration

Range of Remuneration Paid to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All Companies in Consolidated Financial Statements
Less than NT\$1,000,000	Ching-Yuan Wu	Ching-Yuan Wu
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Nai-Shih Lin, Shih-Liang Hsu	Nai-Shih Lin, Shih-Liang Hsu
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	Hsu-Pin Chen	Hsu-Pin Chen
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-
Total	4 individuals	4 individuals

Note: The actual amount of retirement pension in 2021: NT\$0 thousand, amount allocated for retirement pension in 2021: NT\$440 thousand.

3. Name of managers receiving employee compensation and distribution

Unit: NT\$ thousand

	Position	Name	Stock	Cash	Total	Ratio of total amount to net profit after tax (%)
Managers	President	Ching-Yuan Wu	-	2,118	2,118	0.12
	Vice President	Nai-Shih Lin				
	Vice President	Hsu-Pin Chen				
	Vice President	Shih-Liang Hsu				
	Assistant Vice President	Ying-Feng Chiu				
	Assistant Vice President	Chao-Shun Lin				
	Assistant Vice President	Hsi-Cheng Chang				
	Assistant Vice President	Kuei-Chin Huang				
	Assistant Vice President	Chao-Sheng Lin				
	Assistant Vice President	Chien-Sheng Chen				
	Assistant Vice President	Ren-Hao Tien				
	Assistant Vice President	Yuan-Ping Huang				
	Assistant Vice President	Ming-Chieh Lin				
	Assistant Vice President	Yuh-Shying Gau				

III. Corporate Governance and Operations

(I) Operations of the Board

A total of 8 (A) Board meetings were held in 2021. The attendance of the Directors and the Independent Directors was as follows:

Directors' Involvement in Operations of the Board of Directors

Position	Name	Attendance in Person (B)	Attendances by Proxy	Attendance Rate (%) [B/A] (Note 1)	Note
Chairperson	Ching-Yuan Wu	8	0	100%	
Vice Chairperson	Chien-Jin Investment Co., Ltd. Representative Li-Chu Wu	6	2	75%	
Managing Director /Independent Director	Chung-Chuan Shih	8	0	100%	
Director	Chien-Jin Investment Co., Ltd. Representative Li-Hsi Chiang	8	0	100%	
Director	Chao-Yao Investment Co., Ltd. Representative Yu-Chang Huang	8	0	100%	
Director	Chao-Yao Investment Co., Ltd. Representative Ren-Hao Tien	7	1	87.5%	
Director	Chao-Yao Investment Co., Ltd. Representative Te-Ching Chang	6	2	75%	
Independent Director	Chen Chiang	8	0	100%	
Independent Director	Chih-Hung Hsieh	6	2	75%	

Other matters to be noted:

- I. Any matters listed in Article 14-3 of the Securities and Exchange Law, and other resolutions of the Board of Directors' meetings to which an independent director has expressed objection or reservation and recorded or declared in writing: None.
- II. Recusals of directors from proposal execution for conflicts of interest:

Board of Directors Date and Session	Directors Who Recused Themselves	Proposal Content	Reason for Recusal	Participation in Voting
2021.02.04 26th term 8th session	Ching-Yuan Wu Li-Chu Wu Ren-Hao Tien	Drafted proposal of the Company for allocating 2020 year-end bonus to the Directors and managers.	Involved compensation and interests of Chairperson Ching-Yuan Wu, Vice Chairperson Li-Chu Wu and Director Ren-Hao Tien.	Chairperson Ching-Yuan Wu, Vice Chairperson Li-Chu Wu, and Director Ren-Hao Tien recused themselves due to conflicts of interests and all other Directors present approved the proposal by voting.
2021.03.30 26th term 9th session	Ching-Yuan Wu Li-Chu Wu Li-Hsi Chiang Yu-Chang Huang	The Company's distribution of remuneration of Directors for 2020.	Involved compensation and interests of Chairperson Ching-Yuan Wu, Vice Chairperson Li-Chu Wu, and Directors Li-Hsi Chiang and Yu-Chang Huang.	Chairperson Ching-Yuan Wu, Vice Chairperson Li-Chu Wu, and Directors Li-Hsi Chiang and Yu-Chang Huang recused themselves due to conflicts of interests and all other Directors present approved the proposal by voting.
2021.08.12 26th term 14th session	Ren-Hao Tien	2021 salary adjustment for managers of the Company.	Involved compensation and interests of Director Ren-Hao Tien.	Director Ren-Hao Tien recused himself due to conflicts of interests and all other Directors present approved the proposal.

III. TWSE/TPEX listed companies shall disclose the information of self-evaluation of the Board of Directors, such as evaluation cycle, period, scope, method and content:

1. On March 30, 2020, the Company drafted Regulations Governing the Evaluation of the Board of Director. It will regularly appraise performances of the Board of Directors, functional committees and directors at the end of each fiscal year. For this evaluation, a report was presented on March 30, 2022.
2. The performances of the Board of Directors and functional committees in 2021 were "outstanding"; the Directors independently evaluated their performances to be "outstanding".
3. To improve functions of the Board of Directors and enhance the Board members' understanding of amendments to laws and regulations, the Company will appropriately deliver related courses to strengthen the Board members' performance of their duties and arouse their great concerns about corporate governance.

Execution of the Board's evaluation

Frequency	Cycle	Scope	Method
Once a year	January 1, 2021 to December 31, 2021	Performance appraisal of the Board of Directors, directors and functional committees. Functional committees include Audit Committee and Remuneration Committee.	Internal self-evaluation of the Board of Directors, directors' self-evaluations, and internal self-evaluations of functional committees.

Content:	
1.	Self-evaluation of the Board of Directors' performance: The performance indicators of the Board of Directors include five major aspects: participation in the operation of the Company, improvement of the quality of the Board of Directors' decisions, composition and structure of the Board of Directors, selection and continuing education of the Directors, and internal control.
2.	Self-evaluation of board members' performance: The performance evaluation indicators for directors include six major aspects: mastery of corporate goals and tasks, directors' awareness of their responsibilities, participation in corporate operations, internal relations and communication, directors' professionalism and continuing education, and internal control.
3.	Self-evaluation of the Audit Committee's performance: The performance evaluation indicators of the Audit Committee include five major aspects: participation in the company's operation, awareness of the functional committee's responsibilities, improvement of the quality of the functional committee's decision making, composition and selection of functional committee members, and internal control.
4.	Self-evaluation of the performance of the Remuneration Committee: The performance evaluation indicators of the Remuneration Committee include five major aspects: the degree of participation in the company's operation, the recognition of the responsibilities of the functional committee, the improvement of the quality of the functional committee's decision making, and the composition and selection of the functional committee members.
IV.	Measures undertaken during the current year and most recent year to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation: <ol style="list-style-type: none"> After directors were re-elected for the Board of Directors at the 2017 shareholders' meeting, the Board of Directors appointed three Independent Directors and set up the Audit Committee. The Company bought liability insurance policies for directors and important staff of the Company, and reported such insurance policies at the Board of Directors meeting on January 20, 2022. On March 30, 2021, the Board of Directors of the Company passed a resolution to appoint Kuei-Chin Huang of the Finance Department to act as Governance Supervisor of the Company, to assist the directors in performing their duties and improve efficiency of the Board of Directors.

Note 1:

- (1) When a director leaves office, the actual attendance rate (%) shall be calculated based on the number of Board meetings held and how many meetings the director has actually attended during his or her employment.
- (2) When the directors are re-elected, the actual attendance rate (%) of the new and former directors shall be calculated based on the number of Board meetings held and how many meetings the directors has actually attended.

(II) Operations of the Audit Committee

- The Audit Committee of the Company has 3 members altogether.
- Current term of office of each committee member: From June 23, 2020 to June 22, 2023.
- In 2021, the Audit Committee of the Company held 5 meetings (A) in total, and the members' attendance of the meetings was as follows:

Position	Name	Actual Number of Attendances (B)	Attendances by Proxy	Actual Attendance Rate (%) [B/A]	Note
Independent Director	Chung-Chuan Shih	5	0	100%	-
Independent Director	Chen Chiang	5	0	100%	
Independent Director	Chih-Hung Hsieh	3	2	60%	

Other matters to be noted:

- I. With regard to the implementation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and Company's responses to such resolutions shall be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Name of Meeting	Date	Proposal Content	Opinions of all Independent Directors and the Company's handling of opinions of Independent Directors
26th term 8th session Board of Directors	2021.02.04	The proposal to assess the independence of, and to appoint CPAs auditing and attesting the Company's financial statements for 2021.	All Independent Directors approved the proposal, and submitted the proposal to the Board of Directors for resolution.
26th term 9th session Board of Directors	2021.03.30	1. 2020 Statement on Internal Control System of the Company. 2. The 2020 Business Report and Financial Statements of the Company. 3. 2020 Earnings Distribution of the Company. 4. Amendment of the " Procedures for	All Independent Directors approved the proposal, and submitted the proposal to the Board of Directors for resolution.

		Loans of Funds to Others ". 5. Amendment of the " Processing Procedures for Engaging in Derivatives Trading " .	
26th term 10th session Board of Directors	2021.05.13	Amendment of the " Procedures for Assets Acquisition & Disposal " .	All Independent Directors approved the proposal, and submitted the proposal to the Board of Directors for resolution.
26th term 14th session Board of Directors	2021.08.12	1. Proposal for the replacement of CPAs auditing and attesting the Company's financial statements for 2021 Q2 to Q4. 2. Amendment of the "Implementation Rules of Internal Audit". 3. Amendment of the "Implementation Rules of Internal Control System".	All Independent Directors approved the proposal, and submitted the proposal to the Board of Directors for resolution.
26th term 15th session Board of Directors	2021.11.11	1. Drafting of the 2022 Internal Audit Plan of the Company. 2. The Company's earnings distribution for the first half of 2021. 3. Proposed changes to the schedule of the Company's donation of NT\$250,000,000 to Hsinchu Sanyang Education Foundation.	All Independent Directors approved the proposal, and submitted the proposal to the Board of Directors for resolution.

(II) Except for the aforementioned matters, other resolutions which were not approved by the Audit Committee but resolved by more than two-thirds of all the Directors: None.

II. Regarding recusals of Independent Directors from voting due to conflicts of interests, the names of the Independent Directors, contents of the proposals, reasons for recusal, and results of voting shall be specified: None.

III. Communications between the Independent Directors, the Company's chief internal auditor and CPAs (shall include the material items, methods and results of audits of corporate finance or operations, etc.):

(I) Summary of communications between Independent Directors and Internal Chief Audit Officer:

1. The monthly audit report based on the audit plan shall be submitted to each independent director through email or in person by the end of the following month.
2. The quarterly audit report shall be submitted to the Audit Committee periodically.
3. Occasionally conduct communication and provide instruction and response by telephone, email, or in person.
4. The communications between independent directors and the internal chief audit officer in 2021 are listed below:

Date	Communication Points	Results
2021.02.04	Report on implementation of the internal audit of the Company from October to December 2020.	Noted
2021.03.30	2020 Statement on Internal Control System of the Company.	The resolution was approved
2021.05.13	Report on implementation of the internal audit of the Company from January to March 2021	Noted
2021.08.12	Report on implementation of the internal audit of the Company from April to June 2021.	Noted
2021.11.11	1. Report on implementation of the internal audit of the Company from July to September 2021. 2. Drafting of the 2022 Internal Audit Plan of the Company.	Noted The resolution was approved

(II) Summary of communications between Independent Directors and CPAs:

1. Prior to the annual audit, the CPAs will fully communicate with the independent directors on the key audit matters and important statutory requirements of the year.
2. The independent directors regularly communicate with the CPAs in the Audit Committee about the review or audit of the financial statements and the results.
3. Details are as follows:

Date	Communication Points	Results
2021.03.30	The 2020 Business Report and Financial Statements of the Company.	Good
2021.08.12	Explanation of the audit report of the Company's financial statements for the second quarter of 2021.	Good

4. Annual key tasks of the Audit Committee:

(1) Review financial reports

After the Company's annual business report, financial statements and earnings distribution plan are reviewed and approved by the Audit Committee, they shall be submitted to the Board of Directors for discussion. After they are resolved by the Board of Directors, they shall be submitted to the Shareholders' Meeting for approval.

(2) Assess effectiveness of internal control

Internal self-evaluation of the Board of Directors, directors' self-evaluations, and internal self-evaluations of functional committees. The internal bodies of the Company shall independently evaluate their internal control systems and their implementation. The audit body shall communicate with members of the Audit Committee from different perspectives several times per year, to evaluate effectiveness of the Company's internal control.

(3) Appoint CPAs

The Audit Company annually evaluates independence and professionalism of the CPAs as well as reasonableness of appointment and remuneration. In 2021, the Company appointed accountants Chung-Che Chen and Ti-Nuan Chien from KPMG as CPAs. After such appointment was approved by the Audit Committee on February 4, 2021, it was reported to the Board of Directors for resolution. Due to internal personnel adjustments of KPMG, the CPAs were replaced by Chung-Che Chen and Hsin-Ting Huang starting from the financial statements for the second quarter of 2021. The proposal was reviewed and passed by the Audit Committee on August 12, 2021 and submitted to the Board of Directors for approval.

(4) Review procedures involving major financial operations of the Company

Procedures for major financial/business conduct involving the acquisition and disposal of assets, loans of funds to others, or engaging in derivatives trading shall be reviewed and submitted to the shareholders' meeting for discussion after the Board of Directors' resolution.

(5) Review transactions of major assets

The acquisition or disposal of real estate, right-to-use assets and marketable securities shall be reviewed and approved by the Audit Committee and then submitted to the Board of Directors for approval.

(III) Implementation Status of Corporate Governance and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof:

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Has the Company established and disclosed its code of practice on corporate governance based on "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has formulated corporate governance best-practice principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies on May 13, 2021.	No material difference.
II. Shareholding structure & shareholders' rights				
(I) Does the company establish and implement internal operating procedures to deal with shareholders' suggestions, doubts, disputes, and litigations?	✓		(I) The Company has spokesperson, deputy spokesperson and Finance Department to perform their respective duties.	No material difference.
(II) Does the Company have a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	✓		(II) The Company provides a shareholder list via a shareholder service agency.	No material difference.
(III) Does the company establish and execute a risk management and firewall system within its affiliates?	✓		(III) The Company and its affiliates have established the Company's related party transaction management measures.	No material difference.
(IV) Does the Company establish internal rules against insiders using undisclosed information to trade in securities?	✓		(IV) The Company has developed operating procedures for processing internal material information to prevent insider trading.	No material difference.
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board develop and implement a diversity guideline for the composition of its members?	✓		(I) Although the Company has not expressly formulated diverse policies as to composition of the Board of Directors, it has diversified the Board members.	No material difference.
(II) Does the company voluntarily establish other functional committees in addition to the legally-required Remuneration Committee and Audit Committee?		✓	(II) The Company has not yet set up other voluntary functional committees.	In the future, the Company will set up other functional committees according to actual needs.
(III) Does the Company develop standards and methods to evaluate the performance of the Board of Directors, conduct the evaluation annually and regularly, report the results of evaluations to the Board of Directors, and use them as references for individual directors' remuneration and nomination and renewal?	✓		(III) 1. The Company has established the Procedures for Evaluating Performance of the Board of Directors, and performed the evaluation since 2020. 2. According to the Procedures for Evaluating Performance of the Board of Directors, the Board shall evaluate performance of the Board of Directors at least once a year; such evaluation shall be conducted by an external professional independent organization or an external professional team of scholars at least every three years. 3. The 2021 performance appraisal results of the Board of Directors were reported to the Board of Directors on March 30, 2022.	No material difference.

(IV)	Does the Company regularly evaluate the independence of the CPAs?	✓		(IV) The CPA firm and CPAs appointed by the Company have no conflicts of interest with the Company and strictly maintain their independence. The Board of Directors regularly discusses engagement of CPAs auditing and attesting financial statements of the current year from the perspective of their independence and competency every year, and a resolution was thereby passed by the Board of Directors on January 20, 2022.	No material difference.
IV.	Does the Company appoint adequate persons and a chief governance officer to be in charge of corporate governance matters (including but not limited to providing directors and supervisors required information for business execution, assisting directors and supervisors in following laws and regulations, handling matters in relation to the Board meetings and shareholders' meetings and keeping minutes at the Board meetings and shareholders' meetings according to law)?	✓		On March 30, 2021, the Board of Directors of the Company passed a resolution to appoint Kuei-Chin Huang of the Finance Department to act as Governance Supervisor of the Company, to assist the directors in performing their duties and improve efficiency of the Board of Directors. The main duties include handling the meeting related matters of the board of directors and the shareholders' meeting in accordance with the law, making the minutes of the board of directors and the shareholders' meeting, assisting the directors in taking office and continuing education, providing information required for the directors to carry out their business, assisting the directors in complying with laws and regulations, and other matters stipulated in the Articles of Incorporation or the contract.	No material difference.
V.	Does the Company set communication channels and a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		The Company has set communication channels and a dedicated section on its website for stakeholders.	No material difference.
VI.	Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed a professional shareholderservice agency and securities service agency to deal withshareholders' meeting affairs.	No material difference.
VII.	Information disclosure				
(I)	Does the Company have a website to disclose the financial operations and corporate governance status?	✓		(I) The Company has set up a website to regularly disclose its financial information. http://www.sanyang.com.tw	No material difference.
(II)	Does the Company have other information disclosure channels (e.g., building an English website, appointing designated people to collect and disclose information, creating a spokesman system, and making the process of investor conferences available on the corporate website)?	✓		(II) The Company has built an English website and pays close attention to the implementation of the spokesman system. In addition, its affiliates have respectively appointed special personnel to collect and disclose information of the Company. http://www.sanyang.com.tw/en/	No material difference.
(III)	Does the company publicly announce and file the annual financial reports within two months after the close of the given fiscal year and publicly announce and file the first, second, and third quarterly financial reports and the operation of each month ahead of the required deadline?		✓	(III) The Company has announced its annual and quarterly financial statements and each month's business operations within the periods specified by laws and regulations. However, the Company has not announced and declared its annual financial statements within two months after the end of the fiscal year.	Same as the summary.

<p>VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, Directors' and Supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by Directors and Supervisors)?</p>	<p>✓</p>	<ol style="list-style-type: none"> 1. Employee rights: The Company has always treated employees honorably and provides protection of their legal rights in accordance with the Labor Standards Act. 2. Caring for employees: The Company has established a welfare system for enriching/stabilizing employees' lives and a sound education and training system to build good relations with employees based on mutual trust and reliance. Welfare includes but is not limited to: providing funds for employees' club activities and providing recreation and entertainment, subsidies for health checkup, medical consultations, provisioning of employee dormitories, caring for daily lives of employees residing in the Company's dormitories and free parking lots. 3. Investor relations: The Company set up the Finance Department and the Public Affairs Office to specially process shareholders' suggestions. 4. Supplier relations: The Company maintains good relationships with its suppliers. 5. Stakeholders' rights: Stakeholders can communicate with and offer suggestions to the Company to safeguard their legitimate rights and interests. 6. Progress of training for directors: All Directors of the Company have professional industry backgrounds and practical experiences in business management. 7. Execution process of risk management policies and risk measurement standards: Establish various internal regulations and conduct multiple risk management and assessment under regulations. 8. Implementation of client policy: The Company maintains positive relations with customers to create Company profits. 9. The Company's purchase of liability insurance policies: The Company has bought liability insurance policies for its directors. Such insurance policies were reported at the Board of Directors meetings on February 4, 2021 and January 20, 2022. 	<p>No material difference.</p>
<p>IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved:</p> <p>(I) The Company's ranking in the 7th Corporate Governance Appraisal of the Taiwan Stock Exchange in 2020: 66 to 80%; the Company's ranking in the 8th Corporate Governance Appraisal of the Taiwan Stock Exchange in 2021: 51 to 65%.</p> <p>(II) The Company has made following improvements:</p> <ol style="list-style-type: none"> (1) Uploaded the English meeting notice and meeting agenda 30 days before the date of the general shareholders' meeting, and uploaded the English annual report 16 days prior to the meeting. (2) Placed corporate governance regulations and information regarding the Board of Directors and functional committees in the Corporate Governance Section on the Company's website. <p>(III) Matters and measures to be strengthened as priorities:</p> <ol style="list-style-type: none"> (1) Continue to increase the transparency of information disclosure. 			

(IV) Composition, Duties and Operation of the Remuneration Committee:

1. Information on Members of the Remuneration Committee

Title	Criteria Name	Professional Qualifications and Experience	Compliance with the Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
Independent Director Convener	Chung-Chuan Shih	The contents reference on p.25 “2.Disclosure of Information on the Professional Qualifications of Directors and Independence of Independent Directors”	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates. (3) Not the natural person shareholder who holds shares, together with those held by the person's spouse, children (minors), or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings. (4) Not a spouse, kin within the second degree of kinship under the Civil Code, or the lineal blood relatives within the third degree of kinship under the Civil Code as specified in (1) through (3). (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings or any of the authorized representatives of a company referred to in Paragraphs I and II of Article 27 of the Company Act. (6) Not a director, supervisor, or employee of other company who has a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person. (7) Not a director (or governor), supervisor, or employee of other company or institutions who is the chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses. (8) Does not have financial or business relationships with the Company or with directors (executive), supervisors, managers, or major shareholders with over 5% shareholdings. (9) Does not provide the Company or associated companies with auditing or in the past 2 years in business, legal, financial, accounting services, by professionals, sole proprietorships, partnerships, companies, or institutional owners, partners, directors, supervisors, managers, and spouses. (10) Not a spouse or relative within the second degree of kinship of any other directors.	0
Independent Director	Chen Chiang			0
Independent Director	Chih-Hung Hsieh			1

2. Operations of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) Current term of office of each committee member: From July 3, 2020 to June 22, 2023.
- (3) In 2021, the Remuneration Committee of the Company held 4 meetings (A) in total, and the members' attendance of the meetings was as follows:

Position	Name	Actual Number of Attendances (B)	Attendances by Proxy	Actual Attendance Rate (%) (B/A) (Note)	Note
Convener	Chung-Chuan Shih	4	0	100%	-
Committee Member	Chen Chiang	4	0	100%	
Committee Member	Chih-Hung Hsieh	3	1	75%	

Other matters to be noted:

- I. If the Board of Directors refuses to adopt or amend a recommendation of the Remuneration Committee, the date of the meeting, session, content of the proposal, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., if the remuneration approved by the Board of Directors exceeds the recommended one of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- II. For resolution(s) made by the Remuneration Committee with the Committee members voicing objections or qualified opinions on the record or in writing, please state the meeting date, session, content of proposal, and opinions of all members and the Company's response to the said opinions: None.
- III. Discussions and resolutions of the Remuneration Committee in 2021:

Session of the Remuneration Committee	Date	Proposal Content	Opinions of the Remuneration Committee and the Company's Response to the Opinions
3rd Session of the 4th Remuneration Committee	2021.02.04	1. Drafted proposal of the Company for allocating 2020 year-end bonus to the Directors and managers. 2. Drafted the proposal for the salary of the new manager of the Company.	The proposal was approved by all members, and submitted to the Board of Directors for resolution.
4th Session of the 4th Remuneration Committee	2021.03.30	1. The Company's distribution of remuneration of employees for 2020. 2. The Company's distribution of remuneration of Directors for 2020.	The proposal was approved by all members, and submitted to the Board of Directors for resolution.
5th Session of the 4th Remuneration Committee	2021.05.13	Amendment of the "Remuneration Committee Charter".	The proposal was approved by all members, and submitted to the Board of Directors for resolution.
6th Session of the 4th Remuneration Committee	2021.08.12	1. Amendment of the Company's management measures for directors' and managers' compensation. 2. 2021 salary adjustment for managers of the Company.	The proposal was approved by all members, and submitted to the Board of Directors for resolution.

Note: During the election of the members of the Remuneration Committee, the actual attendance rate (%) of the new and former members of the committee shall be calculated based on the number of sessions held by the committee and how many times they have attended the sessions during their employment.

(V) Performance of corporate social responsibility, deviations from the corporate social responsibility best practice principles for TWSE/TPEX listed companies and reasons thereof:

Implementation Item	Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Does the company set up a governance structure for sustainable development, establish an exclusively (or concurrently) dedicated unit to implement sustainable development, and have management appointed by the Board of Directors to be in charge of sustainable development and to report the implementation status to the Board of Directors?		✓	The Company's sustainable development governance is implemented by each unit and the Company has not yet appointed full-time (part-time) personnel to perform corporate social responsibilities.	To promote corporate governance, ensure the sustainable development of the environment, safeguard social public welfare and strengthen its information disclosure, the Company continuously performs its social responsibilities and has its functional projects implemented by internal bodies of the Company. The Safety Management Office annually issues Corporate Social Responsibility Report (Corporate Sustainability Report), discloses the Company's performance, reviews area for improvement and strives to reach those goals.
II. Does the company assess ESG risks associated with its operations based on the principle of materiality, and develop related risk management policies or strategies?	✓		The Company attaches importance to corporate governance, environmental protection and social engagement, which are included in the Company's management policies and related business activities. While striving for sustainable operations and profits, the Company also pays attention to stakeholders' interests and performs its corporate social responsibilities.	No material difference.
III. Environmental issues (I) Does the Company establish an environmental management system proper to its industry's characteristics?	✓		(I) The Company has established a system related to environmental management and promotes environmental management systems (ISO14001 and ISO14064). It appoints DNV Business Assurance Co., Ltd. to audit the systems each year.	No material difference.
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials that have insignificant impact on the environment?	✓		(II) The Company promotes 7 energy conservation measures, including temperature reduction for factories, alternative use of LED lights as lighting equipment, and upgrading of air-conditioning equipment. The original purchased open-ended iron cases and bottom plates have been replaced by those made of recycled imported auto parts, to increase utilization ratio of materials.	No material difference.
(III) Has the company evaluated the current and future potential risks and opportunities of climate change, and adopted countermeasures related to climate issues?	✓		(III) To effectively control drastic increase in greenhouse gas emissions and respond to challenges to sustainable development resulting from climate change, the Company has taken following measures to reduce greenhouse gas	No material difference.

Implementation Item	Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
			emissions: 1. Commitment to greenhouse gas inventory 2. Tracking actual greenhouse gas emissions by the Company 3. Promoting sustainable development	
(IV) Has the company collected data for greenhouse gas emissions, water usage and waste quantity in the past two years, and formulated energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		(IV) 1. Greenhouse gases: Since 2007, the Company has begun to identify and take inventory of greenhouse gases in the Hsinchu plant according to ISO 14064 to measure greenhouse gas emissions and provide the basis for proposals for reducing greenhouse gas emissions. For all greenhouse gases emitted by the Company, identification of related emission sources, data collection and emission calculation are performed. In addition, they are investigated and verified by DNV Business Assurance Co., Ltd. 2. Energy conservation and carbon emission reduction: To meet the commitments of environmental, safety and health policies for "improving equipment effectiveness, managing energy conservation of public facilities and cutting energy costs, the Company has taken comprehensive actions for cutting power consumption by 1% per year since 2015. In 2021, the Company launched 21 improvement programs and decreased power consumption by 1,361,550kWh/year.	No material difference.
IV. Social issues				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(I) All of the Company's amendments to its internal control and management rules are in line with related government regulations.	No material difference.
(II) Has the company formulated and implemented reasonable employee welfare measures (including remuneration, rest and annual leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee remuneration?	✓		(II) The Company has formulated related remuneration management measures, bonus allocation standards and leave management measures. It has also set up the Employee Welfare Committee and Trade Union, to guarantee related rights and benefits of the employees.	No material difference.
(III) Does the company provide a healthy and safe work environment and organize health and safety training for its employees on a regular basis?	✓		(III) The Company has set up the Environmental, Safety and Health Management Department for patrolling, inspection, employee education, and	No material difference.

Implementation Item	Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(IV) Does the company draft effective career development and training plans for its employees?	✓		<p>supervision of environment, safety and health in its plants to ensure workers' safety during operations. The Company has lawfully been staffed with professional nursing personnel, drafted and executed the plans for health management and promotion in plants. Apart from regular health checkups, environment, health and safety education and training for employees, it has also specially recruited physicians and professional specialist physicians to provide professional health management services in its plants.</p> <p>(IV) The Company has set up special education and training organizations, and established a training system. It annually investigates and performs training on management, quality control, production management, marketing, languages and professional skills according to corporate policies, strategies, rules and training demands. It actively cultivates talents and improves its employees' professional skills.</p> <p>In addition, it has drafted measures regarding official ranks and titles, which are classified into management and professional positions. Its employees can improve their capabilities and achieve career development according to their duties, job types and corporate training system.</p>	No material difference.
(V) Do the company's products and services comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and formulate policies to protect consumers' rights and consumer appeal procedures?	✓		<p>(V) The business units of the Company have set 080 toll-free customer complaint hotlines for their consumers. They make 24-hour road rescue and door-to-door services available to consumers. In addition, consumers can leave messages and send them to the email address of the Company's official website. Full-time customer service specialists are appointed to deal with related matters and provide answers. The Company protects customers' personal information with the highest standards according to laws on personal data protection.</p>	No material difference.
(VI) Does the company formulate and implement supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights?	✓		<p>(VI) 1. The Company has listed green procurement as a basic requirement for supplier management, and collaborated with manufacturers to assess the Measures for Evaluating New Collaborative Manufacturers' Applications for</p>	No material difference.

Implementation Item	Status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
			<p>QAV1. The Company arranges procurement; quality assurance; quality control; technical; and environment & safety personnel to perform on-site evaluations in manufacturers' premises. Manufacturers with more than 80 (inclusive) scores in the evaluation are deemed as qualified suppliers.</p> <p>2. The manufacturers contracting projects are listed in great concerns of the Company. They have to sign environment, safety and health commitments in procurement outsourcing and manufacturers' contracting agreements. In addition to encouraging the contractors to undertake responsibilities, the environmental and health organizations shall provide assistance, training and improvement education when necessary to safeguard effective implementation of environmental, safety and health policies inside the plants.</p>	
V. Does the company refer to internationally-used standards or guidelines for the preparation of reports such as CSR reports to disclose non-financial information? Are the reports certified or assured by a third-party accreditation body?	✓		<p>1. The data disclosed in the corporate social responsibility reports is from the Company's statistics and survey results, presented as international general indicators.</p> <p>2. The greenhouse gas emissions specified by ISO14064 have been verified by DNV Business Assurance Co., Ltd. in April each year.</p> <p>3. The Company has passed ISO 14001, ISO 45001 and CNS 15506 certifications for being certified by DNV GL. The certifications are valid from October 17, 2019 to October 16, 2022.</p>	No material difference.
VI. If the Company has established corporate social responsibility best-practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," describe the implementation and any deviations from such principles: None.				
VII. Other important information to facilitate a better understanding of corporate social responsibility practices: The Company's environmental protection, community engagement, social contributions, social services, social public welfare, consumer rights and interests, human rights, safety, health and other social responsibility activities have been integrated and disclosed in the Company's Corporate Social Responsibility report, and announced on the website of Sanyang Motor (http://www.sanyang.com.tw/).				

(VI) Ethical Corporate Management and Measures Adopted

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Establishment of ethical corporate management policies and programs				
(I) Does the company formulate the ethical corporate management policies approved by the Board of Directors and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	✓		(I) The Company has formulated professional code of ethics and detailed social norms for practitioners. It complies with policies and practices on ethical corporate management.	No material difference.
(II) Does the company establish a risk assessment mechanism against unethical conduct, regularly analyze and assess business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include those specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		(II) The Company has drafted measures for non-competition and confidentiality undertakings, professional code of ethics and letter of confirmation on service codes, to prevent rather dishonest behaviors and risky operations. However, the Company has not established a risk evaluation mechanism, which will be constructed in accordance with the Company's needs.	No material difference.
(III) Does the company specify in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implement them and review the prevention programs on a regular basis?	✓		(III) The Company has formulated professional code of ethics to prevent unethical conduct and specify appropriate method for filing complaints.	No material difference.
II. Full implementation of ethical management				
(I) Does the company evaluate business partners' credit records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		(I) The Company has formulated detailed social norms for its employees to strictly ban its employees, their relatives, friends and stakeholders from accepting bribes, rebates or illegitimate benefits.	No material difference.
(II) Does the company establish an exclusively dedicated unit supervised by the Board of Directors to be in charge of ethical corporate management and report to the Board of Directors the implementation of ethical corporate management policies and prevention programs on a regular basis (at least once a year)?	✓		(II) The Company has built a team in charge of professional ethics to implement awareness campaigns from time to time and improve ethical corporate management, but it has not regularly reported the implementation status to the Board of Directors.	Same as the summary.
(III) Does the company formulate policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		(III) The Company has developed professional code of ethics and detailed social norms for its employees, to prevent conflicts of interest and specify appropriate method for filing complaints.	No material difference.
(IV) Does the company establish effective accounting systems and internal control systems to implement ethical corporate management, with the internal audit unit being responsible for devising relevant audit plans based on the results of assessment of any unethical conduct risk, examining accordingly the compliance with the prevention programs, or	✓		(IV) The Company has established internal control and accounting systems in accordance with government decrees, lawfully appointed internal audit personnel, executes the audit plans approved by the Board of Directors, and makes regular reports to the Audit Committee and the	No material difference.

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
(V) engaging a certified public accountant to carry out the audit? Does the company regularly hold internal and external training on ethical corporate management?	✓		(V) Board of Directors. The Company has arranged courses related to ethical corporate management in its education and training programs for new employees.	No material difference.
III. Operation of the whistleblowing system (I) Does the company develop both a reward and whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to the accused party?	✓		(I) The Company has established a team on professional ethics and set up Audit Office to accept employees' complaints. Employees who damage the interests of the Company due to a violation of ethical corporate management principles will be punished according to work rules and guidelines for special rewards and punishments.	No material difference.
(II) Has the company developed standard operating procedures and confidentiality measures for the investigation of reported incidents?	✓		(II) The Company has established procedures for accepting impeaches, which are implemented by human resource, environment and health organizations. The Company strictly maintains the confidentiality of whistleblowers' rights, interests and privacy.	No material difference.
(III) Does the company provide protection for whistleblowers against improper treatment?	✓		(III) After receiving complaints, the Company will notify and respond to them objectively, fairly, and impartially. It will strictly maintain the confidentiality of the whistleblowers' rights, interests and privacy.	No material difference.
IV. Enhancing information disclosure Does the company disclose the ethical corporate management policies and the results of its implementation on the company website and MOPS?	✓		The Company has created a website to regularly disclose its business information required by laws and regulations. http://www.sanyang.com.tw	No material difference.
V. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: The Company has not formulated the "Ethical Corporate Management Best-Practice Principles" but related ethical corporate management guidelines are included in the Company's other internal regulations including work rules, detailed social norms for employees, professional code of ethics, and letter of conformation of service norms. No difference exists in the practical operations. Regarding the professional code of ethics, the Company requires all employees to: 1. Comply with the code at work and in our personal conduct. 2. Ensure that there is no conflict of interest. 3. Protect confidential information and property of the Company. 4. Obey all applicable laws, rules and regulations. 5. Adhere to the regulations regarding the prohibition against insider trading. 6. Respect everyone and treat everyone in a fair and just manner. 7. Make sure that all policies of the Company have been read and understood. 8. Consult with the immediate supervisor or the Professional Ethics Committee in case of any inexplicable questions. 9. Report any violations of rules along with the evidence to the Professional Ethics Committee or in accordance with related procedures.				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
				The Company appoints the Head of the HR Department to receive whistleblowing reports and create a whistleblowing email account (hr@sym.com.tw). Any whistleblowing matters or violations reported will be submitted to the Professional Ethics Committee for investigation and handling.
VI.				Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies) 1. The Company upholds ethical corporate management and strictly abides by all government regulations, rules governing companies listed on TWSE, and other international business regulations as the basis for its ethical corporate management. 2. All employees of the Company have signed the Professional Code of Ethics and Letter of Conformation of Service Code to ensure compliance in employees' conduct.

(VII) If the company has established corporate governance principles and related bylaws, disclose the method for accessing such documents: The documents have been placed on the Company's official website for review.

(VIII) Other important information sufficient for enhancing understanding of corporate governance:

1. All important information of the Company is announced on the MOPS pursuant to regulations of competent authorities.
2. Continuing education of Directors in 2021:

Position	Name	Date of Training	Course	Course Hours (hr)	Organizer
Chairperson	Ching-Yuan Wu	2021.02.04	Corporate Governance Responsibilities of Directors and Supervisors and Case Studies	3	Taiwan Corporate Governance Association
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association
Vice Chairperson	Li-Chu Wu	2021.02.04	Corporate Governance Responsibilities of Directors and Supervisors and Case Studies	3	Taiwan Corporate Governance Association
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association
Managing Director and Independent Director	Chung-Chuan Shih	2021.02.04	Corporate Governance Responsibilities of Directors and Supervisors and Case Studies	3	Taiwan Corporate Governance Association
		2021.04.06	Cash Capital Increase with Non-Cash Payment Case Studies	3	National Federation of Certified Public Accountant Associations of the Republic of China
		2021.04.09	Analysis of the Statement of Auditing Standards No. 74	3	National Federation of Certified Public Accountant Associations of the Republic of China
		2021.09.01	13th Taipei Corporate Governance Forum	3	Financial Supervisory Commission
		2021.11.05	2021 Insider Trading Prevention Seminar	3	Securities and Futures Institute
		2021.12.07	Information Disclosure and Responsibilities of Directors and Supervisors for False Financial Statements	3	National Federation of Certified Public Accountant Associations of the Republic of China
Director	Li-Hsi Chiang	2021.02.04	Corporate Governance Responsibilities of Directors and Supervisors and Case Studies	3	Taiwan Corporate Governance Association
		2021.09.01	13th Taipei Corporate Governance Forum	3	Financial Supervisory Commission
		2021.11.03	2021 Insider Trading Prevention Seminar	3	Securities and Futures Institute
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association
Director	Yu-Chang Huang	2021.02.04	Corporate Governance Responsibilities of Directors and Supervisors and Case Studies	3	Taiwan Corporate Governance Association
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association
Director	Te-Ching Chang	2021.02.04	Corporate Governance Responsibilities of Directors and Supervisors and Case Studies	3	Taiwan Corporate Governance Association
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association
Director	Ren-Hao Tien	2021.02.04	Corporate Governance Responsibilities of Directors and Supervisors and Case Studies	3	Taiwan Corporate Governance Association
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association
Independent	Chih-Hung	2021.02.04	Corporate Governance	3	Taiwan Corporate

Director	Hsieh		Responsibilities of Directors and Supervisors and Case Studies		Governance Association
		2021.09.01	13th Taipei Corporate Governance Forum	3	Financial Supervisory Commission
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association
Independent Director	Chen Chiang	2021.02.04	Corporate Governance Responsibilities of Directors and Supervisors and Case Studies	3	Taiwan Corporate Governance Association
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association

3. Continuing Education of the Corporate Governance Officer in 2021

Position	Name	Date of Training	Course	Course Hours (hr)	Organizer
Corporate Governance Officer	Kuei-Chin Huang	2021.09.01	13th Taipei Corporate Governance Forum	6	Financial Supervisory Commission
		2021.11.11	Opportunities for Enterprise Transformation - Business Model and Sustainable Development Toward a Circular Economy	3	Taiwan Corporate Governance Association
		2021.11.12	2021 Insider Trading Prevention Seminar	3	Securities and Futures Institute
		2021.12.17	Listed Companies - Seminar on How to Use Futures for Hedging and Sustainable Development	3	Securities and Futures Institute

(IX) Implementation of Internal Control System

1. Statement on Internal Control

Sanyang Industry Co., Ltd. Statement on Internal Control System

Date: March 30, 2022

The Company hereby states the results of the self-evaluation of the internal control system for 2021 as follows:

- I. The Company clarifies that the Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Its purpose is to reasonably ensure that operational effectiveness and efficiency (including income, performance, and asset safety) and reporting are reliable, timely, and transparent, as well as to ensure compliance with relevant regulations and laws.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its 3 stated objectives above. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond control. Nevertheless, the internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of the internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the "Regulations"). The criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each key component includes several items. Please refer to the Regulations for the aforementioned items.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2021, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Board of Directors on March 30, 2022, and none of the nine Directors present objected to it and all consented to the content expressed in this statement.

Sanyang Motor Co., Ltd.

Chairperson (Signature/Seal): Ching-Yuan Wu

President (Signature/Seal): Ching-Yuan Wu

2. If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: None.

(X) Penalties imposed upon the Company and its employees according to laws, penalties imposed by the Company upon its employees for the violation of the internal control system, principal deficiencies, and improvement status during the most recent fiscal year and during the current fiscal year and as of the date of the annual report: None.

(XI) Major resolutions of the 2021 shareholders' meeting and Board of Directors meeting

1. Important resolutions of the 2021 general shareholders' meeting:

Matters to Be Resolved	Review of Implementation Status
Approval of 2020 Business Report and Financial Statements	Based on the voting results, the number of affirmative votes complies with the statutory requirement and the proposal was thus approved.
Approval of 2020 Profit Distribution Plan	Based on the voting results, the number of affirmative votes complies with the statutory requirement and the proposal was thus approved. The Company set the ex-dividend date as August 16, 2021 and the date for distributing cash dividends as September 8, 2021. It distributed NT\$1,044,000,885 as cash dividends in total.
Amendment of the "Articles of Incorporation"	Based on the voting results, the number of affirmative votes complies with the statutory requirement and the proposal was thus approved.
Amendment of the Company's "Rules of Procedure for Shareholders' Meetings"	Based on the voting results, the number of affirmative votes complies with the statutory requirement and the proposal was thus approved.
Amendment of the "Rules Governing the Election of Directors"	Based on the voting results, the number of affirmative votes complies with the statutory requirement and the proposal was thus approved.
Amendment of the "Procedures for Loaning of Funds to Others"	Based on the voting results, the number of affirmative votes complies with the statutory requirement and the proposal was thus approved.
Amendment of the "Procedures for Engaging in Derivatives Trading"	Based on the voting results, the number of affirmative votes complies with the statutory requirement and the proposal was thus approved.
Amendment of the "Procedures for the Acquisition or Disposal of Assets"	Based on the voting results, the number of affirmative votes complies with the statutory requirement and the proposal was thus approved.

2. Major resolutions of the Board of Directors in 2021 and as of the date of annual report:

Name of Meeting	Date	Major Resolutions	Implementation Status
26th term 8th session Board of Directors	2021.02.04	<ol style="list-style-type: none"> 1. Approved the Company's 2021 Business Plan. 2. Approved the proposal to assess the independence of, and to appoint CPAs auditing and attesting the Company's financial statements for 2021. 3. Approved the proposal of the Company for allocating 2020 year-end bonus to the Directors and managers. 4. Approved the proposal for the salary of the new manager of the Company. 	Implemented in accordance with the contents of the resolution.
26th term 9th session Board of Directors	2021.03.30	<ol style="list-style-type: none"> 1. Approved 2020 Statement on Internal Control System of the Company. 2. Approved the 2020 Business Report and Financial Statements of the Company. 3. Approved the Company's distribution of remuneration of Directors for 2020. 4. Approved the Company's distribution of remuneration of Directors for 2020. 5. Approved the 2020 Earnings Distribution of the Company. 6. Approved the amendment of the "Articles of 	Implemented and announced in accordance with the contents of the resolution. Items 2 and 5 were submitted to the 2021 general shareholders' meeting for approval and resolution. Items 3 and 4 were reported in the 2021 general shareholders'

Name of Meeting	Date	Major Resolutions	Implementation Status
		<p>Incorporation".</p> <ol style="list-style-type: none"> 7. Approved the amendment of the Company's "Rules of Procedure for Shareholders Meetings". 8. Approved the amendment of the "Procedures for Election Directors". 9. Approved the amendment of the "Procedures for Loans of Funds to Others". 10. Approved the amendment of the "Procedures for Engaging in Derivatives Trading". 11. Approved the amendment of the "Audit Committee Charter". 12. Approved the details of the Company's 2021 general shareholders' meeting. 13. Approved the Company's appointment of the Corporate Governance Officer. 	meeting; Items 6 to 10 were submitted to the 2021 general shareholders' meeting for discussion and resolution.
26th term 10th session Board of Directors	2021.05.13	<ol style="list-style-type: none"> 1. Approved the proposal for adjustment of the Company's financing limit. 2. Approved the amendment of the "Remuneration Committee Charter". 3. Approved the amendment of the "Board of Directors Requests Standard Operating Procedures". 4. Approved the amendment of the "Procedures for Acquisition and Disposal of Assets". 5. Approved the enactment of the "Corporate Governance Best Practice Principles". 	Implemented and announced in accordance with the contents of the resolution. Item 4 was submitted to the 2021 general shareholders' meeting for discussion and resolution.
26th term 11th session Board of Directors	2021.05.19	Approved the Company's plan for the buyback of the Company's 13th treasury shares.	Implemented and announced in accordance with the contents of the resolution.
26th term 12th session Board of Directors	2021.06.17	Approved the adjustment of the date and location of the Company's 2021 general shareholders' meeting.	Implemented and announced in accordance with the contents of the resolution.
26th term 13th session Board of Directors	2021.07.23	Approved the dates for the distribution of cash dividends for 2020.	Implemented and announced in accordance with the contents of the resolution. The 2020 cash dividends were distributed on September 8, 2021.
26th term 14th session Board of Directors	2021.08.12	<ol style="list-style-type: none"> 1. Approved the proposal for the replacement of CPAs auditing and attesting the Company's financial statements for 2021 Q2 to Q4. 2. Approved the amendment of the "Implementation Rules of Internal Audit". 3. Approved the amendment of the "Implementation Rules of Internal Control System". 4. Approved the amendment of the management measures for directors' and managers' compensation. 5. Approved the 2021 salary adjustment for managers of the Company. 	Implemented in accordance with the contents of the resolution.
26th term 15th session Board of Directors	2021.11.11	<ol style="list-style-type: none"> 1. Approved the 2022 Internal Audit Plan of the Company. 2. Approved the proposal for adjustment of the Company's financing limit. 3. Approved the Company's earnings distribution for the first half of 2021. 4. Approved the retirement of treasury shares and establishment of the capital reduction baseline date. 5. Approved changes to the schedule of the Company's donation of NT\$250,000,000 to Hsinchu Sanyang Education Foundation. 	Implemented and announced in accordance with the contents of the resolution. Item 3 will be reported in the 2022 general shareholders' meeting. The capital reduction baseline date for treasury shares in item 4 was set as November 16, 2021 and the Company completed capital reduction registration on December 3, 2021.
26th term 16th session	2022.01.20	<ol style="list-style-type: none"> 1. Approved the Company's 2021 Business Plan. 2. Approved the start of pre-sale for the joint venture 	Implemented and announced in accordance

Name of Meeting	Date	Major Resolutions	Implementation Status
Board of Directors		<p>development project of the Company and E.R.C. Group.</p> <p>3. Approved the proposal of the Company for allocating 2021 year-end bonus to the Directors and managers.</p> <p>4. Approved the proposal for adjustment of the Company's financing limit.</p> <p>5. Approved the proposal to assess the independence of, and to appoint CPAs auditing and attesting the Company's financial statements for 2022.</p> <p>6. Approved the acquisition of Taiwan Tea Corporation by the Company's subsidiary Shangyang Asset Management Co., Ltd.</p>	with the contents of the resolution.
26th term 17th session Board of Directors	2022.03.30	<p>1. Approved the 2021 Business Report and Financial Statements of the Company.</p> <p>2. Approved 2021 Statement on Internal Control System of the Company.</p> <p>3. Approved the Company's distribution of remuneration of Directors for 2021.</p> <p>4. Approved the Company's distribution of remuneration of Directors for 2021.</p> <p>5. Approved the 2021 Earnings Distribution of the Company.</p> <p>6. Approved the first capital cash increase of the Company's subsidiary Shangyang Asset Management Co., Ltd. in 2022.</p> <p>7. Approved the amendment of the "Articles of Incorporation".</p> <p>8. Approved the amendment of the Company's "Rules of Procedure for Board of Directors Meetings".</p> <p>9. Approved the amendment of the "Audit Committee Charter".</p> <p>10. Approved the amendment of the Company's "Rules of Procedure for Shareholders' Meetings".</p> <p>11. Approved the amendment of the "Corporate Governance Best Practice Principles".</p> <p>12. Approved the amendment of the "Procedures for Acquisition and Disposal of Assets".</p> <p>13. Approved the details of the Company's 2022 general shareholders' meeting.</p>	Implemented and announced in accordance with the contents of the resolution. Items 1 and 5 will be submitted to the 2022 general shareholders' meeting for approval and resolution. Items 3 and 4 will be reported in the 2022 general shareholders' meeting; Items 7, 10, and 12 will be submitted to the 2022 general shareholders' meeting for discussion and resolution.
26th term 18th session Board of Directors	2022.04.27	<p>1. Approved the amendment of the "Articles of Incorporation".</p> <p>2. Approved the proposal for lifting the non-compete clause for the 26th-term Directors and their representatives.</p> <p>3. Approved the adjustment of the agenda of the Company's 2022 general shareholders' meeting.</p>	Implemented and announced in accordance with the contents of the resolution. Items 1 and 2 will be submitted to the 2022 general shareholders' meeting for discussion and resolution.
26th term 19th session Board of Directors	2022.05.13	<p>1. Approved the discussion of the Company's 2022 Q1 consolidated financial statements.</p> <p>2. Approved the proposal for adjustment of the Company's financing limit.</p> <p>3. Approved the acquisition of Taiwan Tea Corporation by the Company's subsidiary Shangyang Asset Management Co., Ltd.</p> <p>4. Approved the Company's plan for the buyback of the Company's 14th treasury shares.</p> <p>5. Approved the company holds 32.79% of APh ePower Co., Ltd., and plans to apply for shares to offset the capital for the newly established APh Co., Ltd.</p>	Implemented and announced in accordance with the contents of the resolution.

(XII) The important resolutions passed by the Board of Directors or the Board of Supervisors with varying opinions and recorded or stated in writing in the most recent fiscal year and as of the date of annual report: None.

(XIII) Summary of discharge and resignation of parties relating to the financial report: None.

IV. CPAs' Professional Fees

Unit: NT\$ thousand

Name of CPA Firm	Name of CPAs	CPA Audit Period	Audit Fees	Non-audit Fees	Total	Note
KPMG	Chung-Che Chen	2021.01.01~ 2021.03.31	10,220	-	10,220	Internal adjustment of the CPA firm
	Ti-Nuan Chien	2021.01.01~ 2021.03.31				
KPMG	Chung-Che Chen	2021.04.01~ 2021.12.31				
	Hsin-Ting Huang	2021.04.01~ 2021.12.31				
KPMG	Chih-Yang Chang	2021.01.01~ 2021.12.31	-	1,486	1,486	Transfer pricing and group main file service fee
KPMG	Wei-Chun Yeh	2021.01.01~ 2021.12.31	-	350	350	Taxation consultation service fee, business tax service fee
KPMG	Chung-Che Chen	2021.01.01~ 2021.12.31	-	200	200	Consolidated financial statements preparation and assistance service fee, fees for the letter of opinions on reasonableness of buyback prices of stocks, fees for the inspection of the information on salaries of full-time non-management employees
Pricewaterhouse Coopers Taiwan	Chu-Feng Lin	2021.01.01~ 2021.12.31	-	80	80	Taxation consultation for the transfer of capital to Taiwan service fee

(III) Change in CPA firm and audit fees for the year of the change less than that of the previous year: None.

(IV) Audit fees which were over 15% lower than that of the previous year: None.

(V) Items for evaluating independence of CPAs:

Evaluation Item	Rating	Independence of the CPAs
1. Whether the CPAs have direct or material indirect financial interest with the Company	No	Yes
2. Whether the CPAs have conducted any financing or guarantee activities in connection with the Company or its Directors	No	Yes
3. Whether the CPAs have close business relationships or potential employment relationships with the Company	No	Yes
4. The CPAs and members of the audit team serving as directors or managerial officers or holding positions with significant influence on the audit work of the Company at present or in the past 2 years	No	Yes
5. Whether the appointed CPAs provide non-audit services for the Company that would have a direct impact on the audits	No	Yes
6. Whether the CPAs have stocks or other securities issued by the Company as intermediaries	No	Yes
7. Whether the CPAs act as defendant of the Company or solve the Company's conflicts with other third parties on behalf of the Company	No	Yes
8. Whether the CPAs have kinships with Directors, managers or staff holding posts with material impacts upon audit in the Company	No	Yes

V. CPAs Replacement Related Information:

(I) About former CPAs

Date of Replacement	Approved by the Board of Directors on August 12, 2021		
Replacement Reasons and Remarks	Due to the internal adjustment of the CPA firm, the former CPAs Chung-Che Chen and Ti-Nuan Chien were replaced by Chung-Che Chen and Hsin-Ting Huang.		
Termination by the Company or the CPAs or Rejection of Appointment	Party	CPA	Client
	Condition	N/A	
	Termination by the Company		
Termination by the CPAs			
Opinions (Other than Unqualified Opinions) in the Past 2 Years and Reasons	No such occurrences		
With Different Opinions from the Issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedures
			Others
None		✓	
Description			
Additional disclosures (matters in Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Guidelines)	None		

(II) About succeeding CPAs

Name of CPA Firm	KPMG
Name of CPAs	CPAs Chung-Che Chen and Hsin-Ting Huang
Date of Appointment	Approved by the Board of Directors on August 12, 2021
Inquiries into Accounting Treatments or Principles for Specific Transactions and Possible Opinions on Financial Statements before Appointment	None
Succeeding CPAs' written disagreements with the former CPAs	None

(III) Former CPAs' reply to disclosures under Subparagraphs 1 and 2-3, Subparagraph 6, Article 10 of the Guidelines: N/A.

VI. Information Regarding the Chairperson, Presidents, Financial and Accounting Managers Holding a Position at an Accounting Firm or an Affiliate in the Most Recent Fiscal Year: None.

VII. Conditions of Share Transfer and Changes in Equity Pledge from the Directors, Managers, and Shareholders Holding over 10% of Shares in the Most Recent Year and as of the Date of the Annual Report:

(I) Changes in equity of Directors, managerial officers and majorshareholders:

Unit: Share

Position	Name	2021 (Note 1)		As of April 25 of the current year	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Chairperson/ President	Ching-Yuan Wu	-	(3,098,000)	-	-
Vice Chairperson/ Director	Chien-Jin Investment Co., Ltd.	-	2,405,000	-	-
Vice Chairperson	Chien-Jin Investment Co., Ltd. Representative: Li-Chu Wu	-	-	-	-
Managing Director/ Independent Director	Chung-Chuan Shih	-	-	-	-
Director	Chien-Jin Investment Co., Ltd. Representative: Li-Hsi Chiang	-	-	-	-

Position	Name	2021 (Note 1)		As of April 25 of the current year	
		Change in Number of Shares Held	Change in Number of Shares Pledged	Change in Number of Shares Held	Change in Number of Shares Pledged
Director	Chao-Yao Investment Co., Ltd.	-	2,418,000	-	-
Director	Chao-Yao Investment Co., Ltd. Representative: Yu-Chang Huang Ren-Hao Tien Te-Ching Chang	-	-	-	-
Independent Director	Chen Chiang	-	-	-	-
Independent Director	Chih-Hung Hsieh	-	-	-	-
Vice President	Nai-Shih Lin	-	-	-	-
Vice President	Hsu-Pin Chen	-	-	-	-
Vice President	Shih-Liang Hsu	-	-	-	-
Assistant Vice President	Ying-Feng Chiu	-	-	-	-
Assistant Vice President	Chao-Shun Lin	-	-	-	-
Assistant Vice President	Hsi-Cheng Chang	-	-	-	-
Assistant Vice President	Kuei-Chin Huang	-	-	-	-
Assistant Vice President	Chao-Sheng Lin	-	-	-	-
Assistant Vice President	Chien-Sheng Chen	-	-	-	-
Assistant Vice President	Ren-Hao Tien	-	-	-	-
Assistant Vice President	Yuan-Ping Huang	-	-	-	-
Assistant Vice President	Ming-Chieh Lin	-	-	-	-
Assistant Vice President	Yuh-Shying Gau	-	-	-	-
Assistant Vice President	Hsu-Chi Cheng (Note 2)	-	-	-	-

Note 1. From January 1, 2021 to December 31, 2021.

Note 2. Hsu-Chi Cheng was appointed on January 11, 2021, and transferred to the post as VMEP on April 22, 2021. He resigned on March 24, 2022.

- (II) Where the counterparty of stock transfer or stock pledge is a related party, the name of the counterparty, relationship between the counterparty and the Company, Directors, Supervisors and shareholders holding over 10% shares of the Company, and the shares obtained or pledged shall be disclosed: None.

VIII. Information on Relationships among top 10 Shareholders

April 25, 2022 Unit: Share

Name	Current Shareholding		Spouse & Minor Shareholding		Total Number Of Shares Held In Others' Names		Top 10 Shareholders, Name And Relationship With Anyone Who Is A Related Party Or A Relative Within The Second Degree Of Kinship		Note
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Name (Or Designation)	Relationship	
Da Yang Investment Ltd. Representative: Tiao-Mou Hsu	54,905,000	6.88%	-	-	-	-	-	-	-
Chuan Yuan Investment Ltd. Representative: Kuo-I Wang	47,375,000	5.94%	-	-	-	-	-	-	-
Bai Ke Investment Ltd. Representative: Wen-Lung Chang	45,842,000	5.75%	-	-	-	-	-	-	-
Guancheng Investment Co., Ltd. Representative: Ting-Yu Hsiao	29,997,000	3.76%	-	-	-	-	-	-	-
Chien-Jin Investment Co., Ltd. Representative: Li-Chui Wu	29,181,000	3.66%	-	-	-	-	Ching-Yuan Wu	Brother and sister with the company's representative	-
							Chuangfu Development Consulting Co., Ltd.	Sisterhood with the company's representative	-
							Li-Chui Wu	Representative of the company	-
Ting-Chueh Investment Co., Ltd. Representative: Chen-Mei Ku	20,165,000	2.53%	-	-	-	-	Hongbai Investment Co., Ltd.	Representative of the company	-
Ching-Yuan Wu	20,126,240	2.52%	281,360	0.04%	-	-	Chien-Jin Investment Co., Ltd.	Brother and sister with the company's representative	-
							Chuangfu Development Consulting Co., Ltd.	Brother and sister with the company's representative	-
							Li-Chui Wu	Sibling	-
Hongbai Investment Co., Ltd. Representative: Chen-Mei Ku	17,963,000	2.25%	-	-	-	-	Ting-Chueh Investment Co., Ltd.	Representative of the company	-
Chuangfu Development Consulting Co., Ltd. Representative: Li-Mei Wu	17,086,000	2.14%	-	-	-	-	Chien-Jin Investment Co., Ltd.	Sisterhood with the company's representative	-
							Ching-Yuan Wu	Brother and sister with the company's representative	-
							Li-Chui Wu	Sisterhood with the company's representative	-

Name	Current Shareholding		Spouse & Minor Shareholding		Total Number Of Shares Held In Others' Names		Top 10 Shareholders, Name And Relationship With Anyone Who Is A Related Party Or A Relative Within The Second Degree Of Kinship		Note
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Name (Or Designation)	Relationship	
Li-Chui Wu	17,046,560	2.14%	4,269,600	0.54%	-	-	Chien-Jin Investment Co., Ltd.	Sisterhood with the company's representative	-
							Ching-Yuan Wu	Sibling	-
							Chuangfu Development Consulting Co., Ltd.	Sisterhood with the company's representative	-

IX. Number of Shares Held by the Company, Its Directors, Managers or Any Companies under Direct or Indirect Control of the Company in a Single Enterprise, and Their Total Shareholding Ratio

April 25, 2022 Unit: Share; %

Investee Business (Note)	Investment by the Company		Investments by Directors, Supervisors, Managers and Directly or Indirectly Controlled Enterprises		Total Investment	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Shangyang Asset Management Co., Ltd.	756,300,000	100%	-	-	-	100%
CHU-YANG MOTOR CO., LTD.	2,900,000	100%	-	-	-	100%
Ching Ta Investment Co., Ltd.	111,466,934	99.66%	-	-	-	99.66%
Sanyang Deutschland GmbH	-	100%	-	-	-	100%
Sanyang Italia S.r.l	-	100%	-	-	-	100%
Youth Taisun Co., Ltd.	18,093,488	100%	-	-	-	100%
SY International Ltd.	-	100%	-	-	-	100%
Nova Design Co., Ltd.	19,080,000	100%	-	-	-	100%
Nanyang Industries Co., Ltd.	134,919,522	89.60%	-	-	-	89.60%
Sunshine Auto-Lease Co., Ltd.	7,249,179	16.27%	36,803,109	82.58%	44,052,288	98.85%
Profit Source Investment Ltd.	-	100%	-	-	-	100%
APH ePower Co., Ltd.	40,000,000	32.79%	-	-	-	32.79%
Sanyang Motor Colombia S.A.S	100,002	100%	-	-	-	100%
Yi-Yang Co., Ltd.	20,000,000	100%	-	-	-	100%

Note: The Company uses the equity method for its long-term investments.

