

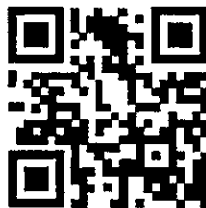


**GFC, LTD.**

## **2021 Annual Report**

### **Notice to readers**

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.



崇友ESG

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

**Printed on May 25, 2022**

**Taiwan Stock Exchange Market Observation Post System:**

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

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- V. Name of the overseas stock exchange where the Company's overseas securities are listed and the inquiry method for information regarding such overseas securities: N/A

- VI. Website of the Company: <http://www.gfc.com.tw>

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# I. Report to Shareholders

Hello, ladies and gentlemen,

First of all, a big thanks for the support and love of all shareholders. In 2021 through collective efforts from all employees and effective control of costs, both the sale of new elevators and function replacement of old elevators went up, in spite of rising material and shipping costs and broken supply chains triggered by global impacts from COVID-19. In the past year, the Company realized higher operating revenues and profits. The consolidated revenue totaled NT\$4,605.02 million in 2021, up by 4.82% from NT\$4,393.40 million in 2020. The net profit before tax was NT\$968.73 million, up by 10.75% from 2020.

Since the inception, we have been adhering to the business philosophy of "integrity" and "innovation." In addition to our strengths in many large engineering projects, we continue to develop new technologies and green products that are energy efficient and environmentally friendly. As part of product innovations, we strive to develop ultra-high-speed elevators for the high-end market. It is our goal to provide better quality products and robust after-sale services to customers by thinking and acting innovatively. In terms of corporate governance, we continue to enhance the protection of shareholders' equity and fair treatment of shareholders; strengthening of the board structure and functioning; improvement of information transparency; and fulfillment of corporate social responsibilities. In 2021 Corporate Governance Evaluation, GFC Corporation was ranked the top 5% of all OCT companies. In addition, we received the Silver Award from Taiwan Excellence, Golden Quality Award for Public Construction and the Golden Award for Happiest Employee Enterprise.

2022 outlook for the real estate market should be optimistic with modest growing momentum. Going forward, all the Company's employees will continue to act professionally and reliably and pursue sustainable operations by fully integrating all the resources in the Taiwan plant and the Shanghai plant. We seek to provide customers with the safest equipment and the best service and create maximum profits for all shareholders. Please kindly continue to give the Company your support and encouragement. Thank you.

I wish you all good health and good luck,

## 1. 2021 Business Report

### (1) Implementation Results of 2021 Business Plan:

The consolidated operating revenue totaled NT\$4,605.02 million in 2021, up by 4.82% from NT\$4,393.40 million in 2010. The net profit before tax was NT\$968.73 million, up by 10.75% from 2020.

### (2) Financial Revenue, Expenditure and Profitability Analysis:

#### A. Financial Revenue and Expenditure

Item	Unit: NT\$'000	
	Consolidated Financial Report	
	2021	2020
Operating income	888,134	834,225
Non-operating income	81,352	41,016
Non-operating expenses	755	565
Net profit before tax	968,731	874,676

## B. Profitability

Item	Consolidated Financial Report	
	2021	2020
Return on assets (%)	9.66	9.75
Return on equity (%)	16.93	16.67
Percentage of paid-in capital (%)	Operating income	50.17
	Net profit before tax	47.13
Net profit before tax	54.73	49.41
Earnings per share (NT\$)	16.89	16.52
	4.39	4.10

### (3) Research and Development Status:

To act ahead of market and customer needs, we plan to conduct R&D projects on smart elevators with projects as follows:

1. Machine-room-less elevators: the line is added to meet the height restriction and elevator operation speed from older buildings.
2. Elevator Monitor and Control System (EMCS): Adopt wireless bridging for signal transmission to reduce wiring materials and labor costs greatly, while improving installation safety and speed.
3. Remote maintenance: apply extension technology from Internet of Things to conduct remote maintenance work and signal control for future routine checks: through remote commands, auto running check will run on elevators with reports sent back.
4. Improvement of ultra-high-speed elevators: continue the developments for high-speed models to meet demands from future new skyscrapers and market demands to obtain competition edges.
5. New-generation home lift: capacity for residential lifts will be enlarged to meet broader requirements from housing market and increase product competition.
6. Destination Dispatch System, DDS: DDS is a system that enables multiple elevator operation with better efficiency. Via facial recognition, the system forecasts the destination floor of passengers and dispatch the rides evenly to all elevators. An elevator number will be shown to the passengers after facial recognition for ride wait, which will improve elevator running efficiency and passenger waiting time.

## 2. 2022 Business Plan Summary:

### (1) Business Policy in 2022:

1. Expansion of the new elevator market by enhancing competitiveness for large-scale complex engineering projects and accelerating of overseas market footprint.
2. Replacement projects and addition of escalators for MRT (Mass Rapid Transit).
3. Continued expansion of the connectivity of IoT and cloud monitoring systems for preventive maintenance and better after-sale services.
4. Better software and hardware integration to creative competitive products such as 360-meter high speed elevators. Introduction of artificial intelligence and innovative applications to target at the smart building market.
5. Replacement of production to add self-made items and better reflect rising material costs and upward price adjustments.
6. Continue to cultivate and increase technical manpower, implement KPI performance management to optimize the core competitiveness of the enterprise and make joint efforts to achieve the annual business objectives.

(2) **Business Objectives:**

Expected sales completion in 2022 and basis: Please refer to page 56

(3) **Important Production and Sales Policy:**

1. In order to develop the export market, the Company plans to highlight Silver Award received by Genesis High Speed Elevator in the competition for Taiwan Excellence Award in 2022 for better international visibility. In the meantime, the Company has obtained the EU certification to meet the regulatory requirements overseas.
2. Through global adjustment and division of production, the production period is shortened and inventory management and supply chain risk management are strengthened, in order to strive to deliver to customers the products they need in the shortest time to meet the demand of customers' short orders.
3. Immediately after the Construction and Planning Agency has released the new standards for elevators in Taiwan such as CNS 15827-20/31/50 and CNS 15930-1/2 equivalent to the European standards, the Company started to integrate the design and implementation on both sides of the Taiwan Strait by providing training to the design, development and sales personnel for relevant products.
4. Grasp the development technology for R&D and design, shorten the development time, actively introduce innovative technology applications and the elevator epidemic prevention concept and diversify to improve the safety and comfort experience of users.
5. As the inventory of old and tired elevators has exceeded 50,000 in the market, the Company has been witnessing a significant increase of the replacement demand over the recent years. Both production and engineering departments have been stepping up efforts to meet the short lead times of replacement orders.
6. Continue to carry out reliable operations and carry out comprehensive quality control at all stages of maintenance, improve the existing products' quality, modularization and boutique-orientation and further strengthen the brand trust of GFC elevators through product planning, construction planning, quality improvement, high-end product promotion and staff re-education activities.

**3. Future Development Strategy of the Company**

1. Development of a technical talent training mechanism to prepare for the retirement wave and long-term human resource requirements.
2. In response to the demand of the construction market, we will continue to develop high-speed elevators, large load and high-speed non-machine room elevators, high-level intelligent control systems and the integrated design of core components of high-speed elevators and deepen IoT applications and innovative industrial design to improve our market competitiveness with high-quality differentiated products.
3. Continue to improve the Company's internal operation process and management, track the achievement rate of each department's annual plan on a monthly basis and adjust the operating strategy to adapt to the changes in the external market in a timely manner to ensure that the annual goals can be achieved smoothly.