Chapter 4. Funding Status

I. Capital and Shares

(I) Source of Capital

Capitalization Process

Unit: Shares; NT\$

Year/Month	Par Value	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increase by Assets Other than Cash	Others
1990.07	NT\$ 10	500,000,000	5,000,000,000	455,000,000	4,550,000,000	Earnings: NT\$395,371,200 Capital reserve: NT\$200,916,800	None	(79) TCZ (I) No.01769
1992.12	NT\$ 10	500,000,000	5,000,000,000	486,850,000	4,868,500,000	Earnings: 136,500,000 Capital reserve: NT\$182,000,000	None	(81)TCZ (I) No. 03331
1994.09	NT\$ 10	750,000,000	7,500,000,000	569,000,000	5,690,000,000	Cash: NT\$ 91,225,000 Earnings: 486,850,000 Capital reserve: NT\$243,425,000	None	(83)TCZ (I) No. 32553
1995.10	NT\$ 10	750,000,000	7,500,000,000	694,180,000	6,941,800,000	Earnings: 995,750,000 Capital reserve: NT\$256,050,000	None	(84)TCZ (I) No. 34157
1998.07	NT\$ 10	750,000,000	7,500,000,000	746,243,500	7,462,435,000	Earnings: 242,963,000 Capital reserve: NT\$277,672,000	None	(87)TCZ (I) No. 58685
1999.09	NT\$ 10	850,000,000	8,500,000,000	776,093,240	7,760,932,400	Capital reserve: NT\$298,497,400	None	(88)TCZ (I) No. 75780
2000.08	NT\$ 10	850,000,000	8,500,000,000	790,070,000	7,900,700,000	Capital reserve: NT\$139,767,600	None	(89)TCZ (I) No. 72283
2001.08	NT\$ 10	850,000,000	8,500,000,000	805,370,000	8,053,700,000	Capital reserve: NT\$153,000,000	None	(90)TCZ (I) No. 153660
2008.09	NT\$ 10	850,000,000	8,500,000,000	845,638,500	8,456,385,000	Earnings: 402,685,000	None	FSC Official Letter No. 0970039548
2011.08	NT\$ 10	950,000,000	9,500,000,000	896,376,810	8,963,768,100	Earnings: 507,383,100	None	FSC Official Letter No. 1000036651
2014.04	NT\$ 10	950,000,000	9,500,000,000	900,044,604	9,000,446,040	Overseas convertible corporate bonds US\$6,400,000	None	FSC Official Letter No. 1020051210
2015.12	NT\$ 10	950,000,000	9,500,000,000	880,044,604	8,800,446,040	Cancellation of treasury stocks NT\$ 200,000,000	None	JSS No. 10401262010
2017.08	NT\$ 10	950,000,000	9,500,000,000	868,595,604	8,685,956,040	Cancellation of treasury stocks NT\$ 114,490,000	None	JSS No. 10601113840
2018.06	NT\$ 10	950,000,000	9,500,000,000	853,595,604	8,535,956,040	Cancellation of treasury stocks NT\$ 150,000,000	None	JSS No. 10701062160
2020.07	NT\$ 10	950,000,000	9,500,000,000	814,398,604	8,143,986,040	Cancellation of treasury stocks NT\$ 391,970,000	None	JSS No. 10901146070
2020.09	NT\$ 10	950,000,000	9,500,000,000	804,982,604	8,049,826,040	Cancellation of treasury stocks NT\$ 94,160,000	None	JSS No. 10901180540
2020.11	NT\$ 10	950,000,000	9,500,000,000	803,077,604	8,030,776,040	Cancellation of treasury stocks NT\$ 19,050,000	None	JSS No. 10901200540
2021.12	NT\$ 10	950,000,000	9,500,000,000	797,639,604	7,976,396,040	Cancellation of treasury stocks NT\$ 54,380,000	None	JSS No. 11001217790

Share Class

Share Class	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total	
Common Shares	797,639,604	152,360,396	950,000,000	Listed Company's Shares

Information for shelf registration: None.

(II) Shareholder Structure

April 25, 2021

Government Agencies	Government Agencies	Financial Institutions	Other Corporate Shareholders	Individuals	Foreign Institutions and Natural Persons	Total
Number of Shareholders	1	4	289	48,762	165	49,221
Shares Held	1,509,000	3,886,124	372,418,543	345,861,959	73,963,978	797,639,604
Shareholding Ratio	0.19	0.49	46.69	43.36	9.27	100

(III) Equity Distribution

April 25, 2022; unit: NT\$10 per share

Shares Range	Number of Shareholders	Shares Held	Shareholding Ratio
1~999	27,564	1,449,426	0.18
1,000~5,000	16,016	33,539,352	4.21
5,001~10,000	2,660	21,358,302	2.68
10,001~15,000	866	10,925,352	1.37
15,001~20,000	615	11,530,567	1.45
20,001~30,000	455	11,828,983	1.48
30,001~40,000	238	8,566,068	1.08
40,001~50,000	169	7,924,609	0.99
50,001~100,000	270	19,330,401	2.42
100,001~200,000	141	20,209,739	2.53
200,001~400,000	94	25,768,865	3.23
400,001~600,000	28	13,730,893	1.72
600,001~800,000	18	12,711,672	1.59
800,001~1,000,000	12	11,261,186	1.41
Over 1,000,001	75	587,504,189	73.66
Total	49,221	797,639,604	100.00

(IV) List of major shareholders: shareholders holding 5% shares

April 25, 2022

Shareholding Major	Shares Held	Shareholding Ratio (%)
Name of Shareholders		
Da Yang Investment Ltd.	54,905,000	6.88
Chuan Yuan Investment Ltd.	47,375,000	5.94
Bai Ke Investment Ltd.	45,842,000	5.75

(V) Information on market value, net value, earnings and dividends per share

Item		Year	2020	2021	As of May 13, 2022 of current year
		Market Price per Share	Highest		40.75
Lowest			18.25	24.65	26.55
Average			23.02	29.11	27.73
Net Worth per Share (Note 2)	Before Distribution		18.39	19.32	17.60
	After Distribution		17.09	Note 1	Note 1
Earnings per Share	Weighted Average Shares (Thousand Shares)		802,783	795,390	792,763
	Earnings per Share		2.41	2.30	1.25
Dividends per Share	Cash Dividends		1.31	Note 1	Note 1
	Stock Dividends	Stock Dividends Appropriated from Earnings	0	Note 1	Note 1
		Stock Dividends Appropriated from Capital Reserves	0	Note 1	Note 1
	Accumulated Undistributed Dividend (Note 3)		0	0	0
Return on Investment	Price / Earnings Ratio (Note 4)		9.55	12.66	22.18
	Price / Dividend Ratio (Note 5)		17.59	Note 1	Note 1
	Cash Dividend Yield (Note 6)		5.69%	Note 1	Note 1

Note 1. The earnings distribution in 2021 has not been resolved by the shareholders' meeting.

Note 2. Information on net worth per share and earnings per share of the Company has been audited (reviewed) by CPAs in the most recent quarter and as of the date of the annual report.

Note 3. Please fill out basic and diluted earnings per share if retroactive adjustment is necessary due to stock dividend payout.

Note 4. Price/earnings ratio = Average closing price per share for the current fiscal year/ earnings per share, excluding loss per share.

Note 5. Price/dividend ratio = Average closing price per share for the current fiscal year/Cash dividend per share.

Note 6. Cash dividend yield = Cash dividends per share/Average closing price per share for the current fiscal year.

(VI) Dividend policy and implementation of the Company

1. Dividend policy:

For any earnings in the annual account, the Company shall extract and pay taxes and cover the accumulative deficit for the previous year first as per laws; next, extract the 10% statutory surplus reserve and calculate the accumulative undistributed earnings after adding the undistributed earnings at the beginning of period; then, extract or reserve special surplus reserve as per laws, which shall serve as the distributable earnings of current year. Board of directors shall prepare the earning distribution scheme and submit it to board of shareholders for resolution

Since the Company's enterprise lifecycle is at the nature stage, but the industrial environment may vary with other external factors; the Company will still expand domestic and foreign markets actively for further growth, the Company, while

distributing earnings, shall discuss our future capital demand, tax system and influence on shareholders, besides considering the actual earnings first; with the goal of keeping dividends steady, decide the dividend distribution. The dividends may be distributed either in cash or by stocks, but the distribution ratio shall not be higher than 50% of the total divided amount. Board of directors shall prepare the distribution scheme and make resolution according to Company Act.

The earnings distribution or deficit offset of the Company shall be performed at the end of half of a fiscal year. The proposal for earnings distribution or deficit offset in the first half of a fiscal year shall be resolved by the Board of Directors after it is submitted to and audited by the Audit Committee along with the business report and financial statements.

In distributing earnings as mentioned above, the Company shall first forecast and reserve the taxes payable, lawfully offset losses or set aside legal reserves or special reserves. In case of any surplus, the surplus and the opening accumulated undistributed earnings shall be accounted as distributable earnings. However, this provision shall not apply if such legal reserves amount to the total capital of the Company.

In distributing surplus earnings according to the foregoing Paragraph 3 by issuing new shares, the Company shall follow the Company Act. To distribute surplus earnings in cash, the distribution shall be resolved by the Board of Directors.

2. Dividend distribution proposed at this shareholders' meeting:

The 2021 earnings distribution proposal was drafted according to the Articles of Incorporation of the Company, and NT\$1.3 per share was distributed as cash dividend.

Sanyang Motor Co., Ltd.

2021 Earnings Distribution

Currency Unit: NT\$

Summary	Amount
Beginning balance of retained earnings	1,474,331,345
Plus (minus):	
Retained earnings offset due from retired treasury stocks	(108,687,805)
Changes in actuarial gains and losses for the current period	(82,407,859)
Disposal of investment in equity instrument at fair value through other comprehensive income	75,877,791
Changes in associates accounted for using the equity method	(72,387,810)
Reversal of special reserve arising from reduction of other shareholder's equity. (Note 1)	117,813,053
Net after-tax profit for the year	1,830,189,853
	3,234,728,568
Appropriated items:	
Legal reserve (10%)	(164,258,417)
Special surplus reserve (Note 1)	(8,461,117)
Retained earnings available for distribution	3,062,009,034
Distribution items:	
Cash dividend NT\$ 1.3/share (Note 2)	1,036,931,485
Unappropriated retained earning	2,025,077,549

Note 1: Special surplus reserve is extracted (reversed) according to Mar.31 2021 the Decree No. 1090150022 of Financial Supervisory Commission of Executive Yuan.

Note 2: The actual ex-dividend ratio per share shall be adjusted in accordance with the actual number of outstanding shares on the ex-dividend date.

Note 3: According Board resolution, the earnings of the first half of 2021 were not distributed by the Board resolution on Nov 11, 2021.

(VII) Effect upon business performance and earnings per share of any stock dividend distribution proposed at this shareholders' meeting:

None.

(VIII) Remuneration of Employees and Directors:

1. Percentages or ranges with respect to remuneration of employees, directors and supervisors as set forth in the Company's Articles of Incorporation: If the Company has earnings, it shall set aside over 1% of the balance as remuneration to the employees and no greater than 1% of the balance as remuneration to directors and supervisors. When the Company suffers accumulated losses, it shall first offset the appropriate amount of such losses with the earnings. Independent Directors shall not participate in the foregoing remuneration distribution.
2. Basis for estimating the amount of remuneration of employees, directors and supervisors, basis for calculating the number of shares to be distributed as employee bonus, the actual distributed amount for the current period, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount:
Employee and director's remuneration is calculated by getting one percent of the net pretax profit. No difference existed between the actual distributed amount and the estimated amount listed in the 2021 individual financial statements.
3. Remuneration distribution approved by the Board of Directors:
 - (1) Pay remuneration to employees, directors and supervisors in cash or in the form of stocks. In case of any discrepancy between the recognized and estimated amounts, the discrepancy, its cause and response to the discrepancy shall be indicated:
On March 30, 2022, the Board of Directors of the Company passed a resolution to pay NT\$20,584 thousand as employee remuneration and NT\$20,584 thousand as remuneration to Directors, which should be paid in cash. No difference existed between the actual distributed amount and the estimated amount listed in the 2021 individual financial statements.
 - (2) The amount of employee remuneration distributed in the form of stocks, and its ratio to net after-tax income and total amount of employee remuneration listed in the separate financial statements: The Company did not pay any remuneration to employees in the form of stocks in 2021, so this provision is not applicable.
4. Actual payment of remunerations to employees, directors and supervisors in the preceding year (including number of distributed shares, amount and stocks), and if there is any discrepancy between the actual and recognized remunerations paid to employees, directors or supervisors, the discrepancy, its cause and response to the discrepancy shall be indicated: In 2020, NT\$22,979 thousand was paid to employees as remuneration, and NT\$11,490 thousand was paid to Directors as remuneration. No discrepancy existed between the actual and recognized remunerations in 2020.

(IX) The Company's repurchase of its shares:

1. Repurchase of the Company's shares (completed)

May 13, 2022

Term of repurchase	13th time
Purpose of repurchase	To maintain credit and shareholders' equity
Term of repurchase	June 1, 2021 to July 19, 2021
Range of repurchase price	NT\$ per share NT \$19.00 ~ NT\$33.00
Type and quantity of shares repurchased	Common stock 5,438 thousand
Amount of shares repurchased	NT\$163,962,447
Ratio of quantity repurchased to scheduled quantity of repurchase	71.55%
Shareholdings that have been canceled and transferred	Common stock 5,438 thousand
Cumulative number of shares held in the Company	0 shares
Proportion of cumulative number of shares held in the Company to total number of shares issued (%)	0%

2. Repurchase of the Company's shares (in progress): None.

II. Issuance of Corporate Bonds, Preferred Stocks, Overseas Depository Receipts, Employee Stock Option Certificates, Mergers and Acquisitions or Issuance of New Shares for Acquisition of Other Companies: None.

III. Implementation of the Company's Capital Allocation Plans:

- (I) Each Uncompleted Issuance or Private Placement of Securities or Issuance or Private Placement Completed in the Past 3 Years but Have Not Yielded the Planned Benefits: None.
- (II) Implementation Status: None.

Chapter 5 Overview of Operations

I. Business Activities

(I) Scope of Business

1. Principal Business Activities
 - (1) Machinery Equipment Manufacturing
 - (2) Controlled Telecommunications Radio-Frequency Devices and Materials Manufacturing
 - (3) Motor Vehicles and Parts Manufacturing
 - (4) Motorcycles and Parts Manufacturing
 - (5) Bicycles and Parts Manufacturing
 - (6) Other Transport Equipment and Parts Manufacturing
 - (7) Mold and Die Manufacturing
 - (8) Controlled Telecommunications Radio-Frequency Devices Installation Engineering
 - (9) Wholesale of Petroleum Products
 - (10) Wholesale of Motor Vehicles
 - (11) Wholesale of Motorcycles
 - (12) Wholesale of Motor Vehicle Parts and Motorcycle Parts, Accessories
 - (13) Wholesale of Bicycle and Component Parts Thereof
 - (14) Wholesale of Other Traffic Means of Transport and Component Parts Thereof
 - (15) Retail Sale of Molds
 - (16) Retail Sale of Petroleum Products
 - (17) Retail Sale of Motor Vehicles
 - (18) Retail Sale of Motorcycles
 - (19) Retail Sale of Motor Vehicle Parts and Motorcycle Parts, Accessories
 - (20) Retail Sale of Bicycle and Component Parts Thereof
 - (21) International Trade
 - (22) Restrained Telecom Radio Frequency Equipment and Materials Import
 - (23) Other Consulting Service
 - (24) Environmental Testing Services
 - (25) Magazine(Periodical) Publishing
 - (26) Book Publishing
 - (27) Automobile Repair
 - (28) Motorcycle Repair
 - (29) Bicycle Repair
 - (30) Unclassified Other Services
 - (31) All business activities that are not prohibited or restricted by law, except those that are subject to special approval

2. Major lines of businesses and their percentage

This year, the sales of various motorcycles, automobiles and related parts account for 62.43%, 29.42% and 8.15% of the businesses respectively.

3. Current products and new products planned for development in the Company

(1) Motorcycles

A. Current products

Motorcycles: WOO series, MIO series, Fiddle LT series, VEGA series, VIVO series, DUKE series, Z1 attila series, JET SR/SL series, FNXBT series, Jin Fa Cai series, 4MICA series, DRGBT series, Orbit/CROX/X'Pro series, Jet4 RX series, Fiddle series, Jet 14/JET X series, Symphony S/SR/ST/CARGO series, HD series, Joyride S series, CRUiSYM α /Joymax Z+ series, MAXSYM series, MAXSYM TL series, Wolf series, Wolf Legend series. Wolf SB series, SYMNH X/T series and VF series.

Electric cars: E-WOO/e X'Pro series.

Parts: E-WOO/e X'Pro series

B. New products planned for development

- Motorcycle development for markets in China/Asia/Europe/Central and South America/ASEAN countries
- Development of new multifunctional prototypes
- Development of big heavy sports motorcycles with a displacement above 300c.c.
- Development of brand new safe motorcycles
- Development of green and environment-friendly electric scooter

(2) Automobiles

A. Current products

a. Domestic automobile series:

- VENUE 1.6 L gasoline
- TUCSON 2.0 L gasoline / 1.6T L gasoline
- ELANTRA 1.6 L gasoline / Turbo L gasoline
- PORTER 3.25 ton Commercial Automobiles/Double-Cabin Commercial Automobiles
- MIGHTY 6.5 ton / 7.8 ton Commercial Automobiles

b. Imported automobile series:

- SANTA FE, KONA, GRAND STAREX, IONIQ

B. New products planned for development

Brand new multi-purpose automobiles, hybrid electric automobiles and electric automobiles are currently under development.

4. Industry overview

(1) Industry status and development

A. Motorcycles

In 2021, the six countries with top sales of motorcycles are India (14,470 thousand motorcycles, +3.4%), Mainland China (11,200 thousand motorcycles, +11.1%), Indonesia (about 5,060 thousand motorcycles, +38.1%), Vietnam (about 2,470 thousand motorcycles, -8.1%), Thailand (about 1,610 thousand motorcycles, +6.0%), and Philippine (about 1,440 thousand motorcycles, +19.0%). Around 36,250 thousand motorcycles were sold in these six countries in 2021, and such sales approximately increased by 9.8% compared with those in 2020.

In 2021, 809,204 motorcycles were domestically sold in total, and the total sales decreased by 21.9% compared with those in 2020, mainly due to the reduction of NT\$2,000 in subsidies from the Environmental Protection Administration for the replacement of old motorcycles in 2021, coupled with the impact of chip shortage and short and long material problems, resulting in a 23.6% decline in annual sales compared to the previous year. On the other hand, electric motorcycle sales only declined by 5.3% due to increased government subsidies.

In 2021, benefiting from the recovery of major economies, the U.S., Mainland China, and Europe will recover and even enter expansion, driving demand for goods. The total number of motorcycles exported from Taiwan (excluding triangular trade) was 160,032 units, an increase of 27.6% compared to 125,419 units in 2020, of which Europe, America, and Asia were the main export regions, mainly due to the 16.5% growth in exports to Europe and 44.6% growth in America. The export to Europe accounted for 22.3% of the total foreign sales of Taiwan models. Italy, Spain, Belgium, Germany and Greece were top five European markets for sales of Taiwan models, as suggested by customs import and export statistics. The export to America occupied 38.6% of the total foreign sales

of Taiwan models, mainly to the United States and Columbia, as suggested by customs import and export statistics). The export to Asia accounted for 35.8% of the total foreign sales of Taiwan models, particularly to Japan, Iraq, Hong Kong, Israel, Korea and Mainland China,, as suggested by customs import and export statistics.

Overseas business and export markets will become principal drivers for promoting development of the Taiwan motorcycle industry in the future to make up for slow growth in domestic markets. Despite fierce competitions from manufacturers of Mainland China, impacts of prosperity and decline of global economic environment in exporting motorcycles, Taiwan motorcycle manufacturers are believed to occupy certain positions in the international markets by increasing their product value, developing new markets and satisfying different market needs with global layout.

B. Automobiles

By 2021, 50.2% of automobiles had been used for more than 10 years on a nationwide basis. However, in face of global trends of environmental protection, the government and people are still jointly promoting reduction of carbon emissions. Since 2016, the government has subsidized replacement of old automobiles with new ones in terms of commodity tax to encourage people to purchase automobiles stipulated by the new regulations on environmental protection in lieu of the old ones. This policy has originally been implemented until 2021. In January 2021, the commodity tax regulations were amended to extend the policy for 5 years. In addition, to encourage the private use of low-pollution automobiles, the implementation of the electric automobile license tax exemption for the original implementation period until 2021, the Legislative Yuan in 2021 passed the third reading of the draft amendment to the Automobile License Tax Act to extend another 4 years. In addition to the license tax, the electric automobile goods tax exemption will be extended to 2025. Under the three major policies of replacement subsidy, electric automobile license tax exemption and goods tax exemption, the automobile market is expected to continue to benefit from government policies.

In 2021, after the impact of the domestic epidemic and the disruption of the domestic new car launch schedule as well as the shortage of chips,

449,000 cars were sold in Taiwan in 2021, and the sales declined by 1.7% compared with the sales of 457,000 cars in 2020.

The global automobile industry has become mature, and the standards for driving safety are more rigorous in Taiwan laws and regulations, according to which, related automobile configurations must be standard ones for new automobiles. Apart from automobile manufacturers' rising costs in R&D and certification, consumers' purchase costs have increased as well.

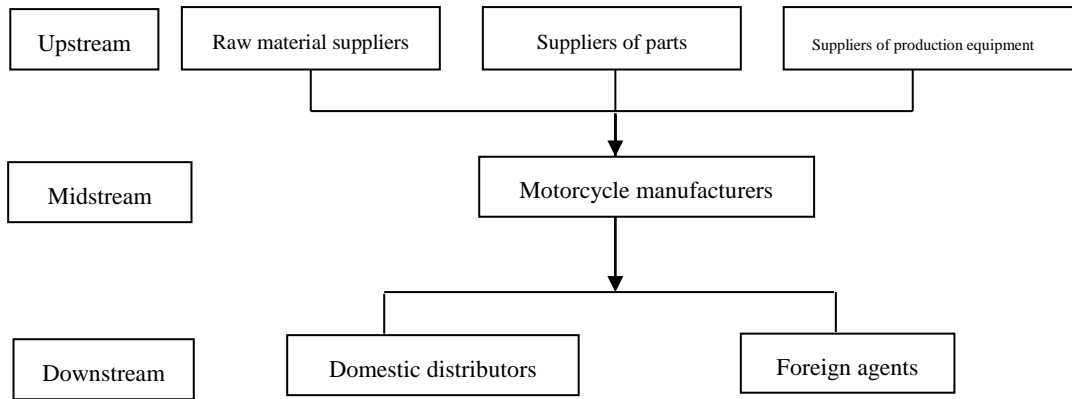
Since China joined WTO, the import tariff has gradually been decreasing by 17.5% year by year, but the import tariff of auto parts has not been adjusted accordingly. As a consequence, the costs of domestic automobiles are relatively high, and the difference in final sales prices has been narrowed. All these have promoted constant drastic increase in sales of imported automobiles. However, the sales of imported automobiles in 2021 decreased by 44.7% compared to 47.2% in 2020, mainly due to the impact of shipping.

Sales of sport utility automobiles have grown significantly in recent years, and accounted for 50.1% of sales in 2021, becoming the mainstream product of the market. Benefiting from greater needs for e-commerce logistics, the sales of commercial automobiles have been increasing year by year, indicating a gradual change in consumer automobile usage patterns.

(2) Connections among industry upstream, midstream and downstream

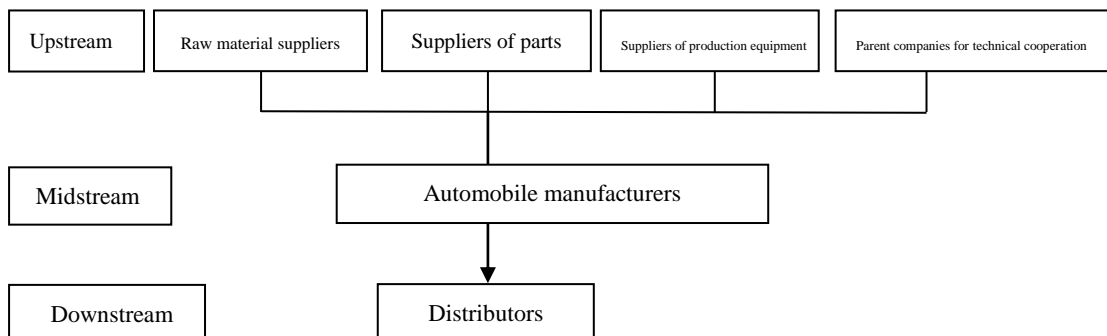
A. Motorcycles

The upstream mainly comprises of raw material suppliers (from the industries of steel, iron, aluminum ingots, rubber and plastics), suppliers of parts (systems/parts) and suppliers of production equipment (equipment and peripherals); the midstream is the motorcycle manufacturers, which manufacture products necessary for consumers using upstream raw materials and parts; the downstream is the customers served by the motorcycle manufacturers, including domestic distributors for domestic sales and foreign agents for foreign sales.



B. Automobiles

The upstream is primarily composed of raw material suppliers (from the industries of iron, steel, aluminium ingots, rubber and plastics), suppliers of parts (systems/parts), suppliers of production equipment (equipment and peripherals), and the parent companies for technical cooperation (KD parts); the midstream is the automobile manufacturers, which manufacture products necessary for consumers with upstream raw materials and parts; the downstream is the automobile distribution system.



(3) Future product development trends

A. Motorcycles

- a. More rigorous laws and regulations on environmental protection
Greenhouse gas emission have caused increasingly more serious warming of the earth. With the enactment of laws/regulations on environmental protection and increase of consumers' awareness of environmental protection, developed and developing countries have adopted more stringent laws and regulations on pollution control to reduce urban pollution, or control total pollution load by imposing driving restriction. For instance, the latest European V Regulations and the Taiwan VII Regulations have strictly restricted exhaust

emissions of motorcycles. Other countries such as China and ASEAN countries have also gradually made their related laws more stringent like Europe. In other words, restricting waste emissions of motorcycles has become a consistent government requirement of all countries for motorcycle management. Therefore, to develop motorcycles with "low pollution and low energy consumption" using advanced technologies, including "injection system, lean combustion and hybrid system..." will be critical for development of the motorcycle industry.

- b. In view of remarkable differences in regional market demands, it is necessary to rapidly respond to commodities of different markets.

In developed countries, the markets attach more importance to sports leisure, individualized and environment-friendly products, including leisure motorcycles with high added value and a displacement above 300 c.c., and small-displacement sport or fashionable motorcycles.

In the Taiwanese market, scooters are the mainstream motorcycles, but environment-friendly and new-segment motorcycles have become new mainstream trends. Sub-segment commodities, including motorcycles with vintage appearance or multiple functions have gradually become popular among young consumers, and the market shares have tended to increase.

Although CUB series are still main types of motorcycles in Southeast Asia, convenient scooters have been increasing over the past years. Since they were successively launched by the manufacturers, new types of 14-inch big-wheel 125/150c.c. scooters have become mainstream products in Southeast Asia. In developing countries such as Mainland China, Central & South America and Africa, attractive, affordable and durable scooters are still key focuses of consumer demands. With the polarization between the rich and the poor, expensive luxury scooters with high displacement have gradually emerged.

- c. Commodity development towards high and low consumption
In developed countries, consumption has been polarized due to widening gaps between the rich and the poor and growing living expenses. Meanwhile, the prices of motorcycles are being polarized. Expensive motorcycles, with luxurious configurations and perfect

performances, highlight individuals' status; the cheap motorcycles, with basic functions, are pragmatic and mainly used as a tool for commute. As a whole, they are worthy of their prices. In the future, the motorcycle manufacturers will have to supply motorcycles which can satisfy polarized consumer needs according to these consumer trends.

- d. Increase added value of products and extend the use of related technologies

With the development of global economy, motorcycles, in addition to satisfying the basic requirements for being used as tools for commuting with practical functions, have become partners of holidays and leisure activities highlighting individuals' tastes. Therefore, the motorcycle plants have striven to improve their overall product value with high-displacement engines, popularized safe configurations including ABS/CBS/TCS, differential exquisite appearance design, and advanced/branded configurations and so on. In addition, they extend the application of related motorcycle technologies in electric scooters, three-wheel models and diverse other products.

- e. Development of Alternative Energy Motorcycles

To protect the earth, all worldwide motorcycle manufacturers invest considerable financial and human resources in studying alternative energy motorcycles, including electric motorcycles, hybrid motorcycles and hydrogen fuel-cell motorcycles. However, breakthroughs remain to be made in technologies and endurance capacity is still a problem. In a short term, it is difficult to make alternative energy automobiles popular, but developing alternative energy products has become a long-term concern of motorcycle manufacturers.

B. Automobiles

- a. Popularization of Low-displacement Turbo Engines

In response to increasingly strict environmental regulations, all automobile manufacturers actively improve fuel consumption of their automobiles. They have successfully launched hybrid and electric automobiles, so new energy automobiles have become

foremost objectives of their future development.

b. Popularization of Low-displacement Turbo Engines

As environmental regulations become more and more rigorous, downsizing displacement and equipping automobiles with turbo engines have become research and development trends of global automobile manufacturers. European brands have kept up with the trends in succession.

c. Development of Self-driving Automobiles

Self-driving automobiles have become global development trends of automobiles. All automobile manufacturers have competitively begun to study self-driving automobiles. Throughout development of self-driving automobiles, internet of automobiles and ADAS (advanced driver assistance system) are indispensable and key technologies. Internet of automobiles makes it possible for a automobile to communicate with other surrounding automobiles and road facilities. ADAS controls direction, accelerator and brake system in a coordinated manner with multiple sensing technologies, including radar and image recognition. The integration of internet of things and ADAS makes faster and safer transport services available, changing future human transport modes.

d. Mainstream Advanced and Safe Equipment

Whether automobiles are equipped with ADAS is considered in evaluating safety of new automobiles in different countries, to boost power of automobile manufacturers. ADAS, including active cruise control (ACC) system, forward collision warning (FCW) system, blind spot detection (BSD) system and around view monitor (AVM) system, have been actively introduced and particularly promoted by automobile manufacturers.

e. Further Development of SUV Market

With growing market demands for SUVs, constant increase of market size and product segmentation (B/C/D Segment), the brands have begun to launch B-SUVs or crossover automobiles. Increasing their overall sales with complete product lines of SUV series, luxury brands have started to develop SUVs in succession.

(4) Status of product competitions:

A. Motorcycles

Motorcycles with a displacement below 125c.c. still face threats from cheap products of Mainland China, ASEAN nations and India.

Developing branded, high-quality and differentiated products is the main way for domestic manufacturers to respond to the challenges. Meanwhile, the manufactures confront with competitions against low prices by reducing product costs through globalized production, labor division of production bases, and reinforced integration of the supply chain with motorcycle platforms. Although European, American and Japanese manufacturers enjoy technological advantages in high-displacement motorcycles, all domestic motorcycle manufacturers have invested considerable resources in R&D of such motorcycles, in order to improve style design of products, promote development of new technologies and enhance manufacturing competitiveness for the final purpose of continuously increasing added and brand value of products.

In terms of motorcycle derivatives, electric automobiles developed based on concepts on environmental protection have become green industries where manufacturers have invested much in R&D or conducted technical cooperation, so as to reduce impacts of environmental protection and green energies.

B. Automobiles

At present, major global automobile manufacturers mostly concentrate on development of low-displacement turbo engines. With lower energy and fuel consumption, these automobiles are subject to lower taxes and exhibit outstanding performances with lower exhaust emissions. The Company manufactures and sells imported automobiles as agent, including cars, sport utility automobiles and other products of different types. It has successively launched this type of automobiles. With complete production lines, it can satisfy its target customers' needs for motorcycles with varying displacement.

In response to increasingly strict environmental regulations, in terms of motorcycle derivatives, electric automobiles developed based on concepts on environmental protection have become green industries where manufacturers have invested much in R&D or conducted technical cooperation, so as to reduce impacts of environmental protection and

green energies.

(5) Technology and research overview

A. R&D expenditures in the recent years

Due to the efforts of the R&D staff over the years, new mid-range and high-end models with innovative technologies have been introduced into the domestic (and overseas) motorcycle market since 2020, and in addition to the widespread response from consumers, the percentage of sales of mid-range and high-end new models in the Company's total product sales has been growing steadily year by year, bringing significant profits to the Company. To expand the leading position in the research and development of innovative technologies and high-end models, the Company continues to invest in R&D manpower and resources in order to develop more competitive products. Its R&D outlays amounted to NT\$748,702 thousand in 2017, NT\$791,045 thousand in 2018, NT\$800,065 thousand in 2019, NT\$818,706 thousand in 2020 and NT\$804,092 thousand in 2021, which reflects that the Company attaches great importance to R&D.

B. R&D outcomes in recent years

a. Developing brand new styles and performances of automobiles

(a) Motorcycles

- "Symphony ST 50/125/200" in April 2021: export of mid-price big-wheel European-style scooters with brand new styles.
- "4MICA 125/150" in October 2021: domestic sales of multi-functional scooters with brand new styles.

(b) Automobile

- In August 2021, KONA Electric was launched.
- In December 2021, the All-New Tucson was launch.

b. Developing modified styles and improving performances

(a) Motorcycles

- "Fiddle LT 115" in January 2021: domestic sales of small popular scooters with the introduction of ZRSG engine.
- "Fiddle DX 150" in January 2021: domestic sales of European-style scooters with the introduction of 150c.c ZRSG engine.

- "MAXSYM TL" in March 2021: export of large flagship dual-cylinder sports scooters with exhaust capacity of 508c.c.
- "JET4 RX 50/125" in April 2021: export of new sport-style scooters.
- "JET SL 125" in May 2021: domestic sales of popular sport scooters with brand new styles and engine evolution of water-cooled style.
- "DRGBT 158 R-Edition: in May 2021: domestic sports scooters with taillights and directional lights that comply with Phase 7 regulations and TCS traction prevention system.

(b) Automobile

- In January 2021, PORTER PRO was launched.
- In April 2021, Elantra "Amazing Flagship" was launched.
- In May 2021, VENUE Super Apparent Color Limited Edition was launched.
- In June 2021, The New KONA/ KONA N Line was launched.
- In July 2021, The New SANTA FE was launched.
- In September 2021, VENUE Cool Grey was launched

(6) Plans for long-term and short-term development (future development strategies of the Company)

Item	Development Plans	
A. Plan for Short-term Business Development	a. Increase profit	<ul style="list-style-type: none"> ◎ Increase operating profits from motorcycles ◎ Increase operating profits from automobiles
	b. Increase market shares	<ul style="list-style-type: none"> ◎ Continuously optimize distribution pathways and service experience ◎ Increase customer satisfaction in sales and after-sales service ◎ Increase the re-purchase rate of loyal customers
B. Plan for long-term business development	a. Elevate brand image and value	<ul style="list-style-type: none"> ◎ Supply reliable and satisfactory high-quality products to customers ◎ Strengthen customer relationships, improve after-sales service quality, and build customer loyalty ◎ Make products young, technological and environment-friendly
	b. Create commodity value differences	<ul style="list-style-type: none"> ◎ Continuously develop and launch energy-saving and new energy technologies and products ◎ Continuously introduce new technologies and launch products with high displacement ◎ Continuously integrate global supply chains and international automobile platforms
	c. Build internationalized operation platforms	<ul style="list-style-type: none"> ◎ Internationalize talent development and cultivation ◎ Improve international operation mechanism ◎ Speed up corporate labor division and resource integration ◎ Actively seize business opportunities for international cooperation

II. Overview of the Market, Production and Sales

(I) Market Analysis

1. Motorcycles

(1) Sales areas of main products:

Apart from domestic sales, the motorcycles and their parts manufactured by the Company are also exported to Europe, America, Africa, Australia, Hong Kong, Macao, Japan, Southeast Asia and other areas and countries.

(2) Market shares:

The Company's domestic/foreign sales and domestic market shares over the past two years are shown as follows. In the future, the Company will continue developing new products to satisfy consumer needs and maintain its stable growth:

Unit: Unit; %

Year \ Item	2021	2020
Domestic Sales (Exfactory) Growth Rate	234,577 (-18.5%)	287,281 (+54.56%)
Foreign Sales (Exfactory) Growth Rate	25,251 (-12.0%)	29,057 (+1.59%)
Total Domestic and Foreign Sales (Exfactory) Growth Rate	259,828 (-17.9%)	316,338 (+47.49%)
Domestic Market Shares	27.3 %	29.04 %

Note: The above foreign sales exclude sales of IKD and triangular trade volume.

(3) Future market supply and demand

Looking forward to 2022, major international institutions expect global economic and trade growth to slow down compared to 2021, and financial market uncertainty to increase. The emerging motorcycle markets, including China, India, ASEAN countries and Latin America, are still major markets. In mature markets such as Europe and North America, economic growth has tended to slow down compared with that of last year.

In the general market of domestic motorcycles, although the Ministry of Finance's policy of replacing old motorcycles with new ones has been extended for another 5 years, coupled with the Environmental Protection Agency for the first to fourth phase of motorcycle retirement subsidies of NT\$2,000, the public replace electric motorcycles, and agreed to attribute the greenhouse gas reduction benefits to the Environmental Protection Agency, can receive another incentive of NT\$1,000, but due to the shortage of automobile chips, and over the past two years, the public competed subsidies to purchase cars in advance, the domestic motorcycle market size is estimated to fall by 12% to 15%, facing 700,000 units to maintain the battle. In 2021, although the Company mainly launched CBS/ZRSG/water-cooled products in the first half of the year, the number of units sold and market share declined significantly due to the drastic reduction in government subsidies for car

purchases, chip shortage and short and long material problems. In 2022, with the launch of new products in the first half of the year and the gradual alleviation of the shortage of automobile chips, the number of units sold and the market share are expected to grow.

In spite of fierce competitions from Mainland China in foreign sales markets, the Taiwan industry of motorcycles still maintains certain advantages in R&D and design. In view of its factories abroad, it is supposed to gradually yield overall benefits. Although the export volume of Taiwan's motorcycle industry is affected by the COVID-19 epidemic, the European motorcycle market remains to grow slightly in 2021. Apart from continuously supplying products with high added value such as high-displacement scooters in developed countries, in 2022, the Company will also strengthen its development of competitive products for triangular trade. In addition, we will strengthen the Latin American market and continue to integrate the cost advantages of our overseas subsidiaries to provide reasonably priced and competitive products. Therefore, the Company remains optimistic about the development of the export market.

(4) Future growth of the industry

- A. Domestic motorcycle market: In spite of high motorcycle parc, slow market growth, increasingly more rigorous environmental regulations and increasing product prices, the policies for exchanging old models for new ones have been stimulating consumers' purchase intentions. However, the motorcycle industry still focuses on making profits from business operations, so it aims to continuously improve added value of products and be committed to development of environment-friendly products. In 2022, Sanyang Motor will be marketing-oriented and launch products and services to the satisfaction of customers, in order to improve customer satisfaction and brand image.
- B. Export markets of motorcycles: The motorcycle markets of developed countries have been saturated, but in developing countries, there is still space for growth of motorcycle markets, so in a middle term, the motorcycle industry will still maintain relatively stable growth. In market operations, Sanyang Motor will continue expand its product lines, adjust its product mix for selling, reinforce layout of overseas strongholds, develop emerging overseas markets, look for overseas cooperation opportunities, and increase sales of Taiwan motorcycles and international

trade, so as to increase sales revenues, expand sales in new markets and improve brand image.

(5) Expected sales volume and competitive niche

A. Expected sales volume

In 2022, Sanyang Motor is expected to sell 254,000 motorcycles (excluding triangular trade and IKD) in total home and abroad.

B. Competitive niche

- a. All service parts are independently sold by the Company to improve confidence and satisfaction of distributors and consumers.
- b. The Company has complete distribution channels in the domestic markets.
- c. The Company will continue to focus on investing in markets of heavy-duty motorcycles and popular expensive scooters, to increase operating revenues.

(6) Favorable/unfavorable Factors of Development Visions and Countermeasures

A. Favorable factors

- a. External environment - global
 - (a) With the increase of environmental awareness and the outbreak of financial crisis, fuel saving is a greater concern for consumers. The demands for economical and fuel saving electric scooters.
 - (b) The purchasing power has increased in Latin America, and in a long term, market growth will be achieved.
 - (c) European and American brands are based on OEM/ODM business opportunities deriving from the pressure in production costs.
 - (d) The market size of high-displacement is high in Europe and America, where the added value of products is high.
 - (e) In mature European and American markets and growing Latin American markets, there have been greater demands for the products sold at moderate and low prices.
 - (f) The product mix of scooters has gradually been expanded in emerging markets.
- b. External environment - Taiwan

- (a) Young consumers have greater demands for popularity and differentiation. Their consumption in purchasing motorcycles, related parts, accessories and components has increased.
- (b) The low-cost businesses/installment payment businesses have increased, and the threshold for purchasing motorcycles is low, which is favorable for activating markets.
- (c) Due to energy and environmental factors, there is space for development of energy-saving and environment-friendly motorcycles.
- (d) The government has launched subsidization policy to fully promote electric scooters and gradually activate markets of electric scooters.
- (e) The central and local governments will continue promoting the subsidization policy for exchanging old models for new ones, which will be favorable for increasing sales of motorcycles.
- (f) From 2022 to 2023, the Environmental Protection Agency grants subsidies for exchanging Phase 1 to 4 models for new ones, or electric scooters, which will be helpful for increasing sales of motorcycles.

B. Unfavorable factors

a. External environment - global

- (a) The era of green environment has come. Alternative environment-friendly products (electric scooters) will be launched in markets in succession and partially replace some internal combustion engine scooters.
- (b) Striking differences in product requirements, laws and regulations of different areas.
- (c) In terms of export, the Company faces competitions from large European, Japanese and Chinese motorcycle manufacturers, which hinder the export markets.
- (d) In view of global pollution, emission, increasingly more stringent safety rules and regulations, the Company must be more able to control costs and master more advanced technologies.

- (e) European and Japanese brands launch products made in India/ASEAN countries/China to capture mass markets at affordable prices, which hinders the survival of export markets.
- b. External environment - Taiwan
 - (a) As environmental, safety laws and regulations became more and more stringent; costs have increased accordingly, which might affect the purchase intentions in the markets of new models.
 - (b) The government has fully promoted markets of electric scooters and continuous subsidization policies, to partially replace fuel scooters with electric ones.
 - (c) The growth in 15-to-40-year-old population has tended to be negative, and the population purchasing motorcycles has decreased.
 - (d) Promote motorcycles at low prices. Cheap motorcycles have become the mainstream ones available in markets. They have become alternatives of medium and high-price motorcycles, thus decreasing motorcycle manufacturers' sales revenues.
 - (e) With the continuous development of tools of mass transportation, the sales of motorcycles will be replaced by the sales of such tools.
 - (f) As trade tends to be liberalized, new competitors and low-cost products will be likely to enter Taiwan.

C. Countermeasures

- a. For domestic sales, the Company will improve its distribution channels, services and parts supply. It will supply attractive and environment-friendly products, enhance network marketing and improve brand image.
- b. For export, the Company will concentrate on mature markets to increase market shares, improve brand image, expand sales of high-displacement motorcycles and make breakthroughs in emerging markets.

2. Automobiles

- (1) Main areas for selling products: All products manufactured by the Company and distributed by it as agent are all domestically sold.

- (2) Market shares: The domestic sales and market shares over the past two years are as follows:

Unit: Unit; %

Year	2021	2020
Sales	13,411	12,480
Growth Rate	7.46%	9.12%
Domestic Market Shares	3.0%	2.7%

- (3) Future market supply and demand

The price decline of imported automobiles and growing market acceptance has progressively narrowed the domestic market size of automobiles. To be more competitive in product prices, Mainland China will inevitably become critical for global supply chains of international automobile manufacturers.

- (4) Favorable/unfavorable Factors of Development Visions and Countermeasures

A. Favorable factors

The government promotes the policy for exchanging old automobiles for new ones. Originally, the term of this policy has been 5 years, but extended to 5 years after the Legislative Yuan passed the amendment to Commodity Tax Ordinance. In addition, the "License Tax Exemption" and "Commodity Tax Exemption" policies for electric automobiles has been extended for another 4 years, with a view to reducing Automobile carbon emissions in hope of reducing carbon emissions of old Automobiles and stimulating the exchange of old Automobiles for new ones.

B. Unfavorable factors

- a. Taiwan no longer enjoys advantages in labor costs. International automobile manufacturers have successively set up plants in emerging countries which are more advantageous in labor costs. In addition, the automobiles imported from Japan are more competitive in prices owing to easy monetary policies of Japanese Yen.
- b. Since China joined WTO, the tariff on imported automobiles has decreased to 17.5%, but the import tax rate for auto parts has not been adjusted accordingly. Thus, the price gaps between domestic and imported automobiles have been narrowed, which have driven increase in sales of imported automobiles.
- c. Because of global climate changes, energy conservation and carbon

emission reduction have become issues that all countries must seriously and actively deal with. Particularly, the automobile industry has taken initiatives to handle such issues. As environmental protection laws and regulations on automobiles become more and more stringent in different countries, the automobile manufacturers will inevitably invest more in developing new products/technologies and improving fuel efficiency of engines. Unavoidably, customers' costs for purchasing automobiles will be higher.

C. Countermeasures

- a. Introduce power-free automatic facilities from Japan, increase production ration of automatic equipment, and decrease complex labor production to save energy, and improve production and its efficiency. Automatic facilities will also be favorable for reducing the employment of older workers and making young people more willing to participate in production. In this way, the industry will be able to control the labor costs effectively.
- b. Improve HYUNDAI's brand image in domestic markets; provide customers with reliable advanced products and services; continue focusing on Taiwan market; increase market share and revenue of this brand in domestic markets.
- c. Deepen cooperation with the technical parent company, actively strive to become a part of the global supply chain system, create more opportunities for exporting motorcycles and their parts, and make up for the deficiency in domestic market size.
- d. Increase product lines of heavy-duty commercial automobiles and sell heavy-duty automobiles to increase revenue.
- e. For environmental protection, fuel-efficient, economical and alternative energy Automobiles will be major considerations of automobile development. Continuously plan and develop green automobiles with efficient output power and low fuel consumption. The technical parent company HYUNDAI plans to massively launch electric automobiles by 2025. In addition, it is speeding up its development of automatic driving technologies, and plans to successively equip its automobiles with "Level 3" self-driving functions in 2022 in response to future development of automobile

markets.

(II) Usage and Manufacturing Processes for Main Products

1. Main products and uses

Motorcycles

(1) Scooter series

Domestic sales:

100~115c.c.: FIDDLE 115, WOO 115.

125~160c.c.: VIVIO 125/150, FNX 125, VEGA 125, Z1 Attila 125, DUKE 125, JET SR 125, FIDDLE 125/150, Jin Fa Cai 125/150, 4MICA 125/150, KRN 125, DRGBT 158.

180~250c.c.: RV 180 EURO.

270~300c.c.: JOYMAX Z 300.

400~600c.c.: MAXSYM 400, MAXSYM TL.

Foreign sales:

125~160c.c.: JOYRIDE 125, Joymax 125, CRUiSYM 125, DRGBT 158.

180~300c.c.: HD2 180, JOYRIDE 200I, CRUiSYM 250/300, GALAXY JX 250, GTS 250I/300I, CITYCOM 300i, Joymax 250/300i, HD 300, CITYCOM 300.

400~600c.c.: MAXSYM TL, MAXSYM 400i.

(2) Gear series

Domestic sales: Wolf/Wolf Legend 125, Wolf SB 300/300CA ABS.

Foreign sales: Wolf 300 CR.

(3) ATV series

Foreign sales: DS 250.

(4) Electric scooters

Domestic sales: E-WOO.

Automobiles:

(1) TUCSON series: 1,600c.c. and 2,000c.c. Gasoline Automobiles.

(2) ELANTRA series: 1600c.c. Gasoline Automobiles.

(3) VENUE series: 1600c.c. Gasoline Automobiles.

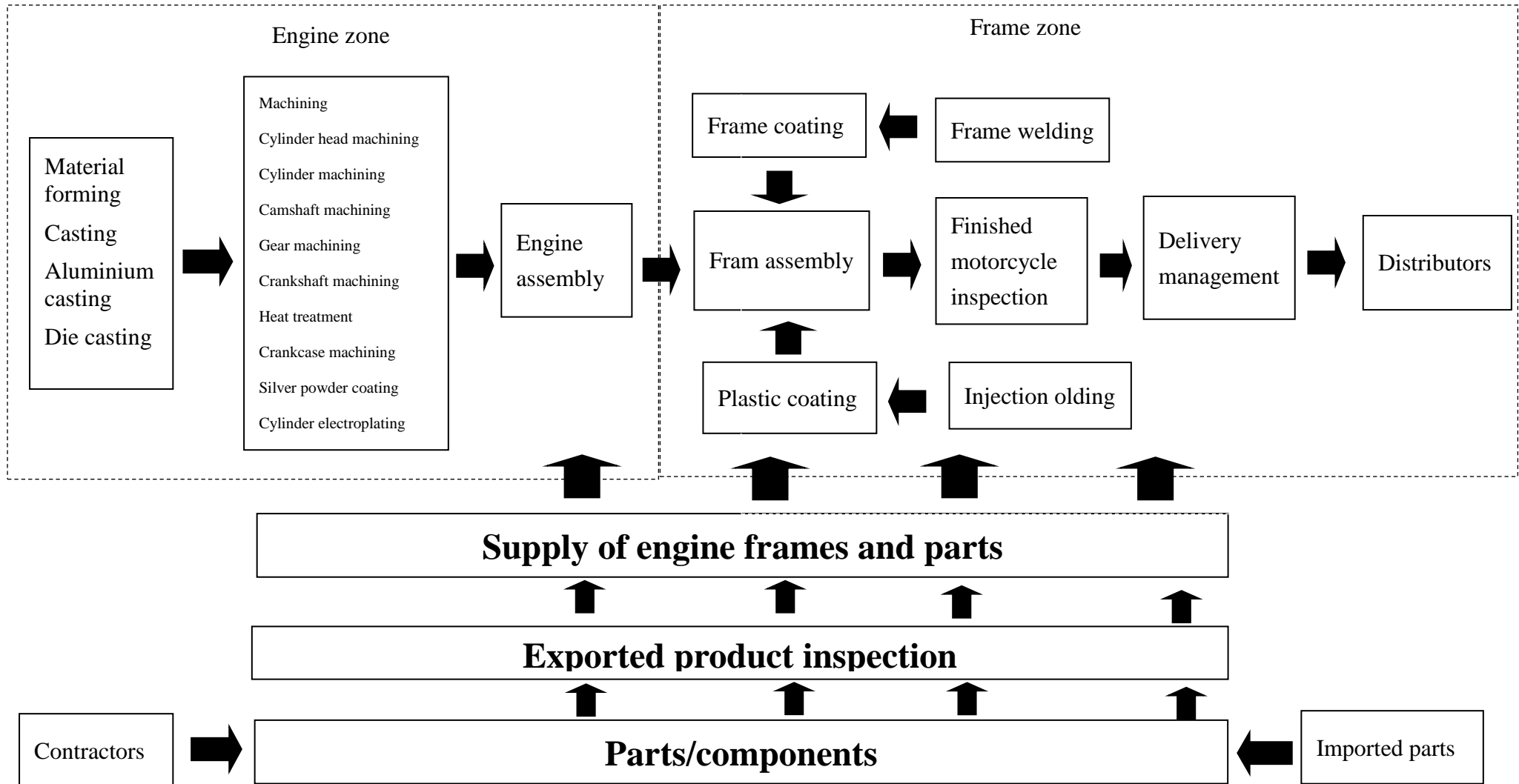
(4) Commercial vehicles: PORTER 3.25t Diesel Vans.

MIGHTY 6.5t and 7.5t diesel vans.

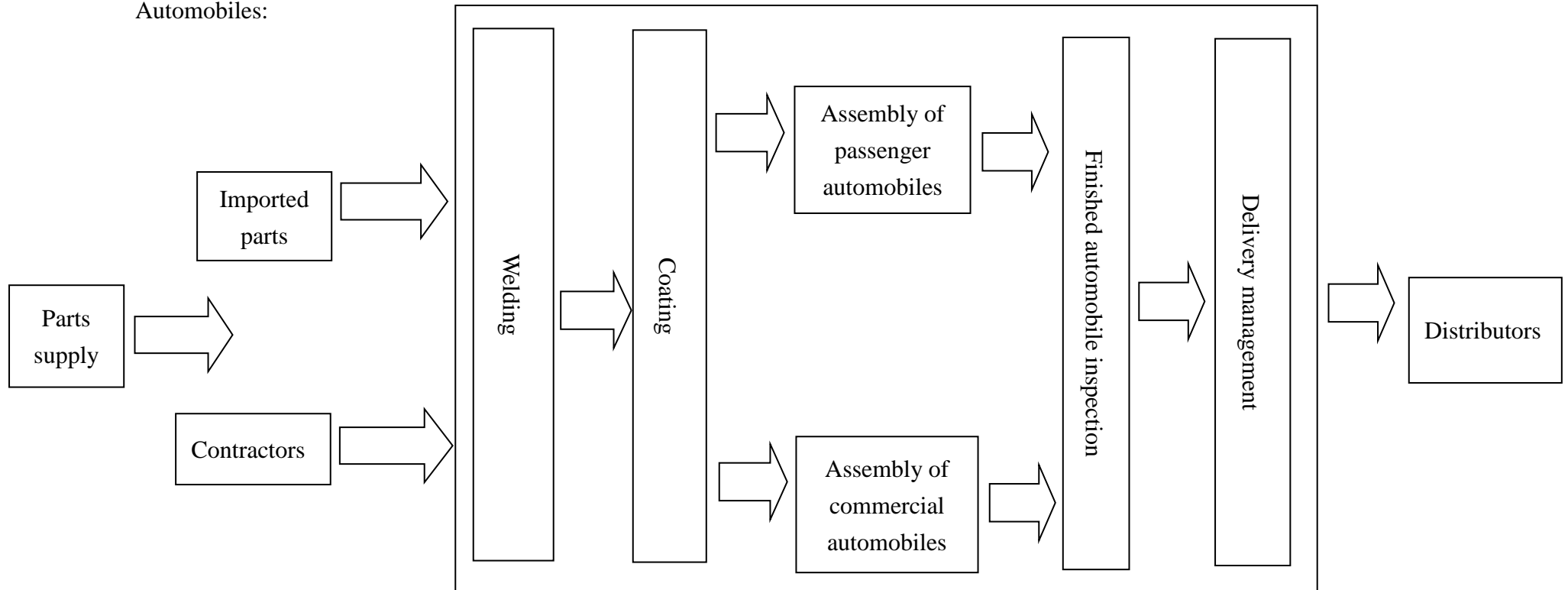
(5) Imported vehicle series: GRAND STAREX, IONIQ, KONA, SANTA FE.

2. Production process of primary products

Motorcycles:



Automobiles:



(III) Supply Situation of Main Raw Materials, Automobile and Motorcycle Parts

Motorcycles:

1. Main raw materials used by the Company:
 - (1) All aluminium ingots, plastic particles and coatings are purchased from domestic manufacturers at domestic market prices.
 - (2) For supply of all raw materials, the standard usage is calculated according to the monthly production schedule, and the raw materials are purchased as per stock status.
2. Of the motorcycle parts purchased by the Company in 2021, 7% were imported from abroad, while 93% were purchased from domestic contractors or processed by such contractors as entrusted by the Company.
 - (1) Supply situation of import:

Monthly place orders with foreign manufacturers according to production/marketing schedules, stock status and lead time for scheduling orders, in order to satisfy factories' production requirements. In the face of the epidemic, the production schedule of electronics-related parts and components has been affected, resulting in significant adjustments to production schedules.
 - (2) Supply situation of domestic contractors:

Orders are issued on a weekly basis, and manufacturers deliver products according to orders. In the face of the epidemic, the production schedule of electronics-related parts and components has been affected, resulting in significant adjustments to production schedules.
3. All above supplies shall be in line with actual production requirements.

Automobiles:

1. Of the auto parts purchased by the Company, only some of them are imported from foreign countries, while all the rest parts are purchased from domestic manufacturers or processed by the contractors as entrusted by the Company.
 - (1) Ratios of purchased parts: 80% KD parts and 20% domestic parts.
 - (2) Origins of purchased parts: KD parts are from Hyundai Motor Company and its subsidiaries; domestic parts are from domestic manufacturers of parts.
2. Main parts of the Company are purchased from Hyundai Motor Company and its subsidiaries as well as domestic manufacturers of parts. Benefiting from its long-term cooperation and long-term supply contracts, the Company maintains fairly normal and stable supply of parts.
3. All above supplies shall be in line with actual production requirements.
4. Businesses on commercial automobiles: In consideration that the markets of commercial automobiles have been kept stable in Taiwan, only light-duty commercial automobiles are produced in present production lines, so as to lay out a complete product line for the commercial automobile business.

(IV)List of Major Customers in the Past Two Years

1. Major vendors

Unit: NT\$ thousand

Item	Q1 of 2022				2021				2020			
	Manufacturers	Amount	%	Relationship with the Issuer	Manufacturers	Amount	%	Relationship with the Issuer	Manufacturers	Amount	%	Relationship with the Issuer
1	Hyundai Motor Company	1,597,882	27	Companies having business dealings with the Company	Hyundai Motor Company	4,930,238	24	Companies having business dealings with the Company	Hyundai Motor Company	4,731,040	22	Companies having business dealings with the Company
2	Xiamen Xiaxing Motorcycle Co., Ltd.	952,743	16	The Company's subsidiary	Xiamen Xiaxing Motorcycle Co., Ltd.	2,707,924	13	The Company's subsidiary	Xiamen Xiaxing Motorcycle Co., Ltd.	1,836,641	9	The Company's subsidiary
3	Others	3,299,183	57	-	Others	13,305,577	63	-	Others	14,494,923	69	-
	Net purchase	5,849,808	100	-	Net purchase	20,943,739	100	-	Net purchase	21,062,604	100	-

2. Major buyers

Unit: NT\$ thousand

Item	Q1 of 2022				2021				2020			
	Customers	Amount	Ratio to net sales as of Q1 of current year (%)	Relationship with the Issuer	Customers	Amount	Ratio to total net sales of the year (%)	Relationship with the Issuer	Customers	Amount	Ratio to total net sales of the year (%)	Relationship with the Issuer
1	Nanyang Industries Co., Ltd.	2,179,071	27	The Company's subsidiary	Nanyang Industries Co., Ltd.	7,423,264	25	The Company's subsidiary	Nanyang Industries Co., Ltd.	6,145,001	20	The Company's subsidiary
2	Dingtai Vehicles Co., Ltd.	846,725	10	-	Dingtai Vehicles Co., Ltd.	3,652,653	12	-	Dingtai Vehicles Co., Ltd.	4,054,949	13	-
3	Others	5,152,712	63	-	Others	18,800,882	63	-	Others	20,596,884	67	-
	Net sales	8,178,708	100	-	Net sales	29,876,799	100	-	Net sales	30,796,834	100	-

(V) Production and Sales Volume in the Past Two Years

1. Production Volume and Output

Unit: production volume; output: NT\$ thousand

Year Production Volume and Output Main Products	2021		2020	
	Production Volume	Output	Production Volume	Output
Motorcycles	259,595	11,668,285	316,384	13,357,017
Automobiles	12,070	5,904,377	10,539	5,338,681
Others	-	1,650,496	-	1,442,884
Total	271,665	19,223,158	326,923	20,138,582

2. Sales Volume/Amount

Unit: volume ; Amount: NT\$ thousand

Year Sales Volume /Amount Main Products	2021				2020			
	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Motorcycles	234,577	13,769,574	116,819	4,881,900	287,281	15,963,448	96,215	4,241,054
Automobiles	13,349	8,788,924	-	-	12,480	8,416,879	-	-
Others	-	1,645,520	-	790,881	-	1,446,517	-	728,936
Total	247,926	24,204,018	116,819	5,672,781	299,761	25,826,844	96,215	4,969,990

Note 1: In 2021, the Company sold 91,568 motorcycles (including triangular trade), which amounted to NT\$2,895,356 thousand, and sold 1,428 automobiles (including imported ones), which amounted to NT\$1,445,267 thousand.