**4. Impact of External Competitive Environment, Regulatory Environment and Overall Economic Environment**

1. Impact of the external competitive environment: the price competition is fierce for both the new elevator market and the replacement market. In order to maintain revenue growth and stable profits, we undertake large projects by integrating our advantages, continuing to control and reduce operating costs and maintaining high-quality after-sales services. We continue to innovate, develop new markets and strive for new businesses and we focus both on revenue generation and cost control.
2. Impact of regulatory environment: the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs has announced the new elevator standards CNS

15827-20/31/50 and CNS 15930-1/2 in 2015 and 2016, respectively, which are scheduled to be implemented in 2021. The Company is actively engaged in the design and development of related products to complete the correspondence and verification of related products before implementation.

3. Impact of Overall Business Environment:

In 2021, all the real estate indices continued heating up. The value of new projects exceeded NT\$1.7 trillion with a record high number of residential household construction licenses issued, 170,000. Taiwanese businessmen returned to Taiwan to set up factory facilities and purchase properties. The outlook for the housing market is optimistic this year.

The government expanded public construction investment and approved 38 rail construction design projects that will be gradually promoted in an 8-year period (2017~2024) by the Executive Yuan on the railway construction part of the Special Act for Forward-Looking Infrastructure, with an investment amount of NT\$424.133 billion. In the future, the number of related station development is huge, which has a positive effect on the revenue of the elevator industry.

Whilst the rising uncertainty to global economy growth due to the pandemic and geopolitical factors, Taiwan is an economic outperformer thanks to its success in controlling COVID-19. The Directorate General of Budget, Accounting and Statistics forecasts a 4.42% growth for Taiwan's economy in 2022, slower than the 6.8% in 2021. We expect the elevator industry should continue to grow in the year as the housing market shall maintain its strength from 2021 for a higher number of new projects for sale and further boost come from the light rail projects under the Forward-Looking Infrastructure Project.

## II. Company Profile

**1. Establishment date:** May 30, 1974

**2. Company History**

May 1974	After the establishment, in addition to the trade business, the Company undertook the crane installation project of Ishikawa China Shipbuilding Company.
March 1975	The Company took over the joint operations of Fujun Property Co., Ltd., Liben Co., Ltd. and Yiyou Industrial Co., Ltd.
May 1975	The Company signed an agreement with Tokyo Shibaura Electric Co., Ltd. as its general agent for elevators, escalators, car elevators and other businesses and at the same time served as an agent of Ishikawa's construction machinery.
June 1975	The Company started to sell elevators and escalators.
April 1977	The Company and Japan's Toshiba Co., Ltd. formally signed a Sino-Japanese elevator technical cooperation contract and submitted it to the Investment Commission of the Ministry of Economic Affairs for approval.
June 1977	The construction of the head office building at No. 30 Park Road, Taipei was completed and the Company officially moved into it on the 6th of the same month.
August 1978	For the third-phase expansion of the Taoyuan plant, the Company's capital was increased by NT\$20 million and the total capital was increased to NT\$60 million.
June 1979	For the fourth-phase expansion of the Taoyuan plant, the Company's capital was increased by NT\$40 million and the total capital was increased to NT\$100 million.
December 1979	In line with the business development, the Company's capital was increased by NT\$50 million and the total capital was increased to NT\$150 million.
August 1981	In line with the business development, the Company's capital was increased by NT\$30 million and the total capital was increased to NT\$180 million.
September 1982	Taoyuan No. 2 plant will be added and planned as an automatic precision plant.
September 1985	The Company's capital was increased by NT\$10.8 million and the total capital increased to NT\$190.8 million.
January 1987	The head office moved to the 13th floor, No. 88, Section 2, Nanking East Road, Taipei.
November 1990	In line with the business development, the capital was increased by NT\$89.58 million from cash injection and NT\$28.62 million from retained earnings; the total capital increased to NT\$309 million.
August 1991	In order to improve the manufacturing technology of elevator products and add automatic machinery and equipment, the capital was increased by NT\$61.8 million from retained earnings; the total capital increased to NT\$370.8 million.
October 1992	In order to build and expand the plants and replace the old plant and equipment, the capital was increased by NT\$130.87 million from cash injection and NT\$111.24 million from retained earnings; the total capital increased to NT\$612.91 million.
September 1993	An overseas subsidiary in the Cayman Islands was established as the holding company of the Company's future overseas investment; the company name is GFC Cayman Islands Limited.
July 1994	In order to expand the Yangmei plant and increase the purchase of automatic production equipment, the capital was increased by NT\$398,391,500 from retained earnings; the total capital increased to NT\$1,011,301,500.
August 1994	Based on the approval letter of the Investment Commission of the Ministry of Economic Affairs referenced (83) Mi No. 06960, US\$5 million was remitted

- to GFC Cayman Islands Limited of the British Cayman Islands for its capital increase, as well as for the reinvestment for the establishment of "Shanghai GFC Elevator Co., Ltd." in mainland China.
- February 1995 In order to expand the overseas market, an overseas subsidiary was established in Hong Kong with the company name of GFC Hong Kong Limited.
- September 1995 In order to continue the plan of increasing capital for the construction of the Yangmei plant and to expand the working capital, the capital was increased by NT\$657,345,980 from retained earnings; the total capital increased to NT\$1,668,647,480.
- December 1995 Based on the approval letter of the Ministry of Economic Affairs referenced (84) Tou-Shen-II No. 84023238, US\$3 million was remitted to GFC Cayman Islands Limited of the British Cayman Islands for its capital increase, as well as for the re-investment in the Shanghai subsidiary for its capital increase; the name of the mainland investee was also changed to "GFC Toshiba Elevators Shanghai Co., Ltd." with a joint operation with Toshiba, Japan and an equal shareholding of 50%.
- September 1996 In order to expand the working capital, the capital was increased by NT\$333,729,498 from retained earnings, and NT\$6,348,722 from employee bonus transfer to capital; the total capital after the increase was NT\$2,008,725,700.
- August 1997 In order to expand the working capital, the capital was increased by NT\$401,745,140 from retained earnings and NT\$4,060,860 from employee bonus transfer to capital; the total capital after the increase was NT\$2,414,531,700.
- December 1997 The Company's shares were listed on the OTC market on December 6, and the number of shares issued on the OTC market was 241,453,170, with an issue amount of NT\$2,414,531,700.
- December 1997 Based on the approval letter of the Ministry of Economic Affairs referenced (86) Tou-Shen-II No. 86740632, US\$2 million was remitted to GFC Cayman Islands Limited for its capital increase, as well as for the reinvestment in "GFC Generator Equipment Shanghai Co., Ltd."
- February 1998 Zhaofeng Venture Capital Co., Ltd. was established for the Company's future transformation into the high-tech industry. The capital of the company was NT\$600 million, and the Company's re-investment was NT\$599,940,000.
- February 1998 Established "Zhaohong Investment Co., Ltd." with a capital of NT\$125 million and the Company's capital contribution was NT\$124.996 million.
- March 1998 Established "Zhaoyu Investment Co., Ltd." with a capital of NT\$125 million, and the Company's capital contribution was NT\$124.996 million.
- June 1998 In order to expand the working capital, the capital was increased by NT\$241,453,170 from retained earnings and NT\$5,115,130 from employee bonus transfer to capital; the total capital after the increase was NT\$2,661,100,000.
- October 1998 Established Genesis Diesel Pte. Ltd. in Singapore with a paid-in capital of SGD\$2.
- December 1998 Based on the approval letter of the Ministry of Economic Affairs referenced (87) Tou-Shen-II No. 87732394, "GFC Generator Equipment Shanghai Co., Ltd." changed its name to "Shanghai Jifuxi Mechanical and Electrical Equipment Co., Ltd." and US\$4 million was remitted to GFC Cayman Islands Limited for its capital increase, as well as for the reinvestment in Shanghai Jifuxi Mechanical and Electrical Equipment Co., Ltd.
- June 1999 In order to expand the working capital, the capital was increased by NT\$162,456,000 from retained earnings, and NT\$106,443,000 from legal reserve; the total capital after the increase was NT\$2,930,000,000.

October 1999	Genesis Diesel Pte. Ltd. was changed to GFC Power Genset Pte. Ltd.
June 2000	Established "Howtobe Technology Co., Ltd." to invest in the Internet information technology industry, with a capital of NT\$80 million.
June 2000	Zhaofeng Venture Capital Co., Ltd., a subsidiary of the Company's reinvestment company had a capital increase from cash injection and retained earnings. After the capital increase, its total capital was NT\$750 million. The re-investment amount of the Company is increased by NT\$149,985,000. The total reinvestment amount was NT\$749,925,000.
September 2000	In order to expand the working capital, the capital was increased by NT\$177 million from retained earnings; the total capital after the increase was NT\$3,107 million.
March 2001	Processed capital reduction by buying back the Company's shares; after the capital reduction, the total capital was NT\$3,045,720,000 and the number of shares outstanding was 304,572,000.
August 2001	Disposed of "GFC Toshiba Elevators Shanghai Co., Ltd." a re-invested subsidiary of GFC Cayman Islands Limited with a total disposal price of US\$14.4 million.
November 2001	Processed capital reduction by buying back the Company's shares; after the capital reduction, the total capital was NT\$2,994,950,000 and the number of shares outstanding was 299,495,000.
March 2002	Processed capital reduction by buying back the Company's shares; after the capital reduction, the total capital was NT\$2,970 million, and the number of shares outstanding was 297 million.
April 2002	Based on the approval letter of the Ministry of Economic Affairs referenced (91) Tou-Shen-II No. 091011366, "Shanghai Jifuxi Mechanical and Electrical Equipment Co., Ltd." changed its name to "Shanghai GFC Elevator Co., Ltd." and US\$2 million was remitted to GFC Cayman Islands Limited for its capital increase, as well as for the re-investment in Shanghai GFC Elevator Co., Ltd.
August 2002	GFC Cayman Islands Limited, a re-invested subsidiary of the Company, reduced its capital by US\$12 million. The total capital of the company after the reduction was US\$2.01 million.
August 2002	The dissolution and liquidation of GFC Power Genset Pte. Ltd. was completed.
December 2002	The dissolution and liquidation of the re-invested subsidiary Zhaohong Investment Co., Ltd. was completed.
February 2003	Processed capital reduction of Howtobe Technology Co., Ltd., a reinvested subsidiary of the Company; after the capital reduction, its total capital was NT\$32 million.
September 2003	Processed capital reduction by buying back the Company's shares; after the capital reduction, the total capital was NT\$2,950 million and the number of shares outstanding was 295 million.
January 2004	Processed capital reduction by buying back the Company's shares; after the capital reduction, the total capital was NT\$2,930 million and the number of shares outstanding was 293 million.
April 2004	The dissolution and liquidation of the re-invested subsidiary Zhaoyu Investment Co., Ltd.
July 2004	Howtobe Technology Co., Ltd., a reinvested subsidiary, applied for capital reduction. After the capital reduction, the total capital of the company was NT\$20 million.
August 2004	Processed buyback of the Company's shares, and due to the dissolution and liquidation of Zhaoyu Investment Co., Ltd., a re-invested subsidiary of the Company, in accordance with the provisions of paragraph 2, Article 167 of the Company Act, capital reduction was processed for the cancellation of the share of the remaining property distributed. After the capital reduction, the paid-in