Note 2: In 2020, the Company sold 67,158 motorcycles (including triangular trade), which amounted to NT\$1,939,413 thousand, and sold 1,591 automobiles (including imported ones), which amounted to NT\$1,572,956 thousand.

III. Employee Information

Number of employees, average years of service, average age and education level in the past two years:

Year		2020	2021	As of May 13, 2022 of current year
Number of Employees	Male	2,083	2,014	2,019
	Female	289	289	290
	Total	2,372	2,303	2,309
Average Age		43.5	39.4	43.5
Average Years of Service		17.5	17.8	17.5
Education Level	PhD	4	4	4
	Master's Degree	268	263	261
	Bachelor's Degree	718	727	756
	High School Diploma	1,267	1,216	1,191
	Lower Degrees	115	93	97

IV. Environmental Protection Expenditures

(I) Total amount of losses and penalties in the most recent year: none in 2021.

(II) Details of the Company's environmental protection expenditures in 2021 are as follows:

Unit: NT\$ thousand

Category	Amount
Corporate Operating Costs	7,174
Management Costs	206,597
Research and Development Costs	66,437
Social Costs	494
Losses and Compensations	18,487
Total	299,189

V. Labor Relations

(I) Losses from Labor Disputes in the Most Recent Year:

The labor relations in the Company are harmonious, and the Company has not suffered any loss from labor disputes. It is predicted that the Company wouldn't be involved in any major labor disputes, because it has complete channels for communicating about labor relations, salary and benefit systems.

(II) Information on Employee Benefits, Continuing Education, Training, and Retirement Systems and the Status of Their Implementation, Labor Agreements and Measures for Safeguarding Employees' Rights and Interests:

Item	Systems and measures
Benefits	The Company has established the Employee Welfare Committee to appropriately plan employee benefits and improve related welfare systems.
	Related benefits:
	1. Wedding and funeral subsidies
	2. Bereavement subsidies
	3. Mid-Autumn and year-end bonuses
	4. Birthday presents
	5. Cash gifts for festivals
	6. Domestic and foreign travel subsidies
	7. Subsidies for automobile purchases
	8. Scholarships and grants
	9. Club subsidies
	10. Subsidies for big annual events
	11. Traffic allowances
	12. Internal and external employee education and training
	13. Old commemorative gold coins
	14. Hospitalization subsidies for employees and their families
	15. Emergency aids and loans
	16. Group insurances
17. Regular physical examinations	
18. Special store offers	

Item	Systems and measures
Retirement (resignation) Systems	<p>(1) Retirement: The Company has paid pensions to employees covered by the old retirement system according to the Labor Standards Act, set up the Regulatory Committee on Reserve for Employee Retirement, and monthly withdraws pensions from the reserve. As of the end of December 2021, the balance had amounted to NT\$2,020,273 thousand in the special retirement account. For the new system on employee pensions, the Company will withdraw 6% of wages of its employees monthly and contribute it to the new system to their individual special accounts according to regulations on employee pensions. It may also withdraw and contribute certain amount of the volunteers' wages to their individual special accounts at a proportion designated by the volunteers.</p> <p>(2) Resignation: According to rules of the Company, the employees whose pension has been paid under the old system for more than five years (inclusive) and no more than 25 years may apply for resignation allowance at the time of resignation. The retirement allowance shall be determined by multiplying the years of service, base salary and certain ratio (20%~110%). In 2021, the Company paid no resignation allowance to its employees.</p>
Continuing Education and Training	<p>The Company plans and improves its education and training systems. It annually executes its education and training plans for different fields at varying levels in combination with its business strategies and plans for its future core competencies. It encourages its employees to receive continuing education/training and improve their professional competencies, in order to maintain and enhance their competitive advantages.</p> <p>In 2021, the Company organized 114 classes for education and training. 1,467 employees were trained, and total training hours were 754.</p>
Labor Agreements	<p>The Company enters into collective agreements with its employees based on the Labor Standard Act, and file such agreements with the Labor Affairs Bureau. It implements related systems according to laws, regulations and collective agreements.</p> <p>(1) The Company and its employees formally entered into the collective agreements on March 28, 1989. Such agreements were renewed on May 1992, May 1995, May 1998, July 2001, June 2004, June 2007, June 2010, June 2013, June 2016 and June 2019.</p> <p>(2) The Company quarterly holds a symposium on management of labor management.</p> <p>(3) Apart from internal administrative channels, suggestion boxes, improved proposals and other channels are also available for filing complaints in the Company, to ensure smooth communications between the employees and management.</p>
Measures for Safeguarding Employees' Rights and Interests	<p>The Company has lawfully founded a trade union, and quarterly holds a labor-management meeting, so the labor relations are harmonious. The Company provides suggestion boxes, complaint channels, employee communication zones and employee assistance mechanisms to assist employees in solving related problems.</p>
Losses of the Company from Labor Disputes in the Most Recent Year	<p>The labor relations in the Company are harmonious, and the Company has not suffered any loss from labor disputes. The Company has sufficient channels for communicating with its employees, complete salary and welfare systems, so it is predicted that it would not be involved in any major labor dispute.</p>

(III) Protective Measures for Work Environment and Employees' Personal Safety

Upholding being people-oriented as its core value, the Company is devoted to providing safe, sanitary and healthy workplaces. It carries out occupational safety and health management according to labor laws and regulations. In 1999, it introduced and passed the certification by the occupational safety and health management system OHSAS 18001, enforced related rules and performed PDCA cycle to guarantee all of its employees' personal safety and health. To strengthen its procurement management, perform and transform its management, it introduced the Taiwan occupational safety and health management system (CNS 15506) in 2015 and ISO 45001 in 2019 for the purpose of assisting other organizations in providing safe sanitary workplaces, preventing harms or health impacts from work, and actively improving organizational health and safety performances.

To identify hazards and risks of workplaces, the Company drafts plans for management, audit assistance, independent management, education, training and emergency response drills. It takes preventive measures against possible injuries and disasters. It regularly organizes emergency response drills, in hope of making systematic responses in a well-organized manner when any accident happens, in order to minimize damages and losses. The Company also guarantees its employees' life safety to guarantee "no disaster, harm or occupational disease" as it upholds in its safety and health declaration.

(IV) Information on Code of Conduct or Ethics for Employees

Related procedures and rules are specially drafted to be followed by employees in their conducts, rights, obligations and ethical concepts. They are summarized as follows:

1. Hierarchical responsibilities:

(1) Hierarchical responsibilities for business auditing

Clarify business procedures and hierarchical responsibilities; regulate authorities for each post.

(2) Application form for position agent

Implement agent system to ensure normal business operations of the Company.

(3) Positions and titles

Define positions and titles to provide employees with appropriate blueprints for career development.

2. Work rules

Clarify rights and obligations of employees and the employer, to urge all staff of the Company to jointly promote business operations of the Company.

3. Code of professional ethics

To become internationalized, the Company has to learn from international enterprises. That is, the headquarters shall define the code of professional ethics. Ask all employees to carefully read, personally sign and obey related rules. In addition, the Company shall build a professional ethics committee to smooth the consultation and reporting channels.

4. Responsibilities of departments

Clarify responsibilities and organizational functions of departments, to professionally divide labor among departments and strengthen core competencies of the Company.

5. Punishment and reward measures

To promptly reward employees with contributions and protect the Company from damages arising out of employees' behaviors, related rewards and punishments are specified in the work rules.

6. Evaluation measures

The supervisors offer appropriate assistance and feedback according to employees' performances, which are used as basis for individual rewards, transfer, promotion, appointment, dismissal, cultivation, growth, work review and improvement.

7. Management measures for attendance and leave

To maintain good disciplines to improve work quality, the Company has formulated complete attendance and leave rules on employees' attendance and leave.

8. Measures on non-competition and confidentiality undertakings

To guarantee commercial interests and enhance competitiveness of the Company, employees are obliged to keep businesses of the Company confidential. In order not to prejudice interests or goodwill of the Company, employees ought to sign Non-competition and Confidentiality Undertakings.

9. Detailed rules on prevention and control of Sexual harassment

To prevent and control sexual harassment in workplaces, maintain work equality

between men and women, and safeguard human dignity, the Company expressly formulates related rule, and announces related laws and complaint channels on the internal website of the Company, so as to regulate employees' conducts in their workplaces.

(V) Corporate Responsibilities

Sanyang Motor has been adhering to the concept on quality first and customer satisfaction. It is wholly dedicated to development of core automobile and motorcycle businesses. In addition to creating value for itself and improving shareholder equity, it also obeys all laws/regulations, strictly maintains operation of its governance mechanism, creates safe work environment for its employees, provides its employees with reasonable compensation and benefits, devotes to innovations and R&D more actively, develops intellectual property and energy-saving products with lower carbon emissions, improves its performance in environmental protection, delivers education on environmental protection/energy conservation, and actively participates in social public welfare, in order to make contributions to social/economic development, advancement of product sciences and technologies, and environmental sustainability. Outcomes of the Company are briefly introduced as follows:

1. Responses to climate changes

To reduce impacts of products on environment, the Company operates according to the ISO 14064 standards, identifies and develops an inventory of greenhouse gases, and applies for verification by a third party certification body, in order to exactly understand current greenhouse gas emissions, which will be considered as basis for planning how to reduce the emissions in the future.

Besides, the Company has specially built an energy management group, which is composed of supervisors and energy managers of EHS management organizations, to completely promote execution of related energy efficiency policies.

2. EHS polices and management

Following EHS policies are formulated as guidelines for future environmental management:

- (1) EHS policies: Obey laws and regulations; create safe workplaces; prevent occupational hazards and environmental pollution; promote workers' health and continuously improve environment.
- (2) Environmental declarations: Prevent pollution, save energy, recycle resources and green environment.
- (3) Safety and health declaration: no disaster, harm or occupational disease.
- (4) Health declaration: Maintain a healthy diet and do moderate exercises; quit

smoking and control alcohol intake; keep mental balance.

Based on ISO 14001, ISO 45001 and CNS15506 management systems, the top management defines related policies and orientations. They ensure execution and attainment of environmental policies and objectives. They also regularly hold meetings of the EHS Committee, report matters, practices and performances on occupational safety/health, review deficiencies and offer suggestions for improvement.

3. Pollution control

To reduce possible derivative environmental hazards of wastes, the Company is dedicated to reducing the production of wastes, actively recycling and reusing resources. It strengthens management of wastes from sources to production processes. It manages and appropriately classifies wastes as well, in hope of reducing production of wastes, gaining more benefits from reuse, decreasing the use of resources, or alleviating environmental impacts of product activities and services.

4. Green design

Greenhouse effects have caused increasingly more serious warming of the earth. With the formulation of environmental protection regulations and awakening of consumers' environmental awareness, more stringent pollution control regulations or license plate restriction policies have been adopted to control total pollution, so as to reduce urban pollution. For instance, waste emissions of motorcycles are rigorously restricted by the latest European V Regulations and the Taiwan VII Regulations. Other areas, including China and ASEAN countries will also tighten their regulations after Europe. Furthermore, motorcycles with "low pollution and low energy consumption" have been developed using advanced technologies, including "injection system, lean combustion and hybrid system. In spite of significant progress in technologies, developing alternative energy products is still a long-term concern of motorcycle manufacturers.

5. Customers first

To understand what customers are really thinking, customer satisfaction surveys are regularly performed among consumers and distributors. Believe that the surveys will not only make the Company more informative of market changes, but also can be used as basis for subsequent improvements.

In addition, the Company enables its customers to understand its product specifications, performances, operation and maintenance instructions as well as notes on safe driving, defensive motorcycle driving, personal rights and interests, and assistance systems through clear product identifications, including product

labels, user manuals and maintenance manuals for motorcycle owners. The Company has also established the most rigorous and complete product assurance system. Whenever any product accident occurs, it will definitely give priority to consider customers' rights and interests. Hence, it formulates related operating procedures not only to assist its customers in solving problems and safeguarding their rights and interests, but also hopes that all accidents can be rapidly handled in the most suitable ways.

Besides, the Company configures 24h special free service hotline, and the phones to this hotline will be answered by human. It protects its customers' materials to the highest degree and provides its customers with the safest and most complete service network.

6. Friendly and safe workplace

Safe workplace is fundamental for sustainable operations of enterprises and the core value that Sanyang Motor is the most concerned about. The Company undertakes to ensure all of its employees' and stakeholders' safety and health. Besides, it places more emphasis upon employees' own safety awareness, healthy diet, moderate exercises, smoking quitting, limited alcohol intake and mental balance as living standards, in hope of keeping employees physically and mentally healthy and safe without exposure to any hazard or occupational disease.

The preventive measures against occupational hazards by the Company in 2021 particularly included management of chemical hazards, preventive control over illegal violations in workplaces, monitoring of operating environment, maternal health protection, preventive control over excess workload and human hazards. In addition, in response to COVID-19, the Company strengthened the prevention of the epidemic and implemented a two-day shutdown of the production line for rapid test for all employees, so employees can go to work with peace of mind.

7. Employee care

Sanyang Motor respects human rights, obeys laws and regulations and bans inappropriate discrimination. Its employees are equally and properly treated in the Company. They are never treated differently for gender, religion, political affiliation, race or nationality. When humiliated, threatened, harassed or insulted, they can file complaints through advisory services on workplace violence or complaint channels. Apart from competitive salary, reward and compensation, the Company also has complete retirement, resignation and welfare systems so that its employees can take pleasure at work, in hope of jointly achieving brilliant business performances and sharing their growth outcomes, for the final purpose of attracting and retaining

employees.

8. Social contributions

Taiwan:

- (1) Sanyang plans to build a deluxe forest nursery "Kagoshima Kindergarten" to promote childbirth.
- (2) Donated quilts, wheelchairs and household supplies to Taian Township in Miaoli County, Miaoli Hospital, Yu An Retarded Children's Home, the Hsinchu Home of Mercy, and St. Teresa Children Center with Chin Tzu Foundation.
- (3) Participated in Hsinchu County's "Tribute to the Beach, Autumn Beach Cleanup" and continued environmental cleanup activities.
- (4) Provided scholarships and grants to middle and primary schools in Hukou Township and Xinfeng Township, Hsinchu County every year to help outstanding students to attend school.
- (5) In response to the government's green energy policy, solar panels were installed on the roof of Nanyang Building, Zhubei.
- (6) Invited Hsinchu Blood Donation Center twice a year to dispatch its blood donation automobiles to the Company to organize blood donation and different warmth activities.

Oversea:

- (1) The team of volunteers from Xia Shing Motor has formed a team to volunteer for nucleic acid testing at various collection points to assist in prevention and control.
 - (2) The Vietnam plant lent part of the Dongnai plant as a centralized isolation facility and also made a donation for the epidemic, totaling US\$69,400.
9. Issuing corporate social responsibility report (Corporate Sustainability Report)
To perform corporate social responsibilities, Sanyang Motor regularly and publicly publishes its corporate social responsibility report to explain to all stakeholders of the society about its outcomes in fulfillment of such responsibilities and determination to achieve sustainable development.

VI. Important Contracts

December 31, 2021

Contract Type	Party	Contract Term	Main Content	Restrictions
Automobiles:				
Distribution Contract	Nancheng Industrial	January 1, 1994 March 1, 2021	Authorize distributors to sell the Company's automobiles and parts within the territory of R.O.C.	None
Distribution Contract	Nanyang Industries Co., Ltd.	January 1, 1994 Proposed Expiry Date	Authorize distributors to sell the Company's automobiles and parts within the territory of R.O.C.	None
Distribution Contract	Nanyang Industries Co., Ltd.	July 1, 2006 Proposed Expiry Date	Authorize distributors to sell the Company's automobiles and parts within the territory of R.O.C.	None
Distribution Contract	Hyundai Motor Company	January 1, 2021 December 31, 2022	Sell automobiles and parts of Hyundai Motor Company within the territory of R.O.C.	None
Technology licensing contract (PORTER)	Hyundai Motor Company	November 20, 2013 November 19, 2022	The Company shall manufacture automobiles within the territory of R.O.C. according to specifications and technical materials provided by Hyundai Motor Company.	None
Technology licensing contract (TUCSON)	Hyundai Motor Company	November 10, 2015 June 30, 2022	The Company shall manufacture automobiles within the territory of R.O.C. according to specifications and technical materials provided by Hyundai Motor Company.	None
Technology licensing contract (ELANTRA)	Hyundai Motor Company	June 15, 2016 February 16, 2022	The Company shall manufacture automobiles within the territory of R.O.C. according to specifications and technical materials provided by Hyundai Motor Company.	None
Technology licensing contract (VENUE)	Hyundai Motor Company	April 27, 2020 April 26, 2025	The Company shall manufacture automobiles within the territory of R.O.C. according to specifications and technical materials provided by Hyundai Motor Company.	None
Technology licensing contract (TUCSON L)	Hyundai Motor Company	May 30, 2021 November 15, 2026	The Company shall manufacture automobiles within the territory of R.O.C. according to specifications and technical materials provided by Hyundai Motor Company.	None

Contract Type	Party	Contract Term	Main Content	Restrictions
Technology licensing contract (KU)	Hyundai Motor Company	July 26, 2021 July 25, 2026	The Company shall manufacture automobiles within the territory of R.O.C. according to specifications and technical materials provided by Hyundai Motor Company.	None
Motorcycles:				
R&D Technology Service Contract	Vietnam Manufacturing and Export Processing (Holdings) Co., Ltd.	January 2, 2019 December 31, 2021	Provide technology services related to R&D	Exclusive licensing
General Technology Service Contract	Vietnam Manufacturing and Export Processing (Holdings) Co., Ltd.	January 2, 2019 December 31, 2021	Provide general technology services unrelated to products	Exclusive licensing
No. VIPO 15 Technology Transfer Contract	Vietnam Manufacturing and Export Processing Co., Ltd.	February 20, 2020 February 19, 2023	Technology transfer for 11 new types of motorcycles, including VF4, VEA and SDJ	Exclusive licensing
Supplementary Provisions of the Technology Transfer Contract	Vietnam Manufacturing and Export Processing Co., Ltd.	February 15, 2020 February 14, 2023	Modify the content related to technology transfer for 31 types of motorcycles, including SAN, VC1 and VUR.	Exclusive licensing
No. VIPO 16 Technology Transfer Contract	Vietnam Manufacturing and Export Processing Co., Ltd.	January 15, 2021 January 14, 2024	Technology transfer for 7 new types of motorcycles, including VW1, VW2 and VJC	Exclusive licensing

Chapter 6 Financial Overview

I. Condensed Consolidated Balance Sheets and Consolidated Statements of Comprehensive Income for the Past Five Fiscal Years

(I) Consolidated Condensed Balance Sheet -IFRSs

Unit: NT\$ thousand

Item	Year	Financial Information for the Past 5 Years (Note 1)					Q1 of 2022 (Note 3)
		2017	2018	2019	2020	2021	
Current Assets		19,036,142	18,112,487	18,804,301	19,910,726	22,122,077	24,064,259
Property, plant and equipment		11,194,135	10,883,846	12,050,453	12,711,071	12,639,469	12,635,707
Intangible assets		-	-	-	-	-	-
Other Assets		6,398,941	8,400,595	10,267,463	11,396,280	11,769,672	12,631,050
Total Assets		36,629,218	37,396,928	41,122,217	44,018,077	46,531,218	49,331,016
Current Liabilities	Before distribution	13,493,177	13,825,874	17,515,944	18,528,804	16,653,583	18,401,426
	After distribution	14,334,357	14,652,054	18,327,124	19,572,805	Note 2	-
Non-Current Liabilities		8,499,448	9,469,897	8,365,548	9,422,484	13,057,933	12,583,631
Total Liabilities	Before distribution	21,992,625	23,295,771	25,881,492	27,951,288	29,711,516	30,985,057
	After distribution	22,833,805	24,121,951	26,692,672	28,995,289	Note 2	-
Equity attributable to owners of parent		12,937,294	12,833,401	14,034,804	14,770,919	15,412,103	16,818,709
Share Capital		8,685,956	8,535,956	8,535,956	8,030,776	7,976,396	7,976,396
Capital Reserves		1,743,366	1,732,462	1,736,657	1,730,173	1,708,432	1,710,876
Retained Earnings	Before distribution	4,680,229	4,612,588	6,072,937	6,583,938	7,182,522	8,718,666
	After distribution	3,839,049	3,786,408	5,261,757	5,539,937	Note 2	-
Other Equity		(1,455,952)	(1,331,300)	(1,594,441)	(1,441,152)	(1,322,431)	(1,454,413)
Treasury Stock		(716,305)	(716,305)	(716,305)	(716,305)	(132,816)	(132,816)
Non-Controlling Interest		1,699,299	1,267,756	1,205,921	1,205,921	1,407,599	1,527,250
Total Equity	Before distribution	14,636,593	14,101,157	15,240,725	16,066,789	16,819,702	18,345,959
	After distribution	13,795,413	13,274,977	14,429,545	15,022,788	Note 2	-

Note 1: The consolidated financial statements for each year have been audited by independent auditors.

Note 2: No resolution has been passed to distribute the earnings for 2021.

Note 3: The consolidated financial information for the first quarter of 2022 has been reviewed by independent auditors.

(II) Consolidated Condensed Income Statement - IFRSs

Unit: NT\$ thousand

Item \ Year	Financial Information for the Past 5 Years (Note 1)					Q1 of 2022 (Note 2)
	2017	2018	2019	2020	2021	
Operating revenue	31,678,500	31,350,738	33,383,428	40,774,917	41,617,351	11,158,254
Gross profit	5,540,620	5,298,288	5,822,977	7,806,855	7,932,838	2,142,175
Net profit (loss)	384,781	(99,572)	450,920	1,959,359	2,222,611	829,274
Non-operating income and expenses	159,186	1,267,588	1,959,174	534,636	118,692	370,657
Pre-tax profit (loss)	543,967	1,168,016	2,410,094	2,493,995	2,341,303	1,199,931
Net income (loss) from continuing operations	501,871	725,006	2,192,460	2,051,856	1,964,718	1,057,687
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss) for the year	501,871	725,006	2,192,460	2,051,856	1,964,718	1,057,687
Other comprehensive income (loss) for the year (Net amount after tax)	(771,564)	50,874	(228,276)	50,356	100,025	466,117
Total comprehensive income for the year	(269,693)	775,880	1,964,184	2,102,212	2,064,743	1,523,804
Net profit (loss) attributable to the owner of the parent company	509,136	1,038,389	2,226,225	1,938,344	1,830,190	987,482
Net profit (loss) attributable to non-controlling equity	(7,265)	(313,383)	(33,765)	113,512	134,528	70,205
Comprehensive income attributable to the owner of the parent company	(160,808)	1,093,009	2,023,388	2,009,242	1,942,381	1,404,162
Comprehensive income (loss) attributable to non-controlling equity	(108,885)	(317,129)	(59,204)	92,970	122,362	119,642
Earnings (loss) per share	0.60	1.26	2.71	2.41	2.30	1.25

Note 1: The consolidated financial statements for each year have been audited by independent auditors.

Note 2: The consolidated financial information for the first quarter of 2021 has been reviewed by independent auditors

II. Separate Condensed Balance Sheets and Separate Statements of Comprehensive Income for the Past Five Fiscal Years

(I) Separate Condensed Income Statement - IFRSs

Unit: NT\$ thousand

Item	Year	Financial Information for the Past 5 Years (Note 1)				
		2017	2018	2019	2020	2021
Current Assets		5,083,912	4,688,521	4,317,788	4,659,870	5,155,637
Property, plant and equipment		4,858,449	4,790,940	4,994,550	5,044,289	4,945,448
Intangible Assets		-	-	-	-	-
Other Assets		18,375,744	19,432,298	22,258,211	24,181,200	24,975,412
Total Assets		28,318,105	28,911,759	31,570,549	33,885,359	35,076,497
Current Liabilities	Before distribution	8,200,688	8,060,706	11,200,395	11,270,740	8,918,844
	After distribution	9,041,868	8,886,886	12,011,575	12,314,741	Note 2
Non-Current Liabilities		7,180,123	8,017,652	6,335,350	7,843,700	10,745,550
Total Liabilities	Before distribution	15,380,811	16,078,358	17,535,745	19,114,440	19,664,394
	After distribution	16,221,991	16,904,538	18,346,925	20,158,441	Note 2
Share Capital		8,685,956	8,535,956	8,535,956	8,030,776	7,976,396
Capital Reserves		1,743,366	1,732,462	1,736,657	1,730,173	1,708,432
Retained Earnings	Before distribution	4,680,229	4,612,588	6,072,937	6,583,938	7,182,522
	After distribution	3,839,049	3,786,408	5,261,757	5,539,937	Note 2
Other Equity		(1,455,952)	(1,331,300)	(1,594,441)	(1,441,152)	(1,322,431)
Treasury Stock		(716,305)	(716,305)	(716,305)	(132,816)	(132,816)
Total Equity	Before distribution	12,937,294	12,833,401	14,034,804	14,770,919	15,412,103
	After distribution	12,096,114	12,007,221	13,223,624	13,726,918	Note 2

Note 1: The separate financial report for each year has been audited by CPAs.

Note 2: No resolution has been passed to distribute the earnings for 2021.

(II) Separate Condensed Income Statement - IFRSs

Unit: NT\$ thousand

Item \ Year	Financial Information for the Past 5 Years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenue	23,220,089	22,621,007	23,659,272	30,796,834	29,876,799
Gross profit	2,578,918	2,503,056	2,455,146	3,924,645	3,694,692
Net operating income	492,289	263,002	287,858	1,379,482	1,434,778
Non-operating income and expenses	(143,139)	934,236	2,052,131	883,996	582,487
Pre-tax profit (loss)	349,150	1,197,238	2,339,989	2,263,478	2,017,265
Income (loss) from continuing operations for the year	509,136	1,038,389	2,226,225	1,938,344	1,830,190
Loss from discontinued operations	-	-	-	-	-
Net income (loss) for the year	509,136	1,038,389	2,226,225	1,938,344	1,830,190
Other comprehensive income (loss) for the year (net amount after tax)	(669,944)	54,620	(202,837)	70,898	112,191
Total comprehensive income for the year	(160,808)	1,093,009	2,023,388	2,009,242	1,942,381
Earnings (loss) per share	0.60	1.26	2.71	2.41	2.30

Note 1: The separate financial report for each year has been audited by CPAs.

III. CPAs and Audit Opinions of the Past Five Fiscal Years

Year	Name of CPA Firm	CPA	Opinion
2017	KPMG	Kuo-Yang Tseng, Ti-Nuan Chien	Unmodified opinion
2018	KPMG	Kuo-Yang Tseng, Ti-Nuan Chien	Unmodified opinion
2019	KPMG	Kuo-Yang Tseng, Ti-Nuan Chien	Unmodified opinion
2020	KPMG	Chung-Che Chen,, Ti-Nuan Chien	Unmodified opinion
2021	KPMG	Chung-Che Chen, Hsin-Ting Huang	Unmodified opinion

IV. Financial Analysis

(I) Financial Analysis for the Past 5 Years - IFRSs

1. Consolidated Financial Analysis

Unit: NT\$ thousand

Item		Financial Analysis for the Past 5 Years					
		2017	2018	2019	2020	2021	Q1 of 2022
Financial structure (%)	Debt to asset ratio (%)	60.04	62.29	62.94	63.50	63.85	62.81
	Ratio of long-term capital to property, plant, and equipment (%)	206.68	216.57	195.90	200.53	236.38	244.78
Solvency	Current ratio (%)	141.08	131.00	107.36	107.46	132.84	130.77
	Quick ratio (%)	105.89	97.18	76.69	73.02	86.91	85.78
	Times interest earned (times)	3.38	6.00	11.13	11.73	12.96	25.65
Operating performance	Average collection turnover (times)	8.63	11.71	12.43	15.68	15.14	12.94
	Days sales outstanding	42	31	29	23	24	28
	Average inventory turnover (times)	5.58	6.32	6.32	6.41	5.38	5.04
	Average payment turnover (times)	10.76	10.68	10.44	9.52	7.98	8.19
	Average inventory turnover Days	65	57	57	56	68	72
	Property, plant and equipment, net turnover (times)	2.81	2.84	2.91	3.29	3.28	3.53
	Total assets turnover (times)	0.82	0.85	0.85	0.96	0.92	0.93
Profitability	Return on total assets (%)	1.81	2.45	6.06	5.24	4.69	2.29
	Return on equity (%)	3.21	5.05	14.94	13.11	11.95	6.02
	Ratio of net income before tax to paid-in capital (%)	6.26	13.68	28.23	31.06	29.35	15.04
	Net profit margin (%)	1.58	2.31	6.57	5.03	4.72	9.48
	Net profit margin (%)	0.60	1.26	2.71	2.41	2.30	1.25
Cash flow	Cash flow ratio (%)	17.46	2.80	7.71	26.40	8.67	Note 1
	Cash flow adequacy ratio (%)	87.07	76.09	71.34	90.49	62.84	52.81
	Cash reinvestment ratio (%)	3.44	Note 1	1.18	8.73	0.79	Note 1
Leverage	Operating leverage	11.74	(46.54)	10.37	3.30	2.95	2.05
	Financial leverage	2.55	0.30	2.09	1.13	1.10	1.06

Note 1: The Company has adopted the IFRSs since 2013, so enough data is available for comparative analysis.

Note 2: If the difference between the net cash flow from operating activities and the cash dividend is negative, the net cash flow won't be measured.

Note 3:

1. Financial structure:
 - (1) Debt to asset ratio = total liabilities/total assets
 - (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities)/net value of property, plant and equipment
2. Solvency:
 - (1) Current ratio = Current assets/Current liabilities
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses for the year
3. Operating performance:
 - (1) Average collection turnover = Net sales/Average trade receivables
 - (2) Days sales outstanding = 365 / Average collection turnover
 - (3) Average inventory turnover = Cost of sales / Average inventory
 - (4) Accounts payable turnover ratio = Cost of goods sold / Average trade payments
 - (5) Average inventory turnover days = 365 / Average inventory turnover
 - (6) Property, plant and equipment turnover = Net sales / average net property, plant and equipment
 - (7) Total assets turnover = Net sales / Average total assets
4. Profitability:
 - (1) Return on total assets = (Net income (loss) after tax+ Interest expenses * (1 - Tax rate)) / Average total assets
 - (2) Return on equity = income (loss) after tax/Average total equity
 - (3) Net margin = Net income (loss) after tax/ Net sales
 - (4) Earnings per share = (Net income (loss) attributable to the owner of the parent company - Preferred stock dividend) / Weighted average number of shares outstanding
5. Cash flow:
 - (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flow from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends)
 - (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross value of property, plant and equipment + Long-term investments + Other noncurrent assets + Working capital)
6. Leverage
 - (1) Operating leverage = (Net sales - Variable cost) / Income from operations
 - (2) Financial leverage = Income from operations / (Income from operations - Interest expenses)

2. Financial analysis (unconsolidated)

Unit: NT\$ thousand

Item		Year	Financial Analysis for the Past 5 Years				
		2017	2018	2019	2020	2021	
Financial structure (%)	Debt to asset ratio (%)	54.31	55.61	55.54	56.41	56.06	
	Ratio of long-term capital to property, plant, and equipment (%)	414.07	435.22	407.85	448.32	528.92	
Solvency	Current ratio (%)	61.99	58.17	38.55	41.34	57.81	
	Quick ratio (%)	30.34	29.99	18.03	22.88	33.13	
	Times interest earned (times)	3.47	9.31	17.13	17.30	18.45	
Operating performance	Average collection turnover (times)	9.59	14.67	17.38	29.10	25.15	
	Days sales outstanding	38	25	21	13	15	
	Average inventory turnover (times)	8.51	8.90	10.34	13.54	12.94	
	Average payment turnover (times)	14.49	13.51	13.21	11.53	9.26	
	Average inventory turnover Days	43	41	35	27	28	
	Property, plant and equipment turnover (times)	4.66	4.69	4.84	6.14	5.98	
	Total assets turnover (times)	0.78	0.79	0.78	0.94	0.87	
Profitability	Return on total assets (%)	2.12	4.03	7.75	6.26	5.58	
	Return on equity (%)	3.67	8.06	16.57	13.46	12.13	
	Ratio of net income before tax to paid-in capital (%)	4.02	14.03	27.41	28.19	25.29	
	Net margin (%)	2.19	4.59	9.41	6.29	6.13	
	Earnings per share (NT\$)	0.60	1.26	2.71	2.41	2.30	
Cash flow	Cash flow ratio (%)	20.53	3.44	12.73	37.15	9.06	
	Cash flow adequacy ratio (%)	111.63	93.66	116.57	174.40	117.66	
	Cash reinvestment ratio (%)	2.46	Note 1	1.77	9.29	Note 1	
Leverage	Operating leverage	7.12	12.71	11.18	3.55	3.29	
	Financial leverage	1.43	2.21	2.02	1.11	1.09	

Note 1: If the difference between the net cash flow from operating activities and the cash dividend is negative, the net cash flow won't be measured.

Note 2:

1. Financial structure:
 - (1) Debt to asset ratio = total liabilities/total assets
 - (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities)/net value of property, plant and equipment
2. Solvency:
 - (1) Current ratio = Current assets/Current liabilities
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses for the year
3. Operating performance:
 - (1) Average collection turnover = Net sales/Average trade receivables
 - (2) Days sales outstanding = 365 / Average collection turnover
 - (3) Average inventory turnover = Cost of sales / Average inventory
 - (4) Accounts payable turnover ratio = Cost of goods sold / Average trade payments
 - (5) Average inventory turnover days = 365 / Average inventory turnover
 - (6) Property, plant and equipment turnover = Net sales / average net property, plant and equipment
 - (7) Total assets turnover = Net sales / Average total assets
4. Profitability:
 - (1) Return on total assets = (Net income (loss) after tax+ Interest expenses * (1 - Tax rate)) / Average total assets
 - (2) Return on equity = income (loss) after tax/Average total equity
 - (3) Net margin = Net income (loss) after tax/ Net sales
 - (4) Earnings per share = (Net income (loss) attributable to the owner of the parent company - Preferred stock dividend) / Weighted average number of shares outstanding
5. Cash flow:
 - (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flow from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends)
 - (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross value of property, plant and equipment + Long-term investments + Other noncurrent assets + Working capital)
6. Leverage
 - (1) Operating leverage = (Net sales - Variable cost) / Income from operations
 - (2) Financial leverage = Income from operations / (Income from operations - Interest expenses)

(II) Notes on Variances in Financial Ratios in the Past 2 Years - IFRSs

1. Changes in consolidated financial ratios

Unit: %

Item	Year	2021	2020	Increase (decrease) (%)
	Financial structure	Debt to asset ratio (%)	63.85	63.50
Ratio of long-term capital to property, plant, and equipment (%)		236.38	200.53	17.88
Solvency	Current ratio (%)	132.84	107.46	23.62
	Quick ratio (%)	86.91	73.02	19.02
	Times interest earned (times)	12.96	11.73	10.49
Operating performance	Average collection turnover (times)	15.14	15.68	(3.44)
	Days sales outstanding	24	23	4.35
	Average inventory turnover (times)	5.38	6.41	16.07
	Average payment turnover (times)	7.98	9.52	(16.18)
	Average inventory turnover Days	68	56	21.43
	Property, plant and equipment turnover (times)	3.28	3.29	(0.30)
	Total assets turnover (times)	0.92	0.96	(4.17)
Profitability	Return on total assets (%)	4.69	5.24	(10.50)
	Return on equity (%)	11.95	13.11	(8.85)
	Ratio of net income before tax to paid-in capital (%)	29.35	31.06	(5.51)
	Net margin (%)	4.72	5.03	(6.16)
	Earnings per share (NT\$)	2.30	2.41	(4.56)
Cash flow	Cash flow ratio (%)	8.67	26.40	(67.16)
	Cash flow adequacy ratio (%)	62.84	90.49	(30.56)
	Cash reinvestment ratio (%)	0.79	8.73	(90.95)
Leverage	Operating leverage	2.95	3.30	(10.61)
	Financial leverage	1.10	1.13	(2.65)

Note 1: Analysis of changes in the above financial ratios by over 20%:

1. Solvency: Current ratio : Short-term debt in 2021 were lower than that in 2020, so the current ratio decrease.
2. Operating performance:
Average inventory turnover days : Material cost were rising, as well as stock and land in 2021 , so the average inventory turnover days were higher than in 2020.
3. Cash flow: The net cash inflow from operating activities in 2021 were lower than that in 2020, so the related cash flow ratio decrease.

2. Changes in unconsolidated financial ratios

Unit: %

Item	Year	2021	2020	Increase (decrease) (%)
Financial structure	Debt to asset ratio (%)	56.06	56.41	(0.62)
	Ratio of long-term capital to property, plant, and equipment (%)	528.92	448.32	17.98
Solvency	Current ratio (%)	57.81	41.34	39.84
	Quick ratio (%)	33.13	22.88	44.80
	Times interest earned (times)	18.45	17.30	6.65
Operating performance	Average collection turnover (times)	25.15	29.10	(13.57)
	Days sales outstanding	15	13	15.38
	Average inventory turnover (times)	12.94	13.54	(4.43)
	Average payment turnover (times)	9.26	11.53	(19.69)
	Average inventory turnover Days	28	27	3.70
	Property, plant and equipment turnover (times)	5.98	6.14	(2.61)
	Total assets turnover (times)	0.87	0.94	(7.45)
Profitability	Return on total assets (%)	5.58	6.26	(10.86)
	Return on equity (%)	12.13	13.46	(9.88)
	Ratio of net income before tax to paid-in capital (%)	25.29	28.19	(10.29)
	Net margin (%)	6.13	6.29	(2.54)
	Earnings per share (NT\$)	2.30	2.41	(4.56)
Cash flow	Cash flow ratio (%)	9.06	37.15	(75.61)
	Cash flow adequacy ratio (%)	117.66	174.40	(32.53)
	Cash reinvestment ratio (%)	Note 1	9.29	-
Leverage	Operating leverage	3.29	3.55	(7.32)
	Financial leverage	1.09	1.11	(1.80)

Note 1: If the difference between the net cash flow from operating activities and the cash dividend is negative, the net cash flow won't be measured.

Note 2: Analysis of changes in the above financial ratios by over 20%:

1. Solvency:

Current ratio, quick ratio: The current ratio and quick ratio increased in 2021 compared to 2020 due to a decrease in short-term loans.

2. Cash flow:

The ratios related to cash flow decreased in 2021 compared to 2020 due to a decrease in net cash inflow from operating activities.

V. Audit Committee's Audit Reports on Financial Report of the Most Recent Fiscal Year

Sanyang Motor Co., Ltd.

Audit Report of the Audit Committee

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements and Proposal for Earnings Distribution, among which the Financial Statements have been audited by KPMG, Taiwan, by whom an audit report has been issued accordingly. The above business report, financial statements and proposal for earnings distribution have been examined and reviewed by the Audit Committee, and no irregularities were found. According to the Securities and Exchange Act and the Company Act, we hereby submit this report.

Sincerely,

2022 Annual General Shareholders' Meeting of Sanyang Motor Co., Ltd.

Convener of the Audit Committee: Shih Chung Chuan

Mar. 30, 2022

VI. Financial Statements of the Most Recent Fiscal Year

Independent Auditors' Report

To the Board of Directors of Sanyang Motor Co., Ltd.:

Opinion

We have audited the financial statements of Sanyang Motor 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 audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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

Refer to Note 4(q) “Revenue recognition” for the accounting principles on the recognition of revenue and Note 6(r) “Revenue from contracts with customers” for details of revenues.

Description of key audit matter:

The Company's main business activities are manufacturing and sale of automobiles, scooters and their parts. The revenues of the Company are recognized upon the transferring of control, which is varied by the individual delivery terms of the sales agreement. Risks of revenues not being recorded in the proper period exist when revenues of the Company were recognized earlier than the transfer of control. Therefore, the test of revenue recognition is one of the key audit matters in the audit of financial reports.

Corresponding audit procedures:

- (a) Understand the Company's selling system, e.g., products, channels, sales customers.
- (b) Examine significant sales agreements.
- (c) Test internal controls of the Company over shipment and revenues recognition procedures.

Relevant documents of internal controls aforementioned throughout the year of 2021 were examined selectively and cut-off tests of sales were conducted to verify the validity of revenue recognition.

2. Valuation of accounts receivable

Refer to Note 4(f) "Financial instruments" for the accounting policies on the valuation of accounts receivable, Note 5(a) for uncertainty deriving from the major sources of estimation and accounting assumptions of the valuation of accounts receivable, and Note 6(d) for details of accounts receivable.

Description of key audit matter:

The balance of accounts receivable of the Company is relatively significant, and the recoverability of accounts receivable involves subjective judgements by the Management. Therefore, the valuation of accounts receivable is one of the key audit matters in the audit of financial reports.

Corresponding audit procedures:

- (a) Obtain the Management's overdue aging analysis of accounts receivable, and then understand current market conditions, credit reliabilities and historical collection records of the customers to assess the reasonableness of estimates made by the Management.
- (b) Analyze and test the accuracy of accounts receivable aging report.
- (c) Perform the subsequent period collection of accounts receivable test.

Responsibilities of Management and Those Charged with Governance for the Parent Company only Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Parent Company only 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 this 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 Chung-Che Chen and Hsin -Ting Huang.

KPMG

Taipei, Taiwan (Republic of
China) March 30, 2022

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
SANYANG MOTOR CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>December 31, 2021</u>		<u>December 31,</u>	
	<u>2020</u>		<u>Amount</u>	<u>%</u>
Assets	Amount	%	Amount	%
Current assets:				
1100 Cash and cash equivalents (Note 6(a))	\$ 1,469,419	4	1,375,884	4
1170 Notes and accounts receivable, net (Notes 6(d) and (r))	1,026,571	3	845,494	2
1180 Accounts receivable from related parties, net (Notes 6(d), (r) and 7)	316,340	1	187,488	1
1310 Inventories (for manufacturing business) (Notes 6(e))	2,113,817	6	1,929,910	6
1476 Other current financial assets (Note 8)	142,659	1	169,611	1
1479 Other current assets (Note 7)	86,831	-	151,483	-
	<u>5,155,637</u>	<u>15</u>	<u>4,659,870</u>	<u>14</u>
Non-current assets:				
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(c))	141,484	-	133,151	-
1550 Investments accounted for using the equity method (Notes 6(f) and 7)	21,602,535	62	20,723,059	61
1600 Property, plant and equipment (Notes 6(g), 7 and 8)	4,945,448	14	5,044,289	15
1755 Right-of-use assets (Note 7)	109,123	-	134,985	1
1760 Investment property, net (Notes 6(h))	2,404,562	7	2,340,672	7
1840 Deferred income tax assets (Note 6(o))	420,425	1	427,649	1
1980 Other non-current financial assets (Note 8)	267,460	1	382,461	1
1995 Other non-current assets, others	29,823	-	39,223	-
	<u>29,920,860</u>	<u>85</u>	<u>29,225,489</u>	<u>86</u>
Total assets	\$ 35,076,497	100	33,885,359	100

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SANYANG MOTOR CO., LTD.

Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings (Note 6(j))	\$ 3,420,644	10	5,366,753	16
2110	Short-term notes and bills payable (Note 6(i))	299,798	1	300,000	1
2120	Current financial liabilities measured at fair value through profit or loss(Note 6(b))	2,299	-	-	-
2130	Current contract liabilities (Note 6(r))	42,712	-	32,604	-
2170	Notes and accounts payable (Note 6(k))	2,155,409	6	2,322,595	7
2180	Accounts payable to related parties (Notes 6(k) and 7)	586,179	2	587,317	2
2200	Other payables	1,392,100	4	1,439,782	4
2220	Other payables to related parties (Note 7)	154,721	-	283,919	1
2230	Current tax liabilities	188,772	1	261,839	1
2251	Current provisions for employee benefits (Note 6(n))	68,906	-	79,528	-
2252	Short-term provisions for warranties (Note 6(m))	393,224	1	408,856	1
2280	Current lease liabilities (Note 7)	25,505	-	25,089	-
2322	Long-term borrowings, current portion (Note 6(l))	80,000	-	-	-
2399	Other current liabilities, others	108,575	-	162,458	-
		<u>8,918,844</u>	<u>25</u>	<u>11,270,740</u>	<u>33</u>
Non-current liabilities:					
2540	Long-term borrowings (Note 6(l))	8,020,000	23	5,200,000	15
2570	Deferred income tax liabilities (Note 6(o))	1,401,672	4	1,401,672	4
2580	Non-current lease liabilities (Note 7)	84,572	-	110,078	-
2640	Net defined benefit liability, non-current (Note 6(n))	841,373	3	814,382	3
2645	Guarantee deposits received	348,757	1	289,479	1
2670	Other non-current liabilities, others	49,176	-	28,089	-
		<u>10,745,550</u>	<u>31</u>	<u>7,843,700</u>	<u>23</u>
Total liabilities		<u>19,664,394</u>	<u>56</u>	<u>19,114,440</u>	<u>56</u>
Equity (Note 6(p)):					
3100	Share capital	7,976,396	23	8,030,776	24
3200	Capital surplus	1,708,432	5	1,730,173	5
3300	Retained earnings	7,182,522	20	6,583,938	19
3400	Other equity	(1,322,431)	(4)	(1,441,152)	(4)
3500	Treasury shares	(132,816)	-	(132,816)	-
Total equity		<u>15,412,103</u>	<u>44</u>	<u>14,770,919</u>	<u>44</u>
Total liabilities and equity		<u>\$ 35,076,497</u>	<u>100</u>	<u>33,885,359</u>	<u>100</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SANYANG MOTOR CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

		2021		2020	
		Amount	%	Amount	
4000	Operating revenue (Notes 6(r) and 7)	\$ 29,876,799	100	30,796,834	100
5000	Operating costs (Note 6(e))	26,161,020	88	26,862,690	87
		3,715,779	12	3,934,144	13
5910	Unrealized profit from sales	(21,087)	-	(9,499)	-
	Gross profit from operations	3,694,692	12	3,924,645	13
	Operating expenses (Notes 6(n), (s) and 7):				
6100	Selling expenses	786,503	2	818,672	3
6200	Administrative expenses	678,236	2	910,605	3
6300	Research and development expenses	804,092	3	818,706	3
6450	Expected credit gain (Note 6(d))	(8,917)	-	(2,820)	-
		2,259,914	7	2,545,163	9
	Net operating income	1,434,778	5	1,379,482	4
	Non-operating income and expenses:				
7010	Other income (Notes 6(t) and 7)	73,814	-	66,219	-
7020	Other gains and losses (Note 6(t) and 7)	(41,524)	-	59,295	-
7050	Finance costs (Note 6(t) and 7)	(115,570)	-	(138,874)	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (note 6(f))	665,767	2	532,651	2
7229	Gain on disposal of non-current assets held for sale (Notes 6 (t))	-	-	364,705	1
		582,487	2	883,996	3
7900	Profit before income tax	2,017,265	7	2,263,478	7
7950	Less: Income tax expenses (Note 6(o))	187,075	1	325,134	1
8200	Profit for the period	1,830,190	6	1,938,344	6
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	(104,296)	-	(122,894)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	8,333	-	39,175	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss	226,656	1	281,400	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	20,859	-	24,579	-
		151,552	1	222,260	1
8360	Items that may be reclassified subsequently to profit or loss				
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method, components of other comprehensive income that will be reclassified to profit or loss	(39,361)	-	(151,362)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
		(39,361)	-	(151,362)	-
8300	Other comprehensive income	112,191	1	70,898	1
8500	Comprehensive income	\$ 1,942,381	7	2,009,242	7
	Earnings per share (Note 6(q))				
9750	Basic earnings per share (NT dollars)	\$ 2.30		2.41	
9850	Diluted earnings per share (NT dollars)	\$ 2.30		2.41	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SANYANG MOTOR CO., LTD.
Statements 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	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity	Treasury shares	Total equity
Balance at January 1, 2020	\$ 8,535,956	1,736,657	2,255,440	1,388,247	2,429,250	6,072,937	(1,549,637)	(44,804)	(1,594,441)	(716,305)	14,034,804
Profit for the year	-	-	-	-	1,938,344	1,938,344	-	-	-	-	1,938,344
Other comprehensive income for the year	-	-	-	-	(122,579)	(122,579)	(151,362)	344,839	193,477	-	70,898
Comprehensive income for the year	-	-	-	-	1,815,765	1,815,765	(151,362)	344,839	193,477	-	2,009,242
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	230,382	-	(230,382)	-	-	-	-	-	-
Special reserve	-	-	-	225,097	(225,097)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(811,180)	(811,180)	-	-	-	-	(811,180)
Reversal of special reserve due to disposal of land	-	-	-	(39,666)	39,666	-	-	-	-	-	-
Increase in treasury shares	-	-	-	-	-	-	-	-	-	(462,150)	(462,150)
Retirement of treasury shares	(505,180)	(6,687)	-	-	(533,772)	(533,772)	-	-	-	1,045,639	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	203	-	-	-	-	-	-	-	-	203
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
					40,188	40,188	(40,188)	(40,188)	(40,188)	-	
Balance at December 31, 2020	8,030,776	1,730,173	2,485,822	1,573,678	2,524,438	6,583,938	(1,700,999)	259,847	(1,441,152)	(132,816)	14,770,919
Profit for the year	-	-	-	-	1,830,190	1,830,190	-	-	-	-	1,830,190
Other comprehensive income for the year	-	-	-	-	(82,408)	(82,408)	(39,361)	233,960	194,599	-	112,191
Comprehensive income for the year	-	-	-	-	1,747,782	1,747,782	(39,361)	233,960	194,599	-	1,942,381
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	136,185	-	(136,185)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(130,078)	130,078	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(1,044,001)	(1,044,001)	-	-	-	-	(1,044,001)
Increase in treasury shares	-	-	-	-	-	-	-	-	-	-	-
Retirement of treasury shares	-	-	-	-	-	-	-	-	-	(163,787)	(163,787)
	(54,380)	(719)	-	-	(108,688)	(108,688)	-	-	-	163,787	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	-	-	-	-	-	-	-	-	-	1,139
Changes in equities of long-term investments	-	1,139	-	-	-	-	-	-	-	-	(94,548)
	-	(22,161)	-	-	(72,387)	(72,387)	-	-	-	-	(94,548)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	75,878	75,878	-	(75,878)	(75,878)	-	-
Balance at December 31, 2021	\$ 7,976,396	1,708,432	2,622,007	1,443,600	3,116,915	7,182,522	(1,740,360)	417,929	(1,322,431)	(132,816)	15,412,103

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SANYANG MOTOR CO., LTD.

Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 2,017,265	2,263,478
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	576,821	558,762
Amortization expense	23,178	26,065
Expected credit gain	(8,917)	(2,820)
Net loss on financial asset and liabilities measured at fair value through profit or loss	2,299	-
Interest expense	115,570	138,874
Interest revenue	(2,602)	(6,200)
Dividend revenue	(17,284)	(11,565)
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(665,767)	(532,651)
Loss (gain) on disposal of property, plant and equipment	38,998	(7,533)
Loss on disposal of investment properties	8	-
Gain on disposal of non-current assets held for sale	-	(364,705)
Realized loss from sales	21,087	9,500
Others	902	835
Total adjustments to reconcile profit (loss)	<u>84,293</u>	<u>(191,438)</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	(172,160)	12,072
Notes and accounts receivable from related parties	(128,852)	41,618
Inventories	(204,079)	75,265
Other current assets	50,427	(344)
Contract liabilities	10,108	6,884
Notes and accounts payable	(167,186)	973,560
Accounts payable to related parties	(1,138)	186,645
Provisions for employee benefits	(10,622)	-
Other payables (including related parties)	(177,443)	1,022,953
Short-term provisions for warranties	(15,632)	29,124
Other current liabilities	(53,883)	80,379
Net defined benefit liabilities	<u>(77,305)</u>	<u>(76,388)</u>
Total adjustments	<u>(863,472)</u>	<u>2,160,330</u>
Cash inflow generated from operations	1,153,793	4,423,808
Interest received	2,574	6,103
Interest paid	(115,082)	(145,575)
Income taxes paid	<u>(233,048)</u>	<u>(97,304)</u>
Net cash flows from operating activities	<u>808,237</u>	<u>4,187,032</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SANYANG MOTOR CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	<u>For the</u>	
	<u>years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using the equity method	(150,000)	(1,000,305)
Proceeds from disposal of investments accounted for using equity method	-	15,190
Acquisition of property, plant and equipment	(479,291)	(566,903)
Proceeds from disposal of property, plant and equipment	22,424	23,341
Acquisition of investment properties	(63,560)	(452,183)
Proceeds from disposal of non-current assets held for sale	-	473,025
Other current financial assets	26,952	(1,311)
Other non-current financial assets	115,001	(222,827)
Other non-current assets	(13,778)	(20,344)
Dividends received	47,461	360,492
Net cash flows used in investing activities	<u>(494,791)</u>	<u>(1,391,825)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	41,126,446	51,313,887
Decrease in short-term borrowings	(43,072,555)	(53,363,324)
Decrease in short-term notes and bills payable	(202)	(100,000)
Proceeds from long-term borrowings	5,200,000	5,950,000
Repayments of long-term borrowings	(2,300,000)	(4,870,000)
Increase in guarantee deposits received	59,278	1,246
Payments of lease liabilities	(25,090)	(13,895)
Cash dividends paid	(1,044,001)	(811,180)
Cost of increase in treasury shares	(163,787)	(462,150)
Net cash flows used in financing activities	<u>(219,911)</u>	<u>(2,355,416)</u>
Net increase in cash and cash equivalents	93,535	439,791
Cash and cash equivalents at beginning of period	<u>1,375,884</u>	<u>936,093</u>
Cash and cash equivalents at end of period	<u>\$ 1,469,419</u>	<u>1,375,884</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SANYANG MOTOR 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

SANYANG MOTOR CO., LTD. (the “Company”) was incorporated in September of 1961, and relocated to Hsinchu Industrial Park to accomplish the integration of its factories and offices together, the registered office is located at No. 3, Chung Hua Road, Hukou, Hsinchu, Taiwan (R.O.C.).

The Company entered China and Vietnam’s scooter market in 2000.

The major business activities of the Company are manufacturing and sale of automobiles, scooters and their parts and providing related technical and consulting services.

(2) Approval date and procedures of the financial statements

The financial statements were authorized for issuance by the Board of Directors on March 30, 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. (“FSC”) which have already been adopted.

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

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, IFRS 7, 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 Parent Company only 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 Parent Company only 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 of IFRS Standards 2018 – 2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

SANYANG MOTOR CO., LTD.

Notes to the Financial Statements

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

The Company does not expect the following new and amended standards, which have been issued by the Internal Accounting Standards Board (IASB), but yet to be endorsed by the FSC, to have a significant impact on its Parent Company only 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 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies

The significant accounting policies presented in the Parent Company only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the Parent Company only financial statements.

- (a) Statement of compliance

These Parent Company only financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “ the Regulations”).

- (b) Basis of preparation

- (i) Basis of measurement

The Parent Company only financial statements have been prepared on the historical cost basis except for the following significant accounts:

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

SANYANG MOTOR CO., LTD.

Notes to the Financial Statements

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The Parent Company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in New Taiwan Dollar (NTD) has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), the monetary items denominated in foreign currencies are translated into the functional currencies using exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the translation.

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

- 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 the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into New Taiwan Dollar at exchange rates at the reporting date. The income and expenses of foreign operations are translated into the New Taiwan Dollar 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 subsidiaries 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.

SANYANG MOTOR CO., LTD.

Notes to the Financial Statements

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such monetary items are considered to form part of a net investment in the foreign operation and 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 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 within 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 Company does not have an unconditional right to defer settlement 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.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

SANYANG MOTOR CO., LTD.

Notes to the Financial Statements

(f) Financial instruments

Account 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 an account 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. An account 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 or settlement date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) –equity investment; 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.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

SANYANG MOTOR CO., LTD.

Notes to the Financial Statements

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the 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.

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

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- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

6) 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, notes and accounts receivable, other receivables, guarantee deposit paid and other financial 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

SANYANG MOTOR CO., LTD.

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- other debt securities and bank deposits 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 allowances for accounts receivables 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 considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The 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 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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

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

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

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). ECLs are discounted at the effective interest rate of the financial asset.

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;

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Notes to the Financial Statements

- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowances charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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.

7) 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.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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Notes to the Financial Statements

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

6) Offsetting of financial assets and liabilities

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

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Notes to the Financial Statements

(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 existing location and condition. In the case of manufactured inventories and work in progress, costs include 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.

(h) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, property, plant and equipment are no longer depreciated.

(i) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill which is arising from the acquisition less any accumulated impairment losses.

The Parent Company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

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When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(j) Investment in Subsidiaries

The Company accounts for its investments using the equity method when it has control over them. Under the equity method, the profit or loss and other comprehensive income stated in the statement of comprehensive income will be identical to the profit or loss and other comprehensive income attributable to the owners of parent company stated in the consolidated statement of comprehensive income, and the equity as shown in the balance sheet will be the same as the equity attributable to owners of parent company as shown in the consolidated balance sheet.

The Company regards the changes in ownership in the subsidiaries as equity transactions with other shareholders under the circumstances the controllability still exists.

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(k) Investment property

Investment property is the 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 in non-operating income 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.

(l) 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.

(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 for the current and comparative periods of property, plant and equipment are as follows:

(1) Buildings	3~55 years
(2) Machinery equipment	2~15 years
(3) Utilities and vehicles	3~15 years
(4) Office equipment and others	3~8 years

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

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Notes to the Financial Statements

(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.

(m) 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.

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 of its assessment on whether it will exercise an option to purchase the underlying asset, or

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- 4) there is a change of its assessment of lease period on whether it will exercise a extension or termination option; or
- 5) there is any lease modifications

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

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

The Company presents right-of-use assets and lease liabilities as a separate line item respectively in the balance sheet.

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 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.

(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.

The Company recognizes lease payments received as rental income under operating leases on a straight-line basis over the lease term.

(n) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software	2~3 years
2) Royalty	5 years
3) Others	3~5 years

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

(o) 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.

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 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.

For the assets expect for goodwill, 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.

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(p) 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.

(q) Revenue recognition

(i) 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 Company 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.

1) Sale of goods-automobiles, scooters and their parts

The Company manufactures and sells automobiles, scooters and their parts. The Company recognizes revenue when control of the products has 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 location according to the contract, 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 often offers volume discounts to its customers based on aggregate sales of its products. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the credit term of the sales of goods is consistent with the market practice.

The Company's obligation to provide a refund or maintenance for faulty products under the standard warranty terms is recognized as a provision, please refer to Note 6(m).

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.

2) Service Revenue

The Company provides repair, maintenance and other related services. Revenue from

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services rendered is recognized in profit or loss in proportion to the stage of completion, which is of the costs incurred to date as a proportion of the total estimated costs of the transaction, at the reporting date. If the Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation of the transaction, the Company shall recognize revenue only to the extent of the costs expected to be recovered.

3) Technical support and consulting services

Including consulting services, assisting foreign operators to develop new types of scooter, and technical remuneration determined based on the sales volume of foreign operators, which is calculated when sales actually occur.

4) Financing components

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

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as expenses in the periods during which services are rendered by the employees.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately 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 any 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.

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

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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.

(s) 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 payables or receivables 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.

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:

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- 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.

(t) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

In a business combination achieved in stages, the Company remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Company's financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

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The Company recognizes the acquisition-date fair value of the contingent consideration as part of the consideration transferred. The cost of the acquisition and measuring goodwill will retrospectively be adjusted when some changes in the fair value of contingent consideration that the Company recognizes have been made after the acquisition date. Measurement period adjustments is the result of additional information that the Company obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period will not exceed one year from the acquisition date. The Company accounts for the changes in the fair value of contingent consideration that are not measurement period adjustments based on the classification of contingent consideration. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement will be accounted for within equity. Others will be measured at fair value at each reporting date and changes in fair value will be recognized in profit or loss or other comprehensive income.

(u) Earnings per share

The Company discloses the Company basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by 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.

(v) Operating segments

Please refer to the consolidated financial report of the Company for the years ended December 31, 2021 and 2020 for information on operating segments information.

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

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

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

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. These assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic.

(a) The loss allowance of accounts receivable

The Company has estimated the loss allowance of accounts 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. For the information on the relevant assumptions and inputs, please refer to Note 6(d).

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(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. Please refer to Note 6(e) for further description of the valuation of inventories.

Assessment

The Company's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. The Company periodically adjusts valuation models, conducts back-testing, renews input data for valuation models. If the sources of input data for valuation models are provided by the outer third-party (e.g. agencies or pricing intuitions), the Company evaluates relevant supportive evidence to confirm that such results of valuation and classification of the fair value hierarchy are in compliance with the IFRSs.

The Company strives to use market observable inputs when measuring assets and liabilities. For different levels of the fair value hierarchy to be used in determining the fair value of financial instruments, please refer to Note 6(u).

Please refer to note 6(u) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 280	280
Bank deposits	1,469,139	1,375,604
Cash and cash equivalents	\$ 1,469,419	1,375,884

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

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

	December 31, 2021	December 31, 2020
Financial liabilities mandatorily measured at fair value through profit or loss – current:		
Forward exchange contracts	\$ 2,299	-

The Company uses derivative financial instruments to hedge certain currency risk arising from its operating activities. The derivative financial instrument at fair value through profit or loss and financial liabilities held for trading as the Company did not apply hedge accounting are as follows:

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	December 31, 2021					
	Amount (in thousands)		Currency			Maturity date
Buy forward exchange contracts	USD	19,528	Buy NTD	USD	Sell	January 4, 2022 ~ May 23, 2022

(c) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Common shares of domestic unlisted companies	\$ 141,484	133,151

- (i) The Company designate the equity investments stated above as financial assets at fair value through other comprehensive income because the Company intends to hold these investments for long-term strategic purposes.
- (ii) For the years ended December 31, 2021 and 2020, dividend revenues of \$17,284 thousand and \$11,565 thousand, respectively, related to equity investments at fair value through other comprehensive income, were recognized.
- (iii) There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2021 and 2020.
- (iv) Please refer to Note 6(u) for credit risk and market risk.
- (v) As of December 31, 2021 and 2020, the Company did not provide any financial assets at fair value through other comprehensive income as collaterals.

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

	December 31, 2021	December 31, 2020
Notes receivable from operating activities	\$ 249,023	223,808
Accounts receivable—measured at amortized cost	857,087	710,142
Accounts receivable from related parties—measured at amortized cost	316,340	187,488
Less: Loss allowance	(79,539)	(88,456)
	\$ 1,342,911	1,032,982

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

Expected credit losses for notes and accounts receivable were determined as follows:

December 31, 2021				
Credit rating	Gross carrying amount	Weighted average expected credit loss rate	Loss allowance provision	Credit impaired
Low risk	\$ 1,342,911	0%	-	No
Medium risk	<u>79,539</u>	100%	<u>79,539</u>	Yes
Total	<u>\$ 1,422,450</u>		<u>79,539</u>	

December 31, 2020				
Credit rating	Gross carrying amount	Weighted average expected credit loss rate	Loss allowance provision	Credit impaired
Low risk	\$ 1,032,982	0%	-	No
Medium risk	<u>88,456</u>	100%	<u>88,456</u>	Yes
Total	<u>\$ 1,121,438</u>		<u>88,456</u>	

The aging analyses of notes and accounts receivable were determined as follows:

	December 31, 2021	December 31, 2020
Current	\$ 1,230,619	904,712
Overdue 1 to 90 days	112,292	128,270
Over 180 days past due	<u>79,539</u>	<u>88,456</u>
	<u>\$ 1,422,450</u>	<u>1,121,438</u>

For the credit risk of other receivables as of December 31, 2021 and 2020, please refer to note 6(u).

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The movements in the allowance for notes and accounts receivable were as follows:

	2021	2020
Balance at January 1	\$ 88,456	91,865
Reversal of impairment losses	(8,917)	(2,820)
Amounts written off	-	(589)
Balance at December 31	\$ 79,539	88,456

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

For further credit risk information, please refer to note 6(u).

(e) Inventories

	December 31, 2021	December 31, 2020
Raw materials and consumables	\$ 1,085,026	944,316
Work in process	71,445	66,860
Finished goods	518,763	644,845
Inventories in transit	438,583	273,889
	\$ 2,113,817	1,929,910

(i) For the years ended December 31, 2021 and 2020, the details of the cost of sales were as follows:

	For the years ended December 31	
	2021	2020
Cost of goods sold	\$ 26,185,175	26,888,759
Revenue from sale of scraps	(53,932)	(32,501)
Gain on physical inventory	(14)	(272)
Loss on disposal of inventory	32,019	5,494
Loss on (gain on recovery of) inventory market price decline and obsolescence	(2,228)	1,210
	\$ 26,161,020	26,862,690

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- (ii) The Company recognized gain on reversal of inventory write-downs for the year ended December 31, 2021 due to sale of inventories.
- (iii) As of December 31, 2021 and 2020, the Company did not provide any inventories as collaterals.

(f) Investments accounted for using the equity method

A summary of the Company's financial information on investments accounted for using the equity method is as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	\$ 21,334,691	20,487,108
Associates	267,844	235,951
	\$ 21,602,535	20,723,059

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2021.

(ii) Associates

The Company's financial information on investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2021	December 31, 2020
Carrying amount of individually insignificant associates' equity	\$ 267,844	235,951
	For the years ended December 31	
	2021	2020
Attributable to the Company:		
Net loss from continuing operations	(23,933)	(14,195)
Other comprehensive income (loss)	-	-
Comprehensive income	(23,933)	(14,195)

- (iii) In July 2021, APh ePower Co., Ltd. conducted a cash capital increase and the company invest \$150,000 thousand, which at a percentage different from its existing ownership percentage resulting in the shareholding ratio from 23.21% to 29.51%.

(iv) Collateral

As of December 31, 2021 and 2020, the Company did not provide any investment accounted for using the equity method as collaterals.

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(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 follow:

Cost or deemed cost:	Land	Buildings	Machinery equipment impairment	Utility and vehicles	Office equipment and others	Construction	Accumulated in progress	
				Total				
Balance on January 1, 2021	\$ 2,998,045	2,534,023	11,291,458	1,038,242	715,667	56,595	-	18,634,030
Additions	-	15,547	168,861	14,814	28,990	251,079	-	479,291
Disposals	-	(722)	(881,854)	(12,037)	(66,237)	-	-	(960,850)
Transfer from inventories	-	-	-	-	20,172	-	-	20,172
Transfer from (to) construction in progress	-	3,715	161,244	6,794	1,233	(172,986)	-	-
Reclassifications	-	-	-	-	-	(902)	-	(902)
Balance on December 31, 2021	\$ 2,998,045	2,552,563	10,739,709	1,047,813	699,825	133,786	-	18,171,741
Balance on January 1, 2020	\$ 2,998,045	2,523,971	11,091,744	1,041,004	685,646	79,898	-	18,420,308
Additions	-	12,522	303,576	10,890	19,104	220,811	-	566,903
Disposals	-	(4,819)	(316,366)	(17,031)	(47,117)	-	-	(385,333)
Transfer from inventories	-	-	-	-	33,082	-	-	33,082
Transfer from (to) construction in progress	-	2,444	212,504	3,379	24,952	(243,279)	-	-
Reclassifications	-	(95)	-	-	-	(835)	-	(930)
Balance on December 31, 2020	\$ 2,998,045	2,534,023	11,291,458	1,038,242	715,667	56,595	-	18,634,030
Accumulated depreciation and impairment loss :								
Balance on January 1, 2021	\$ -	2,036,816	9,993,715	950,229	544,860	-	64,121	13,589,741
Depreciation for the year	-	42,020	432,152	13,315	48,493	-	-	535,980
Disposals	-	(621)	(820,118)	(11,901)	(59,588)	-	(7,200)	(899,428)
Balance on December 31, 2021	\$ -	2,078,215	9,605,749	951,643	533,765	-	56,921	13,226,293
Balance on January 1, 2020	\$ -	1,996,789	9,867,706	954,474	541,245	-	65,544	13,425,758
Depreciation for the year	-	41,604	433,200	12,723	45,997	-	-	533,524
Disposals	-	(1,561)	(307,191)	(16,968)	(42,382)	-	(1,423)	(369,525)
Reclassifications	-	(16)	-	-	-	-	-	(16)
Balance on December 31, 2020	\$ -	2,036,816	9,993,715	950,229	544,860	-	64,121	13,589,741
Carrying amount:								
Balance on December 31, 2021	\$ 2,998,045	474,348	1,133,960	96,170	166,060	133,786	(56,921)	4,945,448
Balance on January 1, 2020	\$ 2,998,045	527,182	1,224,038	86,530	144,401	79,898	(65,544)	4,994,550
Balance on December 31, 2020	\$ 2,998,045	497,207	1,297,743	88,013	170,807	56,595	(64,121)	5,044,289

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As of December 31, 2021 and 2020, the property, plant and equipment of the Company were pledged as collaterals; please refer to note 8.

(h) Investment property

Cost or deemed cost:	Owned property			
	Land and Improvements Buildings	—	Construction in progress	—
	Total			
Balance on January 1, 2021	\$ 2,000,498	374,868	96,962	2,472,328
Additions	-	-	63,560	63,560
Transfer from construction in progress	-	118,271	(118,271)	-
Transfer from prepayments	-	-	15,317	15,317
Disposals	-	(30,784)	-	(30,784)
Balance on December 31, 2021	<u>\$ 2,000,498</u>	<u>462,355</u>	<u>57,568</u>	<u>2,520,421</u>
Balance on January 1, 2020	\$ 1,645,062	161,169	213,819	2,020,050
Additions	352,454	8,901	90,828	452,183
Transfer from construction in progress	2,982	204,703	(207,685)	-
Reclassifications	-	95	-	95
Balance on December 31, 2020	<u>\$ 2,000,498</u>	<u>374,868</u>	<u>96,962</u>	<u>2,472,328</u>
Accumulated depreciation and impairment loss:				
Balance on January 1, 2021	\$ -	131,656	-	131,656
Depreciation for the year	-	14,979	-	14,979
Disposals	-	(30,776)	-	(30,776)
Balance on December 31, 2021	<u>\$ -</u>	<u>115,859</u>	<u>-</u>	<u>115,859</u>
Balance on January 1, 2020	\$ -	120,479	-	120,479
Depreciation for the year	-	11,161	-	11,161
Reclassifications	-	16	-	16
Balance on December 31, 2020	<u>\$ -</u>	<u>131,656</u>	<u>-</u>	<u>131,656</u>
Carrying amount:				
Balance on December 31, 2021	<u>\$ 2,000,498</u>	<u>346,496</u>	<u>57,568</u>	<u>2,404,562</u>
Balance on January 1, 2020	<u>\$ 1,645,062</u>	<u>40,690</u>	<u>213,819</u>	<u>1,899,571</u>
Balance on December 31, 2020	<u>\$ 2,000,498</u>	<u>243,212</u>	<u>96,962</u>	<u>2,340,672</u>
Fair value:				
Balance on December 31, 2021				<u>\$ 5,749,085</u>
Balance on December 31, 2020				<u>\$ 5,685,549</u>

(i) The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser or the Company, using comparative method (reference to the website of Department of Land Administration for the registered actual selling price or real-estate agency's website for the average transaction price in similar district). The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

(ii) As of December 31, 2021 and 2020, the investment property of the Company were pledged as

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collaterals; please refer to note 8.

(i) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

December 31, 2021		
	Guarantee or acceptance institution	Range of interest rates (%)
		Amount
Commercial paper payable	CBF, IBFC	0.85% <u>\$ 299,798</u>
December 31, 2020		
	Guarantee or acceptance institution	Range of interest rates (%)
		Amount
Commercial paper payable	CBF, IBFC	0.88%~0.89% <u>\$ 300,000</u>

As of December 31, 2021 and 2020, the Company did not provide any assets as collaterals for the short-term notes and bills payable.

(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2021	December 31, 2020
Letters of credit	\$ 540,644	116,753
Unsecured bank loans	250,000	500,000
Secured bank loans	2,630,000	4,750,000
Total	<u>\$ 3,420,644</u>	<u>5,366,753</u>
Unused short-term credit lines	<u>\$ 8,383,278</u>	<u>7,613,153</u>
Range of interest rates	<u>0.592%~0.930%</u>	<u>0.800%~0.980%</u>

For the collaterals for short-term borrowings, please refer to Note 8.

(k) Notes and accounts payable (including related parties)

Notes and accounts payable (including related parties) were summarized as follows:

	December 31, 2021	December 31, 2020
Accounts payables to suppliers	<u>\$ 2,741,588</u>	<u>2,909,912</u>

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(l) Long-term borrowings

The long-term borrowings were summarized as follows:

December 31, 2021				
	Currency	Range of interest rates	Expiry date	Amount
Unsecured bank loans	NTD	1.0778%	2023	\$ 500,000
Secured bank loans	NTD	0.8400%~1.2000%	2022~2028	7,600,000
Less: current portion				(80,000)
Total				\$ 8,020,000
Unused long-term credit lines				\$ -
December 31, 2020				
	Currency	Range of interest rates	Expiry date	Amount
Unsecured bank loans	NTD	1.0768%	2022	\$ 500,000
Secured bank loans	NTD	0.8400%~1.200%	2022~2025	4,700,000
Less: current portion				-
Total				\$ 5,200,000
Unused long-term credit lines				\$ -

(i) For the collaterals for long-term borrowings, please refer to Note 7 and 8.

(ii) The Company early repaid the remaining principal of the syndicated loan and terminated the contract on November 30, 2020.

(m) Provisions

	For the years ended December 31	
	2021	2020
Balance at January 1	\$ 408,856	379,732
Provisions made during the year	193,677	231,696
Provisions used during the year	(153,193)	(195,332)
Provisions reversed during the year	(56,116)	(7,240)
Balance at December 31	\$ 393,224	408,856
Current	\$ 393,224	408,856
Non-current	-	-
Total	\$ 393,224	408,856

The provision for warranties relates mainly to sales of automobiles and scooters for the years ended December 31, 2021 and 2020. The provision is based on estimates made from historical warranty data.

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Notes to the Financial Statements

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value for the Company were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 2,861,646	3,110,210
Fair value of plan assets	(2,020,273)	(2,295,828)
Net defined benefit liabilities	\$ 841,373	814,382

The employee benefit liabilities for the Company were as follows:

	December 31, 2021	December 31, 2020
Compensated absence liabilities	\$ 68,906	79,528

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 not be 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 balance amounted to \$2,020,273 thousand as of December 31, 2021. 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.

2) Movements in present value of the defined benefit obligations

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

	For the years ended December 31	
	2021	2020
Defined benefit obligations at January 1	\$ 3,110,210	3,159,653
Current service costs and interest cost	28,601	45,147
Remeasurements loss (gain):		
– Actuarial loss (gain) – experience	65,319	68,589

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adjustments		
— Actuarial loss (gain) — financial assumptions	-	126,043
— Actuarial loss (gain) — demographic assumptions	68,215	-
Benefits paid	<u>(410,699)</u>	<u>(289,222)</u>
Defined benefit obligations at December 31	<u>\$ 2,861,646</u>	<u>3,110,210</u>

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the Company were as follows:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Fair value of plan assets at January 1	\$ 2,295,828	2,391,777
Interest income	11,511	23,993
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	29,238	71,738
Contributions paid by the employer	94,339	97,504
Benefits paid	<u>(410,643)</u>	<u>(289,184)</u>
Fair value of plan assets at December 31	<u>\$ 2,020,273</u>	<u>2,295,828</u>

4) Expenses recognized in profit or loss

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

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Current service costs	\$ 13,270	13,937
Net interest of net liabilities for defined benefit obligations	<u>3,820</u>	<u>7,217</u>
	<u>\$ 17,090</u>	<u>21,154</u>
Operating costs	\$ 9,417	12,076
Selling expenses	2,044	2,380
Administration expenses	2,167	2,721
Research and development expenses	<u>3,462</u>	<u>3,977</u>
	<u>\$ 17,090</u>	<u>21,154</u>

5) Remeasurement of net defined benefit liability (assets) recognized in other

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comprehensive income

Remeasurement of net defined benefit liability (assets) recognized in other comprehensive income for the Company were as follows:

	For the years ended December 31	
	2021	2020
Cumulative amount, January 1	\$ 1,057,900	935,006
Recognized during the year	104,296	122,894
Cumulative amount, December 31	\$ 1,162,196	1,057,900

6) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.500%	0.500%
Future salary increase rate	2.000%	2.000%

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 \$91,397 thousand.

The weighted-average lifetime of the defined benefit plans is 9.01 years.

7) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2021		
Discount rate	(54,805)	56,426
Future salary increase rate	54,095	(52,847)
December 31, 2020		
Discount rate	(63,962)	65,917
Future salary increase rate	63,261	(61,706)

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

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

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(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$45,054 thousand and \$44,241 thousand for the years ended December 31, 2021 and 2020, respectively.

(o) Income taxes

(i) The components of income taxes for the Company were as follows:

	For the years ended December 31	
	2021	2020
Current tax expense		
Current period	\$ 228,293	245,743
Land value increment tax	-	69,448
Others	(69,301)	44,186
	158,992	359,377
Deferred tax expense		
Origination and reversal of temporary differences	28,083	(34,243)
Income tax expense	\$ 187,075	325,134

(ii) The amount of income tax recognized in other comprehensive income (loss) was as follows:

	2021	2020
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ (20,859)	(24,579)

(iii) Reconciliation of income tax and profit before tax was as follows:

	For the years ended December 31	
	2021	2020
Profit before income tax	\$ 2,017,265	2,263,478
Income tax using the Company's domestic tax rate	403,453	452,696
Tax-exempt income from disposal of land	-	(73,674)
Share of profit accounted for using the equity method	(133,153)	(106,530)
Effect of tax on land value increment tax	-	36,351
Additional tax on undistributed earnings	15,625	18,271
Effect of investment tax credit	(46,469)	24,702
Adjustments for prior years tax	(38,457)	(1,213)

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Change in unrecognized temporary differences	(2,368)	(584)
Effect of tax on repatriated offshore funds	(4,835)	(39,530)
Others	(6,721)	12,219
Total	\$ 187,075	325,134

(iv) Unrecognized deferred tax liabilities

The Company was able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2021 and 2020. Also, the Company considered it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences were not recognized as deferred tax liabilities. Details were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Aggregate amount of temporary differences associated with investments in subsidiaries	\$ 904,620	509,183
Unrecognized deferred tax liabilities	\$ 180,924	101,837

(v) Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	<u>Carryforward of unused tax losses</u>	<u>Defined benefit plans</u>	<u>Provisions</u>	<u>Others</u>	
	<u>Total</u>				
Deferred tax assets:					
Balance at January 1, 2021	\$ -	211,580	81,771	134,298	427,649
Recognized in profit or loss	-	-	(3,126)	(24,957)	(28,083)
Recognized in other comprehensive income	-	20,859	-	-	20,859
Balance at December 31, 2021	\$ -	232,439	78,645	109,341	420,425
Balance at January 1, 2020	\$ 135,133	187,001	75,946	69,727	467,807
Recognized in profit or loss	(135,133)	-	5,825	64,571	(64,737)
Recognized in other comprehensive income	-	24,579	-	-	24,579
Balance at December 31, 2020	\$ -	211,580	81,771	134,298	427,649

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	Income from foreign investments	Land value increment tax	Total
Deferred tax liabilities:			
Balance at January 1, 2021	\$ 314,135	1,087,537	1,401,672
Recognized in profit or loss	-	-	-
Balance at December 31, 2021	\$ 314,135	1,087,537	1,401,672
Balance at January 1, 2020	\$ 380,018	1,120,634	1,500,652
Recognized in profit or loss	(65,883)	(33,097)	(98,980)
Balance at December 31, 2020	\$ 314,135	1,087,537	1,401,672

(vi) The Company's income tax returns for the years through 2019 were assessed by the tax authorities.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the number of authorized ordinary shares were 950,000 thousand shares, with par value of \$10 per share. The total value of the authorized ordinary shares was amounted to \$9,500,000 thousand. As of that date, 797,640 thousand shares and 803,078 thousand shares were issued, respectively. All issued shares were paid up upon issuance.

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

	(in thousands of shares)	
	Ordinary Shares	
	2021	2020
Balance on January 1	803,078	853,596
Retirement of treasury shares	(5,438)	(50,518)
Balance on December 31	797,640	803,078

(ii) Capital surplus

The balances of capital surplus of the Company were as follows:

	December 31, 2021	December 31, 2020
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	\$ 176,777	175,638
Gain on disposal of assets	1,370,744	1,370,744
Changes in equity of associates and joint ventures accounted for using the equity method	-	22,161
Stock option from convertible bonds	105,577	106,296
Others	55,334	55,334
	\$ 1,708,432	1,730,173

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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 the issuance of capital stock and the 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.

(iii) Retained earnings

The Company's article 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 calculated with the beginning balance of undistributed retained earnings as accumulated one. After the special reserve being set aside or reversed as required by the regulations, the remaining is the distributable earnings and should be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company is in the maturity phase of its enterprise life cycle, but ongoing changes of the industrial environment arise from various outside factors, and the Company is endeavoring to expand the domestic and foreign market, therefore, future finance demand, taxation planning, and shareholders' benefits shall be taken into consideration when the Company determines the surplus earning distribution. The dividend is determined to be distributed in cash or stock to maintain stable dividend distribution. The distribution ratio of stock dividend shall not be higher than 50% of the total divided amount, in accordance with the distribution plan proposed by the Board of Directors and shall be approved in accordance with the provisions of the Company Law.

The Company can distribute the surplus earning and offset losses at the end of every half fiscal year. The proposal of surplus earning distribution or loss off-setting for the first half of fiscal year should be forwarded with the business report and financial statements to supervisors for their auditing, and afterwards be submitted to the Board of Directors for approval.

The Company distributing surplus earning in accordance with the aforementioned provision shall estimate and reserve the taxes and dues to be paid, the deficit to be offset and the legal reserve to be set aside. And the special reserve should be set aside or reversed as required by the regulations; if there is remaining surplus earning, it should be calculated with the beginning balance of the accumulated undistributed surplus earning as distributable one. While legal reserve is equal to the total capital amount, it is allowed to not be set aside. The Company distributing surplus earning in the form of new shares to be issued by the Company in accordance with the aforementioned provision shall follow the provisions of the Company Act; if such surplus earning is distributed in the form of cash, it shall be approved by a meeting of the Board of Directors.

1) Legal reserve

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

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2) Special reserve

The Company applied for exemptions during its first-time adoption of IFRSs, resulting in its retained earnings to increase by \$1,583,058 thousand, incurred from unrealized revaluation increments, on the transition date. In accordance with the rules issued by the Financial Supervisory Commission, the special reserve in the amount of \$1,397,866 thousand is set aside based on the additional retained earnings' amount, due to the transition to IFRSs. The aforementioned special reserve may be reversed in proportion with the usage, disposal, or reclassification of the related assets, and then, be distributed afterwards. Due to the Company's disposal of properties, plants and equipment, special reserves were reversed by \$39,666 thousand in year 2020.

In accordance with the rules issued by the FSC, a portion of current period earnings and undistributed prior period earnings shall be reclassified to special earnings reserve during earnings distribution. The amount to be reclassified should be the difference between the current period total net reduction of other shareholders' equity and the special reserve appropriated due to application to first-time adoption of IFRS. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current period earnings and undistributed prior period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current period earnings plus other line items in the retained earnings movements and undistributed prior period earning. 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. The special reserves were set aside (reserved) by \$(113,623) thousand and \$231,436 thousand in July, 2021 and June, 2020, respectively.

The Company set aside special reserves, which could not be distributed, and were calculated by the differences of the Company's stock price below the carrying amount of the treasury stock held by the subsidiaries, in portion to the shareholding ratio. If there is rebounding in market price afterwards, those special reserves could be reversed. The Company reversed special reserves by \$16,455 thousand and 6,339 thousand in July 2021 and 2020, respectively.

3) Earnings distribution

Earnings distribution for 2020 and 2019 was decided by the resolution adopted, at the general meeting of shareholders held on July 7, 2021 and June 23, 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	\$ 1.30886290	1,044,001	1.01008869	811,180

The Board of Directors resolved not to distribute the earnings for the first half of year

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2021 and 2020 on November 11, 2021 and November 13, 2020, respectively.

(iv) Treasury shares (including shares held by the subsidiaries)

- 1) In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.
- 2) Prior to the R.O.C. Company Act amendments in 2001, subsidiaries of the Company, Ching Ta and Nanyang, acquired the Company's shares for investment purposes in the open market. The shares held by subsidiaries of the Company were deemed as treasury shares. As of December 31, 2021 and 2020, the market price per share of the Company was \$27.05 and \$35.70, respectively.

The details of the treasury shares held by subsidiaries were as follows:

Company	December 31, 2021		December 31, 2020	
	Shares held		Shares held	
	<u>(in thousand shares)</u>	<u>Acquired Costs</u>	<u>(in thousand shares)</u>	<u>Acquired Costs</u>
Ching Ta Investment Co., Ltd.	981	\$ 37,498	981	37,498
Nanyang Industries Co., Ltd.	4,351	95,318	4,351	95,318
	5,332	\$ 132,816	5,332	132,816

- 3) The Board of Directors of the Company in year 2017, resolved to repurchase 27,416 thousand shares for transferring to employees. The Board of Directors resolved to retire the treasury shares and the procedures of change of registration was completed in year 2020.
- 4) The Board of Directors of the Company in year 2020, resolved to repurchase 23,102 thousand shares for maintaining the Company's credit and shareholders' benefits. The Board of Directors resolved to retire the treasury shares and the procedure of change of registration was completed in year 2020.
- 5) The Board of Directors of the Company in year 2021, resolved to repurchase 5,438 thousand shares for maintaining the Company's credit and shareholders' benefits. The Board of Directors resolved to retire the treasury shares and the procedure of change of registration was completed in year 2021.

(v) Other equity, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2021	\$ (1,700,999)	259,847	(1,441,152)
Exchange differences on foreign operations	(24,876)	-	(24,876)
Exchange differences on associates accounted for using the equity method	(112)	-	(112)

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Disposal of foreign operation reclassified to profit or loss	(14,373)	-	(14,373)
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	233,960	233,960
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(75,878)	(75,878)
Balance on December 31, 2021	<u>\$ (1,740,360)</u>	<u>417,929</u>	<u>(1,322,431)</u>
Balance on January 1, 2020	\$ (1,549,637)	(44,804)	(1,594,441)
Exchange differences on foreign operations	(152,833)	-	(152,833)
Exchange differences on associates accounted for using the equity method	1,471	-	1,471
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	344,839	344,839
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(40,188)	(40,188)
Balance on December 31, 2020	<u>\$ (1,700,999)</u>	<u>259,847</u>	<u>(1,441,152)</u>

(q) Earnings per share

Basic earnings per share

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Net income attributable to common shareholders of the Company	<u>\$ 1,830,190</u>	<u>1,938,344</u>
Issued number of ordinary shares on January 1	803,078	853,596
Effects of treasury shares	(7,688)	(50,813)
Weighted average number of ordinary shares on December 31	<u>795,390</u>	<u>802,783</u>
	<u>\$ 2.30</u>	<u>2.41</u>

Diluted earnings per share

Net income attributable to common shareholders of the Company (after the adjustment of potential dilutive ordinary shares)	<u>\$ 1,830,190</u>	<u>1,938,344</u>
Weighted average number of ordinary shares	795,390	802,783
Effect of potential dilutive ordinary shares		
Employee share bonus	935	942
Weighted average number of ordinary shares (after the adjustment of potential dilutive ordinary shares)	<u>796,325</u>	<u>803,725</u>
	<u>\$ 2.30</u>	<u>2.41</u>

(r) Revenue from contracts with customers

(i) Details of revenue

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Primary geographical markets:		

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Taiwan	\$	24,204,018	25,826,844
China		468,401	625,625
Asia		1,216,564	1,271,276
Europe		3,429,397	2,640,975
America		517,355	374,767
Others		41,064	57,347
		<u>\$ 29,876,799</u>	<u>30,796,834</u>
Major products/services lines			
Merchandise sales	\$	29,813,809	30,731,384
Technical services		50,514	46,659
Others		12,476	18,791
		<u>\$ 29,876,799</u>	<u>30,796,834</u>

(ii) Contract balances

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>January 1,</u> <u>2020</u>
Notes receivable	\$ 249,023	223,808	193,826
Accounts receivable	1,173,427	897,630	981,891
Less: Loss allowance	<u>(79,539)</u>	<u>(88,456)</u>	<u>(91,865)</u>
Total	<u>\$ 1,342,911</u>	<u>1,032,982</u>	<u>1,083,852</u>
Contract liabilities	<u>\$ 42,712</u>	<u>32,604</u>	<u>25,720</u>

Please refer to Note 6(d) for the details of accounts receivable and allowance for impairment.

The major change in the balance of contract liabilities is arising from the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2021 and 2020.

(s) Employee remuneration and directors' and supervisors' remuneration

In accordance with the articles of incorporation, the Company should contribute no less than 1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Independent directors are not entitled to receive the aforementioned remuneration.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$20,584 thousand and \$22,979 thousand, and directors' and supervisors' remuneration amounting to \$20,584 thousand and \$11,490 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. The remunerations were expensed under operating expenses during 2021 and 2020. The difference between the estimated and actual amount of remuneration distributed in the next year was deemed as a change in accounting estimates. If the Board of Directors resolved to carry out a share-based

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compensation to employees, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the Parent Company only financial statements, were identical to those of the actual distributions for 2021 and 2020.

(t) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	For the years ended December 31	
	2021	2020
Interest revenue	\$ 2,602	6,200
Rental revenue	53,928	48,454
Dividend revenue	17,284	11,565
Total other income	\$ 73,814	66,219

(ii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2021	2020
Foreign exchange gains (losses)	\$ (28,258)	1,732
Gains on disposals of property, plant and equipment	(38,998)	7,533
Revenues from indemnities	12,990	29,537
Others	12,742	20,493
	\$ (41,524)	59,295

(iii) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2021	2020
Interest expense	\$ 115,570	138,874

(iv) Gain on disposal of non-current assets held for sale

On October 15, 2019, the Board of Directors resolved to dispose of the land numbered 828 located at the third Subsection, Tanmei Section, Neihu District, Taipei City, and the buildings on it and in October, 2019, the Company signed a sales contract. The ownership was transferred in March 2020, and gain on disposal of non current assets held for sale in the amount of \$364,705 thousand.

(u) Financial instruments

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(i) Credit risk

1) Maximum amount exposed to credit risk

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

2) Credit risk of receivables

For credit risk exposure of notes and accounts receivable, please refer to note 6(d).

Other financial assets at amortized cost includes other receivables and other current and non-current financial assets, etc., which are considered to be of low risk, and thus the impairment provision recognized during the period was limited to 12 months expected credit losses.

None of these financial assets were considered to be impaired after the assessment.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments but the impact of netting agreements, and financial liabilities whose carrying amount approximates the amount of future contractual cash flows are not disclosed as follows.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 months</u>	<u>2-5 years</u>	<u>Over years</u>
December 31, 2021	5 years						
Non-derivative financial liabilities:							
Bank loans and short-term notes and bills payable	\$ 11,820,442	12,166,338	3,769,697	124,702	999,820	5,732,237	1,539,882
Lease liabilities	110,077	113,920	15,098	11,961	27,058	59,803	-
	<u>11,930,519</u>	<u>12,280,258</u>	<u>3,784,795</u>	<u>136,663</u>	<u>1,026,878</u>	<u>5,792,040</u>	<u>1,539,882</u>
Derivative financial liabilities:							
Forward exchange contracts outflows	2,299	542,807	542,807	-	-	-	-
	\$ 11,932,818	12,823,065	4,327,602	136,663	1,026,878	5,792,040	1,539,882
December 31, 2020							
Non-derivative financial liabilities							
Bank loans and short-term notes and bills payable	10,866,753	11,116,793	5,704,720	29,891	1,333,195	4,048,987	-
Lease liabilities	135,167	140,979	15,098	11,961	27,058	74,901	11,961
	\$ 11,001,920	11,257,772	5,719,818	41,852	1,360,253	4,123,888	11,961

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

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(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposures to foreign currency risk were as follows:

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 26,135	27.6850	723,556	24,871	28.1100	699,117
EUR	10,926	31.3200	342,205	6,656	34.5500	229,978
JPY	536	0.2403	129	334	0.2726	91
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	41,080	27.6850	1,137,297	14,018	28.1100	394,038
EUR	11	31.3200	341	6	34.5500	206

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 receivable, other receivables and accounts payable that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against USD, EUR and JPY as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax for the years ended December 31, 2021 and 2020 by \$574 thousand and \$4,280 thousand, respectively. The analysis assumes that all other variable factors remain constant. The analysis is performed on the same basis for both periods.

3) Foreign exchange gains (losses) on monetary items

For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including the realized and the unrealized portions) is amounted to \$(28,258) thousand and \$1,732 thousand, respectively.

(iv) Interest rate analysis

The financial assets and liabilities' exposure to interest risk has been disclosed in the note of liquidity risk management.

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

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If the interest rate increased/decreased by 1%, the Company's net income would have increase /decrease by \$52,669 thousand and \$35,695 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remaining constant. This is mainly due to the Company's variable-rate borrowings.

(v) Other market price risk

If the price of the securities which the Company hold as equity instruments changes, the impact of the price change on other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remains constant:

Prices of securities at the reporting date	For the years ended December 31			
	2021		2020	
	Other comprehensive income (loss), net of tax	Net income (loss)	Other comprehensive income (loss), net of tax	Net income (loss)
Increase 5%	\$ 5,659	-	5,326	-
Decrease 5%	\$ (5,659)	-	(5,326)	-

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

For financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, e.g., cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, other financial assets, short-term borrowings, short-term notes and bills payable, notes and accounts payable (including related parties), other payables (including related parties), long-term borrowings (including the current portion) and guarantee deposits received, disclosure of fair value information is not required.

The Company measures its financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income 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:

Financial assets at fair value through other comprehensive income	December 31, 2021			
	Book Value	Fair Value		
		Level 1	Level 2	Level 3
	Total			
Common shares of domestic unlisted companies	\$ 141,484	-	-	141,484
Forward exchange contracts	\$ 2,299	-	2,299	-

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Financial assets at fair value through other comprehensive income	December 31, 2020				
	Book Value	Fair Value			
		Level 1	Level 2	Level 3	
Total	Total				
Common shares of domestic unlisted companies	\$ 133,151	-	-	133,151	133,151

2) Valuation techniques for financial instruments not measured at fair value

The assumptions and methods used in evaluating financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost

Fair value measurement for financial assets and liabilities is based on the latest quoted price and agreed-upon price if these prices are available in active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flows of the financial assets and liabilities.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial unions, pricing institute, or authorities and such price can reflect those actual trading frequently happened in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is the indication of a non-active market.

Evaluation of fair value of financial instruments without an active market is based on valuation technique or quoted price from competitors. 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 on the reporting date.

If the financial instruments held by the Company have no active market, the measurements of fair value are categorized as follows:

Equity instruments without quoted price: The fair value was calculated via the ratio, which is counted in the mix of the investee's estimated EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) and the quoted market price of the comparative listing company. Also, the fair value was discounted for its lack of liquidity in the market.

Equity instruments without quoted price: The fair value is measured at net asset value method. By looking through the nature and the included items of each asset and liability item and collecting the market value information of each

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asset and liability for items whose book value may be different from the fair value, the Company needs to obtain the fair value of the company's net assets, and calculate the company's equity value. The discount effect is adjusted due to lack of market liquidity in equity securities.

b) Derivative financial instruments

Measurement on fair value of derivative instruments is based on the valuation techniques models generally accepted by market participants.

c) Fair value hierarchy

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

4) Transfers between levels

The Company's valuation techniques of fair values remained the same and there were no transfers between each level for the years ended December 31, 2021 and 2020.

5) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income	
	Unquoted equity instruments	
	2021	2020
Opening balance, January 1	\$ 133,151	93,976
Total gains and losses recognized in other comprehensive income	8,333	39,175
Ending Balance, December 31	\$ 141,484	133,151

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include fair value through other comprehensive income — equity investments.

The Company's financial instrument investments without an active market are classified to Level 3 and have more than one significant unobservable inputs. The significant

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unobservable inputs of financial instrument investments without an active market are individually independent, and there is no correlation between them.

Quantified information on significant unobservable inputs was as follow:

<u>Item</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Interrelationship between Significant Unobservable Inputs and Fair Value Measurement</u>
Financial assets at fair value through profit or loss-equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> Net Asset Value Market illiquidity discount rate (10% as of December 31, 2021 and 2020) 	<ul style="list-style-type: none"> Not applicable The estimated fair value would increase (decrease) if the market illiquidity discount rate was lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net Asset Value Method	<ul style="list-style-type: none"> Net Asset Value Market illiquidity discount rate (10% as of December 31, 2021 and 2020) 	<ul style="list-style-type: none"> Not applicable The estimated fair value would increase (decrease) if the market illiquidity discount rate was lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Listed Company Comparison Method	<ul style="list-style-type: none"> The multiplier of price-to-book ratio (2.17 and 1.12 as of December 31, 2021 and 2020, respectively) Market illiquidity discount rate (40% as of December 31, 2021 and 2020) 	The estimated fair value would increase (decrease) if the market illiquidity discount rate was lower (higher).

7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing the inputs would have the following effects on profit or loss and other comprehensive income:

			<u>Profit or loss</u>		<u>Other comprehensive income</u>	
			<u>Inputs</u>	<u>Fluctuation</u>	<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	Net asset value	5%	-	-	-	-
Equity investments without an active market	Market illiquidity discount rate	5%	-	-	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	The multiplier of price-to-book ratio	5%	-	-	5,853	(5,853)
Equity investments without an active market	Market illiquidity discount rate	5%	-	-	15,344	(15,344)

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December 31, 2020

Financial assets at fair value through profit or loss							
Equity investments without an active market	Net asset value	5%	-	-	-	-	-
Equity investments without an active market	Market illiquidity discount rate	5%	-	-	-	-	-
Financial assets at fair value through other comprehensive income							
Equity investments without an active market	The multiplier of price-to-book ratio	5%	-	-	4,790	(4,790)	
Equity investments without an active market	Market illiquidity discount rate	5%	-	-	16,489	(16,489)	

The favorable and unfavorable effects represent the changes in fair value, and the fair value is evaluated based on a variety of unobservable inputs using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(v) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following 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 Parent Company only 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 their 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 Company's Audit Committee 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 Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures and exception management, the results of which are reported to the Audit Committee.

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(iii) Credit risk

Credit risk means the potential loss for the Company if the counterparty involved in any transaction defaults. The primary potential credit risk derives from financial instruments, e.g., bank deposits and accounts receivable.

1) Accounts receivable and other receivables

The payment term of the scooter department is mainly by letter of credit or receiving deposits, while the main sales customer of the automobile department is subsidiaries; hence, there is of low credit risk.

The management designates a professional department to stipulate the policy of credit management in order to reduce the credit risk of accounts receivable. The department is responsible for the determination and approval of credit lines, and other procedures of follow-up monitoring. Also, the Company continues to evaluate the financial position of its customers. If necessary, to lower the risk of financial loss due to delay, the customers have to provide collaterals under request.

2) Investments

The Company deposits cash in different financial institutions and only deals with financial institutions with good credit rating. The Company does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties. The Company manages the exposure to credit risk related to each financial institution and believes that cash do not have a significant credit risk concentration.

3) Guarantees

The Company's policy is to provide financial guarantees only to subsidiaries. As of December 31, 2021 and 2020, there were no guarantees provided.

(iv) Liquidity risk

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

The Company's financial department continues to monitor cash flow requirements and use various information to forecast and monitor the cash flow component in the long and short term to ensure its liquidity is sufficient for the settlement of expiring liabilities. Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2021 and 2020, the Company's short-term and long-term unused credit lines are amounted to \$8,683,278 thousand and \$7,913,153 thousand respectively, which was enough for the fulfillment of all contractual obligations.

(v) Market risk

Market risk is a risk that arises from changes in market prices, such as foreign exchange rates, interest rates and equity prices that affect the Company's income or the value of its financial

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instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimize the return.

(w) Capital management

The Company'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 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 and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2021, the Company's capital management strategy is consistent with the prior year as of December 31, 2020, and the gearing ratio is maintained at 50% and ensure financing at reasonable cost. The Company's debt-to-equity ratio on reporting date is as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 19,664,394	19,114,440
Less: cash and cash equivalents	<u>(1,469,419)</u>	<u>(1,375,884)</u>
Net debt	18,194,975	17,738,556
Total equity	<u>15,412,103</u>	<u>14,770,919</u>
Adjusted capital	<u>\$ 33,607,078</u>	<u>32,509,475</u>
Debt-to-equity ratio	<u>54%</u>	<u>55%</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related parties and the Company during the periods covered in the Parent Company only financial statements.

Name of related party	Relationship with the Company
Shan Young Assets Management Co., Ltd. (Shan Young)	A subsidiary of the Company
Youth Taisun Co., Ltd. (Youth Taisun)	"
Chu-Yang Motor Co., Ltd. (Chu-Yang)	"
NOVA Design Co., Ltd. (NOVA Design)	"
Nanyang Industries Co., Ltd. (Nanyang)	"
Shian Yang Industries Co., Ltd. (Shian Yang)	"
Nanyang Insurance Agent Co., Ltd. (Nanyang Insurance)	"

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Name of related party	Relationship with the Company
Agent)	
Nanchen Industries Co., Ltd. (Nanchen) (Note 1)	A subsidiary of the Company
SUNSHINE AUTO-LEASE Co., Ltd.(SUNSHINE AUTO-LEASE)	//
Ching Ta Investment Co., Ltd. (Ching Ta)	//
Profit Source Investment Ltd. (Profit Source)	//
Sanyang Deutschland GmbH (SYDE)	//
SY International Ltd. (SYI)	//
Sanyang Italia S.R.L. (SYIT)	//
Sanyang Motor Colombia S.A.S (SCB)	//
NOVA Design Ltd. (NOVA Samoa)	//
Li Yang Industry Co., Ltd. (Li Yang)	//
Jau Ryh Business Co., Ltd.(Jau Ryh)	//
NANYANG HOLDING CO., LTD (NY Samoa)	//
Three Brothers Machinery Industrial Co., Ltd. (TBM)	//
Fact Co., Ltd.	//
Chong Hing International Limited (Chong Hing)	//
Cosmos System Inc. (Cosmos)	//
New Path Trading Limited (New Path)	//
Plassen International Limited (PIL)	//
Vietnam Manufacturing and Export Processing (Holdings) Ltd. (VMEPH)	//
Sun Goal Limited (Sun Goal)	//
NOVA Design (Shanghai) Ltd. (Nova Shanghai)	//
Su Zhou Hui Ying Motor Sales and Service Co., Ltd. (Su Zhou Hui Ying) (Note 2)	//
Chang Zhou Nan Yang Motor Sales and Service Co., Ltd. (Chang Zhou Nan Yang)	//
Vietnam Three Brothers Machinery Industrial Co., Ltd. (VTBM)	//
Three Brothers Machinery Industrial (BVI) Co., Ltd. (TBM BVI)	//
Fu Ta Co., Ltd. (Fu Ta) (Note 3)	//
Zhangjiagang Qingzhou Engineering Industry Co., Ltd. (SCK)	//

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Name of related party	Relationship with the Company
Sanyang Global (Xiamen) Co., Ltd. (Sanyang Global)	A subsidiary of the Company
Chin Zong Trading Co., Ltd. (Chin Zong)	"
Vietnam Manufacturing and Export Processing Co., Ltd. (VMEP)	"
Xiamen Xia Shing Motor Co., Ltd. (Xia Shing Motor)	"
Xiamen Three Brothers Machinery Industrial Co., Ltd. (XTBM)	"
Vietnam Casting Forge Precision Co., Ltd. (VCFP)	"
Dinh Duong Joint Stock Company (Dinh Duong)	"
Zoeng Chang Industry Co., Ltd. (Zoeng Chang)	Associate of the Company
King Zone Corporation (King Zone)	A subsidiary of the Company is the juristic director of the entity
Hitachi Astemo Taichung Co., Ltd. (Astemo) (Note4)	The Company is the juristic director of the entity
Taiwan Tea Corporation (Taiwan Tea)	Same chairman with the Company
Sanyang Educational Foundation	Same chairman with the Company
APh ePower Co., Ltd. (APh ePower)	Associate of the Company

Note 1: Nanchen had been liquidated in the second quarter of 2021, so the related party transactions were only disclosed till April 2021.

Note 2: Su Zhou Hui Ying had been liquidated in the second quarter of 2021.

Note 3: Fu Ta had been liquidated in the first quarter of 2021.

Note 4: Keihin had decided to rename as Hitachi Astemo Taichung Co., Ltd. on February 9, 2021, in accordance with the resolutions of shareholders' meeting.

(b) Significant transactions with related parties

(i) Merchandise sold, technical and consulting services provided to related parties

Significant sales to related parties were as follows:

	Sales	
	For the years ended December 31	
	2021	2020
Subsidiaries		
Nanyang	\$ 7,419,720	6,141,783
Other subsidiaries	2,327,962	2,965,381
	<u>9,747,682</u>	<u>9,107,164</u>
Associates	646	965
Other related parties	1,038	971

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The Company sells automobiles to Nanyang and Nanchen and the selling price is in accordance with the Company's pricing standards. The Company sells scooters and their spare parts to other subsidiaries, and the selling prices are based on a cost-plus basis. The selling prices of scooters and their spare parts to other related parties are of no significant difference with those for the ordinary courses. Nanyang and Nanchen may choose to pay immediately right after shipment of automobiles, or the Company grant them specific credit lines, but the interest shall be paid during the period. As of December 31, 2021 and 2020, the quota for Nanyang is \$800,000 thousand. As for the transaction terms for other subsidiaries and other related parties, the credit terms ordinarily ranged from 30 to 120 days. Besides, if interests for delayed payments are specified in the transaction terms, the Company calculates the interests using its average borrowing rate plus 0.25%.

Nanyang provided guaranteed bills in the amount of \$800,000 thousand as of December 31, 2021 and 2020.

Significant technical and consulting services to related parties were as follow:

	Technical and consulting services provided	
	For the years ended December 31	
	2021	2020
Subsidiaries	\$ 44,826	40,292
Associates	4,206	3,806
Other related parties	1,203	977
	\$ 50,235	45,075

Except for the pricing of personnel costs for the expatriates to related parties are of no significant difference between those for the ordinary courses, the pricing standards of other technical and consulting services provided for related parties are not comparable, since there are no similar transactions with non-related parties. The credit terms depend on the sales and collection situations of the subsidiaries, and there are no interests for any delayed payments.

(ii) Goods purchased from related parties:

Purchases from related parties were as follow:

	Purchases	
	For the years ended December 31	
	2021	2020
Subsidiaries:		
Xia Shing Motor	\$ 2,707,924	1,836,641
Other Subsidiaries	858,616	911,679
	3,566,540	2,748,320
Associates	290,668	336,316
Other related parties	772,703	789,491
	\$ 4,629,911	3,874,127

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The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment for goods before the 15th of the previous month is paid in the first 10 days of the month, and the payment after the 16th of the previous month is paid in the last 10 days of the month terms or be paid 45 days after acceptance, which were not different from the payment terms given by other vendors.

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	Subsidiaries-SYIT	\$ 114,132	105,811
	Other subsidiaries	201,593	81,356
	Associates	429	203
	Other related parties	186	118
		<u>\$ 316,340</u>	<u>187,488</u>
Other receivables (Recognized as“Other current assets”)	Subsidiaries—VMEP	\$ 6,583	43,751
	Subsidiaries—Xia Shing Motor	-	8,062
	Other subsidiaries	2,708	2,711
	Associates	598	465
	Other related parties	217	179
		<u>\$ 10,106</u>	<u>55,168</u>

(iv) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Categories</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable	Subsidiaries	\$ 407,085	360,308
	Associates	50,364	62,700
	Other related parties	128,730	164,309
		<u>\$ 586,179</u>	<u>587,317</u>
Other payables	Subsidiaries	\$ 16,030	31,188
	Sanyang Educational Foundation (Note)	138,683	250,000
	Associates	-	2,686
	Other related parties	8	45
		<u>\$ 154,721</u>	<u>283,919</u>

Note: In accordance with the Board resolution, the Company had decided to donate \$250,000 thousand to the Sanyang Educational Foundation for the purpose of education promotion and social welfare contribution, and the donation was recognized for the year 2020 as

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“Administrative Expenses”.

(v) Services acquired from related parties:

Item	Categories	For the years ended December 31	
		2021	2020
Product design services	Subsidiaries – NOVA Design	\$ 106,268	146,113
Warranty services	Subsidiaries	34,391	38,320
Repair services	Subsidiaries	3,592	4,107
"	Other related parties	-	160
Consigned processing services	Subsidiaries	4,886	6,300
"	Associates	481	5,193
"	Other related parties	888	612
		\$ 150,506	200,805

(vi) Leases

- 1) The Company leases land and buildings to Nanyang as the automobile service factories, and a monthly rental payment is stated in the lease agreement. The related rental income was \$21,945 thousand and \$11,150 thousand for the years ended December 31, 2021 and 2020, respectively.
- 2) The Company leases land and buildings to NOVA Design as the headquarter, and a monthly rental payment is stated in the lease agreement. The related rental income was \$14,304 thousand and \$13,111 thousand for the years ended December 31, 2021 and 2020, respectively.
- 3) The Company rented a warehouse from its subsidiary, Nanyang on May 14, 2020. Considering the market conditions of neighboring districts, the lease term was 6 years, and a right-of-use asset of \$136,842 thousand was recognized accordingly. Related interest expenses for the lease liability were in the amount of \$1,853 thousand and \$1,060 thousand for year 2021 and 2020, respectively, and the lease liability was in the amount of \$103,873 thousand and \$125,941 thousand as of December 31, 2021 and 2020, respectively.

(vii) Property transactions

- 1) Machinery equipment acquired from related parties were as follows:

	Objects	For the years ended December 31	
		2021	2020
Subsidiaries	Machinery and molds	\$ 12,464	15,949
Associates	"	1,199	3,819
Other related parties	"	504	865
		\$ 14,167	20,633

- 2) Machinery equipment and molds sold to related parties:

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	For the years ended December 31			
	2021		2020	
	Disposal price	Gains on disposal	Disposal price	Gains on disposal
Associates	\$ -	-	300	101

- 3) Acquisition of Financial instruments from related parties:
- a. The Company participated in the capital increased by cash of Shan Young on August 13, 2020, in accordance with the Board resolution, acquiring 100,000 thousand shares at subscription price of \$10 per share with \$1,000,000 thousand. The capital increase date was on August 13, 2020.
 - b. The Company participated in the capital increased by cash of APh ePower in the third quarter of 2021, acquiring 10,000 thousand shares at subscription price of \$15 per share with \$150,000 thousand. The capital increase date was on July 1, 2021.

- 4) Financial instruments sold to related parties:

Summary of sales of financial instruments to related parties was as follows:

For the years ended December 31, 2020					
Related parties	Account	Shares	Objects	Selling price	Gains on disposal
Subsidiaries- Nanyang	Investment accounted for using the equity method	1,986 thousand shares	Nanchen	\$ 15,190	1,843

Note : The transaction was deemed as organization restructuring of the Group, so the gains or losses on disposal should be adjusted into capital surplus.

(viii) Other

- 1) Interest income from delayed receipts of payments

	For the years ended December 31	
	2021	2020
Subsidiaries	\$ 143	379

- 2) Advertising

	For the years ended December 31	
	2021	2020
Subsidiaries	\$ 1,303	3,247

- 3) Shan Young provided its real estate for the Company as collateral for bank loans. As of December 31, 2021 and 2020, the book value of the aforementioned real estate was \$4,900,000 thousand.

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- 4) Chong Hing provided time deposits amounted CNY265,000 thousand for the Company as collateral for bank loans in NTD1,000,000 thousand as of December 31, 2021.

- (c) Key management personnel compensation

For the years ended December 31

	2021	2020
Short-term employee benefits	\$ 50,716	55,907

(8) Pledged assets

The book values of pledged assets provided by the Company were as follows:

Asset	Items being guaranteed	December 31, 2021	December 31, 2020
Other current financial assets	The deposits for armament purchases of the Ministry of National Defense, and the deposits for the sale and purchase contract of automobiles' parts and components etc.	\$ 142,659	168,300
Other non-current financial assets	The deposits for armament purchases and warranties of the Ministry of National Defense, and deposits of work-study programs, etc.	151,479	156,476
Property, plant and equipment	Long-term and short-term borrowings, and financing guarantee credit, etc.	3,463,232	3,486,107
Investment property	Long-term and short-term borrowings, and financing guarantee credit, etc.	2,241,957	1,886,138
Total		\$ 5,999,327	5,697,021

(9) Commitments and contingencies

Significant unrecognized contractual commitments

- (i) The balance of issued but unused letters of credit:

	December 31, 2021	December 31, 2020
USD	USD 67,651	42,732

- (ii) The unpaid balance of signed contracts of construction in progress and computer software, etc.:

	December 31, 2021	December 31, 2020
Unpaid balance	\$ 154,106	143,991

- (iii) The performance guaranteed bills received by the Company :

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	December 31, 2021	December 31, 2020
Performance guaranteed bills received	\$ 77,596	44,046

- (iv) The Company signed a contract of joint construction with allocation of buildings with Yao Da Construction Co., Ltd. on June, 19, 2018. The joint construction will take place at the land owned by the Company, numbered 711, located at the third Subsection, Tanmei Section, Neihu District, Taipei City. The ratio of joint construction is 58% for landowner (the Company) and 42% for constructor (Yao Da Construction Co., Ltd.). The construction is in progress. The Company has completed the pre-sale of real estate development trust in April 2021.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

- a. The subsidiary of the Company, Shan Young, acquired equity interest of Taiwan Tea Corporation from the active market successively since the beginning of 2022, and its shareholding percentage exceeded 20% in January 2022. As a result, the equity interest in Taiwan Tea Corporation, previously recorded as financial assets at fair value through other comprehensive income, was reclassified as investments accounted for using the equity method starting from January 2022. In addition, up to the date of the audit report, Shan Young is still assessing the difference between the investment cost and the net fair value of Taiwan Tea Corporation's identifiable assets and liabilities, as well as its impact on the financial statements on an ongoing basis.
- b. Pursuant to a resolution of the Board of Directors on March 30, 2022, in order to develop the group's diversified operation strategy, the Company proposed to subscribe for 100,000,000 ordinary shares issued by Shan Young, a 100% owned subsidiary of the Company, at a price of \$10 per share for a total issue amount of \$1,000,000 thousand.

(12) Other:

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

By item	By function	For the year ended December 31					
		2021			2020		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		1,110,923	1,001,851	2,112,774	1,160,237	1,007,079	2,167,316
Labor and health insurance		92,252	78,867	171,119	83,824	70,974	154,798
Pension (Note)		27,524	55,589	83,113	29,428	35,967	65,395
Remuneration of directors		-	40,648	40,648	-	31,858	31,858
Others		72,537	59,942	132,479	74,671	65,345	140,016
Depreciation		437,986	138,835	576,821	438,612	120,150	558,762
Amortization		14,988	8,190	23,178	17,691	8,374	26,065

Note : The pension fund of \$20,969 thousand was settled in the current period, which was not paid by the labor pension reserve account of the Bank of Taiwan and was recorded as operating expense.

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For the years ended December 31, 2021 and 2020, the information on the number of employees and employee benefit expense of the Company is as follows :

	<u>2021</u>	<u>2020</u>
Number of employees	<u>2,298</u>	<u>2,328</u>
Number of directors (non-employee)	<u>6</u>	<u>6</u>
Average employee benefit expense	<u>\$ 1,091</u>	<u>1,089</u>
Average employee salary expense	<u>\$ 922</u>	<u>933</u>
Percentage of adjustment for average employee salary expense	<u>(1.2)%</u>	<u>25 %</u>
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

Compensation policies are as follows:

(a) Directors (including independent directors)

- (i) According to Article 24 of Incorporation, the remunerations to the president, the directors and the supervisors are determined based on their contribution and participation in the Company's operation, considering the domestic and foreign industrial standards, and approved by the Board of Directors. In accordance with Article 31-1 of Incorporation, the Company should contribute no less than 1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Independent directors are not entitled to receive the aforementioned remuneration.
- (ii) In addition, transportation allowances are reimbursed to the president, the directors and the supervisors when they attend the meeting of Board of Directors.

(b) Management

The compensation to the management of the Company is determined mainly based on their personal performances, considering the industrial standards to make its compensation level competitive. The Compensation Committee of the Company will review the aforementioned compensation plan, and then submit it to the Board of Directors for approval.

(c) Employees

The salaries to the employees are adjusted on an annual basis, considering their positions, personal performances, and market earnings surveys.

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(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 Company:

(i) Loans to other parties:

(In thousands of NTD/ foreign currency)

No. (Note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum outstanding balance during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of loan	Amount of transaction with the borrower	Reason for short-term financing	Loss Allowance	Collateral		Limit on total loans granted to a single party	Ceiling on total loans granted
													Item	Value		
1	SCK	Yangzhou Tairun Hotel Co., Ltd.	Other receivables	Y	86,920 (CNY20,000)	43,460 (CNY10,000)	43,460 (CNY10,000)	4.00%	Short-term financing	-	Business operation	-	Real estate	65,190 (CNY15,000)	236,322 (CNY54,377)	236,322 (CNY54,377)
2	Sanyang Global	XTBM	Other receivables	Y	13,038 (CNY3,000)	13,038 (CNY3,000)	13,038 (CNY3,000)	3.91%	Short-term financing	-	Business operation	-	None	-	139,181 (CNY32,025)	139,181 (CNY32,025)
3	SYIT	MBMC	Other receivables	N	38,210 (EUR1,220)			3%	Short-term financing	-	Business operation	-	None	-	70,063 (EUR2,237)	70,063 (EUR2,237)
4	VMEPH	VMEP	Other receivables	Y	193,795 (USD7,000)			Note 2	Short-term financing	-	Business operation	-	None	-	582,354 (USD21,035)	582,354 (USD21,035)
5	Chin Zong	VMEP	Other receivables	Y	55,370 (USD2,000)	55,370 (USD2,000)	55,370 (USD2,000)	Note 2	Short-term financing	-	Business operation	-	None	-	59,483	59,483
6	Chong Hing	Yangzhou Tairun Hotel Co., Ltd.	Other receivables	Y	108,650 (CNT25,000)	108,650 (CNY25,000)	108,650 (CNY25,000)	4.00%	Short-term financing	-	Business operation	-	Real estate	162,975 (CNY37,500)	1,440,064 (CNY331,354)	1,440,064 (CNY331,354)
7	Nova Shanghai	Yangzhou Tairun Hotel Co., Ltd.	Other receivables	Y	108,650 (CNT25,000)	108,650 (CNY25,000)	108,650 (CNY25,000)	4.00%	Short-term financing	-	Business operation	-	Real estate	162,975 (CNY37,500)	121,184 (CNY27,884)	121,184 (CNY27,884)

Note 1: The numbering method is as follows:

- (1) “0” represents the parent company.
- (2) Investees are sequentially numbered from 1 by company.