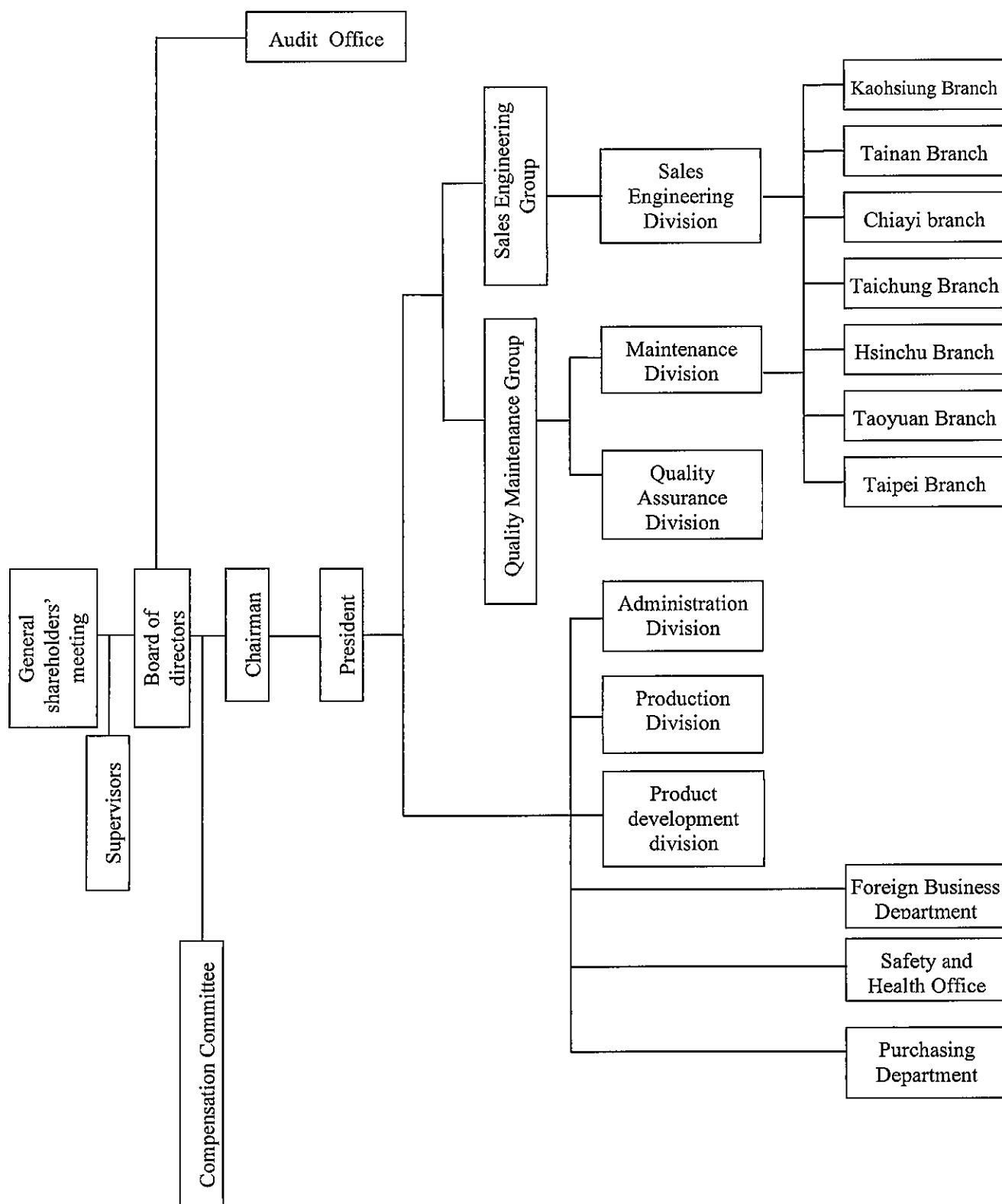
	capital was NT\$2,865,969,950, and the number of shares was 286,596,995.
November 2004	Processed capital reduction by buying back the Company's shares; after the capital reduction, the total capital was NT\$2,850 million, and the number of shares outstanding was 285 million.
May 2005	Zhaofeng Venture Capital Co., Ltd. a re-invested subsidiary of the Company processed capital reduction. After the capital reduction, the total capital of the company was NT\$345 million.
January 2006	Zhaofeng Venture Capital Co., Ltd., a re-invested subsidiary of the Company, processed capital reduction. After the capital reduction, the total capital of the company was NT\$138 million.
January 2007	Zhaofeng Venture Capital Co., Ltd., a re-invested subsidiary of the Company, processed capital reduction. After the capital reduction, the total capital of the company was NT\$75 million.
January 2007	Howtobe Technology Co., Ltd. a re-invested subsidiary of the Company processed capital increase. After the capital increase, the total capital of the company was NT\$26 million.
November 2007	In order to promote the integration of enterprises, save operating costs, improve the flexibility of capital utilization, and jointly create the interests of the Company and shareholders, the Company merged with Zhaofeng Venture Capital Co., Ltd. and the Company was the surviving company after the merger.
January 2008	Processed capital reduction by buying back the Company's shares; after the capital reduction, the total capital was NT\$1,995 million and the number of shares outstanding was 199.5 million.
March 2008	Subscribed to the cash capital increase of V.T. Systems of Japan for JPY58.3 million; after the capital increase, the shareholding was 1,433 shares, accounting for 67.44%.
August 2008	Established Chongyou Power System Technology Co., Ltd.; the paid-in capital was NT\$60 million, and the total share outstanding was 6 million. It is a 100% reinvested subsidiary of the Company.
January 2009	Subscribed to the cash capital increase of V.T. Systems of Japan for JPY32 million; after the capital increase, the shareholding was 2,073 shares, accounting for 74.43%.
March 2009	Processed capital reduction by buying back the Company's shares; after the capital reduction, the total capital was NT\$1,966.8 million, and the number of shares outstanding was 196.68 million.
April 2009	GFC Cayman Islands Limited, a reinvested subsidiary of the Company, increased its capital by US\$800,000 in cash and its capital after the increase was US\$2.81 million.
August 2010	Based on the approval letter of the Ministry of Economic Affairs referenced (99) Tou-Shen-II No. 09900273410, US\$8 million was remitted to GFC Cayman Islands Limited for its capital increase, as well as for the re-investment in Shanghai GFC Elevator Co., Ltd.
December 2010	In order to strengthen the organizational function, improve the efficiency of operation and management, reduce the operating cost, create value together and improve the shareholders' rights and interests, the Company merged with the subsidiary Chongyou Power System Technology Co., Ltd. and the Company was the surviving company after the merger.
May 2011	Shanghai GFC Elevator Co., Ltd. re-invested in GFC Elevators Qingdao Co., Ltd. which had a paid-in capital of RMB 4 million and the shareholding ratio was 99%.
November 2011	V.T. Systems of Japan increased its capital by JPY20 million in cash. The Company did not subscribe according to the shareholding ratio; after the

	capital increase, the Company's shareholding ratio was 65.11%.
February 2013	In order to meet the needs of operation and management, the Company bought back 603,500 shares of the subsidiary Howtobe Technology owned by other shareholders. After the change, the company's shareholding ratio was 100%.
April 2013	In order to reduce operating costs, Shanghai GFC Elevator Co., Ltd. completed the liquidation and de-registration of its subsidiary GFC Elevators Qingdao Co., Ltd.
April 2016	In the second 2015 Corporate Governance Evaluation, GFC Corporation was ranked among the top 6% ~ 20% of all OTC companies after being reviewed by the evaluation group of the competent authority.
April 2017	In the third 2016 Corporate Governance Evaluation, GFC Corporation was ranked among the top 6% ~ 20% of all OTC companies for two consecutive years after being reviewed by the evaluation group of the competent authority.
August 2017	The Department of Commerce of the Ministry of Economic Affairs approved the Company's change registration of cash capital reduction. Before the capital reduction, the Company issued 196,680,000 shares with the paid-in capital of NT\$1,966,800,000; after the capital reduction, the number of issued shares was changed to 177,012,000, with the paid-in capital of NT\$1,770,120,000.
April 2018	In the fourth 2017 Corporate Governance Evaluation, GFC Corporation was ranked among the top 6% ~ 20% of all OTC companies for three consecutive years after being reviewed by the evaluation group of the competent authority.
August 2018	The subsidiary GFC Hong Kong Limited completed its phased tasks and completed the liquidation and dissolution procedures.
September 2018	In September, GFC Corporation's full-series passenger elevators adopted permanent-magnet synchronous motors (PMSMs) and received second-category environmental protection mark issued by the Environmental Protection Administration, Executive Yuan. This new type of motors is known significantly lower energy consumption.
April 2019	In the fifth Corporate Governance Evaluation for 2018, GFC Corporation was promoted to the top 5% of all OTC companies by the evaluation group of the competent authority.
October 2019	The GF Smart Elevators won the 2020 Taiwan Excellence Award with its combination of multiple innovative features (including IoT and facial recognition).
April 2020	In the sixth 2019 Corporate Governance Evaluation, GFC Corporation was ranked among the top 6% ~ 20% of all OTC companies after being reviewed by the evaluation group of the competent authority.
April 2021	In the seventh Corporate Governance Evaluation for 2020, GFC Corporation was ranked the top 5% of all OCT companies after the review by the evaluation group of the competent authority.
November 2021	The Genesis High Speed Elevator series from GFC corporate received Silver Award from the 30th Taiwan Excellence Award. Golden Award among the manufacturing sector and Special Award for 2021 Happiest Employee Enterprise were rewarded from 1111 Job Bank.
December 2021	21th Golden Quality Award for Public Construction was won for the recognition of the work completed for "mid-term escalator improvement contract for MRT station entrance/exit, Project IYZX01."
April 2022	For the eighth corporate governance evaluations in 2021, GFC corporate was listed as the top 5% of the among all TPEx Listed companies by the review of competent authority.