Note 2: There is no additional interest according to the agreement between both parties.

Note 3: The limit on total loans granted to a single party and ceiling on total loans granted for short-term financing shall not exceed 40% of the equity of SCK, Sun Goal and SYIT.

Note 4: The ceiling on total loans granted and limit on total loans granted to a single party for short-term financing shall not exceed 40% of the equity of VMEPH, Chin Zong, Chong Hing and Nova Shanghai. When the reason for financing is business related, the ceiling on total loans granted shall not exceed 60% of the equity and the ceiling on total loans granted to a single party shall not exceed one and a half times the total amount of purchases and sales transactions with the lender for the last year.

Note 5: Pursuant to the approval by the Board of Directors of Chong Hing, NOVA Shanghai and SCK, a line of credit amounting to CNY\$60,000 thousand was granted to Yangzhou Tairun Hotel Co., Ltd. and the pledge of real estate worth CNY\$90,000 thousand provided by Yangzhou Tairun Hotel, Ltd. as collateral to NOVA Shanghai was obtained.

Note 6: Inter-company transactions have been eliminated in the consolidated financial statements.

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(ii) Guarantees and endorsements for other parties:

(In thousands of NTD/ foreign currency)

No. (Note 1)	Name of endorser/guarantor	endorsee/guarantee		Limit on total endorsements/guarantees provided to a single party	Maximum outstanding endorsements/guarantees amount during the period	Ending balance of guarantees and endorsements	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amount of endorsements/guarantees to net asset of the latest financial statements of the endorser/guarantor	Ceiling on total endorsements/guarantees provided	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in Mainland China
		Name	Relationship (Note 8)										
1	Shan Young	The Company	3	13,836,989	4,900,000	4,900,000	3,315,822	5,300,000	65.81%	13,836,989	N	Y	N
2	SYI	Ching Ta	4	886,391	510,000	510,000			8.63%	886,391	N	N	N
3	Chong Hing	Shan Young	4	3,600,161	1,300,000	1,300,000	1,248,000	1,477,646 (CNY340,000)	36.11%	3,600,161	N	N	N
4	Chong Hing	The Company	3	3,600,161	1,000,000	1,000,000	1,000,000	1,151,696 (CNY265,000)	27.78%	3,600,161	N	Y	N
5	TBM BVI	TBM	3	49,933	30,000	30,000	25,000	28,792 (USD1,040)	39.05%	49,933	N	Y	N

Note 1: The numbering method is as follows:

- (1) "0" represents the parent company.
- (2) Investees are sequentially numbered from 1 by company.

Note 2: According to policy for endorsements/ guarantees of Shang Young, limit on total endorsements/guarantees provided to a single party and ceiling on total endorsements/guarantees provided shall not exceed the total appraisal of owned land and buildings of Shang Young. The aforementioned appraisal value is in accordance with the latest appraisal report prepared and issued by real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or other fixed assets. When the reason for endorsements/ guarantees is business related, the amount of endorsements/ guarantees provided shall not exceed the total amount of purchases and sales transactions with the endorser/ guarantor for the recent year.

Note 3: According to policy for endorsements/ guarantees of SYI, limit on total endorsements/guarantees provided to a single party and ceiling on total endorsements/guarantees provided shall not exceed 15% of the equity of SYI. When the reason for endorsements/ guarantees is business related, the amount of endorsements/ guarantees provided shall not exceed the total amount of purchases and sales transactions with the endorser/ guarantor for the recent year.

Note 4: According to policy for endorsements/ guarantees of SYI, for the company in which our parent company that directly or indirectly holds 100% of our voting right holds directly or indirectly 90% or more of the voting right, the total endorsement s/ guarantees provided shall not exceed 10% of the Company's equity.

Note 5: According to policy for endorsements/ guarantees of Chong Hing, the limit on total endorsements/guarantees provided to a single party and ceiling on total endorsements/guarantees provided shall not exceed 100% of its equity When the reason for endorsements/ guarantees is business related, the amount of endorsements/ guarantees provided shall not exceed the total amount of purchases and sales transactions with the endorser/ guarantor for the recent year and ceiling on total endorsements/guarantees provided should not exceed 10% of its equity.

Note 6: According to policy for endorsements/ guarantees of Chong Hing, for the company in which our parent company that directly or indirectly holds 100% of our voting right holds directly or indirectly 90% or more of the voting right, the total endorsements/ guarantees provided shall not exceed 10% of the Company's equity, provided that this restriction shall not apply to endorsements/ guarantees provided for the company in which our parent company that directly or indirectly holds 100% of our voting right holds directly or indirectly 100% of the voting right.

Note 7: According to policy for endorsements/ guarantees of TBM BVI, limit on total endorsements/guarantees provided to a single party and ceiling on total endorsements/guarantees provided of TBM BVI shall not exceed 50% of the Company's equity. When the reason for endorsements/ guarantees is business related, the amount of endorsements/ guarantees provided shall not exceed the total amount of purchases and sales transactions with the endorser/ guarantor for the recent year and ceiling on total endorsements/guarantees provided should not exceed 10% of its net worth.

Note 8: The relationship is classified into the following seven types:

- (1) Transactions between the companies.
- (2) The Company directly or indirectly holds more than 50% voting right.
- (3) When other companies directly or indirectly hold more than 50% voting rights of the Company.
- (4) The Company directly or indirectly holds more than 90% voting right.
- (5) A company that is mutually protected under contractual requirements based on the needs of the contractor.
- (6) A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- (7) Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

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(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of NTD/In thousands of shares)

Name of holder	Category and name of security	Relationship with the Company	Account name	Ending balance				Note
				Shares (in thousands)	Carrying value	Percentage of ownership	Fair value	
The Company	Equity-Hitachi Astemo Taichung Co., Ltd.	The Company is the juristic director of the entity	Note 1	5,339	117,049	19.94%	117,049	
The Company	Equity-Lico Technology Corporation	-	Note 2	8,861	-	7.13%	-	
The Company	Equity-Sheng Mao Investment Co., Ltd.	The Company is the juristic director of the entity	Note 1	1,500	24,435	25.00%	24,435	
Shan Young	Equity-Taiwan Tea Co., Ltd.	The Group is the juristic director of the entity	Note 1	93,170	1,891,351	11.79%	1,891,351	
Shan Young	Private equity-Taiwan Tea Co., Ltd.	The Group is the juristic director of the entity	Note 1	63,250	1,130,278	8.01%	1,130,278	
Youth Taisun	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	360	5,864	6.00%	5,864	
Youth Taisun	Equity-Xu Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	75	1,084	0.50%	1,084	
Nanyang	Equity-The Company	Parent company	Note 1	4,351	117,693	0.55%	117,693	
Nanyang	Equity-Chaur Chin Industries Co., Ltd.	-	Note 1	1	280	0.28%	280	
NOVA Design	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	300	4,887	5.00%	4,887	
Ching Ta	Equity-The Company	Parent company	Note 1	981	26,550	0.12%	26,550	
Ching Ta	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	60	977	1.00%	977	
Ching Ta	Equity-Xu Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	2,600	37,570	17.33%	37,570	
Ching Ta	Equity-King Zone Co., Ltd.	The Group is the juristic director of the entity	Note 1	800	5,200	10.00%	5,200	
Ching Ta	Equity-Tac / Taiwan Aerospace Corp.	-	Note 2	17	-	0.01%	-	
Ching Ta	Preferred equity-Setex Technologies, Inc.	-	Note 2	78	15,459	2.99%	15,459	
Ching Ta	Equity-National Petroleum Co., Ltd.	-	Note 1	4,316	211,484	1.40%	211,484	
Ching Ta	Equity-LSC Ecosystem Corporation	-	Note 1	9,167	35,658	7.41%	35,658	
Ching Ta	Equity-Gold Yu Co., Ltd.	-	Note 1	3,000	57,900	5.56%	57,900	
Ching Ta	Equity-Full Speed Express Corp.	-	Note 1	1,290	19,350	5.42%	19,350	
Chu-Yang	Equity-Ding Tai Motor Co., Ltd.	-	Note 1	100	1,000	2.55%	1,000	
Chu-Yang	Equity-Ding Sheng Motor Co., Ltd.	-	Note 1	200	2,000	6.59%	2,000	
Chu-Yang	Equity-Hong Yu Motor Co., Ltd.	-	Note 1	310	3,100	9.54%	3,100	
Chu-Yang	Equity-Sang Shun Wang Motor Co., Ltd.	-	Note 1	100	1,086	3.45%	1,086	
Fact Co., Ltd.	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	60	977	1.00%	977	
Fact Co., Ltd.	Equity-Xu Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	1,500	21,675	10.00%	21,675	
TBM	Equity-Vietnam Hong Zheng Science & Technology Co., Ltd.	-	Note 1	-	9,800	19.00%	9,800	
TBM	Equity-Vietnam Hung Li Science & Technology Co., Ltd.	-	Note 1	-	1,276	6.08%	1,276	
TBM	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	600	9,774	10.00%	9,774	
TBM	Equity-Xu Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note 1	750	10,838	5.00%	10,838	
Sanyang Global	Equity-Shang Guang (Shanghai) Investment Ltd.	-	Note 1	1,519	223,000	6.76%	223,000	

Note1: Financial assets at fair value through other comprehensive income

Note2: Financial assets at fair value through profit or loss

Note3: The balance stated above had been converted into New Taiwan Dollar based on the following exchange rates:

Exchange rate on the reporting date: USD1=NTD27.6850 ; US\$1=NT\$27.9510

Average exchange rate for the reporting period: RMB\$1=NT\$4.3460 ; RMB\$1=NT\$4.3315

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- (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 NTD/In thousands of shares)

Name of company	Category and name of security	Account name	Counter-party	Relationship with the company	Beginning Balance		Purchases			Sales			Ending Balance		
					Shares	Amount	Shares	Amount	Valuation	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Ching Ta	Equity-National Petroleum Co., Ltd.	Financial assets at fair value through other comprehensive income-non-current	Centralized securities exchange market	Non-related party	13,098	662,759	-	-	-	8,782	425,539	425,539	-	4,316	211,484

Note 1: Fair value adjustment is included in the ending balance.

Note 2: Gains (losses) on disposal of financial assets measured at fair value through other comprehensive income was reclassified to retained earning directly.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In thousands of NTD)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other terms
							Owner	Relationship with the Company	Date of transfer	Amount			
Shan Young	15 items of land and buildings including in land numbered 776 at Donghua Section and land numbered 218 at Shebei Section	2021.01.18	559,325	559,325	Natural person	Non-related party	-	-	-	-	Appraisal report	Business purpose	

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(In thousands of NTD)

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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of NTD)

Name of purchaser/seller	Counter-party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases /Sales	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanyang	Note 2	Sales	(7,423,264)	(25)%	8 billion in credit and payment received right after shipment	According to the pricing policy of the Company	No ordinary transaction can be compared to	5,963	-%	Interest is imposed if there is any delay
The Company	Nanchen	Note 2	Sales	(142,121)	-%	1 billion in credit and payment received right after shipment	"	"	-	-%	"
The Company	Chu-Yang	Note 2	Sales	(650,627)	(2)%	Guarantee deposit 25,000 thousand and payment received in 2 days on a weekly settlement base	"	"	71,145	5%	"
The Company	SYIT	Note 2	Sales	(715,202)	(2)%	Payment received 120 days after shipment	"	"	114,132	8%	
The Company	SYDE	Note 2	Sales	(196,831)	(1)%	Payment received 120 days after shipment	"	"	46,382	3%	
The Company	VMEP	Note 2	Sales	(104,645)	-%	Payment received 45-60 days after shipment	"	"	18,693	1%	
The Company	Xia Shing Motor	Note 2	Sales	(466,675)	(2)%	Payment received 30 days after shipment, payment received 45 days after shipment of parts for warranty	"	"	53,356	4%	
The Company	Xia Shing Motor	Note 2	Purchases	2,707,924	13%	The payment for goods before the 15th of the previous month is paid in the first ten days of the month, and the payment after the 16th of the previous month is paid in the last ten days of the month.	No ordinary transaction can be compared to	"	(234,334)	(9)%	
The Company	Hitach Astemo Taichung Co., Ltd.	Note 4	Purchases	708,267	3%	Payment paid 45 days after acceptance	"	"	(116,871)	(4)%	
The Company	Zoeng Chang Industry Co., Ltd.	Note 2	Purchases	290,667	1%	Payment paid 45 days after acceptance	"	"	(50,364)	(2)%	
The Company	TBM	Note 2	Purchases	510,648	2%	Payment paid 45 days after acceptance	"	"	(102,346)	(4)%	
The Company	Youth Taisun	Note 2	Purchases	274,281	1%	Payment paid 45 days after acceptance	"	"	(55,272)	(2)%	
Nanyang	The Company	Note 1	Purchases	7,423,264	89%	8 billion in credit and payment received right after shipment	"	"	(5,963)	(3)%	Interest is imposed if there is any delay
Nanyang	SUNSHINE AUTO-LEASE	Note 2	Sales	(334,748)	(3)%	Payment received right after shipment	"	"	24,230	19%	
Nanyang	Jau Ryh	Note 2	Sales	(151,879)	(1)%	Payment received right after the data review is approved	"	"	14,558	11%	
Xia Shing Motor	The Company	Note 1	Sales	(2,707,924)	(31)%	The payment for goods before the 15th of the previous month is received in the first ten days of the month, and the payment after the 16th of the previous month is received in the last ten days of the month.	"	"	234,334	29%	
Xia Shing Motor	VMEP	Note 3	Sales	(800,146)	(9)%	Payment received 35 days after acceptance	"	"	297,558	37%	
Xia Shing Motor	The Company	Note 1	Purchases	466,675	5%	Payment received 30 days after acceptance, payment received 45 days after shipment of parts for warranty	"	"	(53,356)	(4)%	
Xia Shing Motor	SCK	Note 3	Purchases	414,193	5%	Payment paid 15 days after the end of the month	"	"	(3,638)	-%	

SANYANG MOTOR CO., LTD.
Notes to the Financial Statements

Name of purchaser/seller	Counter-party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases /Sales	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Xia Shing Motor	XTBM	Note 3	Purchases	228,142	3%	Payment paid 30 days after the end of the month	"	"	(18,307)	(2)%	
Nanchen	The Company	Note 1	Purchases	142,121	59%	1 billion in credit and payment paid right after shipment	"	"	-	-	Interest is imposed if there is any delay
Chu-Yang	The Company	Note 1	Purchases	650,627	100%	Guarantee deposit 25,000 thousand and payment paid in 2 days on a weekly settlement base	"	"	(71,145)	(100)%	Interest is imposed if there is any delay
SYIT	The Company	Note 1	Purchases	715,202	100%	Payment paid 120 days after acceptance	"	"	(114,132)	(68)%	
SYDE	The Company	Note 1	Purchases	196,831	100%	Payment paid 120 days after acceptance	"	"	(46,382)	(99)%	
VMEP	The Company	Note 1	Purchases	104,645	5%	Payment paid 45-60 days after delivery	"	"	(18,693)	(4)%	
VMEP	VTBM	Note 2	Purchases	113,808	6%	Payment paid 45 days after acceptance	"	"	(15,121)	(3)%	
VMEP	Xia Shing Motor	Note 3	Purchases	800,146	40%	Payment paid 35 days after acceptance	"	"	(297,558)	(68)%	
TBM	The Company	Note 1	Sales	(510,648)	(84)%	Payment received 45 days after acceptance	"	"	102,346	91%	
SCK	Xia Shing Motor	Note 3	Sales	(414,193)	(58)%	Payment paid 15 days after the end of the month	"	"	3,638	3%	
XTBM	Xia Shing Motor	Note 3	Sales	(228,142)	(88)%	Payment paid 30 days after the end of the month	"	"	18,307	76%	
SUNSHINE AUTO-LEASE	Nanyang	Note 1	Purchases	334,748	48%	Payment paid right after shipment	"	"	(24,230)	(47)%	
Li Yang	Nanyang	Note 1	Purchases	113,099	58%	Payment paid 5-30 days after shipment	"	"	(8,808)	(99)%	Interest is imposed if there is any delay
Youth Taisun	The Company	Note 1	Sales	(274,281)	(95)%	Payment received 45 days after acceptance	"	"	55,272	93%	
NOVA Design	The Company	Note 1	Sales	(104,870)	(81)%	Payment received 45 days after acceptance	"	"	8,939	80%	
VTBM	VMEP	Note 1	Sales	(113,808)	(78)%	Payment received 45 days after delivery	"	"	15,121	75%	

Note 1: Investor company accounts for the Company using the equity method.

Note 2: Investee company accounted for using the equity method by the Company.

Note 3: Affiliate.

Note 4: Substantive related party.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of NTD/ foreign currency)

Name of company	Counter-party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in the subsequent period	Loss allowance
					Amount	Action taken		
The Company	SYIT	Subsidiaries	114,130 (EUR3,644)	6.50	-	-	33,293 (EUR1,063)	-
Xia Shing Motor	The Company	The parent company of the Group	234,326 (USD8,464)	14.02	-	-	234,326 (EUR8,464)	-
TBM	The Company	The parent company of the Group	102,346	4.39	-	-	32,710	-
Xia Shing Motor	VMEP	The same parent company	297,558 (USD 10,748)	5.04	-	-	42,995 (USD1,553)	-
Chong Hing	Yangzhou Tairun Hotel Co., Ltd.	Associates of the Group	108,650 (CNY25,000)	Not applicable	-	-	-	-
Nova Shanghai	Yangzhou Tairun Hotel Co., Ltd	Associates of the Group	108,650 (CNY25,000)	Not applicable	-	-	-	-

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

SANYANG MOTOR CO., LTD.
Notes to the Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in Mainland China):

(In thousands of NTD/ In thousands of shares)

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Ending balance			Net income (losses) of investee	Investment income (losses) recognized for the period	Note
				December 31, 2021	December 31, 2020	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	Shan Young	Taiwan	Real estate development and management	3,843,889	3,843,889	656,300	100.00%	7,679,451	(99,554)	(99,554)	Note 1
"	Youth Taisun	Taiwan	Manufacturing of automobiles, scooters and their parts	179,657	179,657	18,093	100.00%	215,471	8,758	8,758	"
"	Chu-Yang	Taiwan	Sale of scooters and its parts	29,000	29,000	2,900	100.00%	40,911	9,999	9,999	"
"	Nanyang	Taiwan	Distribution, repair, and maintenance of automobiles and its parts	833,486	833,486	134,919	89.60%	1,882,151	221,425	198,398	"
"	NOVA Design	Taiwan	Product design	195,495	195,495	19,080	100.00%	187,428	(15,649)	(15,649)	"
"	SUNSHINE AUTO-LEASE	Taiwan	Passenger car rental and leasing	35,178	35,178	7,249	16.27%	87,060	25,590	4,163	"
"	Ching Ta	Taiwan	Investment activities	785,609	785,609	111,467	99.66%	1,449,874	32,802	32,691	"
"	Profit Source	Samoa	Investment shareholding company	867,759	867,759	-	100.00%	3,600,180	66,798	66,798	"
"	SYDE	Germany	Sale of scooters and its parts	122,713	122,713	-	100.00%	94,844	1,830	1,830	"
"	SYI	Samoa	Investment shareholding company	3,662,860	3,662,860	-	100.00%	5,909,189	482,828	482,828	"
"	SYIT	Italy	Sale of scooters and its parts	179,915	179,915	-	100.00%	175,139	8,309	8,309	"
"	APh ePower Co., Ltd.	Taiwan	Power source development industry	410,000	260,000	36,000	29.51%	267,844	(90,556)	(23,933)	Note 2
"	SCB	Columbia	Sale of scooters and its parts	91,466	91,466	100	100.00%	12,993	(8,871)	(8,871)	Note 1
Nanyang	Nanchen	Taiwan	Sale of automobiles	-	39,533	-	-	-	(2,677)		Disclosure not required
"	SUNSHINE AUTO-LEASE	Taiwan	Passenger car rental and leasing	91,926	91,926	27,391	61.46%	314,873	25,590		Note 1
"	Li Yang	Taiwan	Repair of automobiles and sale of automobile parts	31,317	13,317	3,000	100.00%	34,310	2,552		"
"	Nanyang Insurance Agent	Taiwan	Property insurance agency business	34,879	34,879	1,316	92.86%	35,842	5,954		"
"	NY Samoa	Samoa	Investment shareholding company	328,517	423,487	-	100.00%	98,447	16,874		"
"	Jau Ryh	Taiwan	Truck rental and leasing	34,328	21,328	2,993	100.00%	48,878	14,055		"
"	Shian Yang	Taiwan	Repair of automobiles and sale of automobile parts	54,375	54,375	4,740	100.00%	90,479	36,807		"
NOVA Design	NOVA Samoa	Samoa	Investment shareholding company	86,500	86,500	-	42.30%	61,631	(7,355)		"
Ching Ta	TBM	Taiwan	Manufacturing, processing and sale of scooter parts	179,500	179,500	5,957	55.00%	54,926	9,743		"
"	SUNSHINE AUTO-LEASE	Taiwan	Passenger car rental and leasing	19,680	19,680	9,412	21.12%	113,013	25,590		"
"	Fact Co., Ltd.	Taiwan	Manufacturing processing and sale of hardware and iron	43,840	43,840	1,000	100.00%	13,034	1,277		"
"	NOVA Samoa	Samoa	Investment shareholding company	113,002	113,002	-	57.70%	84,068	(7,355)		"
"	Zoeng Chang Industry Co., Ltd.	Taiwan	Manufacturing, processing and sale of scooter parts	33,200	33,200	9,020	40.00%	316,299	41,727		Note 2
"	Qing Zhao Investment Co., Ltd.	Taiwan	Investment activities	96,000	96,000	9,600	29.29%	55,936	(22,460)		"
"	Winner RV Ltd.	Taiwan	Sale, manufacturing and design of recreational vehicle	100,000	100,000	5,000	25.77%	93,033	(17,682)		"
Profit Source	Chong Hing	British Virgin Islands	Investment shareholding company	716,432	716,432	-	100.00%	3,600,185	66,803		Note 1
				(USD25,878)	(USD25,878)			(USD130,041)	(USD2,390)		
SYI	Cosmos	British Virgin Islands	Investment shareholding company	366,162	366,162	-	100.00%	411,980	42,458		"
				(USD13,226)	(USD13,226)			(USD14,881)	(USD1,519)		
"	VMEPH	Cayman Islands	Investment shareholding company	2,740,372	2,740,372	608,818	67.07%	976,450	(155,659)		"
				(USD98,984)	(USD98,984)			(USD35,270)	(USD5,569)		
"	New Path	Samoa	Investment shareholding company	254,896	254,896	-	100.00%	354,036	2,208		"
				(USD9,207)	(USD9,207)			(USD12,788)	(USD79)		
"	PIL	British Virgin Islands	Investment shareholding company	383,050	383,050	-	100.00%	2,058,740	518,575		"
				(USD13,836)	(USD13,836)			(USD74,363)	(USD18,553)		
"	Sun Goal	Samoa	Investment shareholding company	241,718	241,718	-	100.00%	178,845	18,420		"
				(USD8,731)	(USD8,731)			(USD6,460)	(USD659)		
TBM	TBM BVI	British Virgin Islands	Investment shareholding company	147,035	147,035	-	100.00%	76,825	13,462		"
"	VTBM	Vietnam	Manufacturing, processing and sale of scooter parts	23,926	23,926	-	69.00%	38,061	1,941		"
"	Fu Ta	Samoa	Investment shareholding company	-	47,628	-	-	-	-		Note 3
VMEPH	Chin Zong	Taiwan	Wholesale and retail of scooters and its parts	150,000	150,000	15,000	100.00%	148,706	1,020		Note 1
"	VMEP	Vietnam	Manufacturing and sale of scooters and its parts	4,593,855	4,400,060	-	100.00%	1,261,107	(107,024)		"
				(USD165,933)	(USD158,933)			(USD45,552)	(USD3,829)		
VMEP	VCFP	Vietnam	Manufacturing of scooter parts, etc	124,583	124,583	-	100.00%	133,469	(8,721)		"
				(USD4,500)	(USD4,500)			(USD4,821)	(USD312)		

SANYANG MOTOR CO., LTD.
Notes to the Financial Statements

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Ending balance			Net income (losses) of investee	Investment income (losses) recognized for the period	Note
				December 31, 2021	December 31, 2020	Shares (in thousands)	Percentage of ownership	Carrying value			
"	VTBM	Vietnam	Manufacturing, processing and sale of scooter parts	12,874 (USD465)	12,874 (USD465)	-	31.00%	17,026 (USD615)	1,941 (USD(69))	"	"
"	Dinh Duong	Vietnam	Sale of scooters and real estate development, etc.	199,692 (USD7,213)	199,692 (USD7,213)	-	99.94%	202,516 (USD7,315)	(56) (USD(2))	"	"
Qing Zhao Investment Co., Ltd.	Sunny Mind	Samoa	Investment shareholding company	330,951	330,951	-	100.00%	201,830	(21,876)	"	Note 2

Note 1: Subsidiary included in the consolidated financial statements.

Note 2: Associate of the Group.

Note 3: For the investee whose original investment amount on December 31, 2020 was zero, please refer to note 4(c) for the details of organization restructuring during the period.

(c) Information on investment in Mainland China:

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

(In thousands of NTD/ In thousands of shares)

Name of investee	Main business and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	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) recognized	Carrying value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Xia Shing Motor	Manufacturing, assembling and sale of scooters and its parts, along with the follow-up warranty service	636,755 (USD23,000)	(ii) Note 1 (2)1	388,050 (USD13,836)	-	-	383,050 (USD13,836)	676,414 (USD24,200)	76.67%	518,603 (USD18,554)	2,057,051 (USD74,302)	-
SCK	Manufacturing and sale of scooter parts	914,712 (USD33,040)	(ii) Note 1 (2)1	643,012 (USD23,226)	-	-	643,012 (USD23,226)	60,877 (USD2,178)	100.00%	60,877 (USD2,178)	590,798 (USD21,340)	-
Xiamen King Long United Automotive Industry Co., Ltd.	Assembling and manufacturing of automobile and its parts	Note 1	(ii) Note 1 (2)1	988,410 (USD35,702)	-	-	988,410 (USD35,702)	-	-	-	-	485,180 (USD17,525)
Sanyang Global	Developing, wholesaling, importing and exporting the following items: computer software, tool equipment, molds, (electric)scooter and automobile and their parts	249,165 (USD9,000)	(ii) Note 1 (2)1	249,165 (USD9,000)	-	-	249,165 (USD9,000)	2,124 (USD76)	100.00%	2,124 (USD76)	347,945 (USD12,568)	-
Chongqing Kuayue Group Co., Ltd.	Developing, manufacturing, selling engine of automobile and its parts	41,721 (USD1,507)	(ii) Note 1(1)	12,514 (USD452)	-	-	12,514 (USD452)	-	30.00%	-	-	-
NOVA Shanghai	Product design	359,960 (USD13,002)	(ii) Note 1 (2)2	318,682 (USD11,511)	-	-	318,682 (USD11,511)	(19,063) (USD(682))	100.00%	(19,063) (USD(682))	302,957 (USD10,943)	-
XTBM	Manufacturing, processing and sale of scooter parts	121,814 (USD4,400)	(ii) Note 1 (2)3	121,814 (USD4,400)	-	-	121,814 (USD4,400)	13,556 (USD485)	54.81%	7,364 (USD266)	47,562 (USD1,718)	-
GTBM	Manufacturing, processing and sale of scooter parts	Note 2	(ii) Note 1 (2)3	19,324 (USD698)	-	-	19,324 (USD698)	-	-	-	-	-
Su Zhou Hui Ying	Retail of automobiles and its parts	Note 3	(ii) Note 1 (2)4	265,776 (USD9,600)	-	94,101 (USD3,399)	171,675 (USD6,201)	-	-	-	-	-
Chang Zhou Nan Yang	Retail of automobile and its parts	112,124 (USD4,050)	(ii) Note 1 (2)4	112,124 (USD4,050)	-	-	112,124 (USD4,050)	(894) (USD(32))	89.60%	(811) (USD(29))	88,204 (USD3,186)	-
Yangrun Hotel Co., Ltd.	Developing, leasing, and selling real estate and hotel	138,425 (USD5,000)	(ii) Note 1 (2)5	138,425 (USD5,000)	-	-	138,425 (USD5,000)	(84) (USD(3))	29.19%	(28) (USD(1))	47,923 (USD1,731)	-
Tairun Hotel Co., Ltd.	Developing, leasing, and selling real estate and hotel	138,425 (USD5,000)	(ii) Note 1 (2)5	-	-	-	-	(21,774) (USD(779))	29.19%	(6,345) (USD(227))	(1,606) (USD(58))	-
Yangrun Property Management Co., Ltd.	Residential estate management, building repairing, and sale of construction materials and daily necessities	2,173 (CNY500)	(ii) Note 1 (2)6	-	-	-	-	-	29.19%	-	2,164 (CNY498)	-

Note 1: The Group disposed its investment in Xiamen King Long United Automotive Industry Co., Ltd in the year of 2018, and the proceeds from the disposal (including accumulated investment amount) was remitted to Chong Hing, the investment shareholding company of the disposed investee company.

SANYANG MOTOR CO., LTD.
Notes to the Financial Statements

Note 2: The Group disposed its investment in GTBM on July 31, 2019, and the proceeds from the disposal (including accumulated investment amount) was remitted to TBM BVI, the investment shareholding company of the disposed investee company.

Note 3: The Company was approved by Investment Commission, MOEA (Permit No. 09900323700) for the investment of US\$7,400 thousand in Su Zhou Hui Ying Motor Sales and Service Co., Ltd. on August 17, 2010. The Company was approved by Investment Commission, MOEA (Permit No. 10100039390) for the investment of US\$2,200 thousand in Su Zhou Hui Ying Motor Sales and Service Co., Ltd. on February 10, 2012. The liquidation of Su Zhou Hui Ying Motor Sales and Service Co., Ltd. has been completed on May 10, 2021 and Investment Commission, MOEA (Permit No. 11000177800) approved the withdrawal of the investment of US\$3,399 thousand on August 3, 2021.

(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
2,370,611 (USD85,628)	3,235,269 (USD116,860)	10,091,821

Note 1: The method of investment is classified into the following three types:

- (1) Through company in the third region to transfer money to invest in the investee in Mainland China.
- (2) Through setting up company in the third region to invest in the investee in Mainland China.
 - 1.The Company set up company in the third region to invest in the investee in Mainland China.
 - 2.NOVA Design set up company in the third region to invest in the investee in Mainland China.
 - 3.TBM set up company in the third region to invest in the investee in Mainland China.
 - 4.Nanyang set up company in the third region to invest in the investee in Mainland China.
 - 5.Qing Zhao Investment Co., Ltd. set up company in the third region to invest in the investee in Mainland China.
 - 6.Split-up of Yang Zhou Tai Run Hotel Co., Ltd.
- (3) Through investing company in the third region to invest in the investee in Mainland China.

Note 2: The investment income(losses) was recognized based on the investee company's financial reports audited by international accounting firm which collaborated with the Company's audit team or certified public accountants of R.O.C..

Note 3: In accordance with Principles for the review of investment or technical cooperation in the Mainland China issued by Investment Commission, MOEA, the limit on investment in Mainland China is the higher of 60% of the Company's or the Group's equity.

Note 4: If the investment was invested in foreign currency, the amount stated above had been converted into New Taiwan Dollar based on the following exchange rates:

Exchange rate on the reporting date: USD1=NTD27.6850 ; USD1=NTD27.9510

Average exchange rate for the reporting period: RMB1=NTD4.3460 ; RMB1=NTD4.3315

(iii) Significant transactions:

For the direct or indirect significant transactions between the Company and its investees in Mainland China, which have been eliminated in the consolidated financial statements during the year of 2021, please refer to "Information on significant transaction".

SANYANG MOTOR CO., LTD.
Notes to the Financial Statements

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Da Yang Investment Ltd.		54,905,000	6.88%
Bai Ke Investment Ltd.		47,463,664	5.95%
Chuan Yuan Investment Ltd.		47,375,000	5.93%

Note: The aforementioned information of major shareholders is extracted from the statistics maintained by Taiwan Depository and Clearing Corporation, which reveal the shareholders whose shareholding ratios are over 5%. The calculation is based on the non-physical securities (including ordinary shares, preferred shares, and treasury shares) delivered through the book-entry system to the shareholder at the last trading day of every preferred.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2021.

Sanyang Motor Co., Ltd.

Statement of inventories

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Finished goods	\$ 518,763	546,559	
Work in process	71,445	71,445	
Raw materials	1,164,851	1,330,346	
Consumables	7,204	7,204	
Inventories in transit	438,583	438,583	
Total	2,200,846	2,394,137	
Less: Allowance for inventory market price decline and obsolescence	(87,029)		
Net	\$ 2,113,817		

Sanyang Motor Co., Ltd.

Statement of changes in investments accounted for using the equity method

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of Investee	Beginning Balance		Additions		Deduction		Investment income (losses)	Exchange differences on translation of foreign financial statements	Capital surplus	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Share of actuarial gains (losses) of the investee companys' defined benefits obligations	Retained earnings	Ending Balance			
	Shares	Amount	Shares	Amount	Shares	Amount							Shares	Ownership	Amount	Collateral
Shan Young Assets Management Co., Ltd.	656,300	\$ 7,488,641	-	-	-	-	(99,554)	-	-	290,364	-	-	656,300	100.00%	7,679,451	None
Youth Taisun Co., Ltd.	16,753	208,844	1,340	-	-	-	8,758	-	-	(3,655)	1,524	-	18,093	100.00%	215,471	"
Chu-Yang Motor Co., Ltd.	2,900	37,000	-	-	-	6,088	9,999	-	-	-	-	-	2,900	100.00%	40,911	"
Nanyang Industries Co., Ltd.	126,506	1,715,671	8,413	-	-	18,976	198,398	(15,244)	1,139	-	1,163	-	134,919	89.60%	1,882,151	"
NOVA Design Co., Ltd.	19,080	211,525	-	-	-	5,113	(15,649)	113	-	(2,580)	(868)	-	19,080	100.00%	187,428	"
SUNSHINE AUTO-LEASE Co., Ltd.	6,764	82,897	485	-	-	-	4,163	-	-	-	-	-	7,249	16.27%	87,060	"
Ching Ta Investment Co., Ltd.	95,807	1,532,388	15,660	-	-	-	32,691	1,472	(374)	(191,391)	(790)	75,878	111,467	99.66%	1,449,874	"
APh ePower Co., Ltd.	26,000	235,951	10,000	150,000	-	-	(23,933)	-	(21,787)	-	-	(72,387)	36,000	29.51%	267,844	"
Profit Source Investment Ltd. (Samoa)	-	3,512,031	-	-	-	-	66,798	21,351	-	-	-	-	-	100.00%	3,600,180	"
Sanyang Deutschland GmbH	-	102,714	-	-	-	-	1,830	(9,700)	-	-	-	-	-	100.00%	94,844	"
SY International Ltd.	-	5,385,427	-	-	-	-	482,828	(16,077)	-	57,011	-	-	-	100.00%	5,909,189	"
SY Italia S.r.l	-	184,524	-	-	-	-	8,309	(17,694)	-	-	-	-	-	100.00%	175,139	"
Sanyang Motor Colombia S.A.S (SCB)	-	25,446	-	-	-	-	(8,871)	(3,582)	-	-	-	-	-	100.00%	12,993	"
Total		\$ 20,723,059		150,000		30,177	665,767	(39,361)	(21,022)	149,749	1,029	3,491			21,602,535	

Note 1: The additions were purchases and share dividends received, and the deduction was cash dividends received.

Note 2: Unrealized gains (losses) on financial assets at fair value through other comprehensive income in the amount of \$149,749 thousand included the valuation of \$225,627 thousand and the realized accumulated gains (losses) of \$75,878 thousand transferred to retained earnings due to disposals.

Sanyang Motor Co., Ltd.

**Statement of changes in property, plant and
equipment**

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(g) for the regarding information.

Statement of changes in investment property

Please refer to Note 6(h) for the regarding information.

Sanyang Motor Co., Ltd.

Statement of short-term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Loan Type	Lender	Ending Balance	Financing Period	Interest Rates	Credit Line	Collateral
Unsecured bank loans	First Bank, Songshan Branch	\$ 100,000	2021.12.9~2022.1.7	0.8000%	300,000	None
"	Export-Import Bank, Hsinchu Branch	150,000	2021.6.2~2022.6.2	0.8776%	300,000	"
Purchase loans	Taiwan Business Bank, Songshan Branch	58,240	2021.11.18~2022.5.10	0.7316%	Shared credit line with(A)	The land and buildings located at HuKou Township, Hsinchu County
"	Land Bank of Taiwan, Hsingong Branch	29,311	2021.10.7~2022.3.28	0.6500%	1,000,000	The land and buildings located at HuKou Township, Hsinchu County
"	HuaNan Bank, Songshan Branch	274,738	2021.10.19~2022.5.23	0.6500%~0.6900%	Shared credit line with(B)	The land and buildings located at Xinzhuang Dist., New Taipei City and the land and buildings located at Neihu District, Taipei City of the subsidiary, Shan Young
"	Taiwan Cooperative Bank, Songshan Branch	178,355	2021.10.6~2022.5.9	0.5920%~0.7189%	300,000	None
Secured bank loans	ChangHwa Bank, Songshan Branch	600,000	2021.12.6~2022.3.24	0.8600%	2,000,000	The land and buildings located at Neihu District, Taipei City and the land and buildings located at HuKou Township, Hsinchu County
"	Taiwan Business Bank, Songshan Branch (A)	30,000	2021.10.27~2022.1.27	0.9300%	2,500,000	The land and buildings located at HuKou Township, Hsinchu County
"	YuanTa Bank, Ximen Branch	500,000	2021.10.28~2022.3.24	0.8300%	800,000	The land and buildings located at South Dist., Tainan City
"	ShinKong Bank, East Taipei Branch	200,000	2021.12.24~2022.1.14	0.8600%	1,400,000	The land and buildings located at Neihu District, Taipei City of the subsidiary, Shan Young
"	HuaNan Bank, Songshan Branch (B)	300,000	2021.12.2~2022.2.24	0.8700%	2,000,000	The land and buildings located at Xinzhuang Dist., New Taipei City and the land and buildings located at Neihu District, Taipei City of the subsidiary, Shan Young
"	TaiShin Bank, Kanto Bridge Branch	1,000,000	2021.12.23~2022.1.24	0.7800%	1,000,000	The time deposits of the subsidiary, Chong Hing
		<u>\$ 3,420,644</u>				

Sanyang Motor Co., Ltd.

Statement of trade payables

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties			
A Company	Loan	\$ 338,756	
B Company	"	157,981	
Others	"	1,658,672	Each of the items was less than 5% of the account balance
Total		<u>\$ 2,155,409</u>	

Sanyang Motor Co., Ltd.

Statement of long-term borrowings

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Lendor	Loan Type	Financing Period	Interest rates	Ending Balance	Collateral
Export-Import Bank, Hsinchu Branch	Credit line \$500,000 thousand	2021.12~2023.12 The loan may be appropriated but cannot be revolved	1.0778%	\$ 500,000	None
Agribank, Hsinchu Branch (Note)	Credit line of secured loans \$700,000 thousand	2020.2~2022.10The loan may be appropriated and revolved (three-year loan)	0.8400%~0.8700%	700,000	The land and buildings located at NeiHu District, Taipei City
Bank of Taiwan, Beida Rd. Bank	Credit line of secured loans \$400,000 thousand	2021.12~2022.3The loan may be appropriated and revolved (three-year loan)	1.1000%	400,000	The land and buildings located at Zhongli Dist., Taoyuan City, HuKou Township, Hsinchu County and Zhubei City, Hsinchu County
Taiwan Cooperative Bank, Songshan Branch	Credit line of secured loans \$2,000,000 thousand	2020.11~2025.11The loan may be appropriated and revolved	1.2000%	2,000,000	The land and buildings located at NeiHu District, Taipei City of the subsidiary, Shan Young
Land Bank of Taiwan, Hsingong Branch	Credit line of secured loans, part A: \$1,000,000 thousand	2020.11~2025.11 The loan may be appropriated but cannot be revolved	1.2000%	1,000,000	The land and buildings located at HuKou Township, Hsinchu County
Land Bank of Taiwan, Hsingong Branch	Credit line of secured loans, part B: \$1,000,000 thousand	2020.11~2025.11The loan may be appropriated and revolved	1.2000%	1,000,000	"
Bank of Taiwan, Beida Rd. Bank	Credit line of secured loans \$500,000 thousand	2021.6~2026.6 The loan may be appropriated but cannot be revolved (five-year loan)	1.2000%	500,000	The land and buildings located at HuKou Township, Hsinchu County and Gangshan Dist., Kaohsiung City
Agribank, Hsinchu Branch	Credit line of secured loans \$2,000,000 thousand	2021.6~2028.6The loan may be appropriated and revolved (seven-year loan)	0.9600%	2,000,000	The land and buildings located at HuKou Township, Hsinchu County
Subtotal				8,100,000	
Less: Current portion				80,000	
Total				\$ 8,020,000	

Note : The credit lines of three-year loan of Agribank, Hsinchu Branch has been extended for 3 years in Setember 2021.

Sanyang Motor Co., Ltd.

Statement of operating revenue

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Automobiles	13,349 units	\$ 8,814,310	
Scooters	351,396 units	18,807,900	
Engines and spare parts		2,402,623	
Total sales		30,024,833	
Less: Sales discounts and returns		(211,024)	
Net sales		29,813,809	
Revenues from technical services		50,514	
Other revenues		12,476	
Net operating revenues		<u>\$ 29,876,799</u>	

Sanyang Motor Co., Ltd.

Statement of operating costs

December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Beginning inventories	\$ 1,307,357
Add: Purchases	19,724,436
Gain on physical inventories	14
Less: Non-manufacturing requisitions	(64,112)
Disposals	(30,692)
Ending inventories	(1,610,638)
	19,326,365
Usage	
Direct labor	696,407
Manufacturing expenses	1,811,266
	21,834,038
Manufacturing costs	
Add: Beginning work in process	66,860
Less: Ending work in process	(71,445)
	21,829,453
Costs of Goods manufactured	
Add: Beginning finished goods	644,950
Purchases	1,219,303
Less: Ending finished goods	(518,763)
Disposals	(1,327)
Others	(37,104)
	23,136,512
Manufacturing costs	
Revenues from sale of scraps	(53,932)
Gain on physical inventories	(14)
Loss on disposal of inventories	32,019
Gain on recovery of inventory market price decline and obsolescence	(2,228)
	23,112,357
Cost of goods sold	
Cost of technical services	22,805
Warranty expenses	137,561
Commodity tax	2,888,297
Operating costs	\$ 26,161,020

Sanyang Motor Co., Ltd.

Statement of selling expenses

For the year ended December 31, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salary expenses	\$ 271,383
Recycling and clearing expenses	209,005
Advertising expenses	116,314
Others (Each of the items was less than 5% of the account balance)	189,801
Total	\$ 786,503

Statement of administrative expenses

Item	Amount
Salary expenses	\$ 330,496
Depreciation	56,876
Others (Each of the items was less than 5% of the account balance)	290,864
Total	\$ 678,236

Statement of research and development expenses

Item	Amount
Salary expenses	\$ 399,972
Depreciation	45,034
Consumables	127,911
Others (Each of the items was less than 5% of the account balance)	231,175
Total	\$ 804,092

Sanyang Motor Co., Ltd.
Statement of other gains and losses
For the year ended December 31, 2021
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(t) for the regarding information.

Statement of finance costs

Please refer to Note 6(t) for the regarding information.

VII. Consolidated Financial Statements of the Parent Company and Subsidiaries of the Most Recent Fiscal Year Audited and Attested by CPAs

Representation Letter

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

Company name: Sanyang Motor Co., Ltd.

Chairman: Ching-Yuan, Wu

Date: March 30, 2022

Independent Auditors' Report

To the Board of Directors of Sanyang Motor Co., Ltd.:

Opinion

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

Key Audit Matters

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

1. Revenue recognition

Refer to Note 4(q) “Revenue recognition” for the accounting principles on the recognition of revenue and Note 6(w) “Revenue from contracts with customers” for details of revenues.

Description of key audit matter:

The Group's main business activities are manufacturing and sale of automobiles, scooters and their parts. The revenues of the Group are recognized upon the transferring of control, which is varied by the individual delivery terms of the sales agreement. Risks of revenues not being recorded in the proper period exist when revenues of the Group were recognized earlier than the transfer of control. Therefore, the test of revenue recognition is one of the key audit matters in the audit of consolidated financial report.

Corresponding audit procedures:

- (a) Understand the Group's selling system, e.g., products, channels, sales customers.
- (b) Examine significant sales agreements.
- (c) Test internal controls of the Group over shipment and revenue recognition procedures.

Relevant documents of internal controls aforementioned throughout the year of 2021 were examined selectively and cut-off tests of sales were conducted to verify the validity of revenue recognition.

2. Valuation of accounts receivable

Refer to Note 4(g) "Financial instruments policies" for the accounting policies on the valuation of accounts receivable, Note 5(a) for uncertainty deriving from the major sources of estimation and accounting assumptions of the valuation of accounts receivable, and Note 6(d) for details of accounts receivable.

Description of key audit matter:

The balance of accounts receivable of the Group is relatively significant, and recoverability of accounts receivable involves subjective judgements by the Management. Therefore, the valuation of accounts receivable is one of the key audit matters in the audit of consolidated financial reports.

Corresponding audit procedures:

- (a) Obtain the Management's overdue aging analysis of accounts receivable, and then understand current market conditions, credit reliabilities and historical collection records of the customers to assess the reasonableness of estimates made by the Management.
- (b) Analyze and test the accuracy of accounts receivable aging report.
- (c) Perform the subsequent period collection of accounts receivable test.

Other Matter

Sanyang Motor Co., Ltd. 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 IFRSs, IASs, IFRIC, 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 Chung-Che Chen and Hsin-Ting Huang.

KPMG

Taipei, Taiwan (Republic of China)

March 30, 2022

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and its 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 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 and Report Originally Issued in Chinese)

SANYANG MOTOR 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	
		Amount	%	Amount	%
Assets					
Current assets:					
1100	Cash and cash equivalents (Note 6(a))	\$ 4,829,905	10	4,861,112	11
1110	Current financial assets at fair value through profit or loss (Note 6(b))	-	-	19,606	-
1170	Notes and accounts receivable, net (Notes 6(d), (w) and 8)	2,462,934	5	2,135,827	5
1180	Notes and accounts receivable from related parties, net (Notes 6(d), (w) and 7)	627	-	351	-
1200	Other receivables (Notes 6(d) and 7)	565,970	1	315,890	1
1310	Inventories (for manufacturing business) (Note 6(e))	4,838,867	11	4,311,020	10
1320	Inventories (for construction business) (Notes 6(e) and 7)	2,036,118	5	1,346,440	3
1410	Prepayments	751,300	2	676,824	1
1476	Other current financial assets (Notes 6(a) and 8)	6,614,491	14	6,197,310	14
1479	Other current assets, others	21,865	-	46,346	-
		<u>22,122,077</u>	<u>48</u>	<u>19,910,726</u>	<u>45</u>
Non-current assets:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	15,459	-	15,459	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(c))	3,827,893	8	3,793,120	9
1550	Investments accounted for using the equity method (Notes 6(f) and 7)	733,112	2	705,126	2
1600	Property, plant and equipment (Notes 6(i), 7 and 8)	12,639,469	27	12,711,071	29
1755	Right-of-use assets (Notes 6(j) and 8)	768,218	2	809,316	2
1760	Investment property, net (Notes 6(k) and 8)	3,856,111	8	3,919,336	9
1840	Deferred income tax assets (Note 6(t))	528,791	1	534,144	1
1935	Long-term lease receivables (Notes 6(d), (w) and 8)	465,016	1	433,417	1
1975	Net defined benefit asset, non-current (Note 6(s))	-	-	931	-
1980	Other non-current financial assets (Notes 6(a) and 8)	1,422,164	3	1,015,128	2
1995	Other non-current assets, others	152,908	-	170,303	-
		<u>24,409,141</u>	<u>52</u>	<u>24,107,351</u>	<u>55</u>
Total assets		<u>\$ 46,531,218</u>	<u>100</u>	<u>44,018,077</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SANYANG MOTOR 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	
		Amount	%	Amount	%
Liabilities and equity					
Current liabilities:					
2100	Short-term borrowings (Note 6(m))	\$ 6,868,444	15	8,739,168	20
2111	Short-term notes and bills payable (Note 6(l))	851,949	2	718,127	2
2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	2,299	-	-	-
2130	Current contract liabilities (Note 6(w))	439,329	1	292,179	1
2170	Accounts payable (Note 6(n))	4,152,343	9	3,886,555	9
2180	Accounts payable to related parties (Notes 6(n) and 7)	179,094	-	227,009	1
2200	Other payables (Note 7)	2,547,702	6	2,793,015	6
2230	Current tax liabilities (Note 6(t))	304,652	1	351,081	1
2251	Current provisions for employee benefits (Note 6(s))	110,283	-	119,461	-
2252	Short-term provisions for warranties (Note 6(q))	405,292	1	421,730	1
2280	Current lease liabilities (Note 6(p))	126,197	-	124,239	-
2322	Long-term borrowings, current portion (Note 6(o))	460,373	1	597,365	1
2365	Current refund liabilities	192,265	-	211,458	-
2399	Other current liabilities, others	13,361	-	47,417	-
		16,653,583	36	18,528,804	42
Non-current liabilities:					
2540	Long-term borrowings (Note 6(o))	9,171,524	20	5,607,732	13
2552	Non-current provisions (Note 6(q))	174,996	-	193,810	-
2570	Deferred income tax liabilities (Note 6(t))	1,506,396	3	1,506,240	3
2580	Non-current lease liabilities (Note 6(p))	528,626	1	562,953	1
2640	Net defined benefit liability, non-current (Note 6(s))	851,027	2	841,298	2
2645	Guarantee deposits received	770,260	2	663,982	2
2670	Other non-current liabilities, others	55,104	-	46,469	-
		13,057,933	28	9,422,484	21
	Total liabilities	29,711,516	64	27,951,288	63
Equity attributable to owners of parent (Note 6(u)):					
3100	Share capital	7,976,396	17	8,030,776	18
3200	Capital surplus	1,708,432	4	1,730,173	4
3300	Retained earnings	7,182,522	15	6,583,938	15
3400	Other equity	(1,322,431)	(3)	(1,441,152)	(3)
3500	Treasury shares	(132,816)	-	(132,816)	-
	Total equity attributable to owners of parent:	15,412,103	33	14,770,919	34
36XX	Non-controlling interests	1,407,599	3	1,295,870	3
	Total equity	16,819,702	36	16,066,789	37
	Total liabilities and equity	\$ 46,531,218	100	44,018,077	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SANYANG MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

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

	<u>2021</u>		<u>2020</u>		
	Amount	%	Amount	%	
4000	\$ 41,617,351	100	40,774,917	100	
5000	<u>33,684,513</u>	<u>81</u>	<u>32,968,062</u>	<u>81</u>	
	Gross profit from operations		7,932,838	19	
	Operating expenses (Notes 6(d), (s), (x) and 7) :				
6100	Selling expenses	3,189,297	8	3,121,110	8
6200	Administrative expenses	1,422,515	3	1,646,575	4
6300	Research and development expenses	1,115,518	3	1,083,501	2
6450	Expected credit gain	<u>(17,103)</u>	<u>-</u>	<u>(3,690)</u>	<u>-</u>
		<u>5,710,227</u>	<u>14</u>	<u>5,847,496</u>	<u>14</u>
	Net operating income	<u>2,222,611</u>	<u>5</u>	<u>1,959,359</u>	<u>5</u>
	Non-operating income and expenses:				
7100	Interest income (Notes 6(y))	202,913	1	234,794	1
7010	Other income (Notes 6(y))	89,490	-	91,354	-
7020	Other gains and losses (Notes 6(y))	41,112	-	66,855	-
7050	Finance costs (Note 6(y))	(196,492)	-	(225,525)	(1)
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method (Note 6(f))	(18,331)	-	2,453	-
7229	Gain on disposal of non-current assets held for sale (Notes 6(y))	<u>-</u>	<u>-</u>	<u>364,705</u>	<u>1</u>
		<u>118,692</u>	<u>1</u>	<u>534,636</u>	<u>1</u>
7900	Profit before income tax	2,341,303	6	2,493,995	6
7950	Less: Income tax expenses (Note 6(t))	<u>376,585</u>	<u>1</u>	<u>442,139</u>	<u>1</u>
	Profit for the period	<u>1,964,718</u>	<u>5</u>	<u>2,051,856</u>	<u>5</u>
8300	Other comprehensive income (loss) (Notes 6(f) and (u)):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Remeasurements of defined benefit plans	(103,783)	-	(151,083)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	220,847	-	365,047	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>20,859</u>	<u>-</u>	<u>24,579</u>	<u>-</u>
		<u>137,923</u>	<u>-</u>	<u>238,543</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(37,786)	-	(189,842)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(112)	-	1,471	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>184</u>	<u>-</u>
		<u>(37,898)</u>	<u>-</u>	<u>(188,187)</u>	<u>(1)</u>
8300	Other comprehensive income (after tax)	<u>100,025</u>	<u>-</u>	<u>50,356</u>	<u>-</u>
8500	Comprehensive income	<u>\$ 2,064,743</u>	<u>5</u>	<u>2,102,212</u>	<u>5</u>
	Profit attributable to:				
8610	Owners of parent	\$ 1,830,190	5	1,938,344	5
8620	Non-controlling interests	<u>134,528</u>	<u>-</u>	<u>113,512</u>	<u>-</u>
		<u>\$ 1,964,718</u>	<u>5</u>	<u>2,051,856</u>	<u>5</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 1,942,381	5	2,009,242	5
8720	Non-controlling interests	<u>122,362</u>	<u>-</u>	<u>92,970</u>	<u>-</u>
		<u>\$ 2,064,743</u>	<u>5</u>	<u>2,102,212</u>	<u>5</u>
	Earnings per share (Note 6(v))				
9750	Basic earnings per share (NT dollars)	<u>\$ 2.30</u>		<u>2.41</u>	
9850	Diluted earnings per share (NT dollars)	<u>\$ 2.30</u>		<u>2.41</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
SANYANG MOTOR CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent												Total equity
	Retained earnings					Exchange differences on translation of foreign financial statements		Other equity		Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity					
Balance at January 1, 2020	8,535,956	1,736,657	2,255,440	1,388,247	2,429,250	6,072,937	(1,549,637)	(44,804)	(1,594,441)	(716,305)	14,034,804	1,205,921	15,240,725
Profit for the year	-	-	-	-	1,938,344	1,938,344	-	-	-	-	1,938,344	113,512	2,051,856
Other comprehensive income for the year	-	-	-	-	(122,579)	(122,579)	(151,362)	344,839	193,477	-	70,898	(20,542)	50,356
Comprehensive income for the year	-	-	-	-	1,815,765	1,815,765	(151,362)	344,839	193,477	-	2,009,242	92,970	2,102,212
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	230,382	-	(230,382)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	225,097	(225,097)	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(811,180)	(811,180)	-	-	-	-	(811,180)	-	(811,180)
Reversal of special reserve due to disposal of land	-	-	-	(39,666)	39,666	-	-	-	-	-	-	-	-
Increase in treasury shares	-	-	-	-	-	-	-	-	-	(462,150)	(462,150)	-	(462,150)
Retirement of treasury shares	(505,180)	(6,687)	-	-	(533,772)	(533,772)	-	-	-	1,045,639	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	203	-	-	-	-	-	-	-	-	203	(504)	(301)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,517)	(2,517)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	40,188	40,188	-	(40,188)	(40,188)	-	-	-	-
Balance at December 31, 2020	8,030,776	1,730,173	2,485,822	1,573,678	2,524,438	6,583,938	(1,700,999)	259,847	(1,441,152)	(132,816)	14,770,919	1,295,870	16,066,789
Profit for the year	-	-	-	-	1,830,190	1,830,190	-	-	-	-	1,830,190	134,528	1,964,718
Other comprehensive income for the year	-	-	-	-	(82,408)	(82,408)	(39,361)	233,960	194,599	-	112,191	(12,166)	100,025
Comprehensive income for the year	-	-	-	-	1,747,782	1,747,782	(39,361)	233,960	194,599	-	1,942,381	122,362	2,064,743
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	136,185	-	(136,185)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(130,078)	130,078	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(1,044,001)	(1,044,001)	-	-	-	-	(1,044,001)	-	(1,044,001)
Increase in treasury shares	-	-	-	-	-	-	-	-	-	(163,787)	(163,787)	-	(163,787)
Retirement of treasury shares	(54,380)	(719)	-	-	(108,688)	(108,688)	-	-	-	163,787	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	1,139	-	-	-	-	-	-	-	-	1,139	(7,958)	(6,819)
Changes in equity of associates and joint ventures accounted for using the equity method	-	(22,161)	-	-	(72,387)	(72,387)	-	-	-	-	(94,548)	-	(94,548)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,675)	(2,675)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	75,878	75,878	-	(75,878)	(75,878)	-	-	-	-
Balance at December 31, 2021	\$ 7,976,396	1,708,432	2,622,007	1,443,600	3,116,915	7,182,522	(1,740,360)	417,929	(1,322,431)	(132,816)	15,412,103	1,407,599	16,819,702

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SANYANG MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the years ended December 31	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before income tax	\$ 2,341,303	2,493,995
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,383,638	1,310,808
Amortization expense	29,772	69,549
Expected credit gain	(17,103)	(3,690)
Net gain on financial assets or liabilities at fair value through profit or loss	(374)	(33,054)
Interest expense	196,492	225,525
Interest revenue	(202,913)	(234,794)
Dividend revenue	(56,132)	(55,998)
Share of (profit) loss of associates and joint ventures accounted for using the equity method	18,331	(2,453)
Loss (gain) on disposal of property, plan and equipment	33,797	(6,686)
Property, plan and equipment transferred to expenses	12,767	-
Loss (gain) on disposal of investment properties	8	(62,448)
Gain on disposal of non-current assets held for sale	-	(364,705)
Impairment loss on non-financial assets	12,567	69,223
Others	(21,655)	(1,149)
Total adjustments to reconcile profit (loss)	1,389,195	910,128
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss, mandatorily measured at fair value	22,279	13,448
Notes and accounts receivable, net	(327,305)	169,247
Accounts receivable from related parties	(276)	149
Other receivables	(46,288)	1,758
Inventories	(1,383,896)	(1,245,175)
Prepayments	(90,882)	(426)
Other current assets	136	7,316
Net defined benefit assets	931	(931)
Contract liabilities	145,912	103,829
Accounts payable	273,180	1,228,119
Accounts payable to related parties	(47,915)	111,417
Other payables	(244,424)	1,432,968
Provisions	(33,852)	45,869
Other current liabilities	(53,627)	124,077
Net defined benefit liabilities	(73,195)	(257,675)
Provisions for employee benefits	(9,122)	(7,665)
Other operating liabilities	4,692	18,707
Total adjustments	(474,457)	2,655,160
Cash inflow generated from operations	1,866,846	5,149,155
Interest received	173,383	192,854
Interest paid	(195,832)	(231,786)
Income taxes paid	(399,785)	(217,829)
Net cash flows from operating activities	1,444,612	4,892,394

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SANYANG MOTOR CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the Years ended December 31	
	2021	2020
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(255,639)	(560,753)
Proceeds from disposal of financial assets at fair value through other comprehensive income	451,152	156,844
Acquisition of investments accounted for using the equity method	(150,000)	-
Proceeds from disposal of non-current assets held for sale	-	473,025
Acquisition of property, plant and equipment	(1,259,712)	(1,985,756)
Proceeds from disposal of property, plant and equipment	257,519	304,748
Increase in other receivables	(304,220)	(127,502)
Decrease in other receivables	125,130	127,502
Proceeds from disposal of investment properties	-	75,949
Increase in long-term lease receivables	(31,599)	(85,202)
Decrease (increase) in other current financial assets	(422,869)	585,767
Increase in other non-current financial assets	(401,866)	(638,945)
Increase in other non-current assets	(13,652)	(27,498)
Dividends received	65,152	57,920
Net cash flows used in investing activities	(1,940,604)	(1,643,901)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	65,708,592	72,219,523
Decrease in short-term borrowings	(67,576,432)	(74,240,441)
Increase in short-term notes and bills payable	130,867	31,320
Proceeds from long-term borrowings	6,836,675	6,496,431
Repayments of long-term borrowings	(3,409,874)	(5,436,431)
Increase in guarantee deposits received	106,277	60,138
Payments of lease liabilities	(123,820)	(138,426)
Cash dividends paid	(1,044,001)	(811,180)
Cost of increase in treasury shares	(163,787)	(462,150)
Acquisition of subsidiaries	(6,819)	(419)
Changes in non-controlling interests	(2,675)	(2,517)
Net cash flows from (used in) financing activities	455,003	(2,284,152)
Effect of exchange rate changes on cash and cash equivalents	9,782	(86,127)
Net increase (decrease) in cash and cash equivalents	(31,207)	878,214
Cash and cash equivalents at beginning of period	4,861,112	3,982,898
Cash and cash equivalents at end of period	\$ 4,829,905	4,861,112

SANYANG MOTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

SANYANG MOTOR 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

SANYANG MOTOR CO., LTD. (the “Company”) was incorporated in September of 1961, and relocated to Hsinchu Industrial Park to accomplish the integration of its factories and offices together, The registered office is located at No. 3, Chung Hwa Road, Hukou, Hsinchu, Taiwan (R.O.C.).