### III. Corporate Governance Report

#### 1. Organizational Structure

(1) Organizational Structure:



(2) Businesses of Main Departments:

Department	Business in Charge
Maintenance Division	Responsible for regular maintenance and troubleshooting, fee charging, signing of maintenance contracts, parts replacement, repair, routine service, annual security inspection, customer contact, elevator failure and maintenance loss statistical analysis and other related after-sales service business management of all kinds of elevators (escalators). Promotion and planning of province-wide function renewal business (excluding new elevators), support of integrated operation, supply coordination, cost analysis and control, and installation schedule management. Formulation of province-wide maintenance and replacement policies. Integration of the fault call repair service and customer service response mechanism in the maintenance area of each service station, and provision of statistical analysis of relevant records; integration of the corresponding platform of the construction and maintenance coordination system and work plan promotion and implementation of progress effect and other real-time information display platform mechanisms. Responsible for the sale of power generator products, promotion of firefighting and hydropower business in buildings, contract-period payments, customer contact, site survey, installation and test run, maintenance and repair, technical support and other related operations. Management, analysis and statistics of material preparation, allocation and supply of maintenance parts of all models.
Sales Engineering Division	Responsible for the management of elevator (escalator) projects, product sales, contract-period payments, customer contact, production and marketing operation arrangement, project closure and other related operations. Construction planning, plan drawing, strength calculation and traffic flow calculation. Integration and production of sales technical specification, pre-sales technical specification planning for major engineering contracts and technical assistance for projects and contracts at home and abroad; technical development at home and abroad, overseas market research and analysis, marketing planning, order receiving for foreign sales, implementation and management of import and export operations, sharing contracts with Toshiba elevator's general agent, etc. Project exploration, installation outsourcing, adjustment, work completion inspection, vehicle delivery, warehouse management and routine service. Engineering technology improvement, exception handling, project engineering management, technical document revision, province-wide public works and coordination of engineering and factory related work.
Administration Division	Responsible for accounting, taxation, finance, budget planning and implementation, fund scheduling, cashier operation and cost accounting operation. Implementation and management of operations related to assets, public relations, documents, files, general affairs, environment, legal issues and stock affairs. Responsible for MIS development and maintenance, and information security system related operations. Human resources policy planning, system implementation and training development, compensation and welfare and planning, management and Implementation review of recruitment and appointment.
Production Division	Responsible for the elevator (escalator) production contract, design change and improvement of original products, and production, manufacturing, processing, assembly, production planning and control, materials receiving and dispatching, outsourced processing and inventory management of parts and components.
Product	Responsible for the R&D, trial production, stabilization and verification of new

development division	products, mechanical and electrical system integration, whole-machine test tower test and other related operations.
Quality Assurance Division	Responsible for engineering and quality abnormality management analysis and countermeasure discussion; customer complaint case handling, tracking and management; rationalization of working hours; ISO quality certification. Instrument verification management, supervision and control of the establishment of the factory production quality control system; quality inspection of the production system, statistical analysis of results, research and discussion of countermeasures, etc.
Foreign Business Department	Responsible for the operations planning, target management, budget control, financial control and administrative management of mainland subsidiaries.
Safety and Health Office	Responsible for the establishment, maintenance, planning, supervision and management of the Company's safety and health system.
Purchasing Department	Domestic and foreign parts arrival, raw materials procurement and other related operations.
Audit Office	Responsible for the supervision and tracking of the internal control system of the Company and its subsidiaries, assessment and management of violations of the Company's operation regulations and audit of various administrative operations.

## 2. Information on Directors, Supervisors, Presidents, Vice Presidents, Senior Managers and Heads of Main Branches:

### 1. Information of Directors and Supervisors:

April 29, 2022

Position	Name	Gender Age	Nationality or place of registration	Date elected (appointed)	Term of office	Date initially elected	Shareholdings when elected (note 1)		Present when elected (note 1)		Present shareholdings of spouse and minor children (note 1)		Shareholdings in other people's names (note 1)		Academic background/experience	Concurrent position at the company and other companies at the moment	Other directors, directors or supervisors with a spouse or second-tier relative relationship			Remarks
							No. of shares	Shareholdings %	No. of shares	Shareholdings %	No. of shares	Shareholdings %	No. of shares	Shareholdings %			Position	Name	Relationship	
Chairman	Da Way Lee Corp. Representative: Po- Lung Tang	Male Age 61- 70	Republic of China Republic of China	June 21, 2019	3 years	June 21, 2019	3,564,000 1,600,000	2.01% 0.90%	3,564,000 0	2.01% 0.00%	0 5,263	0.00% 0.003%	None None	None	Hsing Wu Business College, Chairman, Director, President and Vice President of the Company	Hua Hung Management Consulting Co., Ltd.	Director Director	Chiu- Lin Tang David Tang	Brother and sister Father and son	
Director	Changjiang Property Co., Ltd. Representative: Chiu- Lin Tang	Female Age 61- 70	Republic of China	June 21, 2019	3 years	April 25, 1995	93,897,982 258,299	53.05% 0.15%	99,868,498 258,299	56.42% 0.15%	0 0	0.00% 0.00%	None None	None	EMBA of Chengchi University, Department of Fashion Design of Institute of Advanced Fashion Design of Paris Society of France, Public Relations Department of Shih Hsin University, Vice Chairman of Chienhsing Co., Ltd., Manager of Celine, Assistant Manager of Chung Hsing Department Store, Designer of Textile Development Association, 12th President of ROC Elevator Association	Executive Director of GFC Culture and Education Foundation; Curator of Tang Studio	Chairman	Po- Lung Tang	Brother and sister	
Director	Huarong Investment Co., Ltd. Representative: David Tang	Male Age 41- 50	Republic of China USA	June 21, 2019	3 years	June 21, 2019	2,545,807 0	1.44% 0.00%	3,524,185 0	1.99% 0.00%	0 0	0.00% 0.00%	None	None	BS in Computer Science, Electrical Engineering Department, University of California, Berkeley; MBA, Graduate School of Asia Pacific Studies, Waseda University, Senior Engineer, QLogic Corporation; Analyst, Huahong Venture Capital Group; Marketing Manager, Hsintai Technology Co., Ltd.; Managing Director, VT Systems Inc.; Assistant Vice President/Consultant, GFC Corporation	President, Neri Technology Co., Ltd.; Chairman, VT Systems	Chairman	Po- Lung Tang	Father and son	
Director	Cheng-Lzen Lo	Male Age 61- 70	Republic of China	June 21, 2019	3 years	June 24, 2016	0	0.00%	0	0.00%	0	0.00%	None	None	BS, Department of Industrial Engineering, National Tsinghua University; MBA, School of Business, National Taiwan University; Senior Manager, Grand Cathay Securities, Senior VP, Advantech	Director, Jingyan Technology Co., Ltd.	None	None	None	
Director	Huai-Yi Zeng	Male Age 41- 50	Republic of China	June 21, 2019	3 years	June 24, 2016	20,197	0.01%	20,197	0.01%	0	0.00%	None	None	BS, Civil and Environmental Engineering, UCLA; MBA, Industrial and Business Management, Tsinghua University and MIT Sloan School of Management; Business and Marketing Specialist, Changhsing Company; Investment Assistant, Huahong Venture Capital Co., Ltd.; Vice President, Deutsche Bank; Director of Investor Relations, International Finance and M&A and Chief Financial Officer, Baidu Company; Chief Financial Officer of Anjuke Group, Vice President, C-Trip Group	Global CFO, KKDay	None	None	None	
Independent Director	Tung-Hsu Lin	Male Age 51- 60	Republic of China	June 21, 2019	3 years	June 24, 2016	0	0.00%	0	0.00%	0	0.00%	None	None	BA, Banking Section of the Department of Business, National Taiwan University; Master of Accounting, San Diego State University; BA, Mingchuan Business College; accounting lecturer, Taipei Business College, Chief Accountant, U.S. Region of Chongwei Hotel Group; Chief Accountant of PC Channel Inc. (a personal computer assembly and sales company); Chief Financial Officer, U.S. Region of Chung Hsin Hotel Group, Chief Financial Officer, Bladez Corp. (manufacturing and sales of sports equipment); Senior Financial Analyst/Capital Project Manager of BP (British Petroleum)(the world's second largest non-state owned oil company), Chief Financial Officer in Asia/Chief Accounting Officer of Head Office/President of China and Japan Region/Customer Service Director in Asia, Fulu International Co., Ltd. (the world's No. 1 brand of waterjet cutting and cleaning)	CFO, Promise Technology Inc.	None	None	None	
Independent Director	Hsu-Hui Wu	Female Age 51- 60	Republic of China	June 21, 2019	3 years	June 24, 2016	0	0.00%	0	0.00%	0	0.00%	None	None	BA, Department of Finance and Economics, National Taipei Institute of Business and Technology; MBA, National Chengchi University, Ph.D. in Business Management, University of Leeds, U.K.; Director of Trade and	General Manager of Taiyan Industry Co., Ltd.; director of Taiyan Green Energy Co., Ltd.;	None	None	None	

Position	Name	Gender Age	Nationality or place of registration	Date elected (appointed)	Term of office	Date initially elected	Shareholdings when elected (note 1)		Present when elected (note 1)		Present shareholdings of spouse and minor children (note 1)		Shareholdings in other people's names (note 1)		Academic background/experience	Concurrent position at the company and other companies at the moment	Other directors, directors or supervisors with a spouse or second-tier relative relationship			Remarks
							No. of shares	Shareholdings %	No. of shares	Shareholdings %	No. of shares	Shareholdings %	No. of shares	Shareholdings %			Position	Name	Relationship	
															Import Purchasing Department, B&Q Trading Co., Ltd.; Director of Public Service Department, Carrefour and Executive Director of Carrefour Culture and Education Foundation; Director, Brand Strategy and Spokesperson of Tonyi Enterprise; President, New Business Development Chongyue Technology; consultant of Taipei municipal government; President, Taiyen Biotech Co., Ltd.; Director, Taiyen Green Co., Ltd.; Director and CEO, Taiyen (Xiamen) Export and Import Co., Ltd.	Director, Shalina Co. Ltd.; Part-Time Assistant Professor, EMBA Program, Soochow University				
Supervisors	De-Jin Tang Culture and Education Foundation Representative: Yun-Peng Chen	Male Age 71-80	Republic of China Republic of China	June 21, 2019	3 years	June 19, 2009	2,537,720 60,000	1.43% 0.03%	2,537,720 67,000	1.43% 0.04%	0 0	0.00% 0.00%	None	None	Chiayi Commercial College, Chief Auditor and Senior Manager of the Company	None	None	None	None	
Supervisors	Chang-I Wang	Male Age 41-50	Republic of China	June 21, 2019	3 years	June 24, 2016	404,744	0.23%	478,744	0.27%	0	0.00%	None	None	Bachelor of science, Stern School of Business, New York University; MBA, New Jersey Institute of Technology, Senior Specialist, Operation Risk Management Department, Nanshan Life Insurance	Senior Assistant VP, Audit Department, TransGlobe Life Insurance Inc. Senior Manager of Audit Division, Global Life Insurance	None	None	None	

Note 1: The shareholding ratio is calculated based on 196,680 thousand shares at the time of election, and the remaining shareholding ratio is calculated based on 177,012 thousand shares.

## 2. Major shareholders of corporate shareholders:

April 29, 2022

Name of corporate shareholder	Major shareholders of the corporate shareholder	Shareholding ratio
Daweili Co., Ltd.	Po-Loung Tang	77.93%
	Shu-Ching Li	9.46%
	David Tang	8.76%
	Bai-Li Tang	3.85%
Changjiang Property Co., Ltd.	Jiahsiang Investment Co., Ltd	19.08%
	Dayouli Investment Co., Ltd.	18.84%
	Fujia Investment Co., Ltd	17.94%
	Machile Enterprise Co., Ltd	13.63%
	De-Jin Tang Culture and Education Foundation	13.25%
	Dawei li Co., Ltd.	11.19%
	Daohe Investment Co., Ltd.	4.22%
	Sung-Chang Tang	1.85%
Huarong Investment Co., Ltd	Pei-Gen Huang	61.82%
	Yao Huang	11.00%
	Xiang Huang	9.72%
	Li-Ting Huang	9.57%
	Rui-Ying Lo	7.89%
De-Jin Tang Culture and Education Foundation (note 1)	Changjiang Investment Co., Ltd. (Renamed "Changjiang Property Co., Ltd. in 1991)	50%
	Sung-Chou Tang	50%

Note 1: De-Jin Tang Culture and Education Foundation is not a company. The names of the shareholders and the shareholding ratios disclosed above are the names and the contribution ratios of donors.

## 3. The main shareholders of the corporate shareholder whose main shareholders are legal persons:

April 29, 2022

Name of corporate shareholder	Major shareholders of the corporate shareholder	Shareholding ratio
Jiahsiang Investment Co., Ltd	Ren-Hao Tang	49.95%
	Ren-Jie Tang	49.95%
	Daohe Investment Co., Ltd.	0.10%
Dayouli Investment Co., Ltd.	Chiu-Lin Tang	97.70%
	Chung-Yi Feng	2.12%
	Shao-Heng Feng	0.18%
Fujia Investment Co., Ltd	Ru-Yan Tang	98.22%
	Yi-Hui Liu	0.89%
	Yan-Chen Liu	0.89%
Machile Enterprise Co., Ltd	Po-Loung Tang	100.00%
Dawei li Co., Ltd.	Po-Loung Tang	77.93%
	Shu-Ching Li	9.46%
	David Tang	8.76%
	Bai-Li Tang	3.85%
Daohe Investment Co., Ltd.	Ren-Hao Tang	50.00%
	Ren-Jie Tang	50.00%
Yangtze River Investment (Renamed "Changjiang Property Co., Ltd. in 1991)	Lien-Mei Wu Tang (deceased)	0.50%
	Ru-Yan Tang	1.00%
	Po-Hou Tang	12.00%
	Po-Loung Tang	14.39%
	Chiu-Lin Tang	1.00%
	Yen-Fang Ni	2.39%
	Da Cheng Investment (Merged by Changjiang Property)	66.50%
	De-Jin Tang Culture and Education Foundation	2.22%

#### 4. Professional knowledge and independence of directors or supervisors and independent directors:

##### (I) Professional knowledge and experience

The composition of the board of directors shall be determined by taking diversity into consideration. It shall be formulated and included, 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, or technology), professional skills and industry experience.