The Company entered China and Vietnam’s scooter market in 2000.

The consolidated financial statements are comprised of the Company and its subsidiaries (the “Group”) and the Group’s interest in associates.

The major business activities of the Group are manufacturing and sale of automobiles, scooters and their parts and providing related technical and consulting services.

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

The consolidated financial statements were authorized for issuance by the Board of Directors on March 30, 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 Equipmentt— Proceeds before Intended Use”

SANYANG MOTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

The Group does not expect the following new and amended standards, which have been issued by the Internal Accounting Standards Board (IASB), but 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 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following significant accounts:

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

SANYANG MOTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 New Taiwan Dollar (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 the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group 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.

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.

SANYANG MOTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding Ratio		Description
			December 31, 2020	December 31, 2019	
The Company	Shan Young Assets Management Co., Ltd.(Shan Young)	Real estate development and management	100.00%	100.00%	Note 1
The Company	Youth Taisun Co., Ltd.(Youth Taisun)	Manufacturing of automobiles, scooters and their parts	100.00%	100.00%	
The Company	Chu-Yang Motor Co., Ltd.(Chu-Yang)	Sale of scooters and its parts	100.00%	100.00%	
The Company	Nanyang Industries Co., Ltd.(Nanyang)	Distribution, repair, and maintenance of automobiles and its parts	89.60%	89.60%	Notes 5
The Company	Nanchen Industries Co., Ltd.(Nanchen)	Sale of automobiles	- %	- %	Notes 3 and 4
The Company	Nova Design Co., Ltd.(Nova Design)	Product design	100.00%	100.00%	
The Company	Sunshine Auto-Lease Co., Ltd.(Sunshine Auto-Lease)	Passenger car rental and leasing	16.27%	16.27%	
The Company	Ching Ta Investment Co., Ltd.(Ching Ta)	Investment activities	99.66%	99.66%	
The Company	Profit Source Investment Ltd.(Profit Source)	Investment shareholding company	100.00%	100.00%	
The Company	Sanyang Deutschland GmbH(SYDE)	Sale of scooters and its parts	100.00%	100.00%	
The Company	SY International Ltd.(SYI)	Investment shareholding company	100.00%	100.00%	
The Company	Sanyang Italia S.r.l(SYIT)	Sale of scooters and its parts	100.00%	100.00%	
The Company	Sanyang Motor Colombia S.A.S(SCB)	Sale of scooters and its parts	100.00%	100.00%	
NOVA Design	Nova Design Ltd.(Nova Samoa)	Investment shareholding company	42.30%	42.30%	
Nanyang	Li Yang Industry Co., Ltd.(Li Yang)	Repair of automobiles and sale of automobile parts	100.00%	100.00%	
Nanyang	Nanchen Industries Co., Ltd.(Nanchen)	Sale of automobiles	- %	90.07%	Notes 3 and 4
Nanyang	Sunshine Auto-Lease Co., Ltd.(Sunshine Auto-Lease)	Passenger car rental and leasing	61.46%	61.46%	
Nanyang	Jau Ryh Business Co.,Ltd.(Jau Ryh)	Truck rental and leasing	100.00%	100.00%	
Nanyang	Nanyang Holding Co.,Ltd.(NY Samoa)	Investment shareholding company	100.00%	100.00%	
Nanyang	Nanyang Insurance Agent Co., Ltd.(Nanyang Insurance Agent)	Property insurance agency business	92.86%	92.86%	
Nanyang	Shian Yang Industrial Co., Ltd.(Shian Yang)	Repair of automobiles and sale of automobile parts	100.00%	100.00%	
Ching Ta	Three Brothers Machinery Industrial Co., Ltd.(TBM)	Manufacturing,processing and sale of scooter parts	55.00%	55.00%	
Ching Ta	Fact Co., Ltd.	Manufacturing, processing and sale of hardware and iron	100.00%	100.00%	
Ching Ta	Sunshine Auto-Lease Co., Ltd.(Sunshine Auto-Lease)	Passenger car rental and leasing	21.12%	21.12%	
Ching Ta	Nova Design Ltd.(Nova Samoa)	Investment shareholding company	57.70%	57.70%	
Profit Source	Chong Hing International Ltd.(Chong Hing)	Investment shareholding company	100.00%	100.00%	

SANYANG MOTOR CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Principal Activity	Shareholding Ratio		Description
			December 31, 2020	December 31, 2019	
Chong Hing	Nova Design (Shanghai) Ltd.(Nova Shanghai)	Product design	61.55%	61.55%	
Sun Goal	Zhangjiagang Qingzhou Engineering Industry Co., Ltd.(SCK)	Manufacturing and sale of scooter parts	30.27%	30.27%	
SYI	Cosmos System Inc.(Cosmos)	Investment shareholding company	100.00%	100.00%	
SYI	New Path Trading Ltd.(New Path)	Investment shareholding company	100.00%	100.00%	
SYI	Plassen International Ltd.(PIL)	Investment shareholding company	100.00%	100.00%	
SYI	Vietnam Manufacturing and Export Processing (Holdings) Ltd.(VMEPH)	Investment shareholding company	67.07%	67.07%	
SYI	Sun Goal Ltd.(Sun Goal)	Investment shareholding company	100.00%	100.00%	
NY Samoa	Su Zhou Hui Ying Motor Sales and Service Co., Ltd.(Su Zhou Hui Ying)	Retail of automobiles and its parts	- %	100.00%	Note 7
NY Samoa	Chang Zhou Nan Yang Motor Sales and Service Co., Ltd.(Chang Zhou Nan Yang)	Retail of automobiles and its parts	100.00%	100.00%	
NOVA Samoa	Nova Design (Shanghai) Ltd.(Nova Shanghai)	Product design	38.45%	38.45%	
TBM	Vietnam Three Brothers Machinery Industrial Co., Ltd.(VTBM)	Manufacturing, processing, and sale of scooter parts	69.00%	69.00%	
TBM	Three Brothers Machinery Industrial (BVI) Co.,Ltd.(TBM BVI)	Investment shareholding company	100.00%	100.00%	
TBM	Full Ta Co., Ltd. (Full Ta)	Investment shareholding company	- %	51.00%	Note 6
Cosmos	Zhangjiagang Qingzhou Engineering Industry Co., Ltd.(SCK)	Manufacturing and sale of scooter parts	69.73%	69.73%	
New Path	Sanyang Global (Xiamen) Co., Ltd.(Sanyang Global)	Scooter parts and molds development and wholesale	100.00%	100.00%	
VMEPH	Chin Zong Trading Co., Ltd.(Chin Zong)	Wholesale and retail of scooters and its parts	100.00%	100.00%	
VMEPH	Vietnam Manufacturing and Export Processing Co., Ltd.(VMEP)	Manufacturing and sale of scooters and its part	100.00%	100.00%	
PIL	Xiamen Xiashing Motorcycle Co., Ltd.(Xia Shing Motor)	Manufacturing and sale of scooters and its parts	76.67%	76.67%	
TBM BVI	Xiamen Three Brothers Machinery Industrial Co., Ltd.(XTBM)	Manufacturing, processing and sale of scooter parts	100.00%	100.00%	
VMEP	Vietnam Casting Forge Precision Ltd.(VCFP)	Manufacturing of scooter parts, etc	100.00%	100.00%	
VMEP	Vietnam Three Brothers Machinery Industrial Co., Ltd.(VTBM)	Manufacturing, processing and sale of scooter parts	31.00%	31.00%	
VMEP	Dinh Duong Joint Stock Company(Dinh Duong)	Sale of scooters and real estate development, etc.	99.94%	99.94%	Note 2

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- Note 1: The Company increased its invested capital in Shan Young by \$1 billion in the third quarter of 2020.
- Note 2: 0.04% of Dinh Duong's equity was acquired using debt-to-equity swap in the first quarter of 2020.
- Note 3: In 2020, Nanyang acquired 0.17% of Nanchen's equity (comprised of 17 thousand shares) from non related parties with \$114 thousand. Later in the first quarter of 2021, Nanyang purchased 994 thousand shares of Nanchen from non related parties for \$6,819 thousand, and completed the short-form merger on March 1, 2021, making Nanyang the surviving company.
- Note 4: Nanyang acquired 19.85% of Nanchen's equity (comprised of 1,986 thousand shares) from the Company with \$15,190 thousand in the fourth quarter of 2020.
- Note 5: The Company acquired 0.01% of Nanyang's equity (comprised of 22 held thousand shares) from non-related parties with \$305 thousand in the fourth quarter of 2020.
- Note 6: Full Ta had been liquidated in the first quarter of 2021.
- Note 7: Su Zhou Hui Ying had been liquidated in the second quarter of 2021.

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

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), the monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into functional currencies at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the translation.

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

- 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 the hedge is effective.

(ii) Foreign operations

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

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

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

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

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current. An entity shall classify a liability as current when:

- (i) It is expected to be settled within 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 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.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

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(g) Financial instruments

Account 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 an account 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. An account 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 or settlement date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; 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
- 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 other comprehensive income (FVOCI)

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income

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calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

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

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

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is

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evaluated on a fair value basis are measured at FVTPL.

- 5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features)

- 6) 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, notes and accounts receivables, other receivables, leases 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 allowances for accounts receivables 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 considers a debt security to have low credit risk when its credit risk rating is

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equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

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

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowances charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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 writeoff based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

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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.

7) 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.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

(i) Manufacturing industry

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

(ii) Construction industry

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes costs incurred in bringing them to their existing location and condition. The cost of real estate development includes the construction costs incurred in developing, the land costs, the borrowing costs and the project costs. If the cost of inventories is higher than net realizable value, inventories shall be written down below cost to net realizable value, and the amount of the write-down shall be recognized as cost of sales in the period the write-down occurs.

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

1) Land held for development

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value (development analytical method or comparison method).

2) Construction in progress

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Net realizable value is the estimated selling price (current market condition) in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value.

3) Properties and land held for sale

Net realizable value is the estimated selling price (current market condition) in the ordinary course of business, less the estimated costs of completion and selling expenses, or estimated by recent market value

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies. Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, property, plant and equipment are no longer depreciated, and any equity-accounted investee is no longer equity accounted.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill which is arising from the acquisition less any accumulated impairment losses.

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The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (or retained earnings) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method without remeasuring the retained interest.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

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(k) Investment property

Investment property is the 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.

(l) 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.

Land is not depreciated.

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

(1)Buildings	3~55 years
(2)Machinery equipment	2~16 years
(3)Utilities and vehicles	3~15 years
(4)Office equipment and others	3~10 years
(5)Leased assets	5 years

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

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(iv) Reclassification to investment property

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

(m) 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;
- 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

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- 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 of its assessment on whether it will exercise an option to purchase the underlying asset, or
- 4) there is a change of its assessment of lease period on whether it will exercise a extension or termination option; or
- 5) there is any lease modifications

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

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

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 balance sheet.

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 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.

(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.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

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The Group recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Group recognizes lease payments received as rental income under operating leases on a straight-line basis over the lease term.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|----------------------|-----------|
| 1) Computer software | 2~5 years |
| 2) Royalty | 5 years |
| 3) Others | 3~5 years |

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

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(o) 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 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.

For the assets expect for goodwill, 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.

(p) 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.

(q) Revenue recognition

(i) 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.

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1) Sale of goods-automobiles, scooters and their parts

The Group manufactures and sells automobiles, scooters and their parts.

The Group recognizes revenue when control of the products has 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 location according to the contract, 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 often offers volume discounts to its customers based on aggregate sales of its products. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the credit term of the sales of goods is consistent with the market practice.

The Group's obligation to provide a refund or maintenance for faulty products under the standard warranty terms is recognized as a provision, please refer to Note 6(r).

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.

2) Service revenue

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion, which is of the costs incurred to date as a proportion of the total estimated costs of the transaction, at the reporting date. If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of the transaction, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

3) Technical support and consulting services

Including consulting services, assisting foreign operators to develop new types of scooter, and technical remuneration determined based on the sales volume of foreign operators, which is calculated when sales actually occur.

4) Land development and sale of real estate

The Group develops and sells residential properties and usually sales properties in advance during construction or before construction begins. Revenue is recognized when control over the properties has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title of a property has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. For sale of

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readily available house, in most cases, the consideration is due when legal title of a property has been transferred, while deferred payment terms may be agreed in rare circumstances. If the contract includes a significant financing component, the transaction price will be adjusted for the effects of the time value of money during the period, using the specific borrowing rate of the construction project. Receipt of a prepayment from a customer is recognized as contract liability. Interest expense and contract liability are recognized when adjusting the effects of the time value of money. Accumulated amount of contract liability is recognized as revenue when control over the property has been transferred to the customer.

5) Financing components

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

(r) 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 separately 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 any 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.

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

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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.

(s) 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

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 payables or receivables 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.

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

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significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(t) Business combination

The Group accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

The Group recognizes the acquisition-date fair value of the contingent consideration as part of the consideration transferred. The cost of the acquisition and measuring goodwill will retrospectively be adjusted when some changes in the fair value of contingent consideration that the Group recognizes have been made after the acquisition date. Measurement period adjustments is the result of additional information that the Group obtained after that date about facts and circumstances that existed at the acquisition date. The measurement period will not exceed one year from the acquisition date. The Group accounts for the changes in the fair value of contingent consideration that are not measurement period adjustments based on the classification of contingent consideration. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement will be accounted for within equity. Others will be measured at fair value at each reporting date and changes in fair value will be recognized in profit or loss or other comprehensive income.

(u) Earnings per share

The Group discloses the Company basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to

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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.

(v) 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 assess its performance. Each operating segment consists of standalone financial information.

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

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

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

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. These assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic.

(a) The loss allowance of accounts receivable

The Group has estimated the loss allowance of accounts 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. For the information on the relevant assumptions and inputs, please refer to Note 6(d).

(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.

Assessment

The Group's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value.

The group periodically adjusts valuation models, conducts back-testing, renews input data for valuation models. If the sources of input data for valuation models are provided by the outer third-party (e.g.

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agencies or pricing intuitions), the Group evaluates relevant supportive evidence to confirm that such results of valuation and classification of the fair value hierarchy are in compliance with the IFRSs.

The Group strives to use market observable inputs when measuring assets and liabilities. For different levels of the fair value hierarchy to be used in determining the fair value of financial instruments, please refer to Note 6(z).

Please refer to note 6(z) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	\$ 2,159	2,021
Checking accounts and demand deposits	3,287,930	2,978,047
Time deposits	1,245,927	1,881,044
Cash equivalents	293,889	-
Cash and cash equivalents	\$ 4,829,905	4,861,112

(i) Unrestricted time deposits with original maturities after 3 months are classified as other (non)current financial assets. As of December 31, 2021 and 2020, the time deposits aforementioned were \$3,691,949 thousand and \$3,160,040 thousand, respectively.

(ii) Please refer to note 6(z) for the 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

	December 31, 2021	December 31, 2020
Current financial assets measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward exchange contract	\$ -	19,606
No-current financial assets measured at fair value through profit or loss:		
Preferred shares of overseas unlisted companies	\$ 15,459	15,459
Current financial liabilities measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward exchange contract	\$ 2,299	-

The Group uses derivative financial instruments to hedge the certain foreign exchange the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

	December 31, 2021	
Amount (in thousands)	Currency	Maturity dates

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Buy forward exchange contracts USD 19,528 Buy USD Sell NTD January 4, 2022~ May 23, 2022

	December 31, 2020		
	Amount (in thousands)	Currency	Maturity dates
Sell forward exchange contracts	USD 8,000	Sell USD buyCNY	January 27, 2021~April 28, 2021

(c) Financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Equity investments at fair value through other comprehensive income:		
Common shares of domestic listed companies	\$ 2,102,835	2,114,215
Private shares of domestic listed companies	1,130,278	1,049,318
Common shares of domestic unlisted companies	360,704	454,042
Common shares of overseas unlisted companies	234,076	175,545
Total	\$ 3,827,893	3,793,120

- (i) The Group designate the equity investments stated above as financial assets at fair value through other comprehensive income because the Group intends to hold these investments for long-term strategic purposes.
- (ii) For the years ended December 31, 2021 and 2020, dividend revenues of \$56,129 thousand and \$55,989 thousand respectively, related to equity investments at fair value through other comprehensive income, were recognized.
- (iii) The information on sale of equity instruments at fair value through other comprehensive income in consideration of investing strategy was as follow:

	2021	2020
Fair value of disposal	\$ 446,838	161,158
Gain or loss on disposal transferred to retained earnings	\$ 75,878	40,188

- (iv) Please refer to Note 6(z) for credit risk and market risk.
- (v) As of December 31, 2021 and 2020, the Group did not provide any financial assets at fair value through other comprehensive income as collaterals.

(d) Notes and accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Notes receivable from operating activities	\$ 288,962	269,493
Installment notes receivable from operating activities	931	1,108
Less: Unrealized interest revenue from installment sales	(57)	(68)

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Subtotal	289,836	270,533
Accounts receivable—measured at amortized cost	1,968,022	1,817,203
Installment accounts receivable—measured at amortized cost	7,568	7,576
Less: Unrealized interest revenue from installment sales	(907)	(907)
Subtotal	1,974,683	1,823,872
Lease receivables—measured at amortized cost	803,643	723,603
Less: Unrealized interest revenue	(30,926)	(24,964)
Subtotal	772,717	698,639
Other receivables	565,970	315,890
Total	3,603,206	3,108,934
Less: loss allowance	(108,659)	(223,449)
	\$ 3,494,547	2,885,485
Current	\$ 3,029,531	2,452,068
Non-current	465,016	433,417
Total	\$ 3,494,547	2,885,485

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

Expected credit losses for notes and accounts receivable were determined as follows:

Credit rating	December 31, 2021			
	Gross carrying amount	Weighted average expected credit loss rate	Loss allowance provision	Credit impaired
Low risk	\$ 2,771,435	0%~5%	8,871	Yes
Medium risk	265,801	7%~100%	99,788	Yes
Total	\$ 3,037,236		108,659	

Credit rating	December 31, 2020			
	Gross carrying amount	Weighted average expected credit loss rate	Loss allowance provision	Credit impaired

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Low risk	\$ 2,495,333	0%~5%	16,634	Yes
Medium risk	<u>297,711</u>	20%~100%	<u>206,815</u>	Yes
Total	<u>\$ 2,793,044</u>		<u>223,449</u>	

The aging analyses of notes and accounts receivable were determined as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	\$ 2,808,612	2,386,566
Overdue 0 to 90 days	114,975	195,061
Overdue 91 to 180 days	16,532	4,780
Over 180 days past due	<u>97,117</u>	<u>206,637</u>
	<u>\$ 3,037,236</u>	<u>2,793,044</u>

For the credit risk of other receivables as of December 31, 2021 and 2020, please refer to note 6(z).

The movements in the allowance for notes and accounts receivable were as follows:

	<u>2021</u>	<u>2020</u>
Balance at January 1	\$ 223,449	228,389
Impairment losses reversed	(17,103)	(3,690)
Amounts written off	(97,937)	(801)
Foreign exchange gains (losses)	250	(449)
Balance at December 31	<u>\$ 108,659</u>	<u>223,449</u>

As of December 31, 2021 and 2020, notes and accounts receivable of the Group were pledged as collaterals; please refer to Note 8.

(e) Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Manufacturing Industry:		
Raw materials and consumables	\$ 2,231,324	1,935,205
Work in process	331,053	264,886
Finished goods	1,550,814	1,722,043
Inventories in transit	<u>725,676</u>	<u>388,886</u>
Subtotal	<u>4,838,867</u>	<u>4,311,020</u>
Construction industry:		
Land held for construction site	1,952,773	1,228,724
Prepaid for land purchase	<u>83,345</u>	<u>117,716</u>
Subtotal	<u>2,036,118</u>	<u>1,346,440</u>

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Total	<u>\$</u>	<u>6,874,985</u>	<u>5,657,460</u>
Expected to be recovered in more than 12 months	<u>\$</u>	<u>1,952,773</u>	<u>1,262,891</u>

- (i) Shan Young, a subsidiary of the Group, acquired the land located on Fuxing Section., Hsinchu City in the year of 2019 in succession and was involved in the Phase II Land Readjustment Project in Guaung-Pu, East District, Hsinchu City. According to the Plan of Readjustment prepared by preparatory committee in April, 2014, the land owners should bear the allocation of public facilities area in proportion to 39.26% and allocation of expenditures in proportion to 13.57%. The actual aforementioned ratio would depend on the calculation approved by the Hsinchu City Government. In addition, according to the Readjustment Rules made by the preparatory committee in July, 2014, all matters related to the readjustment area would be contracted to Zhen Ding Development Co., Ltd..
- (ii) Shan Young, a subsidiary of the Group, temporarily transfers the registration of its agricultural land to the third party due to consideration of regulations, but the original ownership certificates are retained and registration of other rights as guarantees. As of December 31, 2021 and 2020, the cost of land, in land registration progress, amounted to \$412,881 thousand and \$125,548, respectively, and was accounted for as “Inventories (for construction industry)”.
- (iii) Dinh Duong, the subsidiary of VMEPH, a subsidiary of the Group, signed the Memorandum of Understanding with Mr. Nguyen Danh Hoang Viet, a non-related party, in the year of 2019. Both parties agreed to collaboratively invest the property located in Ciputra Hanoi International City, Hanoi, Vietnam. According to the terms of the Memorandum, the property cannot be sold at a profit unless both parties agree with it. Also, due to the counter-party is Mr. Nguyen Danh Hoang Viet, the Group has acquired related documents as guarantees. The balance of related prepayments for land purchase at December 31, 2021 and 2020 was \$83,345 thousand and \$83,549 thousand, respectively.

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- (iv) For the years ended December 31, 2021 and 2020, the details of the cost of sales were as follows:

	For the years ended December 31	
	2021	2020
Cost of goods sold	\$ 32,507,289	31,808,189
Revenue from sale of scraps	(66,188)	(41,181)
Loss on disposal of inventory	34,777	11,739
Loss on (gain on recovery of) inventory market price decline and obsolescence	31,331	13,051
Loss on physical inventory	3,079	649
Cost of technical service	197,729	215,518
Cost of lease	856,851	835,583
Cost of design service	43,796	43,723
Others	75,849	80,791
	\$ 33,684,513	32,968,062

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

- (f) Investments accounted for using the equity method

- (i) A summary of the group's financial information on investments accounted for using the equity method is as follows:

	December 31, 2021	December 31, 2020
Associates	\$ 733,112	705,126

- (ii) The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows:

	December 31, 2021	December 31, 2019
Carrying amount of individually insignificant associates' equity	\$ 733,112	705,126

	For the years ended December 31	
	2021	2020
Attributable to the Group:		
Net income (loss) from continuing operations	(18,331)	2,453
Other comprehensive income (loss)	(112)	1,471
Comprehensive income	(18,443)	3,924

- (iii) APh ePower Co., Ltd. issued ordinary share for cash in July 2021. The Company subscribed to additional share by \$150,000 thousand at a percentage different from its existing ownership percentage resulting in the shareholding ratio increased from 23.21% to 29.51%.

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(iv) Collateral

As of December 31, 2021 and 2020, the Group did not provide any investment accounted for using the equity method as collaterals.

- (v) Though the Group is the first majority shareholder of some of its associates, the Group is not entitled to multiple voting rights. The Group could be deterred from dominating the relevant activities of investee companies once other shareholders with minority voting rights collaborate. In conclusion, there is only the existence of significant influence over rather than control over the associates stated above.

(g) Acquisition of non-controlling interests

In March 2021, the Group further acquired shares of Nanchen Industry Co., Ltd. in cash with \$6,819 thousand, and the shareholding ratio increased from 80.70% to 89.60%.

The impacts of the changes in the Group's ownership of Nanchen Industry Co., Ltd. upon the equity attributable to owners of parent were as follows:

Carrying amount of the acquired non-controlling interests	\$	7,958
The consideration paid to non-controlling interests		(6,819)
Capital surplus - Difference between consideration and carrying amount of subsidiaries acquired or disposed	\$	1,139

The Group had no transaction with non-controlling interests in 2020.

(h) Material non-controlling interests of subsidiaries

Subsidiaries	Main operation place	Percentage of non-controlling interests	
		December 31, 2021	December 31, 2020
VMEPH and its subsidiaries	Vietnam/Hong Kong	32.93%	32.93%
Xia Shing Motor	China	23.33%	23.33%

The following information of the aforementioned subsidiaries had been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

VMEPH and its subsidiaries's collective financial information:

	December 31, 2021	December 31, 2020
Current assets	\$ 2,931,311	2,791,998
Non-current assets	216,497	221,282
Current liabilities	(1,672,423)	(1,378,065)
Non-current liabilities	(19,380)	(19,677)
Net assets	\$ 1,456,005	1,615,538
Non-controlling interests	\$ 479,554	532,094
	For the years ended December 31	
	2021	2020
Sales revenue	\$ 2,599,971	2,480,431
Net loss	\$ (155,659)	(167,627)
Other comprehensive income	(3,874)	(104,691)
Comprehensive income	\$ (159,533)	272,318
Net loss, attributable to non controlling interests	\$ (51,259)	(55,200)
Comprehensive income, attributable to non-controlling interests	\$ (52,540)	(89,675)

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Net cash flows from operating activities	\$ (108,710)	(106,325)
Net cash flows from investing activities	(148,367)	(44,511)
Net cash flows from financing activities	109,673	53,688
Net decrease in cash and cash equivalents	<u>\$ (147,404)</u>	<u>(97,148)</u>

Xia Shing Motor's collective financial information:

	December 31, 2021	December 31, 2020
Current assets	\$ 3,487,226	2,586,682
Non-current assets	1,639,639	1,198,498
Current liabilities	(2,387,595)	(1,746,390)
Non-current liabilities	<u>(56,273)</u>	<u>(46,466)</u>
Net assets	<u>\$ 2,682,997</u>	<u>1,992,324</u>
Non-controlling interests	<u>\$ 625,946</u>	<u>464,798</u>

	For the years ended December 31	
	2021	2020
Sales revenue	<u>\$ 8,751,396</u>	<u>6,159,421</u>
Net gain	\$ 676,414	533,995
Other comprehensive income	14,259	232
Comprehensive income	<u>\$ 690,673</u>	<u>534,227</u>
Net gain, attributable to non controlling interests	<u>\$ 157,811</u>	<u>124,570</u>
Comprehensive income, attributable to non-controlling interests	<u>\$ 161,134</u>	<u>124,635</u>
Net cash flows from operating activities	\$ 720,667	591,326
Net cash flows from investing activities	(493,306)	(845,116)
Net cash flows from financing activities	<u>131,069</u>	<u>130,986</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 358,430</u>	<u>(122,804)</u>

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(i) 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 follow:

	Land	Buildings	Machinery equipment	Utility and vehicles	Office equipment and others	Leased Assets	Construction in progress	Accumulated impairment	Total
Cost or deemed cost:									
Balance on January 1, 2021	\$ 6,241,965	6,830,498	15,412,690	1,449,658	1,831,816	1,344,387	377,065	-	33,488,079
Additions	-	17,591	279,951	23,961	64,644	341,435	532,130	-	1,259,712
Disposals	-	(121,332)	(1,460,080)	(209,299)	(148,747)	(269,368)	-	-	(2,208,826)
Transfer from inventories	-	-	-	124,118	20,172	-	-	-	144,290
Transfer from (to) construction in progress	-	292,353	243,639	9,717	33,892	-	(579,601)	-	-
Transfer from prepayments for equipment	-	-	2,215	-	246	-	-	-	2,461
Reclassifications	(2,011)	-	(16,422)	231,440	(188,374)	-	(10,720)	-	13,913
Effect of changes in foreign exchange rates	-	3,282	41,013	(4,143)	(34,403)	-	10	-	5,759
Balance on December 31, 2021	\$ 6,239,954	7,022,392	14,503,006	1,625,452	1,579,246	1,416,454	318,884	-	32,705,388
Balance on January 1, 2020	\$ 5,893,251	6,169,850	15,345,061	1,567,236	1,610,031	1,226,178	920,175	-	32,731,782
Additions	352,455	59,759	422,498	92,071	51,275	428,863	578,835	-	1,985,756
Disposals	-	(26,512)	(612,962)	(123,200)	(115,605)	(310,654)	(14,510)	-	(1,203,443)
Transfer from inventories	-	-	-	148,531	33,082	-	(71)	-	181,542
Transfer from (to) construction in progress	2,982	672,221	382,823	13,164	72,900	-	(1,144,090)	-	-
Transfer from prepayments for equipment	-	10,035	28,173	935	757	-	44,893	-	84,793
Transfer to investment property	(6,723)	(20,453)	-	-	-	-	-	-	(27,176)
Reclassifications	-	8,668	127	(429)	(45,800)	-	(870)	-	(38,304)
Effect of changes in foreign exchange rates	-	(43,070)	(153,030)	(248,650)	225,176	-	(7,297)	-	(226,871)
Balance on December 31, 2020	\$ 6,241,965	6,830,498	15,412,690	1,449,658	1,831,816	1,344,387	377,065	-	33,488,079
Accumulated depreciation and impairment loss :									
Balance on January 1, 2021	\$ -	3,738,920	13,383,598	1,286,642	1,119,713	503,196	-	744,939	20,777,008
Depreciation for the year	-	173,493	567,694	55,040	128,179	236,085	-	-	1,160,491
Impairment loss	-	-	-	-	-	-	-	11,293	11,293
Disposals	-	(118,294)	(1,203,858)	(60,950)	(134,307)	(199,276)	-	(200,825)	(1,917,510)
Transfer from prepayments for equipment	-	-	-	-	-	-	-	2,461	2,461
Reclassifications	-	-	(17,873)	-	44,553	-	-	-	26,680
Effect of changes in foreign exchange rates	-	2,330	29,834	(127)	(27,711)	-	-	1,170	5,496
Balance on December 31, 2021	\$ -	3,796,449	12,759,395	1,280,605	1,130,427	540,005	-	559,038	20,065,919
Balance on January 1, 2020	\$ -	3,620,536	13,434,516	1,292,470	1,151,379	410,781	-	771,647	20,681,329
Depreciation for the year	-	170,367	545,919	52,193	87,350	222,549	-	-	1,078,378
Impairment loss	-	-	-	-	-	-	-	67,301	67,301
Disposals	-	(19,183)	(463,542)	(43,803)	(111,864)	(130,134)	-	(136,855)	(905,381)
Transfer to investment property	-	(13,327)	-	-	-	-	-	-	(13,327)
Transfer from prepayments for equipment	-	-	-	-	-	-	-	84,793	84,793
Reclassifications	-	3,501	(41)	(343)	(3,108)	-	-	-	9
Effect of changes in foreign exchange rates	-	(22,974)	(133,254)	(13,875)	(4,044)	-	-	(41,947)	(216,094)
Balance on December 31, 2020	\$ -	3,738,920	13,383,598	1,286,642	1,119,713	503,196	-	744,939	20,777,008
Carrying amount:									
Balance on December 31, 2021	\$ 6,239,954	3,225,943	1,743,611	344,847	448,819	876,449	318,884	(559,038)	12,639,469
Balance on January 1, 2020	\$ 5,893,251	2,549,314	1,910,545	274,766	458,652	815,397	920,175	(771,647)	12,050,453
Balance on December 31, 2020	\$ 6,241,965	3,091,578	2,029,092	163,016	712,103	841,191	377,065	(744,939)	12,711,071

(i) VMEP, a subsidiary of the Group, conducted impairment assessment for property, plant and equipment, right-of-use assets and prepayments for equipment on the reporting date. The

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assessment was based on the recoverable amount of the assets, which was the greater of the value in use and the fair value less the costs to sell. The value in use was calculated based on the estimated cash flows affected by comprehensive conditions such as industrial change, market competition, and variation of future revenues, gross profit and operating costs, etc., then being discounted to its present value. The Group used discount rate of 15% and 14% for the years ended 2021 and 2020, respectively, which reflected the risks specific to the assets or CGUs, and impairment losses were accordingly recognized in the amount of \$12,190 thousand (\$10,916 thousand for property plant and equipment, \$52 thousand for intangible assets and \$1,222 thousand for prepayments for equipment) and \$56,923 thousand (\$55,001 thousand for property, plant and equipment, and \$1,922 thousand for right-of-use assets); please refer to note 6(j) and (y).

(ii) As of December 31, 2021 and 2020, the property, plant and equipment of the Group were pledged as collaterals; please refer to note 8.

(j) Right-of-use assets

The movements in the cost and depreciation of the leased land and buildings were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021	\$ 490,228	864,860	1,355,088
Additions	-	119,185	119,185
Reductions	-	(39,789)	(39,789)
Effect of changes in foreign exchange rates	349	(2,072)	(1,723)
Balance on December 31, 2021	<u>\$ 490,577</u>	<u>942,184</u>	<u>1,432,761</u>
Balance on January 1, 2020	\$ 507,040	831,568	1,338,608
Additions	48,631	60,535	109,166
Reductions	(6,511)	(25,849)	(32,360)
Transfer to investment property	(37,432)	-	(37,432)
Effect of changes in foreign exchange rates	(21,500)	(1,394)	(22,894)
Balance on December 31, 2020	<u>\$ 490,228</u>	<u>864,860</u>	<u>1,355,088</u>
Accumulated depreciation and impairment loss:			
Balance on January 1, 2021	\$ 292,124	253,648	545,772
Depreciation for the year	11,001	133,390	144,391
Reductions	-	(24,015)	(24,015)
Effect of changes in foreign exchange rates	(569)	(1,036)	(1,605)
Balance on December 31, 2021	<u>\$ 302,556</u>	<u>361,987</u>	<u>664,543</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance on January 1, 2020	\$ 306,629	123,378	430,007
Depreciation for the year	11,797	142,757	154,554
Impairment loss	-	1,922	1,922
Reductions	(6,511)	(12,677)	(19,188)
Transfer to investment property	(2,327)	-	(2,327)
Effect of changes in foreign exchange rates	(17,464)	(1,732)	(19,196)
Balance on December 31, 2020	<u>\$ 292,124</u>	<u>253,648</u>	<u>545,772</u>
Carrying amount:			
Balance on December 31, 2021	<u>\$ 188,021</u>	<u>580,197</u>	<u>768,218</u>
Balance on January 1, 2020	<u>\$ 200,411</u>	<u>708,190</u>	<u>908,601</u>
Balance on December 31, 2020	<u>\$ 198,104</u>	<u>611,212</u>	<u>809,316</u>

As of December 31, 2021 and 2020, right-of-use assets of the Group were pledged as collaterals; please refer to Note 8.

(k) Investment property

The movements of investment property of the Group were as follow :

	<u>Owned property</u>		<u>Right-of-use assets</u>	<u>Total</u>
	<u>Land and improvements</u>	<u>Buildings</u>	<u>Land and improvements</u>	
Cost or deemed cost:				
Balance on January 1, 2021	\$ 1,417,757	2,840,089	151,464	4,409,310
Transfer from prepayments	-	15,317	-	15,317
Disposals/Write offs	-	(30,784)	-	(30,784)
Effect of changes in foreign exchange rates	-	478	(49)	429
Balance on December 31, 2021	<u>\$ 1,417,757</u>	<u>2,825,100</u>	<u>151,415</u>	<u>4,394,272</u>
Balance on January 1, 2020	\$ 1,417,757	2,840,689	121,694	4,380,140
Transfer from property, plant and equipment	6,723	20,453	-	27,176
Transfer from right-of-use assets	-	-	37,432	37,432
Disposal/Write-off	(6,723)	(20,358)	-	(27,081)
Effect of changes in foreign exchange rates	-	(695)	(7,662)	(8,357)
Balance on December 31, 2020	<u>\$ 1,417,757</u>	<u>2,840,089</u>	<u>151,464</u>	<u>4,409,310</u>
Accumulated depreciation and impairment loss:				
Balance on January 1, 2021	\$ -	486,340	3,634	489,974
Depreciation for the year	-	76,971	1,785	78,756
Disposals/Write offs	-	(30,776)	-	(30,776)
Effect of changes in foreign exchange rates	-	196	11	207
Balance on December 31, 2021	<u>\$ -</u>	<u>532,731</u>	<u>5,430</u>	<u>538,161</u>

<u>Owned property</u>	<u>Right-of-use assets</u>
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	<u>Land and improvements</u>	<u>Buildings</u>	<u>Land and improvements</u>	<u>Total</u>
Balance on January 1, 2020	\$ -	409,434	726	410,160
Depreciation for the year	-	77,247	629	77,876
Transfer from property, plant and equipment	-	13,327	-	13,327
Disposals/Write offs	-	(13,580)	-	(13,580)
Transfer from right-of-use assets	-	-	2,327	2,327
Effect of changes in foreign exchange rates	-	(88)	(48)	(136)
Balance on December 31, 2020	<u>\$ -</u>	<u>486,340</u>	<u>3,634</u>	<u>489,974</u>
Carrying amount:				
Balance on December 31, 2021	<u>\$ 1,417,757</u>	<u>2,292,369</u>	<u>145,985</u>	<u>3,856,111</u>
Balance on December 31, 2020	<u>\$ 1,417,757</u>	<u>2,353,749</u>	<u>147,830</u>	<u>3,919,336</u>
Balance on January 1, 2020	<u>\$ 1,417,757</u>	<u>2,431,255</u>	<u>120,968</u>	<u>3,969,980</u>
Fair value:				
Balance on December 31, 2021				<u>\$ 13,690,285</u>
Balance on December 31, 2020				<u>\$ 13,496,426</u>

(i) The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser or the Company, using comparative method (reference to the website of Department of Land Administration for the registered actual selling price or real-estate agency's website for the average transaction price in similar district). The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

(ii) As of December 31, 2021 and 2020, the investment property of the Group were pledged as collateral; please refer to Note 8.

(l) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

December 31, 2021			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CBF, IBFC	0.848%	\$ 299,798
Acceptance payable			552,151
Total			<u>\$ 851,949</u>
December 31, 2020			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CBF, IBFC	0.88%~0.89%	\$ 300,000
Acceptance payable			418,127
Total			<u>\$ 718,127</u>

For the collaterals for short-term notes and bills payable, please refer to Note 8.

(m) Short-term borrowings

December 31, December 31,

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	<u>2021</u>	<u>2020</u>
Letters of credit	\$ 540,644	116,753
Unsecured bank loans	1,100,000	885,000
Secured bank loans	<u>5,227,800</u>	<u>7,737,415</u>
Total	<u>\$ 6,868,444</u>	<u>8,739,168</u>
Unused short-term credit lines	<u>\$ 12,204,729</u>	<u>11,327,755</u>
Range of interest rates	<u>0.59%~6.00%</u>	<u>0.80%~4.95%</u>

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

(n) Accounts payable (including related parties)

Accounts payable (including related parties) were summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payables to suppliers	<u>\$ 4,331,437</u>	<u>4,113,564</u>

(o) Long-term borrowings

The long-term borrowings were summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank loans	\$ 700,000	719,000
Secured bank loans	8,532,100	5,486,097
Commercial paper payable	399,797	-
Less: current portion	<u>(460,373)</u>	<u>(597,365)</u>
Total	<u>\$ 9,171,524</u>	<u>5,607,732</u>
Unused long-term credit lines	<u>\$ 663,178</u>	<u>523,973</u>
Range of interest rates	<u>0.84%~1.45%</u>	<u>0.84%~1.90%</u>

(i) For the collateral for long-term borrowings, please refer to Note 8.

(ii) The group early repaid the remaining principal of the syndicated loan and terminated the contract on November 30, 2020.

(iii) Certain financial covenants

As stipulated in the financing contract between Shan Young and Shin Kong Bank, the annual financial report of Shan Young should maintain certain financial ratios such as current ratio and financial debt ratio. As of December 31, 2021, the financial report complied with the aforementioned financial covenants.

(p) Lease liabilities

Lease liabilities of the Group were as follows:

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	December 31, 2021	December 31, 2020
Current	<u>\$ 126,197</u>	<u>124,239</u>
Non-current	<u>\$ 528,626</u>	<u>562,953</u>

- (i) For the maturity analysis, please refer to Note 6(z).
- (ii) The amount recognized in profit or loss was as follows:

	For the year ended December 31	
	2021	2020
Interest on lease liabilities	<u>\$ 10,769</u>	<u>11,914</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 622</u>	<u>3,607</u>
Expenses relating to short-term leases	<u>\$ 21,241</u>	<u>26,804</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 3,342</u>	<u>4,591</u>

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

	For the year ended December 31	
	2021	2020
Total cash outflow for leases	<u>\$ 159,794</u>	<u>185,342</u>

- (iii) Real estate leases

The Group leases land and buildings for its office of space and stores. The leases of office space typically run for a period of 2 to 5 years, and stores for 5 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional payments that are based on changes in sales that the Group makes at the leased store in the period. Some also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

Some leases of equipment contain extension and cancellation options exercisable by the Group. 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 the lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

- (iv) Other leases

The Group leases IT equipment and machinery with contract terms of 1 to 3 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

- (q) Provisions

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	For the years ended December 31	
	2021	2020
Balance on January 1	\$ 615,540	569,336
Provisions made during the year	233,081	267,402
Provisions used during the year	(178,246)	(207,059)
Provisions reversed during the year	(88,687)	(14,474)
Effect of changes in foreign exchange rates	(1,400)	335
Balance on December 31	\$ 580,288	615,540
Current	\$ 405,292	421,730
Non-current	174,996	193,810
Total	\$ 580,288	615,540

The provision for warranties of relates mainly to sales of automobiles and scooters for the years ended December 31, 2021 and 2020. The provision is based on estimates made from historical warranty data.

(r) Operating lease

The Group leases out investment property, etc. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(k) for information on the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

	December 31, 2021	December 31, 2020
Less than one year	\$ 85,552	102,181
One to two years	69,929	58,301
Two to three years	54,870	31,440
Three to four years	40,525	26,404
Four to five years	18,200	10,904
More than five years	7,959	10,584
Total undiscounted lease payments	\$ 277,035	239,814

Rental income from investment properties for the years ended December 31, 2021 and 2020, were \$91,772 thousand and \$101,705 thousand, respectively.

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(s) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value for the Group were as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	\$ 2,951,631	3,211,232
Fair value of plan assets	<u>(2,100,604)</u>	<u>(2,370,865)</u>
	<u>\$ 851,027</u>	<u>840,367</u>
Net defined benefit (assets)	\$ -	(931)
Net defined benefit liabilities	<u>851,027</u>	<u>841,298</u>
	<u>\$ 851,027</u>	<u>840,367</u>

The employee benefit liabilities for the Group were as follows:

	December 31, 2021	December 31, 2020
Compensated absence liabilities	<u>\$ 110,283</u>	<u>119,461</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 not be less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$2,105,995 thousand as of December 31, 2021. 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.

Nanyang, a subsidiary of the Group, is planning to settle the defined benefits obligations, and the expected payments, which is to be paid to employees in year 2021, in the amount of \$115,207 thousand are accounted for as "Other Payables" on December 31, 2021.

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2) Movements in present value of the defined benefit obligations

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

	For the years ended December 31	
	2021	2020
Defined benefit obligations at January 1	\$ 3,211,232	3,641,974
Current service costs and interest cost	29,863	53,277
Remeasurements loss (gain):		
– Actuarial loss (gain) – experience adjustments	64,781	87,824
– Actuarial loss (gain) – financial assumptions	(774)	143,230
– Actuarial loss (gain) – demographic assumptions	69,990	-
Settlements	(6,665)	(401,340)
Benefits paid	(416,796)	(313,733)
Defined benefit obligations at December 31	<u>\$ 2,951,631</u>	<u>3,211,232</u>

3) Movements in the fair value of plan assets

The movements in the fair value of the defined benefit plan assets for the Group were as follows:

	For the years ended December 31	
	2021	2020
Fair value of plan assets at January 1	\$ 2,370,865	2,669,505
Interest income	11,979	27,101
Remeasurements loss (gain):		
– Return on plan assets excluding interest income	30,214	79,971
Contributions paid by the employer	103,490	262,060
Effect of curtailments or settlements	(550)	(360,736)
Benefits paid	(415,394)	(307,036)
Fair value of plan assets at December 31	<u>\$ 2,100,604</u>	<u>2,370,865</u>

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4) Expenses recognized in profit or loss

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

	For the years ended December 31	
	2021	2020
Current service costs	\$ 14,541	17,285
Net interest of net liabilities for defined benefit obligations	3,343	8,891
Past service cost and loss(gain) on settlements	130	10,998
	\$ 18,014	37,174
Operating costs	\$ 10,632	13,365
Selling expenses	1,569	22,758
Administration expenses	2,351	3,032
Research and development expenses	3,462	4,004
Other gains and losses	-	(5,985)
	\$ 18,014	37,174

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

Remeasurement of net defined benefit liability recognized in other comprehensive income for the Group were as follows:

	For the years ended December 31	
	2021	2020
Cumulative amount, January 1	\$ 1,020,389	869,306
Recognized during the year	103,783	151,083
Cumulative amount, December 31	\$ 1,124,172	1,020,389

6) Actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	0.500%~0.625%	0.500%~0.625%
Future salary increase rate	1.000%~2.000%	1.000%~2.500%

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 \$94,722 thousand.

The weighted-average lifetime of the defined benefit plans is 4.83~11.03 years.

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7) Sensitivity analysis

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

	Influences of defined benefit obligations	
	Increased by 0.25%	Decreased by 0.25%
December 31, 2021		
Discount rate	(56,626)	58,305
Future salary increase rate	55,888	(54,619)
December 31, 2020		
Discount rate	(65,405)	67,416
Future salary increase rate	64,715	(63,113)

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.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$95,394 thousand and \$93,591 thousand for the years ended December 31, 2021 and 2020, respectively.

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(t) Income taxes

(i) The components of income taxes for the Group were as follows:

	For the years ended December 31	
	2021	2020
Current tax expense		
Current period	\$ 419,809	399,767
Land value increment tax	-	45,581
Others	(68,792)	46,915
	351,017	492,263
Deferred tax expense		
Origination and reversal of temporary differences	25,568	(49,578)
Change in unrecognized deductible temporary differences	-	(546)
Income tax expense from continuing operations	\$ 376,585	442,139

(ii) The amount of income tax recognized in other comprehensive income (loss) was as follows:

	2021	2020
Items that may not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ (20,859)	(24,579)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ -	(184)

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(iii) Reconciliation of income tax and profit before tax was as follows:

	For the years ended December 31	
	2021	2020
Profit before income tax	\$ 2,341,303	2,493,995
Income tax using the Company's domestic tax rate	468,261	498,799
Effect of tax rates in foreign jurisdiction	(36,035)	(24,257)
Non-deductible expenses	1,971	13,996
Tax-exempt income from disposal of land	-	(86,412)
Share of (profit) loss accounted for using the equity method	3,666	(491)
Effect of tax on land value increment tax	-	45,581
Adjustments for prior years tax	(37,976)	24,695
Change in unrecognized temporary differences	29,299	15,321
Additional tax on undistributed earnings	15,653	22,220
Effect of tax on repatriated offshore funds	(4,835)	(39,530)
Net changes in investment tax credits	(46,469)	24,702
Others	(16,950)	(52,485)
Total	\$ 376,585	442,139

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Group was able to control the timing of the reversal of the temporary differences associated with investments in foreign subsidiaries as of December 31, 2021 and 2020. Also, the Group considered it improbable that the temporary differences will reverse in the foreseeable future. Hence, such temporary differences were not recognized as deferred tax liabilities. Details were as follows:

	December 31, 2021	December 31, 2020
Aggregate amount of temporary differences associated with investments in foreign subsidiaries	\$ 904,620	509,183
Unrecognized deferred tax liabilities	\$ 180,924	101,837

2) Unrecognized deferred tax assets

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

	December 31, 2021	December 31, 2020
Tax effect of deductible temporary differences	\$ 21,698	29,899
The carryforward of unused tax losses	485,209	409,394
	\$ 506,907	439,293

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The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for domestic entities and five years for Vietnam and China ones for tax reporting purposes.

Deferred tax assets had not been recognized in respect of these items because it was not probable that future taxable income would be available against which the Group can utilize the benefits therefrom.

As of December 31, 2021, the information on the Group's unused tax losses for which no deferred tax assets were recognized and the expiry dates were as follows:

Unused tax losses			
<u>Domestic entities</u>	<u>Vietnam and China entities</u>	<u>Expiry date</u>	
\$ -	110,446	2022	
48,178	279,934	2023	
-	344,156	2024	
30,951	203,499	2025	
197,323	165,207	2026	
225,030	-	2027	
181,781	-	2028	
197,237	-	2029	
179,538	-	2030	
238,464	-	2031	
<u>\$ 1,298,502</u>	<u>1,103,242</u>		

3) Recognized deferred tax assets and liabilities

The movements of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	<u>Carryforward of unused tax losses</u>	<u>Defined benefit plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:				
Balance at January 1, 2021	\$ -	213,686	320,458	534,144
Recognized in profit or loss	-	(1,456)	(24,112)	(25,568)
Recognized in other comprehensive income	-	20,859	-	20,859
Exchange differences on translation of foreign financial statements	-	-	(644)	(644)
Balance at December 31, 2021	<u>\$ -</u>	<u>233,089</u>	<u>295,702</u>	<u>528,791</u>
Balance at January 1, 2020	\$ 135,133	189,399	228,071	552,603
Recognized in profit or loss	(135,133)	(292)	94,851	(40,574)
Recognized in other comprehensive income	-	24,579	-	24,579
Exchange differences on translation of foreign financial statements	-	-	(2,464)	(2,464)
Balance at December 31, 2020	<u>\$ -</u>	<u>213,686</u>	<u>320,458</u>	<u>534,144</u>

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	Income from foreign investments	Land value increment tax	Others	Total
Deferred tax liabilities:				
Balance at January 1, 2021	\$ 319,553	1,152,120	34,567	1,506,240
Exchange differences on translation of foreign financial statements	-	-	156	156
Balance at December 31, 2021	<u>\$ 319,553</u>	<u>1,152,120</u>	<u>34,723</u>	<u>1,506,396</u>
Balance at January 1, 2020	\$ 385,436	1,185,217	26,441	1,597,094
Recognized in profit or loss	(65,883)	(33,097)	8,282	(90,698)
Recognized in other comprehensive income	-	-	(184)	(184)
Exchange differences on translation of foreign financial statements	-	-	28	28
Balance at December 31, 2020	<u>\$ 319,553</u>	<u>1,152,120</u>	<u>34,567</u>	<u>1,506,240</u>

(v) Assessment of income tax

- 1) The Company's income tax returns for the years through 2019 were assessed by the tax authorities.
- 2) The status of assessment of the domestic subsidiaries' income tax returns by the tax authorities was as follows:

Approval year	Company
2019	Shan Yang, Chu Yang, Jau Ryh, Sunshine Auto- Lease , Nanyang Insurance Agent, Shian Young, Nova Design, Ching Ta, Fact Co., TBM, Chin Zong, Youth Taisun, Li Yang, Nanyang
2018	Nanchen

(u) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the number of authorized ordinary shares were 950,000 thousand shares, with par value of \$10 per share. The total value of the authorized ordinary shares was amounted to \$9,500,000 thousand. As of that date, 797,640 thousand shares and 803,078 thousand shares were issued, respectively. All issued shares were paid up upon issuance.

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

	(in thousands of shares)	
	Ordinary Shares	
	<u>2021</u>	<u>2020</u>
Balance on January 1	803,078	853,596
Retirement of treasury shares	(5,438)	(50,518)
Balance on December 31	<u>797,640</u>	<u>803,078</u>

(ii) Capital surplus

The balances of capital surplus of the Company were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Difference between consideration and carrying amount of \$ subsidiaries acquired or disposed of	176,777	175,638
Gain on disposal of assets	1,370,744	1,370,744
Changes in equity of associates and joint ventures accounted for using the equity method	-	22,161
Stock option from convertible bonds	105,577	106,296
Others	55,334	55,334
	<u>\$ 1,708,432</u>	<u>1,730,173</u>

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 the issuance of capital stock and the 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.

(iii) Retained earnings

The Company's article 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 calculated with the beginning balance of undistributed retained earnings as accumulated one. After the special reserve being set aside or reversed as required by the regulations, the remaining is the distributable earnings and should be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company is in the maturity phase of its enterprise life cycle, but ongoing changes of the industrial environment arise from various outside factors, and the Company is endeavoring to expand the domestic and foreign market, therefore, future finance demand, taxation planning, and shareholders' benefits shall be taken into consideration when the Company determines the surplus earning distribution. The dividend is determined to be distributed in cash or stock to maintain stable dividend distribution, but the distribution ratio of stock dividends shall not be higher than 50% of the total dividends, in accordance with the distribution plan proposed by the Board of Directors and shall be approved in accordance with the provisions of the Company

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Law.

The Company can distribute the surplus earning and offset losses at the end of every half fiscal year. The proposal of surplus earning distribution or loss off setting for the first half of fiscal year should be forwarded with the business report and financial statements to supervisors for their auditing, and afterwards be submitted to the Board of Directors for approval.

The Company distributing surplus earning in accordance with the aforementioned provision shall estimate and reserve the taxes and dues to be paid, the deficit to be offset and the legal reserve to be set aside. And the special reserve should be set aside or reversed as required by the regulations; if there is remaining surplus earning, it should be calculated with the beginning balance of the accumulated undistributed surplus earning as distributable one. While legal reserve is equal to the total capital amount, it is allowed to not be set aside. The Company distributing surplus earning in the form of new shares to be issued by the Company in accordance with the aforementioned provision shall follow the provisions of the Company Act; if such surplus earning is distributed in the form of cash, it shall be approved by a meeting of the Board of Directors.

1) Legal reserve

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

2) Special reserve

The Company applied for exemptions during its first-time adoption of IFRSs, resulting in its retained earnings to increase by \$1,583,058 thousand, incurred from unrealized revaluation increments, on the transition date. In accordance with the rules issued by the FSC, the special reserve in the amount of \$1,397,866 thousand is set aside based on the additional retained earnings' amount, due to the transition to IFRSs. The aforementioned special reserve may be reversed in proportion with the usage, disposal, or reclassification of the related assets, and then, be distributed afterwards. Due to the Company's disposal of properties, plants and equipments, special reserves were reversed by \$39,666 thousand in year 2021.

In accordance with the rules 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. The amount to be reclassified should equal the difference between the current period total net reduction of other shareholder's equity and aforementioned special reserve. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earning. 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 change to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the netreduction of other shareholders' equity shall qualify for additional distributions. The special reserves were set aside (reversed) by \$(113,623) thousand and \$231,436 thousand in July, 2021 and June, 2020, respectively.

The Company set aside special reserves, which could not be distributed, and were calculated by the differences of the Company's stock price below the carrying amount of

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the treasury stock held by the subsidiaries, in portion to the shareholding ratio. If there is rebounding in market price afterwards, those special reserves could be reversed. The Company set reversed special reserves by \$16,455 thousand and \$6,339 thousand in June 2021 and 2020, respectively.

3) Earnings distribution

Earnings distribution for 2020 and 2019 was decided by the resolution adopted, at the general meeting of shareholders held on July 7, 2021 and June 23, 2020, respectively. The relevant dividend distributions to shareholders were as follows, and the detailed information could obtain from the “Market Observation Post System”:

	2020		2019	
	Amount per share	Total Amount	Amount per share	Total Amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 1.30886290	1,044,001	1.01008869	811,180

The Board of Directors resolved not to distribute the earnings for the first half of year 2021 and 2020 on November 11, 2021 and November 13, 2020, respectively.

(iv) Treasury shares (including shares held by the subsidiaries)

- 1) In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.
- 2) Prior to the R.O.C. Company Act amendments in 2001, subsidiaries of the Company, Ching Ta and Nanyang, acquired the Company’s shares for investment purposes in the open market. The shares held by subsidiaries of the Company were deemed treasury shares. As of December 31, 2021 and 2020, the market price per share of the Company was \$27.05 and \$35.70 , respectively.

The details of the treasury shares held by subsidiaries were as follows:

Company	December 31, 2021		December 31, 2020	
	Shares held (in thousand shares)	Acquired Costs	Shares held (in thousand shares)	Acquired Costs
Ching Ta Investment Co., Ltd.	981 \$	37,498	981	37,498
Nanyang Industries Co., Ltd.	4,351	95,318	4,351	95,318
	5,332 \$	132,816	5,332	132,816

- 3) The Board of Directors of the Company in year 2017, resolved to repurchase 27,416 thousand shares for transferring to employees. The Board of Directors resolved to retire the treasury shares and the procedures of change of registration was completed in year 2020.
- 4) The Board of Directors of the Company in year 2020, resolved to repurchase 23,102 thousand shares for maintaining the Company’s credit and shareholders' benefits. The Board of Directors resolved to retire the treasury shares and the procedure of change registration was completed in year 2020.

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- 5) The Board of Directors of the Company in year 2021, resolved to repurchase 5,438 thousand shares for maintaining the Company's credit and shareholders' benefits. The Board of Directors resolved to retire the treasury shares and the procedure of change registration was completed in year 2021.