Board members shall have the knowledge, skill, and competency, as follows, necessary to perform their duties:

1. Ability to make operation judgments
2. Ability to operate and manage
3. Ability to perform accounting and financial analysis.
4. Industry knowledge.
5. Ability to manage crisis
6. Knowledge of international markets
7. Ability to lead and make decision

##### Implementation of Director Diversification Policy:

Implementation of Director Diversification Policy.																
Title	Diversification Item  Director	Basic Requirements							Professional Skill						Security Act Article #30 Violation	
		Nationality	Gender	Company Employee	Age Group				Term of Independent Director	accounting and financial analysis	Leadership and decision-making	Industry Knowledge	Global perspective	Operation management		Branding
					41-50	51-60	61-70	71-80								
Institutional director representative	Po-Loung Tang	ROC	M	No			v		—		v	v	v	v	v	No
Institutional director representative	Chiu-Lin Tang	ROC	F	No			v		—			v		v	v	No
Institutional director representative	David Tang	US	M	No	v				—	v		v		v		No
Director	Cheng-Lzen Lo	ROC	M	No			v		—	v	v	v		v		No
Director	Huai-Yi Zeng	ROC	M	No	v				—	v			v	v		No
Independent Director	Tung-Hsu Lin	ROC	M	No		v			3~9 Years	v	v		v	v		No
Independent Director	Hsu-Hui Wu	ROC	F	No		v			3~9 Years		v		v	v	v	No
Institutional supervisor representative	Yun-Peng Chen	ROC	M	No				v	—	v		v				No
Supervisor	Chang-I Wang	ROC	M	No	v				—	v						No

The youngest directors are aged between 41~50, followed by two who are 51~60 and three are 61~70. A supervisor is aged 71~80 and the other one is 41~50. There are two female directors (including one independent member) or 28.57% of the total board composition.

##### II. Independency of Board of Directors:

All directors and supervisors of the Company are voted by shareholders and there is no different treatment or restrictions on gender. No directors are employees of the Company or holding independent board seats in other public companies. There are two independent directors, or 28.57% board seats.

Selected information of directors and supervisors is listed as follows:

Title	Name	Shareholding when elected (Note 1)		Present Shareholding (Note 1)		Shareholding under spouse or minors (Note 1)		Shareholding under others' names (Note 1)		Current positions at the Company or other companies	Directors whose spouses or second-degree relatives are manager, director or supervisor of the Company			Number of independent board seats held concurrently at other public companies
		Shares	%	Shares	%	Shares	%	Shares	%		Title	Name	Relation	
Chairman	Da Way Lee Corp. Representative: Po-Loung Tang	3,564,000 1,600,000	2.01% 0.90%	3,564,000 0	2.01% 0.00%	0 5,263	0.00% 0.003%	None None	None None	Director, Hua Hung Management Consulting Co., Ltd.	Director Director	Chiu-Lin Tang David Tang	Brother/ Sister Son	0
Director	Changjiang Property Co., Ltd. Representative: Chiu-Lin Tang	93,897,962 258,299	53.05% 0.15%	99,868,498 258,299	56.42% 0.15%	0 0	0.00% 0.00%	None None	None None	Executive Director of GFC Culture and Education Foundation; Curator of Tang Studio	Chairman	Po-Loung Tang	Brother/ Sister	0
Director	Huarong Investment Co., Ltd. Representative: David Tang	2,545,807 0	1.44% 0.00%	3,524,185 0	1.99% 0.00%	0 0	0.00% 0.00%	None None	None None	President, Neri Technology Co., Ltd.; Chairman, VT Systems	Chairman	Po-Loung Tang	Father/Son	0
Director	Cheng-Lzen Lo	0	0.00%	0	0.00%	0	0.00%	None	None	Director, Jingyan Technology Co., Ltd.	None	None	None	0
Director	Huai-Yi Zeng	20,197	0.01%	20,197	0.01%	0	0.00%	None	None	Global CFO, KKDay	None	None	None	0
Independent Director	Tung-Hsu Lin	0	0.00%	0	0.00%	0	0.00%	None	None	CFO, Promise Technology Inc.	None	None	None	0
Independent Director	Hsu-Hui Wu	0	0.00%	0	0.00%	0	0.00%	None	None	Director, Shalina Co. Ltd.; Part-Time Assistant Professor, EMBA Program, Soochow University	None	None	None	0
Supervisor	De-Jin Tang Culture and Education Foundation Representative: Yun-Peng Chen	2,537,720 60,000	1.43% 0.03%	2,537,720 67,000	1.43% 0.04%	0 0	0.00% 0.00%	None	None	None	None	None	None	0
Supervisor	Chang-I Wang	404,744	0.23%	478,744	0.27%	0	0.00%	None	None	Senior Assistant VP, Audit Department, Trans Globe Life Insurance Inc.	None	None	None	0

Other than the two directors who are second-degree relatives to each other (please refer to the table above), no other directors are related, which satisfies the requirements under Corporate Governance Evaluation. Qualifications from the two independent directors, both affirmative and negative criterion such as shareholding of the Company and part-time position in the Company, are compliant with “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”

# 5. Main managers' information:

April 29, 2022

Position	Name	Gender	Nationality	Date elected (appointed)	Shareholdings		Present shareholdings of spouse and minor children		Shareholdings in other people's names		Academic background/experience	Concurrent positions at other companies	Other managers, directors or supervisors with a spouse or second degree relative relationship			Remarks
					No. of shares	Shareholdings %	No. of shares	Shareholdings %	No. of shares	Shareholdings %			Position	Name	Relationship	
President	Pen-Li Yu	Male	Republic of China	August 13, 2015	0	0.00%	0	0.00%	None	None	Mechanical Engineering Department of Taipei Technology College	Chairman of Shanghai GFC Elevator Co., Ltd., Director of GFC Cayman Islands Limited	None	None	None	
Manager	Chuan-Hsing Kuo	Male	Republic of China	April 1, 2009	45,164	0.03%	0	0.00%	None	None	Oriental Technical College	Director of Howtobe Co., Ltd.	None	None	None	
Manager	Hung-Mou Cheng	Male	Republic of China	August 13, 2015	0	0.00%	0	0.00%	None	None	Electrical Engineering Department of Guan Wu Technical College	None	None	None	None	
Head of Finance/Accounting	Ying-Chen Lu	Female	Republic of China	March 26, 2014	56	0.00003%	0	0.00%	None	None	Accounting Department, Takming Technical College	Director of Huaqi Venture Capital Co., Ltd.	None	None	None	
Corporate Governance Officer	Hung-Peng Lin	Male	Republic of China	June 19, 2020	557	0.0003%	1,036	0.0006%	None	None	Department of Law, Chinese Culture University	None	None	None	None	

6. Remuneration of Directors, Supervisors, President and Vice President:

(1) Remuneration of Directors and Independent Directors (consolidated listed according to remuneration range):

December 31, 2021 unit: NTS'000

December 31, 2021 (Unit: NT\$ 000)