(v) Other equity, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Balance on January 1, 2021	\$ (1,700,999)	259,847	(1,441,152)
Exchange differences on foreign operations	(24,876)	-	(24,876)
Exchange differences on associates accounted for using the equity method	(112)	-	(112)
Cumulative gains (losses) reclassified to profit or loss on disposal of foreign operations	(14,373)	-	(14,373)
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	233,960	233,960
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(75,878)	(75,878)
Balance on December 31, 2021	<u>\$ (1,740,360)</u>	<u>417,929</u>	<u>(1,322,431)</u>
Balance on January 1, 2020	\$ (1,549,637)	(44,804)	(1,594,441)
Exchange differences on foreign operations	(152,833)	-	(152,833)
Exchange differences on associates accounted for using the equity method	1,471	-	1,471
Unrealized gains on financial assets measured at fair value through other comprehensive income	-	344,839	344,839
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	(40,188)	(40,188)
Balance on December 31, 2020	<u>\$ (1,700,999)</u>	<u>259,847</u>	<u>(1,441,152)</u>

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(vi) Non-controlling interests

	Attributed to Non-controlling Interests
Balance on January 1, 2021	\$ 1,295,870
Net income attributable to non-controlling interests	134,528
Exchange differences on translation of foreign financial statements, net of tax	1,463
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	(13,113)
Actuarial gains (losses) from defined benefits plans	(516)
Cash dividends from subsidiaries	(2,675)
Changes in non-controlling interests	(7,958)
Balance on December 31, 2021	\$ 1,407,599
Balance on January 1, 2020	\$ 1,205,921
Net income attributable to non-controlling interests	113,512
Exchange differences on translation of foreign financial statements, net of tax	(36,825)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	20,208
Actuarial gain (losses) from defined benefits plans	(3,925)
Cash dividends from subsidiaries	(2,517)
Changes in non-controlling interests	(504)
Balance on December 31, 2020	\$ 1,295,870

(v) Earnings per share

	For the years ended December 31	
	2021	2020
Basic earnings per share		
Net income attributable to common shareholders of the Company	\$ 1,830,190	1,938,344
Issued number of ordinary shares on January 1	803,078	853,596
Effects of treasury shares	(7,688)	(50,813)
Weighted average number of ordinary shares on December 31	795,390	802,783
	\$ 2.30	2.41

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	For the years ended December 31	
	2021	2020
Diluted earnings per share		
Net income attributable to common shareholders of the Company (after the adjustment of potential dilutive ordinary shares)	<u>\$ 1,830,190</u>	<u>1,938,344</u>
Weighted average number of ordinary shares	795,390	802,783
Effect of potential dilutive ordinary shares		
Employee share bonus	<u>935</u>	<u>942</u>
Weighted average number of ordinary shares (after the adjustment of potential dilutive ordinary shares)	<u>796,325</u>	<u>803,725</u>
	<u>\$ 2.30</u>	<u>2.41</u>

(w) Revenue from contracts with customers

(i) Details of revenue

	For the year ended December 31, 2021			
	Domestic segment	Foreign segment	Other segments	Total
Primary geographical markets:				
Taiwan	\$ 28,063,241	-	93,384	28,156,625
China	-	3,570,094	23,564	3,593,658
Asia	1,222,365	2,830,396	-	4,052,761
Europe	2,517,366	1,873,879	-	4,391,245
Others	496,400	926,662	-	1,423,062
	<u>\$ 32,299,372</u>	<u>9,201,031</u>	<u>116,948</u>	<u>41,617,351</u>
Major products/services lines				
Merchandise sales	\$ 30,886,427	9,198,278	-	40,084,705
Technical services	355,003	904	-	355,907
Leasing services	321,899	-	72,820	394,719
Design services	-	-	44,128	44,128
Others	736,043	1,849	-	737,892
	<u>\$ 32,299,372</u>	<u>9,201,031</u>	<u>116,948</u>	<u>41,617,351</u>

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	For the year ended December 31, 2020			
	Domestic segment	Foreign segment	Other segments	Total
Primary geographical markets:				
Taiwan	\$ 29,278,158	-	99,360	29,377,518
China	-	2,784,380	25,950	2,810,330
Asia	1,145,324	2,863,191	-	4,008,515
Europe	2,132,595	1,224,080	-	3,356,675
Others	390,268	831,611	-	1,221,879
	\$ 32,946,345	7,703,262	125,310	40,774,917
Major products/services lines				
Merchandise sales	\$ 31,550,677	7,699,884	-	39,250,561
Technical services	358,370	1,943	-	360,313
Leasing services	301,532	758	76,894	379,184
Design services	-	-	48,416	48,416
Others	735,766	677	-	736,443
	\$ 32,946,345	7,703,262	125,310	40,774,917

(ii) Contract balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 289,836	270,533	256,334
Accounts receivable	1,968,022	1,817,203	2,024,695
Installment accounts receivables	6,661	6,669	6,694
Lease receivables	772,717	698,639	572,597
Less: Loss allowance	(108,659)	(223,449)	(228,389)
Total	\$ 2,928,577	2,569,595	2,631,931
Contract liabilities	\$ 439,329	292,179	188,350

Please refer to Note 6(d) for the details of notes and accounts receivable and allowance for impairment.

The major change in the balance of contract liabilities is arising from the difference between the time frame of the performance obligation to be satisfied and the payment to be received. There were no other significant changes for the years ended December 31, 2021 and 2020.

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(x) Employee remuneration and directors' and supervisors' remuneration

In accordance with the articles of incorporation, the Company should contribute no less than 1% of the profit as employee compensation and less than 1% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. Independent directors are not entitled to receive the aforementioned remuneration.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$20,584 thousand and \$22,979 thousand, and directors' and supervisors' remuneration amounting to \$20,584 thousand and \$11,490 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. The remunerations were expensed under operating expenses during 2021 and 2020. The difference between the estimated and actual amount of remuneration distributed in the next year was deemed as a change in accounting estimates. If the Board of Directors resolved to carry out share dividends to employees, the numbers of shares to be distributed were calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Directors. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, were identical to those of the actual distributions for 2021 and 2020.

(y) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2021	2020
Interest income from bank deposits	\$ 197,600	229,915
Others	5,313	4,879
	\$ 202,913	234,794

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2021	2020
Rental income	\$ 33,358	35,356
Dividend revenue	56,132	55,998
	\$ 89,490	91,354

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(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2021	2020
Foreign exchange losses	\$ (45,712)	(118,514)
Gains (Losses) on disposals of property, plant and equipment	(33,797)	6,686
Gains (Losses) on disposals of investment property	(8)	62,448
Gains on financial assets and liabilities at fair value through profit or loss	374	33,054
Impairment losses of non-financial assets	(12,567)	(69,223)
Others	132,822	152,404
	\$ 41,112	66,855

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2021	2020
Interest expense	\$ 196,492	225,525

(v) Gains on disposal of non-current assets held for sale

On October 15, 2019, the Board of Directors resolved to dispose of the land (Land serial no. 828, the 3rd Subsection, Tanmei Section) and the buildings on the land. The group entered into a sale and purchase agreement of real estate in October 2019, and completed the transfer of ownership in March 2020, recognizing the gain on disposal of land and buildings of \$364,705 thousand.

(z) Financial instruments

(i) Credit risk

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

(ii) Credit risk of receivables

For credit risk exposure of notes and accounts receivable, please refer to note 6(d).

Other financial assets at amortized cost includes other receivables and time deposits, etc, which are considered to be of low risk, and thus, the impairment provision recognized during the period was limiteded to 12 months expected credit losses.

None of these financial assets were considered to be impaired after the assessment.

(iii) Liquidity risk

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The following table shows the contractual maturities of financial liabilities, including estimated interest payments but the impact of netting agreements, and financial liabilities whose carrying amount approximates the amount of future contractual cash flows are not disclosed as follows.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2021							
Non-derivative financial liabilities							
Bank loans and short-term notes and bills payable	\$ 17,352,290	17,728,130	7,982,502	313,477	1,552,542	6,339,727	1,539,882
Lease liabilities	654,823	730,606	70,874	67,666	118,951	204,198	268,917
	<u>18,007,113</u>	<u>18,458,736</u>	<u>8,053,376</u>	<u>381,143</u>	<u>1,671,493</u>	<u>6,543,925</u>	<u>1,808,799</u>
Derivative financial liabilities							
Forward exchange contracts							
outflow	2,299	542,807	542,807	-	-	-	-
Total	<u>\$ 18,009,412</u>	<u>19,001,543</u>	<u>8,596,183</u>	<u>381,143</u>	<u>1,671,493</u>	<u>6,543,925</u>	<u>1,808,799</u>
December 31, 2020							
Non-derivative financial liabilities							
Bank loans and short-term notes and bills payable	\$ 15,662,392	15,934,011	9,719,494	469,068	1,584,994	4,155,321	5,134
Lease liabilities	687,192	769,120	71,349	62,924	124,205	236,825	273,817
	<u>\$ 16,349,584</u>	<u>16,703,131</u>	<u>9,790,843</u>	<u>531,992</u>	<u>1,709,199</u>	<u>4,392,146</u>	<u>278,951</u>

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

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposures to foreign currency risk were as follows:

	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 32,413	27.6850	897,354	31,140	28.1100	875,336
EUR:NTD	10,927	31.3200	342,218	6,748	34.5500	233,139
JPY:NTD	536	0.2403	129	334	0.2726	91
USD:CNY	39,307	6.3702	1,088,214	19,748	6.5069	555,116
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	41,080	27.6850	1,137,297	14,402	28.1100	404,828
USD:CNY	2,572	6.3702	71,208	1,656	6.5069	46,547

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign

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currency exchange gains and losses on cash and cash equivalents, accounts receivable and other receivables, borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against USD, EUR, CNY and JPY as of December 31, 2021 and 2020 would have increased (decreased) the net profit after tax for the years ended December 31, 2021 and 2020 by \$8,955 thousand and \$9,698 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gains (losses) on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, foreign exchange gain (loss) (including the realized and the unrealized portions) is amounted to \$(45,712) thousand and \$(118,514) thousand, respectively.

(v) Interest rate analysis

The financial assets and liabilities's exposure to interest risk has been disclosed in the note of liquidity risk management.

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

If the interest rate increased/decreased by 1%, the Group's net income would have increase/decrease by \$31,439 thousand and \$22,982 thousand for the years ended December 31, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Group's variable-rate borrowings and time deposits.

(vi) Other market price risk

If the price of the securities which the Group hold as equity instruments changes, the impact of the price change on other comprehensive income will be as follows, assuming the analysis is based on the same basis for both years and assuming that all other variables considered in the analysis remains constant.

Prices of securities at the reporting date	For the years ended December 31			
	2021		2020	
	Other comprehensive income (loss), net of tax	Net income (loss)	Other comprehensive income (loss), net of tax	Net income (loss)
Increase 5%	<u>\$ 153,116</u>	<u>618</u>	<u>151,725</u>	<u>1,403</u>
Decrease 5%	<u>\$ (153,116)</u>	<u>(618)</u>	<u>(151,725)</u>	<u>(1,403)</u>

(vii) Fair value of financial instruments

1) Categories of financial instruments and fair value hierarchy

For financial instruments not measured at fair value whose carrying amount is reasonably

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close to the fair value, e.g., cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets, short-term borrowings, short-term bills and notes payable, accounts payable, other payables (including related parties), long-term borrowings (including the current portion) and guarantee deposits received, and for the investments of equity instrument that the quoted prices in active markets are unavailable and the fair value can not be measured reliably, disclosure of fair value information is not required.

The Group measures its financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income 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:

	December 31, 2021				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Preferred shares of overseas unlisted companies	\$ 15,459	-	-	15,459	15,459
Financial assets at fair value through other comprehensive income					
Common shares of domestic listed companies	\$ 2,102,835	2,102,835	-	-	2,102,835
Private shares of domestic listed companies	1,130,278	-	1,130,278	-	1,130,278
Common shares of domestic unlisted companies	360,704	-	-	360,704	360,704
Common shares of overseas unlisted companies	234,076	-	-	234,076	234,076
Subtotal	3,827,893	2,102,835	1,130,278	594,780	3,827,893
Total	<u>\$ 3,843,352</u>	<u>2,102,835</u>	<u>1,130,278</u>	<u>610,239</u>	<u>3,843,352</u>
Financial liabilities at fair value through profit or loss					
Forward exchange contract	<u>\$ 2,299</u>	<u>-</u>	<u>2,299</u>	<u>-</u>	<u>2,299</u>

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Forward exchange contract	\$ 19,606	-	19,606	-	19,606
Preferred shares of overseas unlisted companies	15,459	-	-	15,459	15,459
Subtotal	35,065	-	19,606	15,459	35,065
Financial assets at fair value through other comprehensive income					

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Common shares of domestic listed companies	\$	2,114,215	2,114,215	-	-	2,114,215
Private shares of domestic listed companies		1,049,318	-	1,049,318	-	1,049,318
Common shares of domestic unlisted companies		454,042	-	-	454,042	454,042
Common shares of overseas unlisted companies		175,545	-	-	175,545	175,545
Subtotal		3,793,120	2,114,215	1,049,318	629,587	3,793,120
Total	\$	3,828,185	2,114,215	1,068,924	645,046	3,828,185

2) Valuation techniques for financial instruments not measured at fair value

The assumptions and methods used in evaluating financial instruments not measured at fair value are as follows:

a) Financial assets and liabilities measured at amortized cost

Fair value measurement for financial assets and liabilities is based on the latest quoted price and agreed-upon price if these prices are available in active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flows of the financial assets and liabilities.

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Evaluation of financial instruments traded in active markets is based on quoted market prices.

If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial unions, pricing institute, or authorities and such price can reflect those actual trading frequently happened in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is the indication of a non-active market.

If the financial instruments held by the Group have an active market, the measurements of fair value are categorized as follows:

- The listed stocks are recognized as financial assets and liabilities traded in active markets by the standards and nature. The fair value is measured at the market quoted price.
- The listed private stocks are traded in active markets, whether they are public depends on the standards and nature. The fair value is measured at the market quoted price, and the control premium and restrictions on transfer by regulations and market illiquidity discount should be considered simultaneously.

Evaluation of fair value of financial instruments without an active market is based on valuation technique or quoted price from competitors. 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 on the reporting date.

If the financial instruments held by the Group have no active market, the

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measurements of fair value are categorized as follows:

- Equity instruments without quoted price: The fair value was calculated via the ratio, which is counted in the mix of the inventee's estimated EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) and the quoted market price of of the comparative listing company. Also, the fair value was discounted for its lack of liquidity in the market.
- Equity instruments without quoted price: The fair value is measured at net asset value method. By looking through the nature and the included items of each asset and liability item and collecting the market value information of each asset and liability for items whose book value may be different from the fair value, the Group needs to obtain the fair value of the company's net assets, and calculate the company's equity value. The discount effect is adjusted due to lack of market liquidity in equity securities.

b) Derivative financial instruments

Measurement of the fair value is based on the valuation model accepted by the most market participants.

c) Fair value hierarchy

The Group strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for assets or liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

4) Transfers between levels

The Group's valuation techniques of fair values remained the same and there were no transfers between each level for the years ended December 31, 2021 and 2020.

5) Reconciliation of Level 3 fair values

	At fair value through profit or loss		Fair value through other comprehensive income	Total
	Derivative financial assets	Non-derivative mandatorily measured at fair value through profit or loss	Unquoted equity instruments	
Opening balance, January 1, 2021	\$ -	15,459	629,587	645,046
Total gains and losses recognized				
in other comprehensive income	-	-	(38,789)	(38,789)
Purchases	-	-	3,150	3,150
Disposals	-	-	(350)	(350)
Effect of changes in foreign exchange rate	-	-	1,182	1,182
Ending Balance, December 31, 2021	<u>\$ -</u>	<u>15,459</u>	<u>594,780</u>	<u>610,239</u>
Opening balance, January 1, 2020	\$ 15,459	-	490,256	505,715
Total gains and losses recognized				

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in other comprehensive income	-	-	71,260	71,260
Reclassifications	(15,459)	15,459	-	-
Purchases	-	-	69,350	69,350
Effect of changes in foreign exchange rate	-	-	(1,279)	(1,279)
Ending Balance, December 31, 2020	<u>\$ -</u>	<u>15,459</u>	<u>629,587</u>	<u>645,046</u>

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include fair value through other comprehensive income — equity investments.

The Group's financial instrument investments without an active market are classified to Level 3 and have more than one significant unobservable inputs. The significant unobservable inputs of financial instrument investments without an active market are individually independent, and there is no correlation between them.

Quantified information on significant unobservable inputs was as follow:

Item	Valuation Technique	Significant Unobservable Inputs	Interrelationship between Significant Unobservable Inputs and Fair Value Measurement
Financial assets at fair value through profit or loss-equity investments without an active market	Net Asset	<ul style="list-style-type: none"> • Net Asset Value 	<ul style="list-style-type: none"> • Not applicable
	Value Method	<ul style="list-style-type: none"> • Market illiquidity discount rate (10% as of December 31, 2021 and 2020) 	<ul style="list-style-type: none"> • The estimated fair value would increase (decrease) if the market illiquidity discount rate was lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net Asset	<ul style="list-style-type: none"> • Net Asset Value 	<ul style="list-style-type: none"> • Not applicable
	Value Method	<ul style="list-style-type: none"> • Market illiquidity discount rate (10% as of December 31, 2021 and 2020) 	<ul style="list-style-type: none"> • The estimated fair value would increase (decrease) if the market illiquidity discount rate was lower (higher).
Financial assets at fair value through other comprehensive income-equity investments without an active market	Listed Company Comparison Method	<ul style="list-style-type: none"> • The multiplier of price-to-book ratio (2.17~7.83 and 1.12 as of December 31, 2021 and 2020, respectively) • Market illiquidity 	<ul style="list-style-type: none"> • The estimated fair value would increase (decrease) if: • the market illiquidity discount rate was lower (higher).

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		discount rate (30%~40% and 40% as of December 31, 2021 and 2020, respectively)	
Financial assets at fair value through other comprehensive income-equity investments without an active market	Discounted Cash Flow Method	<ul style="list-style-type: none"> • Year-on-year ratio (5.00% and 4.52% as of December 31, 2021 and 2020, respectively) • Weighted average capital cost (14.07% and 13.78% as of December 31, 2021 and 2020, respectively) • Market illiquidity discount rate (14.60% and 32.50% as of December 31, 2021 and 2020, respectively) • Non-controlling interests discount (24.53% and 32.50% as of December 31, 2021 and 2020, respectively) 	<ul style="list-style-type: none"> • The estimated fair value would increase if the year-on-year percentage increased. • The estimated fair value would increase if the weighted average capital cost decreased. • The estimated fair value would increase if the Market illiquidity discount rate was lower. • The estimated fair value would increase if the Non-controlling interests discount was lower.
7) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions			

The Group's measurement on the fair value of financial instruments is deemed reasonable despite different valuation models or assumptions may lead to different results. For fair value measurements in Level 3, changing the inputs would have the following effects on profit or loss and other comprehensive income:

	Inputs	Fluctuation in inputs	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2021						
Financial assets at fair value through profit or loss						
Equity investments without an active market	The multiplier of price-to-book ratio	5%	-	-	-	-
Equity investments without an active market	Market illiquidity discount rate	5%	-	-	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	The multiplier of price-to-book ratio	5%	-	-	7,631	(7,631)
Equity investments without an active market	Market illiquidity discount rate	5%	-	-	19,615	(19,615)
Equity investments without an active market	Weighted average capital cost	5%	-	-	1,564	(1,564)
Equity investments without an active market	Non-controlling interests discount	5%	-	-	1,478	(1,478)
December 31, 2020						
Financial assets at fair value through profit or loss						

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Equity investments without an active market	The multiplier of price-to-book ratio	5%	-	-	-	-
Equity investments without an active market	Market illiquidity discount rate	5%	-	-	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	The multiplier of price-to-book ratio	5%	-	-	4,790	(4,790)
Equity investments without an active market	Market illiquidity discount	5%	-	-	16,489	(16,489)
Equity investments without an active market	Weighted average capital cost	5%	-	-	1,123	(1,123)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is evaluated based on a variety of unobservable inputs using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(aa) Financial risk management

(i) Overview

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

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following 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 statements.

(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 their 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 Group's Internal Audit Department 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 Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures and exception

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management, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk means the potential loss for the Group if the counterparty involved in any transaction defaults. The primary potential credit risk derives from financial instruments, e.g., bank deposits and accounts receivable.

1) Accounts receivable and other receivables

The Group has a dispersed pattern of its list of sales customers, and the management designates a professional department to stipulate the policy of credit management in order to reduce the credit risk of accounts receivable. The department is responsible for the determination and approval of credit lines, and other procedures of follow-up monitoring. Also, the Group continues to evaluating the financial ability of its customers, obtain the necessary collateral and carrying out aggregate or individual evaluation for the accounts receivable based on different properties of credit risk and impairment indication.

2) Investments

The Group deposits cash in different financial institutions and only deals with financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties. The Group manages the exposure to credit risk related to each financial institution and believes that cash do not have a significant credit risk concentration.

3) Guarantees

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

(iv) Liquidity risk

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

The Group's financial department continues to monitor cash flow requirements and use various information to forecast and monitor the cash flow components in the long and short term to ensure its liquidity is sufficient for the settlement of expiring liabilities. As of December 31, 2021 and 2020, the Group's short-term and long-term unused credit line amounted to \$12,867,907 thousand and \$11,851,728 thousand, respectively, which was enough for the fulfillment of all contractual obligations

(v) Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities. All such transactions

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are carried out within the guidelines set and approved by the Board of Directors and/or shareholders' meeting and being monitored by internal auditing department.

1) Currency risk

The Group is exposed to currency risk on operating, investing, and financing activities that are denominated in a currency other than the respective functional currencies of the Group's entities. Therefore, the Group uses derivatives to avoid currency risk. The exchange gains and losses of the assets and liabilities in foreign currencies will approximately be offset by the valuation gains and losses on derivative instruments. However, using derivatives can help the Group to reduce but not to remove the impact on the fluctuation in exchange rates.

The Group regularly evaluates the individual position of exposure to currency risk and carries out necessary hedging strategy. The main hedging instrument used is forward exchange contracts.

2) Interest rate risk

The Group's interest rate risk arises from simultaneously borrowing at fixed rates and floating rates. The Group adopts an appropriate interest rate portfolio to manage its interest rate risk.

3) Other market price risk

The Group is exposed to the market price fluctuation risk since it enter into commodity contracts only when there are expected future demands.

(ab) 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.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2021, the Group's capital management strategy is consistent with the prior year as of December 31, 2020, and the gearing ratio is maintained at 50% and ensure financing at reasonable cost. The Group's debt-to-equity ratio on reporting date is as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 29,711,516	27,951,288
Less: cash and cash equivalents	(4,829,905)	(4,861,112)
Net debt	24,881,611	23,090,176
Total equity	16,819,702	16,066,789
Total capital	\$ 41,701,313	39,156,965

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Debt-to-equity ratio 60% 59%

(7) Related-party transactions

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Zoeng Chang Industry Co., Ltd.	Investment accounted for using the equity method.
King Zone Corporation	The Group is the juristic director of the entity
Hitachi Astemo Taichung Co., Ltd.(Note)	The Group is the juristic director of the entity
Yangzhou Tairun Hotel, Ltd.	An associate
Zhen Ding Development Co., Ltd.	The entity's chairman is the second immediate family of the chairman of the Company
Taiwan Tea Corporation	Same chairman with the Company
Sanyang Educational Foundation	Same chairman with the Company
APh ePower Co., Ltd.	An associate

Note: Taiwan Keihin Carburetor Co., Ltd. resolved to change its name to Hitachi Astemo Taichung Co., Ltd. at the shareholders' meeting on February 9, 2021.

(b) Significant transactions with related parties

(i) Merchandise sold, technical and consulting services provided to related parties:

Significant sales, technical and consulting services provided to related parties and unpaid balances were as follows:

	<u>Sales</u>		<u>Receivables from related parties</u>	
	<u>For the years ended December 31</u>		<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associates	\$ 4,858	4,784	429	203
Other related parties	3,874	2,530	198	148
	<u>\$ 8,732</u>	<u>7,314</u>	<u>627</u>	<u>351</u>

There was no significant difference between the selling prices and transaction terms for related parties and those for the ordinary courses. The credit terms ordinarily ranged from 15 to 45 days. While the pricing standards of technical service provided for related parties were not comparable, since there were no similar transactions with non-related parties. Receivables from related parties were uncollateralized, and no expected allowance were required after the assessment by the management.

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(ii) Purchases

The amounts of purchases by the Group from related parties and accounts payable were as follows:

	<u>Purchases</u>		<u>Payables to Related Parties</u>	
	<u>For the years ended December 31</u>		<u>December 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Associates	\$ 290,668	336,316	50,364	62,700
Other related parties	772,703	789,491	128,730	164,309
	<u>\$ 1,063,371</u>	<u>1,125,807</u>	<u>179,094</u>	<u>227,009</u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from one to two months, which were not different from the payment terms given by other vendors.

(iii) Property transactions

- 1) Machinery equipment acquired and sundry purchases from related parties were as follows:

	<u>Objects</u>	<u>For the years ended December 31</u>	
		<u>2021</u>	<u>2020</u>
Associates	Machinery and molds	\$ 1,199	3,819
Other related parties	"	504	865
		<u>\$ 1,703</u>	<u>4,684</u>

- 2) Machinery equipment sold and sundry sales to related parties were as follows:

	<u>Objects</u>	<u>For the years ended December 31</u>			
		<u>2021</u>		<u>2020</u>	
		<u>Disposal price</u>	<u>Gains on disposal</u>	<u>Disposal price</u>	<u>Gains on disposal</u>
Associates	Machinery and molds	\$ -	-	300	101

- 3) In the third quarter of 2021, the group participated in the subscription of 10,000 thousand shares of APh ePower Co., Ltd. at subscription price of \$15 per share with the effective date of cash capital increase on July 1, 2021.

(iv) Other

- 1) Service received

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Consulting and other expenses</u>		
Associates	\$ 532	5,326
Other related parties	12,309	4,738

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	<u>\$ 12,841</u>	<u>10,064</u>
	For the years ended December 31	
	2021	2020
<u>Consulting, commission and other revenues</u>		
Associates	\$ 997	316
Other related parties	354	12
	\$ 1,351	328
2) Other receivables		
	December 31, 2021	December 31, 2020
Associates	\$ 3,087	907
Other related parties	217	179
	\$ 3,304	1,086
3) Loans to related parties		
	December 31, 2021	December 31, 2020
Associates-Yangzhou Tairun Hotel, Ltd.	\$ 260,760	43,200
<p>The interest charged by the Group to related parties was not lower than the average interest rate of the Group's deposits in bank. The interest income of the group for the years ended December 31, 2021 and 2020 was \$5,060 thousand and \$2,950 thousand, respectively. The group has obtained a pledge of the real estate of Yangzhou Tairun Hotel, Ltd. with a value of RMB90,000 thousand as collateral in 2021 and no allowance for loss was required after the assessment.</p>		
4) Accrued expenses		
	December 31, 2021	December 31, 2020
Associates	\$ -	2,686
Other related parties-Sanyang Educational Foundation (Note)	138,683	250,000
Other related parties	8	45
	\$ 138,691	252,731

Note: In accordance with the Board resolution, the Group had decided to donate \$250,000 thousand to the Sanyang Educational Foundation for the purpose of education promotion and social welfare contribution, and the donation was recognized as "Administrative Expenses" in 2020.

5) Other

The Group was involved in the Phase II Land Readjustment Project, in Guang-Pu, East District, Hsinchu City. Please refer to note 6(e) for transactions with related parties in

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accordance with the Readjusting Rules. The area of public facilities allocated and the burden ratio of relevant expenditures were determined according to the calculation approved by the Hsinchu City Government, which was same as other landowners.

(c) Key management personnel compensation

	For the years ended December 31	
	2021	2020
Short-term employee benefits	\$ 80,977	83,478

8) Pledged assets

The book values of pledged assets provided by the Group were as follows:

Assets	Items being guaranteed	December 31, 2021	December 31, 2020
Notes and accounts receivable and Long term lease receivables	Long-term and short-term borrowings	\$ 326,564	335,211
Current other financial assets	Short-term borrowing, the deposits for armament purchases and warranties of the Ministry of National Defense, and the deposits for acceptance payable, etc.	3,978,026	3,582,561
Non-current other financial assets	Deposits for armament purchases, warranties of the Ministry of National Defense, and Customs duty guarantee	155,083	159,565
Property, plant and equipment	long-term and short-term borrowings	8,649,800	8,285,444
Investment property	"	2,797,780	2,840,943
Right-of-use assets	Short-term borrowings	106,719	110,810
Total		\$ 16,013,972	15,314,534

(9) Significant commitments and contingencies

(a) Significant unrecognized contractual commitments

(i) The balance of issued but unused letters of credit:

	December 31, 2021	December 31, 2020
USD	USD 68,879	43,470

(ii) The unpaid balance of signed contracts of construction in progress and computer software, etc.:

	December 31, 2021	December 31, 2020
Unpaid balance	\$ 186,646	245,653

(iii) The projects contracted by Nova Design Co., Ltd.:

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	December 31, 2021	December 31, 2020
Total contract price of projects	<u>\$ 27,104</u>	<u>27,050</u>
Amount of cost certificate	<u>\$ 828</u>	<u>1,446</u>

- (iv) The unrecognized contractual commitments for land purchases were as follows:

	December 31, 2021	December 31, 2020
Acquisition of inventory (for construction industry)	<u>\$ -</u>	<u>104,500</u>

- (v) The Company signed a contract of joint construction with allocation of buildings with Yao Da Construction Co., Ltd. on June 19, 2018. The joint construction will take place on the land owned by the Company, numbered 711, located at the third Subsection, Tanmei Section, Neihu District, Taipei City. The ratio of joint construction is 58% for landowner (the Company) and 42% for constructor (Yao Da Construction Co., Ltd.) and currently, the construction is in progress. The Company has completed the pre-sale of real estate development trust in April 2021.

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

- (i) The group acquired its equity in Taiwan Tea Corporation from the open market successively since the beginning of 2022, and its shareholding percentage exceeded 20% in January 2022. As a result, the equity in Taiwan Tea Corporation, previously recognized as financial assets at fair value through other comprehensive income, was reclassified as investments accounted for using the equity method starting from January 2022. In addition, up to the date of the audit report, the group is still assessing the difference between the investment cost and the Company's share of the net fair value of Taiwan Tea Corporation's identifiable assets and liabilities, as well as its impact on the financial statements on an ongoing basis.
- (ii) Pursuant to a resolution of the Board of Directors on March 30, 2022, in order to develop the group's diversified operation strategy, the Company proposed to subscribe for 100,000,000 ordinary shares issued by Shan Young Assets Management Co., Ltd., a 100% owned subsidiary of the Company, at a price of \$10 per share for a total issue amount of \$1,000,000 thousand.

(12) Other:

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

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		For the year ended December 31					
By function		2021			2020		
By item		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		1,853,086	2,455,645	4,308,731	1,893,281	2,376,149	4,269,430
Labor and health insurance		159,794	218,765	378,559	135,951	185,261	321,212
Pension		35,229	99,148	134,377	37,241	99,509	136,750
Others		120,662	127,030	247,692	121,002	135,839	256,841
Depreciation		870,478	513,160	1,383,638	844,840	465,968	1,310,808
Amortization		16,470	13,302	29,772	19,315	50,234	69,549

Note: The retirement fund of \$20,969 thousand was settled in the current period, which was not paid by the labor pension reserve account of the group in the Bank of Taiwan and was recognized as operating expense.

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(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:

(In thousands of NTD/ foreign currency)

No. (Note 1)	Name of lender	Name of borrower	Account name	Related party	Maximum outstanding balance during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Nature of loan	Amount of transaction with the borrower	Reason for short-term financing	Loss Allowance	Collateral		Limit on total loans granted to a single party	Ceiling on total loans granted
													Item	Value		
1	SCK	Yangzhou Tairun Hotel, Ltd.	Other receivables	Y	86,920 (CNY20,000)	43,460 (CNY10,000)	43,460 (CNY10,000)	4.00%	Short-term financing	-	Business operation	-	Property	65,190 (CNY15,000)	236,322 (CNY54,377)	236,322 (CNY54,377)
2	Sanyang Global	XTBM	Other receivables	Y	13,038 (CNY3,000)	13,038 (CNY3,000)	13,038 (CNY3,000)	3.91%	Short-term financing	-	Business operation	-	-	-	139,181 (CNY32,025)	139,181 (CNY32,025)
3	SYIT	MB MOTOR COLOMBIA S.A.S	Other receivables	N	38,210 (EUR1,220)	-	-	3.00%	Short-term financing	-	Business operation	-	-	-	70,063 (EUR2,237)	70,063 (EUR2,237)
4	VMEPH	VMEP	Other receivables	Y	193,795 (USD7,000)	-	-	Note 2	Short-term financing	-	Business operation	-	-	-	582,354 (USD21,035)	582,354 (USD21,035)
5	Chin Zong	VMEP	Other receivables	Y	55,370 (USD2,000)	55,370 (USD2,000)	55,370 (USD2,000)	Note 2	Short-term financing	-	Business operation	-	-	-	59,483	59,483
6	Chong Hing	Yangzhou Tairun Hotel, Ltd.	Other receivables	Y	108,650 (CNY25,000)	108,650 (CNY25,000)	108,650 (CNY25,000)	4.00%	Short-term financing	-	Business operation	-	Property	162,975 (CNY37,500)	1,440,064 (CNY331,354)	1,440,064 (CNY331,354)
7	Nova Shanghai	Yangzhou Tairun Hotel, Ltd.	Other receivables	Y	108,650 (CNY25,000)	108,650 (CNY25,000)	108,650 (CNY25,000)	4.00%	Short-term financing	-	Business operation	-	Property	162,975 (CNY37,500)	121,184 (CNY27,884)	121,184 (CNY27,884)

Note 1: The numbering method is as follows:

- (1) “0” represents the parent company.
- (2) Subsidiaries are sequentially numbered from 1 by company.

Note 2: There is no additional interest according to the agreement between both parties.

Note 3: The limit on total loans granted to a single party and ceiling on total loans granted for short-term financing shall not exceed 40% of the equity of SCK, Sanyang Global and SYIT.

Note 4: The ceiling on total loans granted and limit on total loans granted to a single party for short-term financing shall not exceed 40% of the equity of VMEPH, Chin Zong, Chong Hing and Nova Shanghai. When the reason for financing is business related, the ceiling on total loans granted shall not exceed 60% of the equity and the ceiling on total loans granted to a single party shall not exceed one and a half times the total amount of purchases and sales transactions with the lender for the last year.

Note 5: Pursuant to the approval by the Board of Directors of Chong Hing, NOVA Shanghai and SCK, a line of credit amounting to RMB60,000 thousand was granted to Yangzhou Tairun Hotel, Ltd., and the pledge of real estate worth RMB90,000 thousand provided by Yangzhou Tairun Hotel, Ltd. as collateral to NOVA Shanghai was obtained.

Note 6: Intra-company transactions have been eliminated in the consolidated financial statements.

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(ii) Guarantees and endorsements for other parties:

(In thousands of NTD/ foreign currency)

No. (Note 1)	Name of endorser/ guarantor	endorsee/guarantee		Limit on total endorsements/guaran- tees provided to a single party	Maximum outstanding endorsements/ guarantees amount during the period	Ending balance of guarantees and endorsements	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amount of endorsements/ guarantees to net asset of the latest financial statements of the endorser/guarantor	Ceiling on total endorsements/ guarantees provided	Provision of endorsements/guaran- tees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/gua- rantees to the party in Mainland China
		Name	Relationship (Note 8)										
1	Shan Young	The Company	3	13,836,989	4,900,000	4,900,000	3,315,822	5,300,000	63.81%	13,836,989	N	Y	N
2	SYI	Ching Ta	4	886,391	510,000	510,000	-	-	8.63%	886,391	N	N	N
3	Chong Hing	Shan Young	4	3,600,161	1,300,000	1,300,000	1,248,000	1,447,640 (CNY340,000)	36.11%	3,600,161	N	N	N
3	Chong Hing	The Company	3	3,600,161	1,000,000	1,000,000	1,000,000	1,151,690 (CNY265,000)	27.78%	3,600,161	N	Y	N
4	TBM BVI	TBM	3	49,933	30,000	30,000	25,000	28,792 (USD1,040)	39.05%	49,933	N	Y	N

Note 1: The numbering method is as follows:

- (1) "0" represents the parent company.
- (2) Investees are sequentially numbered from 1 by company.

Note 2: According to policy for endorsements/ guarantees of Shang Young, limit on total endorsements/guarantees provided to a single party and ceiling on total endorsements/guarantees provided shall not exceed the total appraisal of owned land and buildings of Shang Young. The aforementioned appraisal value is in accordance with the latest appraisal report prepared and issued by real estate appraiser or other person duly authorized by law to engage in the value appraisal of real estate or other fixed assets. When the reason for endorsements/ guarantees is business related, the amount of endorsements/ guarantees provided shall not exceed the total amount of purchases and sales transactions with the endorser/ guarantor for the recent year.

Note 3: According to policy for endorsements/ guarantees of SYI, limit on total endorsements/guarantees provided to a single party and ceiling on total endorsements/guarantees provided shall not exceed 15% of the equity of SYI. When the reason for endorsements/ guarantees is business related, the amount of endorsements/ guarantees provided shall not exceed the total amount of purchases and sales transactions with the endorser/ guarantor for the recent year.

Note 4: According to policy for endorsements/ guarantees of SYI, for the company in which our parent company that directly or indirectly holds 100% of our voting right holds directly or indirectly 90% or more of the voting right, the total endorsements/ guarantees provided shall not exceed 10% of the Company's equity.

Note 5: According to policy for endorsements/ guarantees of Chong Hing, the limit on total endorsements/guarantees provided to a single party and ceiling on total endorsements/guarantees provided shall not exceed 100% of its equity. When the reason for endorsements/ guarantees is business related, the amount of endorsements/ guarantees provided shall not exceed the total amount of purchases and sales transactions with the endorser/ guarantor for the recent year and ceiling on total endorsements/guarantees provided should not exceed 10% of its net worth.

Note 6: According to policy for endorsements/ guarantees of Chong Hing, for the company in which our parent company that directly or indirectly holds 100% of our voting right holds directly or indirectly 90% or more of the voting right, the total endorsements/ guarantees provided shall not exceed 10% of the Company's equity, provided that this restriction shall not apply to endorsements/ guarantees provided for the company in which our parent company that directly or indirectly holds 100% of our voting right holds directly or indirectly 100% of the voting right.

Note 7: According to policy for endorsements/ guarantees of TBM BVI, limit on total endorsements/guarantees provided to a single party and ceiling on total endorsements/guarantees provided of TBM BVI shall not exceed 50% of the Company's equity. When the reason for endorsements/ guarantees is business related, the amount of endorsements/ guarantees provided shall not exceed the total amount of purchases and sales transactions with the endorser/ guarantor for the recent year and ceiling on total endorsements/guarantees provided should not exceed 10% of its equity.

Note 8: The relationship is classified into the following seven types:

- (1) Transactions between the companies.
- (2) The Company directly or indirectly holds more than 50% voting right.
- (3) When other companies directly or indirectly hold more than 50% voting rights of the Company.
- (4) The Company directly or indirectly holds more than 90% voting right.
- (5) A company that is mutually protected under contractual requirements based on the needs of the contractor.
- (6) A company that is endorsed by all the contributing shareholders in accordance with their shareholding ratio due to joint investment relationship.
- (7) Under the Consumer Protection Act, performance guarantees for pre-sale contracts for companies in the same industry.

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(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of NTD/In thousands of shares)

Name of holder	Category and name of security	Relationship with the Company	Account name	Ending balance				Maximum Percentage of ownership	Note
				Shares (in thousands)	Carrying value	Percentage of ownership	Fair value		
The Company	Equity- Hitachi Astemo Taichung Co., Ltd.	The Company is the juristic director of the entity	Note1	5,339	117,049	19.94%	117,049	19.94%	
The Company	Equity-Lico Technology Corporation	-	Note2	8,861	-	7.13%	-	7.13%	
The Company	Equity-Sheng Mao Investment Co., Ltd.	The Company is the juristic director of the entity	Note1	1,500	24,435	25.00%	24,435	25.00%	
Shan Young	Equity-Taiwan Tea Co., Ltd.	The Group is the juristic director of the entity	Note1	93,170	1,891,351	11.79%	1,891,351	11.79%	
Shan Young	Private equity-Taiwan Tea Co., Ltd.	The Company is the juristic director of the entity	Note1	63,250	1,130,278	8.01%	1,130,278	8.01%	
Youth Taisun	Equity-Sheng Mao Investment Co., Ltd.	The Company is the juristic director of the entity	Note1	360	5,864	6.00%	5,864	6.00%	
Youth Taisun	Equity-Xu Mao Investment Co., Ltd.	The Company is the juristic director of the entity	Note1	75	1,084	0.50%	1,084	0.50%	
Nanyang	Equity-The Company	Parent company	Note1	4,351	117,693	0.55%	117,693	0.55%	
Nanyang	Equity-Chaur Chin Industries Co., Ltd.	-	Note1	1	280	0.28%	280	0.28%	
NOVA Design	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note1	300	4,887	5.00%	4,887	5.00%	
Ching Ta	Equity-The Company	Parent company	Note1	981	26,550	0.12%	26,550	0.12%	
Ching Ta	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note1	60	977	1.00%	977	1.00%	
Ching Ta	Equity-Xu Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note1	2,600	37,570	17.33%	37,570	17.33%	
Ching Ta	Equity-King Zone Co., Ltd.	The Group is the juristic director of the entity	Note1	800	5,200	10.00%	5,200	10.00%	
Ching Ta	Equity-Tac / Taiwan Aerospace Corp.	-	Note2	17	-	0.01%	-	0.01%	
Ching Ta	Preferred equity-Setex Technologies inc.	-	Note2	78	15,459	2.99%	15,459	3.14%	
Ching Ta	Equity-National Petroleum Co., Ltd.	-	Note1	4,316	211,484	1.40%	211,484	4.24%	
Ching Ta	Equity-LSC Ecosystem Corporation	-	Note1	9,167	35,658	7.41%	35,658	8.22%	
Ching Ta	Equity-Gold Yu Co., Ltd.	-	Note1	3,000	57,900	5.56%	57,900	5.56%	
Ching Ta	Equity-Full Speed Express Corp.	-	Note1	1,290	19,350	5.42%	19,350	10.94%	
Chu-Yang	Equity-Ding Tai Motor Co., Ltd.	-	Note1	100	1,000	2.55%	1,000	2.55%	
Chu-Yang	Equity-Ding Sheng Motor Co., Ltd.	-	Note1	200	2,000	6.59%	2,000	6.59%	
Chu-Yang	Equity-Hong Yu Motor Co., Ltd.	-	Note1	310	3,100	9.54%	3,100	9.54%	
Chu-Yang	Equity-Sang Shun Wang Motor Co., Ltd.	-	Note1	100	1,086	3.45%	1,086	4.66%	
Fact Co., Ltd.	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note1	60	977	1.00%	977	1.00%	
Fact Co., Ltd.	Equity-Xu Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note1	1,500	21,675	10.00%	21,675	10.00%	
TBM	Equity-Vietnam Hong Zheng Science & Technology Co., Ltd.	-	Note1	-	9,800	19.00%	9,800	19.00%	
TBM	Equity-Vietnam Hung Li Science & Technology Co., Ltd.	-	Note1	-	1,276	6.08%	1,276	6.08%	
TBM	Equity-Sheng Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note1	600	9,774	10.00%	9,774	10.00%	
TBM	Equity-Xu Mao Investment Co., Ltd.	The Group is the juristic director of the entity	Note1	750	10,838	5.00%	10,838	5.00%	
Sanyang Global	Equity-Shang Guang (Shanghai) Investment Ltd.	-	Note1	1,519	223,000	6.76%	223,000	6.76%	

Note1 : Financial assets at fair value through other comprehensive income.

Note2 : Financial assets at fair value through profit or loss.

Note3 : The balance stated above had been converted into New Taiwan Dollar based on the following exchange rates:

Exchange rate on the reporting date: USD1=NTD27.6850 ; CNY1=NTD4.3460

Average exchange rate for the reporting period: USD1=NTD27.9510 ; CNY1=NTD4.3315

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- (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 NTD/ foreign currency)

Name of company	Category and name of security	Account name	Counter-party	Relationship with the company	Beginning Balance		Purchases			Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Valuation	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Ching Ta	Equity-National Petroleum Co., Ltd.	Financial assets at fair value through other comprehensive income-non-current	public markets	Non-related party	13,098	662,759	-	-	-	8,782	425,539	425,539	-	4,316	211,484

Note1 : Fair value adjustment is included in the ending balance.

Note2 : Gain or loss on disposal of financial assets at fair value through other comprehensive income is transferred from other comprehensive income to retained earnings.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In thousands of NTD)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Other terms
							Owner	Relationship with the Company	Date of transfer	Amount			
Shan Young	Land, numbered 776, etc. and the buildings on it, located at DongHua Section and Land, numbered 218, etc. and the buildings on it, located at Shebei Section.	110.01.18	559,325	559,325	Natural person	Non-related party	-	-	-	-	Appraisal report	Business purpose	

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of NTD)

Name of purchaser/seller	Counter-party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases /Sales	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Nanyang	Note 2	Sales	(7,423,264)	(25)%	8 billion in credit and payment received right after shipment	According to the pricing policy of the Company	No ordinary transaction can be compared to	5,963	-%	Interest is imposed if there is any delay
The Company	Nanchen	Note 2	Sales	(142,121)	-%	1 billion in credit and payment received right after shipment	"	"	-	-%	"
The Company	Chu-Yang	Note 2	Sales	(650,627)	(2)%	Guarantee deposit 25,000 thousand and payment received in 2 days on a weekly settlement base	"	"	71,145	5%	"
The Company	SYIT	Note 2	Sales	(715,202)	(2)%	Payment received 120 days after shipment	"	"	114,132	8%	
The Company	SYDE	Note 2	Sales	(196,831)	(1)%	Payment received 120 days after shipment	"	"	46,382	3%	
The Company	VMEP	Note 2	Sales	(104,645)	-%	Payment received 45-60 days after shipment	"	"	18,693	1%	
The Company	Xia Shing Motor	Note 2	Sales	(466,675)	(2)%	Payment received 45 days after shipment of service parts, and payment received 30 days after shipment of other parts or goods	"	"	53,356	4%	
The Company	Xia Shing Motor	Note 2	Purchases	2,707,924	13%	The payment for goods before the 15th of the previous month is paid in the first ten days of the month, and the payment after the 16th of the previous month is paid in the last ten days of the month.	No ordinary transaction can be compared to	"	(234,334)	(9)%	
The Company	Hitachi Astemo Taichung Co., Ltd.	Note 4	Purchases	708,267	3%	Payment paid 45 days after acceptance	"	"	(116,871)	(4)%	
The Company	Zoeng Chang Industry Co., Ltd.	Note 2	Purchases	290,667	1%	Payment paid 45 days after acceptance	"	"	(50,364)	(2)%	
The Company	TBM	Note 2	Purchases	510,648	2%	Payment paid 45 days after acceptance	"	"	(102,346)	(4)%	
The Company	Youth Taisun	Note 2	Purchases	274,281	1%	Payment paid 45 days after acceptance	"	"	(55,272)	(2)%	
Nanyang	The Company	Note 1	Purchases	7,423,264	89%	8 billion in credit and payment received right after shipment	"	"	(5,963)	(3)%	Interest is imposed if there is any delay
Nanyang	Sunshine Auto- Lease	Note 2	Sales	(334,748)	(3)%	Payment received right after shipment	"	"	24,230	19%	
Nanyang	Jau Ryh	Note 2	Sales	(151,879)	(1)%	Payment received 37days after documents approved	"	"	14,558	11%	
Xia Shing Motor	The Company	Note 1	Sales	(2,707,924)	(31)%	The payment for goods before the 15th of the previous month is received in the first ten days of the month, and the payment after the 16th of the previous month is received in the last ten days of the month.	"	"	234,334	29%	
Xia Shing Motor	VMEP	Note 3	Sales	(800,146)	(9)%	Payment received 35 days after acceptance	"	"	297,558	37%	
Xia Shing Motor	The Company	Note 1	Purchases	466,675	5%	Payment paid 45 days after shipment of service parts, and payment paid 30 days after shipment of other parts or goods	"	"	(53,356)	(4)%	
Xia Shing Motor	SCK	Note 3	Purchases	414,193	5%	Payment paid 15 days on a monthly settlement base	"	"	(3,638)	-%	
Xia Shing Motor	XTBM	Note 3	Purchases	228,142	3%	Payment paid 30 days on a monthly settlement base	"	"	(18,307)	(2)%	

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Name of purchaser/seller	Counter-party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchases/Sales	Amount	Percentage of total purchases/sales	Credit terms	Unit price	Credit terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Nanchen	The Company	Note 1	Purchases	142,121	59%	1 billion in credit and payment paid right after shipment	No ordinary transaction can be compared to	No ordinary transaction can be compared to	-	-%	Interest is imposed if there is any delay
Chu - Yang	The Company	Note 1	Purchases	650,627	100%	Guarantee deposit 25,000 thousand and payment paid in 2 days on a weekly settlement base	"	"	(71,145)	(100)%	Interest is imposed if there is any delay
SYIT	The Company	Note 1	Purchases	715,202	100%	Payment paid 120 days after acceptance	"	"	(114,132)	(68)%	
SYDE	The Company	Note 1	Purchases	196,831	100%	Payment paid 120 days after acceptance	"	"	(46,382)	(99)%	
VMEP	The Company	Note 1	Purchases	104,645	5%	Payment paid 45-60 days after shipment	"	"	(18,693)	(4)%	
VMEP	VTBM	Note 2	Purchases	113,808	6%	Payment paid 45 days after acceptance	"	"	(15,121)	(3)%	
VMEP	Xia Shing Motor	Note 3	Purchases	800,146	40%	Payment paid 35 days after acceptance	"	"	(297,558)	(68)%	
TBM	The Company	Note 1	Sales	(510,648)	(84)%	Payment received 45 days after acceptance	"	"	102,346	91%	
SCK	Xia Shing Motor	Note 3	Sales	(414,193)	(58)%	Payment received 15 days on a monthly settlement base	"	"	3,638	3%	
XTBM	Xia Shing Motor	Note 3	Sales	(228,142)	(88)%	Payment received 30 days on a monthly settlement base	"	"	18,307	76%	
Sunshine Auto- Lease	Nanyang	Note 1	Purchases	334,748	48%	Payment paid right after shipment	"	"	(24,230)	(47)%	
Li Yang	Nanyang	Note 1	Purchases	113,099	58%	Payment paid 5-30 days after shipment	"	"	(8,808)	(99)%	Interest is imposed if there is any delay
Youth Taisun	The Company	Note 1	Sales	(274,281)	(95)%	Payment received 45 days after acceptance	"	"	55,272	93%	
NOVA Design	The Company	Note 1	Sales	(104,870)	(81)%	Payment received 45 days after acceptance	"	"	8,939	80%	
VTBM	VMEP	Note 1	Sales	(113,808)	(78)%	Payment received 45 days after shipment	"	"	15,121	75%	

Note 1: Investor company accounts for the Company using the equity method.

Note 2: Investee company accounted for using the equity method by the Company.

Note 3: Affiliate.

Note 4: Substantive related party.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of NTD/ foreign currency)

Name of company	Counter-party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in the subsequent period	Loss allowance
					Amount	Action taken		
The Company	SYIT	Subsidiaries	114,130 (EUR 3,644)	6.50	-		33,293 (EUR 1,063)	-
Xia Shing Motor	The Company	The parent company of the Group	234,326 (USD 8,464)	14.02	-		234,326 (USD 8,464)	-
TBM	The Company	The parent company of the Group	102,346	4.39	-		32,710	-
Xia Shing Motor	VMEP	Affiliate	297,558 (USD 10,748)	5.04	-		42,995 (USD 1,553)	-
Chong Hing	Yangzhou Tairun Hotel, Ltd.	An associate	108,650 (CNY 25,000)	N/A	-		-	-
Nova Shanghai	Yangzhou Tairun Hotel, Ltd.	An associate	108,650 (CNY 25,000)	N/A	-		-	-

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

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(viii) Business relationships and significant intercompany transactions:

(In thousands of NTD)

No.	Name of company	Counter-party	Relationship	Intercompany transaction			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Xia Shing Motor	1	Accounts payable to related parties	234,334	Note 3	0.50%
0	The Company	TBM	1	Accounts payable to related parties	102,346	"	0.22%
0	The Company	SYIT	1	Accounts receivable from related parties	114,132	"	0.24%
0	The Company	Xia Shing Motor	1	Sales revenue	466,675	"	1.12%
0	The Company	Nanyang	1	Sales revenue	7,423,264	"	17.84%
0	The Company	Nanchen	1	Sales revenue	142,121	"	0.34%
0	The Company	SYIT	1	Sales revenue	715,202	"	1.72%
0	The Company	SYDE	1	Sales revenue	196,831	"	0.47%
0	The Company	VMEP	1	Sales revenue	104,645	"	0.25%
0	The Company	Chu-Yang	1	Sales revenue	650,627	"	1.56%
0	The Company	Xia Shing Motor	1	Cost of goods sold	2,707,924	"	6.51%
0	The Company	Youth Taisun	1	Cost of goods sold	274,281	"	0.66%
0	The Company	TBM	1	Cost of goods sold	510,648	"	1.23%
1	Nanyang	Sunshine Auto- Lease	1	Sales revenue	334,748	"	0.80%
1	Nanyang	Jau Ryh	1	Sales revenue	151,879	"	0.36%
2	Xia Shing Motor	SCK	3	Cost of goods sold	414,193	"	1.00%
2	Xia Shing Motor	XTBM	3	Cost of goods sold	228,142	"	0.55%
2	Xia Shing Motor	VMEP	3	Sales revenue	800,146	"	1.92%
2	Xia Shing Motor	VMEP	3	Accounts receivable from related parties	297,558	"	0.64%
3	VTBM	VMEP	3	Sales revenue	113,808	"	0.27%
4	Nova Design	The Company	2	Sales revenue	104,870	"	0.25%
5	Li Yang	Nanyang	2	Cost of goods sold	113,099	"	0.27%

Note 1: The numbering method is as follows:

1. "0" represents the parent company.
2. Subsidiaries are sequentially numbered from 1 by company.

Note 2: The Relationship is classified into the following three types:

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

Note 3: Except for terms for transactions uncomparable to ordinary transactions are in accordance with the agreement between both parties, the others are similar to ordinary terms.

Note 4: Intra-group transactions have been eliminated in the consolidated financial statements.

Note 5: Contra-transactions are not disclosed.

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

(In thousands of NTD/ In thousands of shares)

Name of investor	Name of investee	Location	Main business and products	Original investment amount		Ending balance			Maximum Percentage of ownership	Net income (losses) of investee	Investment income (losses) recognized for the period	Note
				December 31, 2021	December 31, 2020	Shares (in thousands)	Percentage of ownership	Carrying value				
The Company	Shan Young	Taiwan	Real estate development and management	3,843,889	3,843,889	656,300	100.00%	7,679,451	100.00%	(99,554)	(99,554)	Note 1
"	Youth Taisun	Taiwan	Manufacturing of automobiles, scooters and their parts	179,657	179,657	18,093	100.00%	215,471	100.00%	8,758	8,758	"
"	Chu-Yang	Taiwan	Sale of scooters and its parts	29,000	29,000	2,900	100.00%	40,911	100.00%	9,999	9,999	"
"	Nanyang	Taiwan	Distribution, repair, and maintenance of automobiles and its parts	833,486	833,486	134,919	89.60%	1,882,151	89.60%	221,425	198,398	"
"	NOVA Design	Taiwan	Product design	195,495	195,495	19,080	100.00%	187,428	100.00%	(15,649)	(15,649)	"
"	Sunshine Auto- Lease	Taiwan	Passenger car rental and leasing	35,178	35,178	7,249	16.27%	87,060	16.27%	25,590	4,163	"
"	Ching Ta	Taiwan	Investment activities	785,609	785,609	111,467	99.66%	1,449,874	99.66%	32,802	32,691	"
"	Profit Source	Samoa	Investment shareholding company	867,759	867,759	-	100.00%	3,600,180	100.00%	66,798	66,798	"
"	SYDE	Germany	Sale of scooters and its parts	122,713	122,713	-	100.00%	94,844	100.00%	1,830	1,830	"
"	SYI	Samoa	Investment shareholding company	3,662,860	3,662,860	-	100.00%	5,909,189	100.00%	482,828	482,828	"
"	SYIT	Italy	Sale of scooters and its parts	179,915	179,915	-	100.00%	175,139	100.00%	8,309	8,309	"

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Name of investor	Name of investee	Location	Main business and products	Original investment amount		Ending balance			Maximum Percentage of ownership	Net income (losses) of investee	Investment income (losses) recognized for the period	Note
				December 31, 2021	December 31, 2020	Shares (in thousands)	Percentage of ownership	Carrying value				
"	APh ePower Co., Ltd.	Taiwan	Power source development industry	410,000	260,000	36,000	29.51%	267,844	29.51%	(90,556)	(23,933)	Note 2
"	SCB	Colombia	Sale of scooters and its parts	91,466	91,466	100	100.00%	12,993	100.00%	(8,871)	(8,871)	Note 1
Nanyang	Nanchen	Taiwan	Sale of automobiles	-	39,533	-	-	-	100.00%	(2,677)	Disclosure not required	Note 3
"	Sunshine Auto - Lease	Taiwan	Passenger car rental and leasing	91,926	91,926	27,391	61.46%	314,873	61.46%	25,590	"	Note 1
"	Li Yang	Taiwan	Repair of automobiles and sale of automobile parts	31,317	13,317	3,000	100.00%	34,310	100.00%	2,552	"	"
"	Nanyang Insurance Agent	Taiwan	Property insurance agency business	34,879	34,879	1,316	92.86%	35,842	92.86%	5,954	"	"
"	NY Samoa	Samoa	Investment shareholding company	328,517	423,487	-	100.00%	98,447	100.00%	16,874	"	"
"	Jau Ryh	Taiwan	Truck rental and leasing	34,328	21,328	2,993	100.00%	48,878	100.00%	14,055	"	"
"	Shian Yang	Taiwan	Repair of automobiles and sale of automobile parts	54,375	54,375	4,740	100.00%	90,479	100.00%	36,807	"	"
NOVA Design	NOVA Samoa	Samoa	Investment shareholding company	86,500	86,500	-	42.30%	61,631	42.30%	(7,355)	"	"
Ching Ta	TBM	Taiwan	Manufacturing, processing and sale of scooter parts	179,500	179,500	5,957	55.00%	54,926	55.00%	9,743	"	"
"	Sunshine Auto - Lease	Taiwan	Passenger car rental and leasing	19,680	19,680	9,412	21.12%	113,013	21.12%	25,590	"	"
"	Fact Co., Ltd.	Taiwan	Manufacturing processing and sale of hardware and iron	43,840	43,840	1,000	100.00%	13,034	100.00%	1,277	"	"
"	NOVA Samoa	Samoa	Investment shareholding company	113,002	113,002	-	57.70%	84,068	57.70%	(7,355)	"	"
"	Zoeng Chang Industry Co., Ltd.	Taiwan	Manufacturing, processing and sale of scooter parts	33,200	33,200	9,020	40.00%	316,299	40.00%	41,727	"	Note 2
"	Qing Zhao Investment Co., Ltd.	Taiwan	Investment activities	96,000	96,000	9,600	29.29%	55,936	29.29%	(22,460)	"	"
"	Winner RV Ltd.	Taiwan	Sale, manufacturing and design of recreational vehicle	100,000	100,000	5,000	25.77%	93,033	26.32%	(17,682)	"	"
Profit Source	Chong Hing	British Virgin Islands	Investment shareholding company	716,432 (USD25,878)	716,432 (USD25,878)	-	100.00%	3,600,185 (USD130,041)	100.00%	66,803 (USD2,390)		Note 1
SYI	Cosmos	British Virgin Islands	Investment shareholding company	366,162 (USD13,226)	366,162 (USD13,226)	-	100.00%	411,980 (USD14,881)	100.00%	42,458 (USD1,519)	"	"
"	VMEPH	Cayman Islands	Investment shareholding company	2,740,372 (USD98,984)	2,740,372 (USD98,984)	608,818	67.07%	976,450 (USD35,270)	67.07%	(155,659) (USD(5,569))	"	"
"	New Path	Samoa	Investment shareholding company	254,896 (USD9,207)	254,896 (USD9,207)	-	100.00%	354,036 (USD12,788)	100.00%	2,208 (USD79)	"	"
"	PIL	British Virgin Islands	Investment shareholding company	383,050 (USD13,836)	383,050 (USD13,836)	-	100.00%	2,058,740 (USD74,363)	100.00%	518,575 (USD18,553)	"	"
"	Sun Goal	Samoa	Investment shareholding company	241,718 (USD8,731)	241,718 (USD8,731)	-	100.00%	178,845 (USD6,460)	100.00%	18,420 (USD659)	"	"
TBM	TBM BVI	British Virgin Islands	Investment shareholding company	147,035	147,035	-	100.00%	76,825	100.00%	13,642	"	"
"	VTBM	Vietnam	Manufacturing, processing and sale of scooter parts	23,926	23,926	-	69.00%	38,061	69.00%	1,941	"	"
TBM	Fu Ta	Samoa	Investment shareholding company	-	47,628	-	-	-	51.00%	-	"	Note 3
VMEPH	Chin Zong	Taiwan	Wholesale and retail of scooters and its parts	150,000	150,000	15,000	100.00%	148,706	100.00%	1,020	"	Note 1
"	VMEP	Vietnam	Manufacturing and sale of scooters and its parts	4,593,855 (USD165,933)	4,400,060 (USD158,933)	-	100.00%	1,261,107 (USD45,552)	100.00%	(107,024) (USD(3,829))	"	"
VMEP	VCFP	Vietnam	Manufacturing of scooter parts, etc	124,583 (USD4,500)	124,583 (USD4,500)	-	100.00%	133,469 (USD4,821)	100.00%	(8,721) (USD(312))	"	"
"	VTBM	Vietnam	Manufacturing, processing and sale of scooter parts	12,874 (USD465)	12,874 (USD465)	-	31.00%	17,026 (USD615)	31.00%	1,941 (USD(69))	"	"
"	Dinh Duong	Vietnam	Sale of scooters and real estate development, etc.	199,692 (USD7,213)	199,692 (USD7,213)	-	99.94%	202,516 (USD7,315)	99.94%	(56) (USD(2))	"	"
Qing Zhao Investment Co., Ltd.	Sunny Mind High Technology Inc.	Samoa	Investment shareholding company	330,951	330,951	-	100.00%	201,830	100.00%	(21,876)	"	Note 2

Note 1: Subsidiary included in the consolidated financial statements.

Note 2: Associate of the Group.

Note 3: For the investee whose original investment amount on December 31, 2021 was zero, please refer to note 4(c) for the details of liquidation or organization restructuring during the period.

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(c) Information on investment in Mainland China:

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

(In thousands of NTD/ In thousands of shares)

Name of investee	Main business and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Maximum percentage of ownership	Investment income (losses) recognized	Carrying value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Xia Shing Motor	Manufacturing, assembling and sale of scooters and its parts, along with the follow-up warranty service	636,755 (USD23,000)	(ii) Note 1 (2)1	383,050 (USD13,836)	-	-	383,050 (USD13,836)	676,414 (USD24,200)	76.67%	76.67%	518,603 (USD18,554)	2,057,051 (USD74,302)	-
SCK	Manufacturing and sale of scooter parts	914,712 (USD33,040)	(ii) Note 1 (2)1	643,012 (USD23,226)	-	-	643,012 (USD23,226)	60,877 (USD2,178)	100.00%	100.00%	60,877 (USD2,178)	590,798 (USD21,340)	-
Xiamen King Long United Automotive Industry Co., Ltd.	Assembling and manufacturing of automobile and its parts	Note 1	(ii) Note 1 (2)1	988,410 (USD35,702)	-	-	988,410 (USD35,702)	-	-	-	-	-	485,180 (USD17,525)
Sanyang Global	Developing, wholesaling, importing and exporting the following items: computer software, tool equipment, molds, (electric)scooter and automobile and their parts	249,165 (USD9,000)	(ii) Note 1 (2)1	249,165 (USD9,000)	-	-	249,165 (USD9,000)	2,124 (USD76)	100.00%	100.00%	2,124 (USD76)	347,945 (USD12,568)	-
Chongqing Kuayue Group Co., Ltd.	Developing, manufacturing, selling engine of automobile and its parts	41,721 (USD1,507)	(ii) Note 1(1)	12,514 (USD452)	-	-	12,514 (USD452)	-	30.00%	30.00%	-	-	-
NOVA Shanghai	Product design	359,960 (USD13,002)	(ii) Note 1 (2)2	318,682 (USD11,511)	-	-	318,682 (USD11,511)	(19,063) (USD(682))	100.00%	100.00%	(19,063) (USD(682))	302,957 (USD10,943)	-
XTBM	Manufacturing, processing and sale of scooter parts	121,814 (USD4,400)	(ii) Note 1 (2)3	121,814 (USD4,400)	-	-	121,814 (USD4,400)	13,556 (USD485)	54.81%	54.81%	7,364 (USD266)	47,562 (USD1,718)	-
GTBM	Manufacturing, processing and sale of scooter parts	Note 2	(ii) Note 1 (2)3	19,324 (USD698)	-	-	19,324 (USD698)	-	-	-	-	-	-
Su Zhou Hui Ying	Retail of automobiles and its parts	Note 3	(ii) Note 1 (2)4	265,776 (USD9,600)	-	94,101 (USD3,399)	171,675 (USD6,201)	-	-	-	-	-	-
Chang Zhou Nan Yang	Retail of automobile and its parts	112,124 (USD4,050)	(ii) Note 1 (2)4	112,124 (USD4,050)	-	-	112,124 (USD4,050)	(894) (USD(32))	-	89.60%	(811) (USD(29))	88,204 (USD3,186)	-
Yangzhou Yangrun Hotel Co., Ltd.	Developing, leasing, and selling real estate and hotel	138,425 (USD5,000)	(ii) Note 1 (2)5	138,425 (USD5,000)	-	-	138,425 (USD5,000)	(84) (USD(3))	29.19%	29.19%	(28) (USD(1))	47,923 (USD1,731)	-
Yangzhou Tairun Hotel Co., Ltd.	Developing, leasing, and selling real estate and hotel	138,425 (USD5,000)	(ii) Note 1 (2)5	-	-	-	(21,774) (USD(779))	29.19%	29.19%	(6,345) (USD(227))	(1,606) (USD58)	-	
Yangzhou Yangrun Property Management Co., Ltd.	Residential estate management, building repairing, and sale of construction materials and daily necessities	2,173 (CNY500)	(ii) Note 1 (2)6	-	-	-	-	29.19%	29.19%	-	2,164 (CNY498)	-	

Note 1: The Group disposed its investment in Xiamen King Long United Automotive Industry Co., Ltd in the year of 2018, and the proceeds from the disposal (including accumulated investment amount) was remitted to Chong Hing, the investment shareholding company of the disposed investee company.

Note 2: The Group disposed its investment in GTBM on July 31, 2019, and the proceeds from the disposal (including accumulated investment amount) was remitted to TBM BVI, the investment shareholding company of the disposed investee company.

Note 3: The Company was approved by Investment Commission, MOEA (Permit No. 09900323700) for the investment of US\$7,400 thousand in Su Zhou Hui Ying on August 17, 2010. The Company was approved by Investment Commission, MOEA (Permit No. 10100039390) for the investment of US\$2,200 thousand in Su Zhou Hui Ying on February 10, 2012. The liquidation of Su Zhou Hui Ying has been completed on May 10, 2021 and Investment Commission, MOEA (Permit No. 11000177800) approved the withdrawal of the investment of US\$3,399 thousand on August 3, 2021.

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(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
2,270,611 (USD85,628)	3,235,269 (USD116,860)	10,091,821

Note 1: The method of investment is classified into the following three types:

- (1) Through company in the third region to transfer money to invest in the investee in Mainland China.
- (2) Through setting up company in the third region to invest in the investee in Mainland China.
 - 1.The Company set up company in the third region to invest in the investee in Mainland China.
 - 2.NOVA Design set up company in the third region to invest in the investee in Mainland China.
 - 3.TBM set up company in the third region to invest in the investee in Mainland China.
 - 4.Nanyang set up company in the third region to invest in the investee in Mainland China.
 - 5.Qing Zhao Investment Co., Ltd. set up company in the third region to invest in the investee in Mainland China.
 - 6.Split-up of Yang Zhou Tai Run Hotel Co., Ltd.
- (3) Through investing company in the third region to invest in the investee in Mainland China.

Note 2: The investment income(losses) was recognized based on the investee company's financial reports audited by international accounting firm which collaborated with the Company's audit team or certified public accountants of R.O.C..

Note 3: In accordance with Principles for the review of investment or technical cooperation in the Mainland China issued by Investment Commission, MOEA, the limit on investment in Mainland China is the higher of 60% of the Company's or the Group's equity.

Note 4: If the investment was invested in foreign currency, the amount stated above had been converted into New Taiwan Dollar based on the following exchange rates:

Exchange rate on the reporting date: USD1=NTD27.6850 ; CNY1=NTD4.3460

Average exchange rate for the reporting period: USD1=NTD27.951 ; CNY1=NTD4.3315

(iii) Significant transactions:

For the direct or indirect significant transactions between the Group and its investees in Mainland China, which have been eliminated in the consolidated financial statements during the year of 2021, please refer to "Information on significant transaction".

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Da Yang Investment Ltd.		54,905,000	6.88%
Bai Ke Investment Ltd.		47,463,664	5.95%
Chuan Yuan Investment Ltd.		47,375,000	5.93%

Note: The aforementioned information of major shareholders is extracted from the statistics maintained by Taiwan Depository and Clearing Corporation, which reveal the shareholders whose shareholding ratios are over 5%. The calculation is based on the non-physical securities (including ordinary shares, private shares, and treasury shares) delivered through the book-entry system to the shareholder at the last trading day of every quarter.

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(14) Segment information:

(a) General information

The Group has two main reportable segments: domestic segment overseas segment, whose major businesses are manufacturing and selling automobile, scooter and their parts, and providing related technical service and consulting service.

All operating results are submitted for review to the operational decision maker of the Group, and therefore the resources could be distributed properly among segments based on respective performance.

The segment revenues are from external customers, excluding non-operating revenues and investment income or losses.

The segment profits or losses are the remaining amount after segment revenues minus costs and expenses, which are related to revenues generation. If the costs and expenses are not directly attributable, they should be allocated among segments proportionately to respective operating revenues.

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

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

For the year ended December 31, 2021	Domestic segment	Oversea segment	Other segment	Reconciliation and elimination	Total
Revenues:					
Revenues from external customers	\$ 32,299,372	9,201,031	116,948	-	41,617,351
Intersegment revenues	6,183,924	3,758,219	135,076	(10,077,219)	-
Total revenues	\$ 38,483,296	12,959,250	252,024	(10,077,219)	41,617,351
Interest expenses	\$ 158,326	28,305	16,135	(6,274)	196,492
Depreciation and amortization	1,135,794	169,450	129,702	(21,536)	1,413,410
Reportable segment profit or loss	\$ 2,121,640	715,669	(22,387)	(473,619)	2,341,303
Assets:					
Investments accounted for using the equity method	\$ -	-	733,112	-	733,112
Capital expenditure	1,072,559	185,055	2,098	-	1,259,712
Reportable segment assets	\$ 41,804,326	11,811,171	15,361,757	(22,446,036)	46,531,218
Reportable segment liabilities	\$ 24,085,644	4,274,906	2,030,126	(679,160)	29,711,516

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For the year ended December 31, 2020	Domestic segment	Oversea segment	Other segment	Reconciliation and elimination	Total
Revenues:					
Revenues from external customers	\$ 32,946,345	7,703,262	125,310	-	40,774,917
Intersegment revenues	11,118,287	2,742,549	163,162	(14,023,998)	-
Total revenues	\$ 44,064,632	10,445,811	288,472	(14,023,998)	40,774,917
Interest expenses	\$ 183,445	36,508	10,847	(5,275)	225,525
Depreciation and amortization	1,111,331	152,016	117,010	-	1,380,357
Reportable segment profit or loss	\$ 2,388,931	465,824	24,911	(385,671)	2,493,995
Assets:					
Investments accounted for using the equity method	\$ -	-	705,126	-	705,126
Capital expenditure	1,726,478	225,813	33,465	-	1,985,756
Reportable segment assets	\$ 40,690,005	10,644,168	14,414,996	(21,731,092)	44,018,077
Reportable segment liabilities	\$ 23,697,364	3,639,019	1,371,674	(756,769)	27,951,288

(c) Geographic information

In presenting information on the basis of geography, segment revenues are based on the geographical location of customers and segment non-current assets are based on the geographical location of the assets.

Geographical information	For the years ended December 31	
	2021	2020
Revenues from external customers:		
Taiwan	\$ 28,156,625	29,377,518
Mainland China	3,593,658	2,810,330
Asia	4,052,761	4,008,515
Europe	4,391,245	3,356,675
Others	1,423,062	1,221,879
Total	\$ 41,617,351	40,774,917
Non-current assets:		
Taiwan	\$ 16,215,336	16,229,153
Mainland China	943,969	1,051,866

SANYANG MOTOR CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Vietnam	244,249	253,601
Others	13,152	3,904
Total	\$ 17,416,706	17,538,524

Non-current assets include property, plant and equipment, investment property, right-of-use assets, and other non-current assets, excluding financial instruments and deferred tax assets.

(d) Major customers

The revenues contributed by major customers amounted to 10% of the Group's consolidated revenues in the year of 2021 and 2020: None.

VIII. Effects of Any Insolvency of the Company and Its Affiliates upon the Company's Financial Position during the Most Recent Fiscal Year and as of the Date of the Annual Report: None.

Chapter 7 Review and Analysis of Financial Position and Financial Performance and Risk Management

I. Financial Position:

Comparative Analysis on Unconsolidated Financial Position

Unit: NTD Thousand; %

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	5,155,637	4,659,870	495,767	10.64
Property, plant and equipment, net	4,945,448	5,044,289	(98,841)	(1.96)
Other Assets	24,975,412	24,181,200	794,212	3.28
Total Assets	35,076,497	33,885,359	1,191,138	3.52
Current Liabilities	8,918,844	11,270,740	(2,351,896)	(20.87)
Non-Current Liabilities	10,745,550	7,843,700	2,901,850	37.00
Total Liabilities	19,664,394	19,114,440	549,954	2.88
Share Capital	7,976,396	8,030,776	(54,380)	(0.68)
Capital Reserves	1,708,432	1,730,173	(21,741)	(1.26)
Retained Earnings	7,182,522	6,583,938	598,584	9.09
Other Equity	(1,322,431)	(1,441,152)	118,721	(8.24)
Treasury Stock	(132,816)	(132,816)	0	0.00
Total Equity	15,412,103	14,770,919	641,184	4.34

Notes on material changes:

1. Current liabilities: Mainly due to the decrease in short-term loans compared to 2020.
2. Non-current liabilities: Mainly due to the increase in long-term loans compared to 2020.

II. Financial Performance: Comparative Analysis of Operating Results

Unit: NT\$ thousand

Item \ Year	2021	2020	Difference	
			Amount	%
Operating revenue	29,876,799	30,796,834	(920,035)	(2.99)
Operating costs	26,161,020	26,862,690	(701,670)	(2.61)
Gross profit	3,694,692	3,924,645	(229,953)	(5.86)
Operating expenses	2,259,914	2,545,163	(285,249)	(11.21)
Net operating income	1,434,778	1,379,482	55,296	4.01
Non-operating income and expenses	582,487	883,996	(301,509)	(34.11)
Profit before income tax	2,017,265	2,263,478	(246,213)	(10.88)
Income tax expense	187,075	325,134	(138,059)	(42.46)
Profit for the year	1,830,190	1,938,344	(108,154)	(5.58)
Other comprehensive income (Net amount after tax)	112,191	70,898	41,293	58.24
Total comprehensive income for the year	1,942,381	2,009,242	(66,861)	(3.33)

Notes on material changes:

1. Non-operating income and expenses: Mainly ascribed to NT\$365 million earned from the land disposal recognized in 2020.
2. Income tax expense: The decrease in income tax expense was mainly due to the reversal of income tax benefit from the use of investment credit and income tax expense declared in the current period.
3. Other comprehensive income (net amount after tax): The increase in other comprehensive income for the period was mainly due to the decrease in the loss on the recognition of translation differences in the financial statements of foreign operating companies

III. Cash flow:

(I) Liquidity analysis for the past 2 years

Unit: %

Item \ Year	2021	2020	Increase (decrease) (%)
Cash flow ratio (%)	9.06	37.15	(75.61)
Cash flow adequacy ratio (%)	117.66	174.40	(32.53)
Cash reinvestment ratio (%)	Note 1	9.29	-

Note 1: If the difference between the net cash flow from operating activities and the cash dividend is negative, the net cash flow won't be measured.

Note 2: The ratios related to cash flow decreased in 2021 compared to 2020 due to a decrease in net cash inflow from operating activities.

(II) Cash Liquidity Analysis for the Upcoming Year

Unit: NT\$ thousand

Cash at Beginning of Year	Net Cash Flows from Operating Activities	Net Cash Inflow from Investments and Financing Activities of the Whole Year	Cash balance (Deficit)	Remedial Measures for Cash Inadequacy	
				Investment Plan	Financial Plan
1,469,419	2,168,093	(3,090,824)	546,688	-	-

In the coming year, the estimated cash inflow from operating activities is NT\$2,168,093 thousand, the estimated cash outflow from investing activities is NT\$1,430,957 thousand, and the estimated cash outflow from financing activities is NT\$1,659,867 thousand.

IV. Impacts of Material Capital Expenditure in the Most Recent Fiscal Year upon Financial Business:

(I) Major Capital Expenditures

Unit: NT\$ thousand

Plan	Actual or expected source of funds	Actual or expected completion date	Funds Required	Actual or estimated capital expenditure				
				2022	2021	2020	2019	2018
Projects for production rationalization	Private capital	2022	1,328,232	252,312	333,869	267,406	287,620	187,025
Development of new types of motorcycles	Private capital	2022	1,101,759	253,312	22,001	298,046	359,978	168,422
Others	Private capital	2022	731,325	158,941	194,744	313,600	23,702	40,338

(II) Expected Benefits

1. Invest in equipment for expansion and integration; improve efficiency and quality of present product lines to make products competitive and make sure of promptly satisfying domestic and foreign market needs.
2. Invest in developing new types of motorcycles and creating more complete product lines, so as to develop new market segments and new international markets while increasing market shares, corporate revenues and sales.

V. Reinvestment Policies for the Most Recent Fiscal Year, Main Causes of Profits or Losses Resulting Therefrom, Improvement Plans and Investment Plan for the Upcoming Fiscal Year:

The Company's reinvestment strategies focus on its core businesses. In 2021, the return on reinvestment recognized by equity method in 2021 amounted to NT\$665,767 thousand. In the future, the Company will continue steadily executing the reinvestment plans.

VI. Risk Management and Assessment:

(I) Effect on the Profit (Loss) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Future Responses:

1. Changes in interest rates

The interest rate risks of the Company are mainly from the liabilities from operating activities of the Company. The short and mid-term liabilities measured at banks' benchmark interest rate and the fixed interest rate are reckoned as main financing instruments. To reduce interest rate risks, the Company annually strives to be granted loans by financial institutions at a lower interest rate from time to time according to market interest rate.

The short-term loan interest rate of the Company in 2021 ranged from 0.592% to 0.93%, and the long-term loan interest rate ranged from 0.84% to 1.20%. While other conditions were kept unchanged, the net profit in 2021 declined or increased by NT\$52,669 thousand whenever the loan interest rate increased or declined by 1%.

2. Exchange rate fluctuations

In 2021, the foreign sales revenue of the Company approximately increased by NT\$702,791 thousand compared with those in 2020, and the ratio of foreign sales revenue to the total revenue of the Company increased from 16.14% in 2020 to 18.99% in 2021. In addition, most parts used by the Company for automobile production were imported from foreign countries. In order that its net profit won't be impacted by exchange rate fluctuations, the Company has concluded transactions necessary for avoiding the risks, including spot sales of net inflow of US dollars and conclusion of outright forward foreign exchange contracts, in hope of reducing impacts of exchange rate fluctuations upon gains (losses) of the Company.

To strengthen risk control over exchange rate fluctuations, the Company has taken following countermeasures:

- (1) Regularly collect information on exchange rate markets to understand fluctuation trends of exchange rate;

- (2) Regularly review and timely perform foreign exchange operations to adjust foreign currency positions;
- (3) Appoint financial institutions having cooperated with the Company to provide professional advisory services, ask financial personnel to collect information about exchange rate and timely provide related departments with such information for reference;
- (4) In making quotations to foreign customers, exchange rate fluctuations are also taken into account to ensure that the Company will make reasonable profits.

3. Inflation

According to the data released by the General Accounting Office of the Executive Yuan, the average consumer price index in 2021 is 104.32, an increase of 1.96% from the average of 102.36 in 2020. Global price of raw materials has increased, while the Company's costs have increased due to growing needs for precious metals necessary for key parts, tightened supply and continuous price increase of the noble metals necessary for key parts. The Company develops some parts subject to price increase in raw materials are jointly developed by several manufacturers, or designs or studies them in collaboration with manufacturers. On the premise of keeping quality changed or improving quality, it reduces the use of raw materials supplied at growing prices by different development or production methods, to reduce impacts of the price increase. In the future, it will continue developing new technical manufacturers or cooperate with the manufacturers to develop new technologies, to relieve the impacts of advertise factors by technologically lowering costs.

(II) Policy regarding High-risk Investments, Highly Leveraged Investments, Loans to Other Parties, Endorsements /Guarantees, and Derivatives Transactions, Main Reasons for the Profit (Loss) Generated Thereby, and Future Response Measures

To effectively control financial risks, the Company hasn't engaged in high risk or high leverage investments or transactions. Capital loans, endorsements or guarantees and derivatives transactions also comply with related laws. In addition, the Company has developed operating procedures for capital loans, endorsements/guarantees and derivatives transactions as well as measures related to internal control and management on the basis of improving financial and business management.

Besides, the Company concludes transactions on derivative financial products for the purpose of evading market risks instead of trading or speculative product trading. In the future, it will continue regularly evaluating and flexibly adjusting related strategies for

avoiding risks in accordance with its business conditions and changes in market trends.

(III) Future R&D Plans and Expected R&D Spending

1. Motorcycles:

- (1) Continuously develop its own leading motorcycle brands and occupy more market shares.
- (2) Master core product technologies, accumulate creative product technologies, and possess more leading technologies.
- (3) Improve abilities to integrate and develop platforms; quickly launch products worth more than what they are paid for.
- (4) Continuously develop heavy-duty motorcycles and green creative products with high added value.
- (5) Integrate R&D technologies and production resources of overseas bases; launch economical and pragmatic motorcycles.

2. Automobile:

Plan to introduce environmental regulations and standards for hybrid automobiles, electric automobiles and those with efficient combustion engines.

3. In 2022, the Company plans to invest NT\$253,312 thousand in R&D of new automobiles.

(IV) Impacts of Changes in Domestic and Foreign Material Policies and Legal Changes upon Financial Operations of the Company and Responses:

The Company operates in compliance with relevant domestic and foreign laws and regulations, and the management has been paying close attention to laws and policies affecting the Company's business and operations. Currently, there is no significant impact on financial operations.

(V) Effects of Developments in Science and Technology and Industrial Changes on the Financial Operations, and Measures to Be Taken in Response:

1. With the development of the digital environment and technological tools, we are concerned about the continuous operation of data protection and information systems. The Company takes appropriate measures to protect information security to prevent cyber attacks, natural disasters and machine failures from causing information security incidents.
2. The Company has obtained ISO 27001 certification for its information security management system and follows international standards in system security, network security and system management to fully protect information confidentiality and

effectively control information security risks.

3. Actively launch electric scooters home and abroad, to seize market opportunities.
4. Pay attention to future technology and market development trends of electric scooters.

(VI) Effects of Changes in Company Image upon Crisis Management and Measures to Be Taken in Response:

1. To strengthen governance, the Company has an independent director and has established an audit committee and a remuneration committee to hold regular meetings, and to synchronize with the requirements of the competent authorities to immediately disclose important information, implement a spokesperson mechanism, and have a dedicated unit to deal with the matter to effectively protect the Company's image.
2. Regular weekly and monthly meetings are held to control the annual management plan projects, and to improve the management accuracy and quickly respond to the supply situation of raw materials and key components, and to effectively control and deploy internal resources.
3. In response to special situation such as COVID-19, the management is responsible for handling and tracking all critical situations. It is mainly responsible for grasping the development of the special situation and issuing decisions, as well as confirming the execution status of various operational activities of the company, such as the stocking status of key components, the schedule and cost of marine transportation, and the dynamic adjustment of production and sales plans and customer demands.

(VII) Expected Benefits and Possible Risks Associated with Any M&A and Measures to Be Taken in Response: None

(VIII) Expected Benefits and Possible Risks Associated with Any Plant Expansion, and Measures to Be Taken in Response:

The Company's plant expansions have all gone through complete of prudent evaluation by responsible units. The return on investment and possible risks have all been carefully considered.

(IX) Risks Associated with Any Consolidation of Sales or Purchasing Operations, and Measures to Be Taken in Response:

1. Motorcycles
 - (1) Purchase:
 - A. Risks:

- a. Of the motorcycle parts purchased by the Company, except that some technologically advanced parts (including ABS) are purchased from professional (exclusive) manufacturers and cooperation is maintained with 2 manufacturers of these parts, all other parts are supplied by more than 3 manufacturers competent for production, so the Company doesn't face any risk of centralized purchase.
- b. For the motorcycle parts imported from foreign countries, the delivery of some parts has been delayed because of COVID-19 and its impacts upon overseas transport. As a result, the production capacity of certain motorcycles has been affected.

B. Countermeasures:

- a. For the above parts purchased from exclusive manufacturers, the Company maintains good interactions with the manufacturers it cooperates with. Meanwhile, it actively develops new manufacturers and looks for alternative resources satisfying their needs, in order to reduce risks.
- b. Provide half-year predictive quantity for the manufacturers as reference for them to prepare goods. Increase safe inventory level and prolong the lead time; reduce risks of late delivery of parts.

(2) Sales:

A. Domestic sales:

The Company's general agents for selling motorcycles include general distributors in Taiwan and Outer Islands (Kinmen and Penghu) and some distributors in charge of shipping motorcycles. The Company has maintained cooperation and good interactions with these distributors for many years. For shipping, the Company collects shipping security deposit from the general distributors and those shipping the motorcycles. After the motorcycles guaranteed by the security deposit are shipped first according to corresponding order, the payment for the entire order will be collected one week thereafter. After the Finance Department confirms the payment has been received and accounted, the motorcycles will not be further shipped until the shipping guarantee is resumed. The general distributors and certain distributors in charge of shipping shall independently manage their sales and inventories in combination with the

Company's marketing progress. It is concluded that the Company faces no centralized or immediate risks.

B. Foreign sales:

- a. The Company has its motorcycles sold to different parts of the world. It has set up an international business unit to coordinate marketing and production capacity of the factories in three areas and global shipping. It will focus on promoting its global sales in four major markets (Europe, Central/South America, Africa/Middle East and ASEAN). At present, SYM has approximately 85 agents worldwide, and the International Business Development Division has a strategy of distributing sales outlets by region and country, effectively reducing regional "market risk".
- b. The Company exports its motorcycles to foreign countries "with a bank's letter of credit as guarantee or shipped after receiving the payment". If a customer has any special payment requirement or credit line change requirements, the order won't be shipped before the requirement is reviewed and approved by supervisors, so as to lower "financial risks".

2. Automobiles

(1) Purchase:

The automobiles of the Company are mainly supplied by Hyundai, where strike happens on July to August every year. As a result, the purchase risk is relatively high. However, the Company maintains long-term close cooperation with its suppliers, to ensure that it will not be short of sources of different parts. In the first quarter of 2021, due to the epidemic, the world was facing a shortage of chips and most of the automobile industry was short of materials. However, Hyundai Korea was able to meet the production demand by purchasing according to the plan under the severe environment due to the proper inventory risk control. In addition, Nanyang Motor Company is the main customer and an affiliate of the Company. Both companies regularly hold production and sales meetings to review their sales ratio and jointly decentralize purchase risks, to make sure that the Company will not incur unnecessary costs.

(2) Sales:

Consumers are end users of the Company's products, so neither of its passenger automobiles nor commercial automobiles are sold in a centralized manner. Nanyang Motor Company and other distributors place all orders with the Company according to consumers' orders. In addition, other distributors are not excluded from selling the Company's automobiles. Hence, the sales risks are decentralized. The Company has the right to dominate the sales markets. For passenger automobiles, Nanyang Motor Company strives to develop diverse sales channels apart from selling through its outlets. It primarily sells commercial automobiles in designated areas to commercial groups by different distribution methods.

(X) Impacts of Substantial Share Transfer by Directors, Supervisors or Shareholders Holding over 10% Shares on the Company, Risks and Countermeasures: None.

(XI) Impacts of Changes in Management Rights upon the Company, Risks and Countermeasures: None.

(XII) Disclosure of issues in dispute, monetary amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of the annual report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, or affiliates are involved in a settled or pending material litigation, non-contentious case or an administrative proceedings which may have a material adverse effect on the Company's shareholder equity or price of securities: None.

(XIII) Other Important Risks and Countermeasures:

Information security management:

With the constant increase of electronic data, data protection and continuous operation of information systems have become more and more important. The Company takes appropriate measures to protect information security to prevent cyber attacks, natural disasters and machine failures from causing information security incidents.

1. In terms of information security: Local high-availability and remote online backup mechanism is established according to how important the information is. Regular drills are performed regarding data recovery to reduce the risk of damaging the data. Meanwhile, functionally improve the storage systems. Actively prevent failures of data storage systems by regular upgrade, more advanced technologies and predictive analysis.
2. As to cyber security: To maintain its normal operations, the Company has established systems for protecting network and computer security. It also updates

related information security equipment, maintains internal and external network security, and provides endpoint protection for important hosts.

3. In respect of institutional management: To enhance information security management, the Company has established an Information Security Management Committee, as well as formulated information security policy, information security organization, information security asset management, risk assessment and management, human resources security management, access control, physical and environmental security, organizational panoramic assessment, system and network security, system development and maintenance, information security incident notification management, operation continuity management, outsourcing management, information security audit management, correction management, suitability, document and record management, backup and recovery management, database management, information security implementation, and other items. To comply with the international trend of information security management, we started to introduce ISO27001 information security management system in 2021, and in December 2021, we obtained ISO27001 certification for the maintenance and management activities of our core business application information systems, including system management, server room management, and network infrastructure management, which is valid until January 2025. Through the introduction of ISO27001 information security management system, we continuously review and improve our information security system to reduce information security risks to an acceptable level and protect the confidentiality, integrity and availability of information.

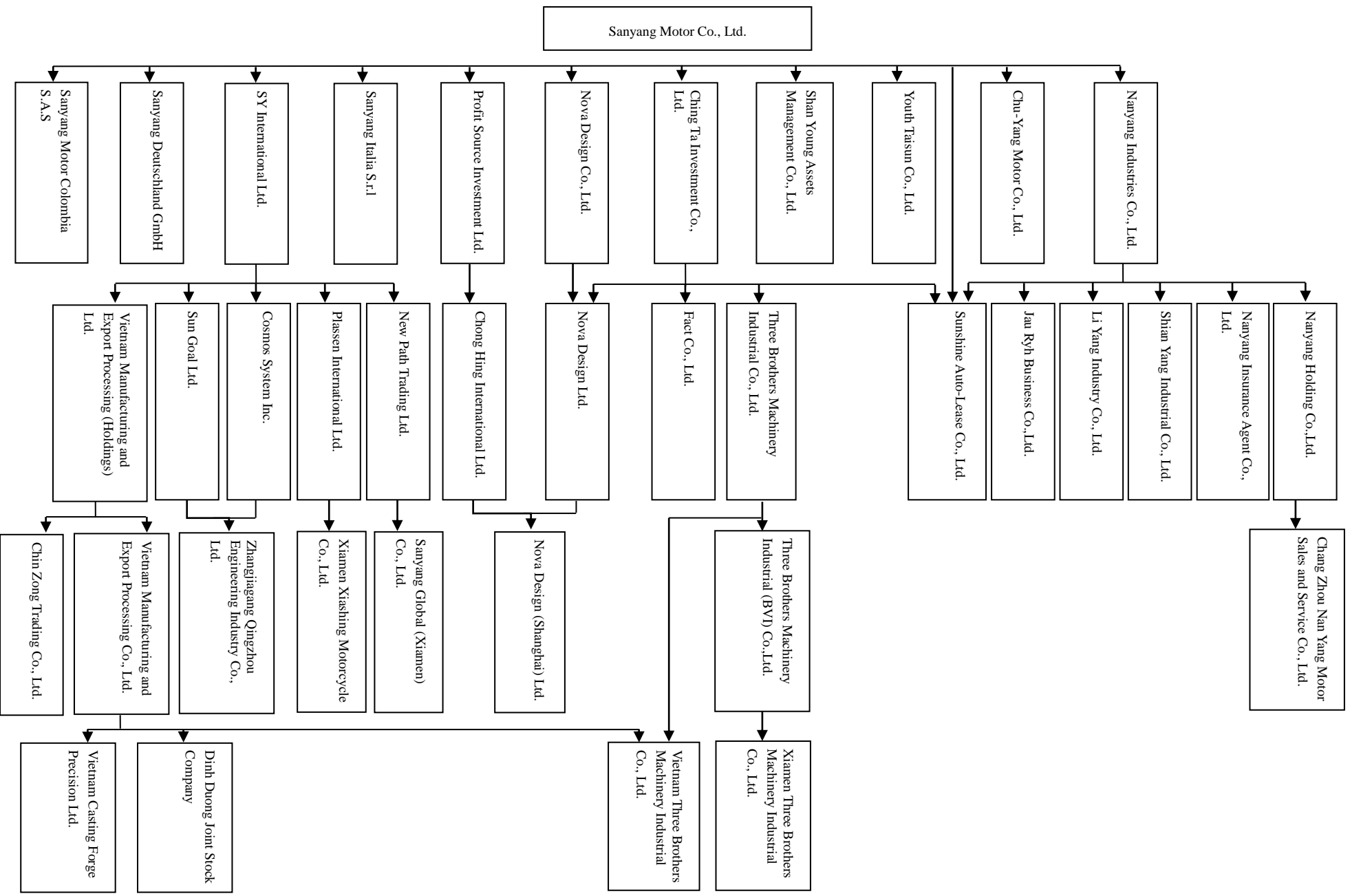
VII. Other Important Matters: None.

Chapter 8

Special Notes

I. Information on Affiliates

- (I) The Consolidated Business Report of the Affiliates
 - 1. Summary of the affiliates
 - (1) Organizational chart of the affiliates



(2) The affiliates' name, date of incorporation, address, paid-in capital and principal businesses:

Name of Affiliates	Date of Incorporation	Address	Paid-in Capital	Principal Businesses or Products
Nanyang Industries Co., Ltd.	1965.05.11	3F., No.386, Sec. 6, Nanjing E. Rd., Neihu Dist., Taipei City 114, Taiwan	NTD 1,505,758,170	Trading, distribution, (consignment) sales, export, import, repair and maintenance of automobiles, motorcycles and their parts.
Nanyang Insurance Agency Co., Ltd.	1984.11.28	2F, No.62, Sec. 1, Chongyang Rd., Sanchong Dist., New Taipei City	NTD 14,175,000	Property insurance agent
Ching Ta Investment Co., Ltd.	1987.01.23	6F-3, No. 56, Sec.2, Jingguo Rd., Shibe Dist., Shibe District, Hsinchu City	NTD 1,118,424,880	Investments
NOVA Design Co., Ltd.	1988.08.16	No. 285, Tanmei St., Neihu Dist., Taipei City	NTD 190,800,000	Product design
Vietnam Manufacturing and Export Processing Co.,Ltd.	1992.03.25	Lot5,Tam Hiep Ward,Bien Hoa City,Dong Nai Province,Vietnam	USD 147,060,000	Production of motorcycles and their parts
Plassen International Ltd.	1992.09.29	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola,VG1110,B.VI	USD 23,000,000	Holding company
Xiamen Xiaxing Motorcycle Co., Ltd.	1992.11.14	No.99, Xibin Rd., Xinglin Town, Jimei District, Xiamen, China	RMB 196,778,501	Assembly, production, sales, after-sales and repair of motorcycles and their parts
SUNSHINE AUTO-LEASE Co., Ltd.	1993.12.29	3F, No.386, Sec.6, Nanjing East Rd., Neihu Dist., Taipei City	NTD 445,647,820	Lease of Type A cars, other industrial services (employment of drivers as agents) and lease
Cosmos System Inc.	1995.12.12	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola,VG1110,B.VI	USD 23,040,000	Holding company
Zhangjiagang Qingzhou Engineering Industry Co., Ltd.	1995.12.25	No.3, Haifeng Road, Nanfeng Town, Zhangjiagang, Jiangsu Province, China	RMB 258,085,993	Production and sales of automobile and motorcycle engines, parts and utility engines
Youth Taisun Co., Ltd.	1996.02.09	No.18, Wenhua Road, Hukou Township, Hsinchu County	NTD 180,934,880	Production of automobile and motorcycle parts
Chong Hing International Ltd.	1998.09.04	Craigmuir Chambers, Road Town, Tortoal, VG 1110, B.VI	RMB 89,252,064	Holding company
CHU-YANG MOTOR CO., LTD.	2003.01.07	6F-3, No. 56, Sec.2, Jingguo Rd., Shibe Dist., Shibe District, Hsinchu City	NTD 29,000,000	Wholesale and retail of motorcycle and automobile parts and equipment
Sun Goal Ltd.	2004.04.28	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 10,000,000	Holding company
Profit Source Investment Ltd.	2004.05.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 22,792,500	Holding company
Shan Young Assets Management Co., Ltd.	2004.07.08	Rm. 1, 6F., No. 56, Sec. 2, Jingguo Rd., North Dist., Hsinchu City	NTD 6,563,000,000	Development, lease and sales of residential houses, buildings and industrial factory buildings as well as development of special zones
New Path Trading Ltd.	2004.09.21	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 9,200,000	Holding company
Vietnam Manufacturing and Export Processing (Holdings) Ltd.	2005.06.20	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands	USD 1,162,872	Holding company
Sanyang Italia S.r.l	2005.11.01	Galleria del Corso, 2 20121 Milano (MI), ITALY	EUR 4,000,000	Import and sales of motorcycles and their parts
SY International Ltd.	2005.11.01	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 53,341,956	Holding company
Sanyang Deutschland GmbH	2006.08.02	Opelstraße 13, D-64546 Mörfelden-Walldorf, Germany (DE)	EUR 3,000,000	Import and sales of motorcycles and their parts

Name of Affiliates	Date of Incorporation	Address	Paid-in Capital		Principal Businesses or Products
Sanyang Motor Colombia S.A.S	2018.11.21	COLOMBIA, ANTIOQUIA, 05631 - SABANETA, CL 84 SUR, NO 37- 10 ,BG 101.	COP	100,002,000	Import and sales of motorcycles and their parts
Chin Zong Trading Co., Ltd.	2007.07.06	Rm. 1, 6F., No. 56, Sec. 2, Jingguo Rd., North Dist., Hsinchu City	NTD	150,000,000	International trade, wholesale and retail of motorcycle and automobile parts and equipment
Sanyang Global Co., Ltd.	2007.12.11	1F, Office Building, No.99, Xibin Road, Xinglin Town, Jimei District, Xiamen, China	RMB	63,429,900	R&D, design and sales of motorcycles and their parts
Shianyang Industries Co., Ltd.	2014.11.24	No.593, Sec.4, Chunghua Rd., Xiangshan District, Hsinchu City	NTD	47,400,000	Wholesale, retail and repair of automobiles, motorcycles and their parts
Three Brothers Machinery Industrial Co., Ltd.	1969.05.17	No.450, Wangjian Road, Wangjianli, Xinwu District, Taoyuan	NTD	108,300,000	Manufacturing of automobiles, motorcycles and their parts
Fact Co., LTD.	1995.01.27	No.18, Wenhua Road, Hukou Township, Hsinchu County	NTD	10,000,000	Manufacturing of automobiles, motorcycles and their parts
Jau Ryh Business Co.,Ltd	2004.08.17	3F, No.386, Sec.6, Nanjing East Rd., Neihu Dist., Taipei City	NTD	29,931,230	Manufacturing and lease of automobiles, motorcycles and their parts
Liyang Industrial Co., Ltd.	2005.09.21	3F, No.386, Sec.6, Nanjing East Rd., Neihu Dist., Taipei City	NTD	30,000,000	Manufacturing of automobiles, motorcycles and their parts as well as third-party payment
NOVA DESIGN LTD.	2003.04.09	INTETRUST LIMITED, at Level2, Lotemau Centre Building, Vaea Street, Apia, Samoa	USD	5,910,428	Industrial design
Nanyang Holding CO., Ltd.	2009.09.11	Equity Trust Chambers, P. O. Box 3269, Apia, Samoa	USD	4,050,000	Holding company
Nova Design (Shanghai) Ltd.	2003.06.09	No.46, Yuanda Road, Shanghai International Automobile City	USD	13,002,332	Industrial design
Vietnam Three Brothers Machinery Industrial Co.,Ltd	2002.09.05	C-7-2, No.8, Long Binh Industrial Zone, Bien Hoa, Dong Nai Province, Vietnam	USD	1,500,000	Manufacturing of automobiles, motorcycles and their parts
Three Brothers Machinery Ind(BVI) Co.,Ltd.	1995.06.30	Vistra Corporate Services Centre,Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.	USD	5,118,949	Holding company
Changzhou Nanyang Motor Sales and Service Ltd.	2011.01.30	No.23, Zonglv Road, Zhonglou District, Changzhou	USD	4,050,000	Domestic wholesale and retail of automobile parts
Vietnam Casting Forge Precision Ltd.	2002.04.12	Ho Nai Industrial Zone,Trang Bom District,Dong Nai Province, Vietnam	VND	113,659,000,000	Manufacturing of motorcycles and their parts
Dinh Duong Joint Stock Company	2018.09.28	19 Cach Mang Thang Tam Street, Thoi Binh Ward, Ninh Kieu District, Can Tho City, Vietnam	VND	168,350,000,000	Sales of motorcycles and management of immovable property and land use rights
Xiamen Three Brothers Machinery Industrial Ltd.	1995.07.06	No.60-72, Tiangyang Road, North Industrial Zone, Jimei, Xiamen, Fujian Province, China	USD	4,401,376	Manufacturing of automobiles, motorcycles and their parts as well as machine hardware and molds

(3) Reason for judging if a company is under the control or an affiliate of the Company and personnel-related information: None.

(4) Businesses of the affiliates: refer to Item (2).

(5) Information on directors, supervisors and managers of the affiliates:

December 31, 2021

Name of Affiliates	Position	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
Plassen International Ltd.	Director Director	SY International Ltd. Representative: Ching-Yuan Wu Kuei-Chin Huang	-	100%
Cosmos System Inc.	Director Director	SY International Ltd. Representative: Ching-Yuan Wu Kuei-Chin Huang	-	100%
Vietnam Manufacturing and Export Processing Co.Ltd.	Chairperson Director Director	Vietnam Manufacturing and Export Processing (Holdings) Ltd. Representative: Hsu-Chi Cheng Chin-Yung Chiang Chun-Yu Lin	-	100%
Xiamen Xiaxing Motorcycle Co., Ltd.	Chairperson Director Director Director Director	Plassen International Ltd. Representative: Ching-Yuan Wu Li-Chu Wu Shih-Liang Hsu CCRE Representative: Kung-Yu Wang Chien-Hua Chang	-	76.67%
Zhangjiagang Qingzhou Engineering Industry Co., Ltd.	Chairperson Director Director Supervisor	Cosmos System Inc. Representative: Shih-Liang Hsu Chao-Sheng Lin Chien-Sheng Chen Hsiu-Hua Yang	-	100%
Profit Source Investment Ltd.	Director Director	SANYANG MOTOR CO, LTD. Representative: Ching-Yuan Wu Hui-Ting Wu	-	100%
Chong Hing International Ltd.	Director Director	Profit Source Investment Ltd. Representative: Ching-Yuan Wu Hui-Ting Wu	-	100%
SY International Ltd.	Director Director	SANYANG MOTOR CO, LTD. Representative: Ching-Yuan Wu Kuei-Chin Huang	-	100%
Sun Goal Ltd.	Director Director	SY International Ltd. Representative: Ching-Yuan Wu Hui-Ting Wu	-	100%
New Path Trading Ltd.	Director Director	SY International Ltd. Representative: Ching-Yuan Wu Kuei-Chin Huang	-	100%
San Yang Italia S.r.l	Chairperson Director Director	SANYANG MOTOR CO, LTD. Representative: Ju-Cheng Liu Hsu-Pin Chen Yuan-Tse Li	-	100%
Vietnam Manufacturing and Export Processing (Holdings) Ltd.	Chairperson Executive Director Executive Director Non-executive Director	Natural Person: Wu-Hsiung Liu Hsu-Chi Cheng Chun-Yu Lin Chin-Yung Chiang	-	-

Name of Affiliates	Position	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
	Non-executive Director Non-executive Director Independent Non-executive Director Independent Non-executive Director Independent Non-executive Director	Li-Chu Wu Hsu-Pin Chen Ching-Ching Lin Kuei-Mei Wu An-Chieh Chang		
Sanyang Deutschland GmbH	Chairperson Director Director	SANYANG MOTOR CO, LTD. Representative: Ju-Cheng Liu Hsu-Pin Chen Chien-Ling Chen	-	100%
Sanyang Global Co., Ltd.	Chairperson Director Director Supervisor	New Path Trading Ltd. Representative: Ching-Yuan Wu Chien-Sheng Chen Shih-Liang Hsu Hui-Ting Wu	-	100%
Nova Design Co., Ltd.	Chairperson	SANYANG MOTOR CO, LTD. Representative: Ying-Feng Chiu	18,000,000 shares	100%
Nanyang Industries Co., Ltd.	Chairperson Vice Chairperson Managing Director Director Director Director Director Director Director Supervisor	SANYANG MOTOR CO, LTD. Representative: Ching-Yuan Wu Li-Chu Wu Po-Ta Hsu Ren-Hao Tien Hung-Hua Li Hsing-Sheng Chan Hui-Hsin Wu Ming-Piao Lai Yi-Cheng Wu Natural Person: Hui-Ting Wu Natural Person: Hui-Fen Yeh	126,484,430 shares	89.59%
Ching Ta Investment Co., Ltd.	Chairperson Supervisor	SANYANG MOTOR CO., LTD. Representative: Ching-Yuan Wu Natural Person: Kuei-Chin Huang	85,186,223 shares	99.66%
CHU-Yang Motor Co., Ltd.	Chairperson	SANYANG MOTOR CO., LTD. Representative: Hsu-Pin Chen	2,900,000 shares	100%
Shangyang Asset Management Co., Ltd.	Chairperson	SANYANG MOTOR CO., LTD. Representative: Li-Chu Wu	556,300,000 shares	100%
Youth Taisun Co., Ltd.	Chairperson	SANYANG MOTOR CO., LTD. Representative: Hsi-Cheng Chang	16,752,800 shares	100%
SUNSHINE AUTO-LEASE Co., Ltd.	Chairperson Supervisor	Nanyang Industries Co., Ltd. Representative: Nai-Shih Lin SANYANG MOTOR CO., LTD. Representative: Kuei-Chin Huang	24,459,737 shares 6,473,398 shares	61.46% 16.27%
Chin Zong Trading Co., Ltd.	Chairperson Director Director Supervisor	Vietnam Manufacturing and Export Processing (Holdings) Ltd. Representative: Lu-Wei Huang Hsu-Chi Cheng Jui-Chiao Wu Chun-Yu Lin	15,000,000 shares	100%
Shianyang Industries Co., Ltd.	Chairperson	Nanyang Industries Co., Ltd. Representative: Po-Ta Hsu	2,100,000 shares	100%
Vietnam Three Brothers Industrial Ltd.	Chairperson Director	Natural Person: Shih-Liang Hsu Chung-Chi Liu	-	-

Name of Affiliates	Position	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
	Director Director Director Director Director	Hsu-Chi Cheng Chih-Ming Lin Hui-Yen Cheng Shih-En Cheng Chun-Yu Lin		
Three Brothers Machinery Ind(BVI) Co Ltd.	Director	Natural Person: Hui-Ting Wu	-	-
Changzhou Nanyang Motor Sales and Service Ltd.	Chairperson Director Director Supervisor	Nanyang Industries Co., Ltd. Representative: Ren-Hao Tien Po-Ta Hsu Hui-Ting Wu Hung-Hua Li	-	100%
Vietnam Casting Forge Precision Ltd.	Chairperson Director Director	Vietnam Manufacturing and Export Processing Co., Ltd. Representative: Hsu-Chi Cheng Jui-Chiao Wu Lu-Wei Huang	-	100%
Xiamen Three Brothers Machinery Industrial Ltd.	Chairperson Director Director Director Director Supervisor	Natural Person: Shih-Liang Hsu Yao-Chung Cheng Hui-Yen Cheng Yi-Fang Chang Hsu-Pin Chen Hsiu-Hua Yang	-	-
Nanyang Insurance Agency Co., Ltd.	Chairperson Director Director Supervisor	Nanyang Industries Co., Ltd. Representative: Li-Chu Wu Tung-Sung Wu Po-Ta Hsu Natural Person: Hui-Fen Yeh	1,316,250 shares	92.86%
Three Brothers Machinery Industrial Co., Ltd.	Chairperson Director Director Director Director Director Vice Chairperson Supervisor Supervisor	Ching Ta Investment Co., Ltd. Representative: Ren-Hao Tien Hsu-Pin Chen Yuan-Ping Huang Hung-Chih, Ho Shangjie Investment Co., Ltd. Representative: Chien-Cheng Cheng Natural Person: Hui-Yen Cheng Natural Person: Yao-Chung Cheng Natural Person: Hui-Ting Wu Canadian Shanggao Royal Investment Co., Ltd. Representative: Shih-En Cheng	5,225,000 shares 1,577,000 shares 8,359 shares 1,121,000 shares	55.00% 16.60% 1.26% 11.8%
Fact Co., LTD.	Chairperson	Ching Ta Investment Co., Ltd. Representative: Hsi-Cheng Chang	1,000,000 shares	100%
Jau Ryh Business Co., Ltd	Chairperson	Nanyang Industries Co., Ltd. Representative: Po-Ta Hsu	1,693,123 shares	100%
Liyang Industrial Co., Ltd.	Chairperson	Nanyang Industries Co., Ltd. Representative: Li-Chu Wu	1,200,000 shares	100%
NOVA DESIGN Ltd.	Director	Natural Person: Ying-Feng Chiu	-	-
NanYang Holding CO., Ltd.	Director	Nanyang Industries Co., Ltd. Representative: Li-Chu Wu	-	100%
Nova Design (Shanghai) Ltd.	Chairperson Director	Chong Hing International Limited Representative: Ying-Feng Chiu Ching-Yuan Wu NOVA DESIGN Ltd.	-	59.02%

Name of Affiliates	Position	Name or Representative	Shareholding	
			Number of Shares	Shareholding Ratio
	Director Supervisor	Representative: Yi-Cheng Wu Li-Hsi Chiang		40.98%
Sanyang Motor Colombia S.A.S	Legal Representative	His-Hsiang Hung	-	-
Dinh Duong Joint Stock Company	Chairperson	Vietnam Manufacturing and Export Processing Co., Ltd. Representative: Jui-Chiao Wu	-	99.99%

2. Summary of business operations

December 31, 2021 Unit: NT\$

Name of Affiliates	Capital	Total Assets	Total Liabilities	Net worth	Operating revenue	Operating profit	Profit or loss for the year	Earnings per share
Plassen International Ltd.	USD 23,000,000	USD 74,362,778	USD 0	USD 74,362,778	USD 0	USD (714)	USD 18,553,289	
Cosmos System Inc.	USD 23,040,000	USD 14,881,407	USD 0	USD 14,881,407	USD 0	USD 0	USD 1,518,675	
Vietnam Manufacturing and Export Processing Co.,Ltd.	USD 147,060,000	USD 108,114,279	USD 62,558,311	USD 45,555,968	USD 88,999,947	USD (5,331,847)	USD (3,829,062)	
Xiamen Xiaxing Motorcycle Co., Ltd.	RMB 196,778,501 (USD 23,000,000)	RMB 1,179,669,661	RMB 562,323,619	RMB 617,346,042	RMB 2,020,419,867	RMB 164,655,225	RMB 156,161,289	
Zhangjiagang Qingzhou Engineering Industry Co., Ltd.	RMB 258,085,993 (USD 33,040,000)	RMB 173,165,249	RMB 37,222,495	RMB 135,942,754	RMB 163,871,102	RMB 13,185,547	RMB 14,054,223	
Ching Ta Investment Co., Ltd.	NTD 1,118,424,880	NTD 1,400,513,395	NTD 6,367,372	NTD 1,394,146,023	NTD 44,681,561	NTD 42,269,670	NTD 32,802,298	NTD 0.32
NOVA Design Co., Ltd.	NTD 190,800,000	NTD 383,246,959	NTD 195,818,180	NTD 187,428,779	NTD 129,115,800	NTD (18,380,175)	NTD (15,649,828)	NTD (0.82)
Youth Taisun Co., Ltd.	NTD 180,934,880	NTD 274,880,438	NTD 59,409,051	NTD 215,471,387	NTD 289,211,711	NTD 7,931,450	NTD 8,758,254	NTD 0.50
Nanyang Industries Co., Ltd.	NTD 1,505,758,170	NTD 5,164,801,473	NTD 2,958,087,958	NTD 2,206,713,515	NTD 10,289,463,256	NTD 30,994,033	NTD 221,425,243	NTD 1.55
CHU-YANG MOTOR CO., LTD.	NTD 29,000,000	NTD 211,355,942	NTD 170,445,135	NTD 40,910,807	NTD 711,878,940	NTD 11,802,811	NTD 9,998,659	NTD 3.45
Shan Young Assets Management Co., Ltd	NTD 6,563,000,000	NTD 9,481,618,927	NTD 1,802,168,836	NTD 7,679,450,091	NTD 83,469,151	NTD (95,415,022)	NTD (99,554,075)	NTD (0.15)
SUNSHINE AUTO-LEASE Co., Ltd.	NTD 445,647,820	NTD 1,771,946,867	NTD 1,236,849,747	NTD 535,097,120	NTD 848,849,806	NTD 41,677,448	NTD 25,589,921	NTD 0.60
Profit Source Investment Ltd.	USD 22,792,500	USD 130,040,838	USD 0	USD 130,040,838	USD 0	USD 0	USD 2,389,833	
Chong Hing International Ltd.	RMB 89,252,064	RMB 833,474,471	RMB 5,089,403	RMB 828,385,068	RMB 0	RMB (42,116)	RMB 15,421,595	
Sanyang Italia S.r.l	EUR 4,000,000	EUR 12,769,037	EUR 7,177,100	EUR 5,591,937	EUR 28,287,890	EUR 218,491	EUR 251,151	
SY International Ltd.	USD 53,341,956	USD 213,443,707	USD 0	USD 213,443,707	USD 0	USD (50,218)	USD 17,274,100	
Vietnam Manufacturing and Export Processing (Holdings) Ltd.	USD 1,162,872	USD 113,700,307	USD 61,108,588	USD 52,591,719	USD 93,018,885	USD (6,987,486)	USD (5,568,540)	
Sun Goal Ltd.	USD 10,000,000	USD 6,459,828	USD 0	USD 6,459,828	USD 0	USD 0	USD 659,261	
New Path Trading Ltd.	USD 9,200,000	USD 12,787,921	USD 0	USD 12,787,921	USD 0	USD (729)	USD 79,306	
Sanyang Deutschland GmbH	EUR 3,000,000	EUR 5,341,825	EUR 2,313,612	EUR 3,028,213	EUR 8,367,908	EUR 37,654	EUR 55,300	
Chin Zong Trading Co., Ltd.	NTD 150,000,000	NTD 149,064,088	NTD 357,768	NTD 148,706,320	NTD 112,333,331	NTD 3,530,292	NTD 1,020,050	NTD 0.07
Sanyang Global Co., Ltd. Co., Ltd.	RMB 63,429,900 (USD 9,000,000)	RMB 83,448,548	RMB 3,387,186	RMB 80,061,362	RMB 23,590,782	RMB 304,388	RMB 490,341	

Name of Affiliates	Capital	Total Assets	Total Liabilities	Net worth	Operating revenue	Operating profit	Profit or loss for the year	Earnings per share
Nova Design (Shanghai) Ltd.	RMB 91,411,169 (USD 13,002,332)	RMB 70,549,327	RMB 838,921	RMB 69,710,406	RMB 9,105,219	RMB (5,123,277)	RMB (4,401,202)	
NOVA DESIGN LTD.	USD 5,910,428	USD 5,262,999	USD 250.00	USD 5,262,749	USD 0	USD (1,312)	USD (263,152)	
Nanyang Holding CO., Ltd.	USD 4,050,000	USD 3,555,982	USD 0	USD 3,555,982	USD 0	USD 0	USD 603,712	
Changzhou Nanyang Motor Sales and Service Ltd.	RMB 26,278,037 (USD 4,050,000)	RMB 22,969,097	RMB 316,781	RMB 22,652,316	RMB 0	RMB (1,793,893)	RMB (206,243)	
Nanyang Insurance Agency Co., Ltd.	NTD 14,175,000	NTD 58,608,308	NTD 20,011,425	NTD 38,596,883	NTD 136,446,808	NTD 7,336,541	NTD 5,954,432	NTD 4.20
Shianyang Industries Co., Ltd.	NTD 47,400,000	NTD 156,422,911	NTD 65,943,759	NTD 90,479,152	NTD 252,356,430	NTD 46,166,923	NTD 36,807,008	NTD 7.77
Liyang Industrial Co., Ltd.	NTD 30,000,000	NTD 48,087,525	NTD 13,777,431	NTD 34,310,094	NTD 222,892,571	NTD (1,841,200)	NTD 2,551,836	NTD 2.03
Jau Ryh Business Co.,Ltd	NTD 29,931,230	NTD 90,282,461	NTD 41,338,459	NTD 48,944,002	NTD 331,785,197	NTD 17,043,943	NTD 14,054,532	NTD 8.11
Fact Co., LTD.	NTD 10,000,000	NTD 27,078,644	NTD 0	NTD 27,078,644	NTD 0	NTD (81,582)	NTD 1,276,717	NTD 1.28
Three Brothers Machinery Industrial Co., Ltd.	NTD 108,300,000	NTD 399,613,430	NTD 299,747,998	NTD 99,865,432	NTD 611,231,436	NTD (4,699,462)	NTD 9,742,661	NTD 0.96
Vietnam Three Brothers Machinery Industrial Co.,Ltd	VND 23,279,526,592 (USD1,500,000)	VND 94,378,844,676	VND 48,411,059,955	VND 45,967,784,721	VND 120,962,985,775	VND 4,785,520,354	VND 1,617,904,331	
Three Brothers Machinery Ind(BVI) Co.,Ltd.	USD 5,118,949	USD 2,774,975	USD 0	USD 2,774,975	USD 0	USD (3,836)	USD 488,086	
Xiamen Three Brothers Machinery Industrial Ltd.	RMB 36,603,600 (USD4,401,376)	RMB 28,232,623	RMB 17,251,882	RMB 10,980,741	RMB 60,012,545	RMB 4,103,789	RMB 3,130,414	
Dinh Duong Joint Stock Company	VND 168,350,000,000	VND 167,822,264,134	VND 61,335,545	VND 167,760,928,589	VND 600,000,000	VND (41,661,149)	VND (41,661,149)	
Vietnam Casting Forge Precision Ltd.	VND 113,659,000,000	VND 139,250,965,623	VND 28,742,481,112	VND 110,508,484,511	VND 147,652,882,526	VND (7,786,177,203)	VND (7,175,098,515)	
Sanyang Motor Colombia S.A.S	COP 100,002,000	COP 11,064,170,477	COP 9,181,192,807	COP 1,882,977,670	COP 9,825,529,859	COP (1,408,234,159)	COP (1,182,738,171)	

(II) Consolidated Financial Statements of Affiliated Enterprises

Representation Letter

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

Hereby

Company name: Sanyang Motor Co., Ltd.

Chairperson: Ching-Yuan Wu

Date: March 30, 2022

II. Issuance of Private Placement Securities of the Most Recent Fiscal Year and as of the Date of the Annual Report: None.

III. Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Fiscal Year and as of the Date of the Annual Report:

(I) Ching Ta Investment Co., Ltd., a subsidiary of the Company, holds 981 thousand shares of the Company.

(II) Nanyang Industries Co., Ltd., a subsidiary of the Company, holds 4,351 thousand shares of the Company.

IV. Other Necessary Supplementary Information: None.

V. Any Events in the Most Recent Fiscal Year and as of the Date of the Annual Report that Had Material Impacts on Shareholders' Interests or Securities Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

SANYANG MOTOR CO., LTD.

Chairperson: Ching-Yuan Wu