Position	Name	Remuneration of Directors								Percentage of total number of items A, B, C and D to net profit after tax	Part time employees' receipt of relevant remuneration								Percentage of total number of items A, B, C, D, E, F and G to net profit after tax (%)	Remuneration received from a non-subsidiary re-invested enterprise or parent company			
		Remuneration (A)		Retirement pension (B)		Directors' remuneration (C) (note 1)		Business execution fee (D)			Salary, bonus and special fee (E)		Retirement pension (F)		Employee remuneration (G)								
		All companies in the financial report of	the Company	All companies in the financial report of	the Company	All companies in the financial report of	the Company	All companies in the financial report of	the Company		All companies in the financial report of	the Company	All companies in the financial report of	the Company	All companies in the financial report of	the Company	Cash amount	Number of shares			Cash amount	Number of shares	All companies in the financial report of
Chairman	Po-Loung Tang																						
Director	Representative of Changjiang Property Co., Ltd.: Chiu-Lin Tang																						
Director	Huarong Investment Co., Ltd Representative: David Tang	3,300	3,300	0	0	1,796	1,796	145	145	0.67%	0.67%	7,090	7,090	0	0	0	0	0	0	1.59%	1.59%		None
Director	Cheng-Lzen Lo																						
Director	Huai-Yi Zeng																						
Independent Director	Tung-Hsu Lin																						
	Hsu-Hui Wu	1,320	1,320	0	0	551	551	84	84	0.25%	0.25%	0	0	0	0	0	0	0	0	0.25%	0.25%		None

Note 1: Directors' remuneration in 2021 is a proposed figure.

(2) Remuneration Tier Table:

Tiers of Remuneration of Directors of the Company	Name of Director			
	Total remuneration in the first four items (A + B + C + D)		Total remuneration in the first seven items (A + B + C + D + E + F + G)	
	The Company	All companies in the financial report (H)	The Company	All companies in the financial report (I)
Below NT\$1,000,000	Representative of Changjiang Property Co., Ltd.: Chiu-Lin Tang; Huarong Investment, represented by David Tang, Cheng-Lzen Lo, Huai-Yi Zeng, Tung-Hsu Lin, Hsu-Hui Wu	Representative of Changjiang Property Co., Ltd.: Chiu-Lin Tang; Huarong Investment represented by David Tang, Cheng-Lzen Lo, Huai-Yi Zeng, Tung-Hsu Lin, Hsu-Hui Wu	Representative of Changjiang Property Co., Ltd.: Chiu-Lin Tang, Huarong Investment represented by David Tang, Cheng-Lzen Lo, Huai-Yi Zeng, Tung-Hsu Lin, Hsu-Hui Wu	Representative of Changjiang Property Co., Ltd.: Chiu-Lin Tang, Huarong Investment represented by David Tang, Cheng-Lzen Lo, Huai-Yi Zeng, Tung-Hsu Lin, Hsu-Hui Wu
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Po-Loung Tang	Po-Loung Tang	0	0
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	0	0	0	0
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)	0	0	0	0
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	0	0	Po-Loung Tang	Po-Loung Tang
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	0	0	0	0
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	0	0	0	0
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	0	0	0	0
Above NT\$100,000,000	0	0	0	0
Total	7	7	7	7

(3) Remuneration of Supervisors (amount consolidated and names disclosed):

December 31, 2021 unit: NT\$'000

December 31, 2021 and 1919 000

Position	Name	Remuneration of Supervisors						Percentage of the total of A, B and C to net income after tax (%)		Remuneration received from a non-subsidiary re-invested enterprise or parent company
		Remuneration (A)		Remuneration (B) (note 1)		Business execution expenses (C)		The Company	All companies in the financial report	
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report			
Supervisors	Chang-I Wang	1,320	1,320	551	551	60	60	0.25%	0.25%	None
Supervisors	De-Jin Tang Culture and Education Foundation Representative: Yun-Peng Chen									

Note 1: Supervisors' remuneration in 2021 is a proposed figure.

(4) Remuneration Tier Table:

Tiers of Remuneration of Supervisors of the Company	Name of Supervisor	
	Total remuneration in the first three items (A + B + C)	
	All companies in the financial report	of the Company
Below NT\$1,000,000	Chang-I Wang Representative of De-Jin Tang Culture and Education Foundation: Yun-Peng Chen	Chang-I Wang Representative of De-Jin Tang Culture and Education Foundation: Yun-Peng Chen
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	0	0
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	0	0
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	0	0
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	0	0
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	0	0
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	0	0
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	0	0
Above NT\$100,000,000	0	0
Total	2	2

(5) Remuneration of Presidents and Vice Presidents (consolidated and name disclosure by tier):

December 31, 2021 unit: NT\$'000

Position	Name	Salary (A)		Retirement pension (B)(note 1)		Bonus and special subsidy (C)		Employee remuneration (D)				Percentage of the total of A, B, C and D to net income after tax (%)		Remuneration received from a non-subsidiary re-invested enterprise or parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	All companies in the financial report		the financial report of the Company		The Company	All companies in the financial report	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
President	Pen-Li Yu													
Manager	Chuan-Hsing Kuo	13,006	13,790	324	324	0	0	363	0	363	0	1.76%	1.86%	None
Manager	Hong-Mou Cheng													

Note 1: The 2021 expense provision was NT\$324 thousand.

(6) Remuneration Tier Table:

Tiers of Remuneration of Presidents and Vice Presidents of the Company	Name of Presidents and Vice Presidents	
	All companies in the financial report	the financial report of the Company (E)
Below NT\$1,000,000	0	0
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	0	0
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Hung-Mou Cheng	Hung-Mou Cheng
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)	Chuan-Hsing Kuo	Chuan-Hsing Kuo
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Pen-Li Yu	Pen-Li Yu
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	0	0
NT\$15,000,000 (inclusive)~NT\$30,000,000 (exclusive)	0	0
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	0	0
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	0	0
Above NT\$100,000,000	0	0
Total	3	3

(7) The name of the manager who assigns employee compensation and the distribution situation:

December 31, 2021 Unit: NT\$'000

Position	Name	Number of shares	Cash amount	Total	Percentage of net profit after tax (%)
Manager	President	Pen-Li Yu	460	460	0.06%
	Manager	Chuan-Hsing Kuo			
	Manager	Hung-Mou Cheng			
	Manager	Ying-Chen Lu			
	Manager	Hung-Peng Lin			

(8) An analysis of the proportion of the total remuneration paid to the Directors, Supervisors, Presidents and Vice Presidents of the Company and all the companies in the consolidated statements to the net profit after tax in the last two years and an explanation of the policy, standard and combination of the remuneration, the procedures for setting the remuneration and the relevance to the business performance and future risks:

① The proportion of the total remuneration paid by the Company and all the companies in the consolidated statements to the Directors, Supervisors, Presidents and Vice Presidents of the Company to the net profit after tax in the last two years:

Unit: NT\$'000

Year Item		2021				2020			
		All companies in the financial report		the Company		All companies in the financial report		the Company	
Position		Total remuneration	Percentage of the net profit after tax (%)	Total remuneration	Percentage of the net profit after tax (%)	Total remuneration	Percentage of the net profit after tax (%)	Total remuneration	Percentage of the net profit after tax (%)
Director		14,286	1.84%	14,286	1.84%	14,106	1.94%	14,106	1.94%
Supervisors		1,931	0.25%	1,931	0.25%	1,881	0.26%	1,881	0.26%
Presidents and Vice Presidents		13,693	1.76%	14,477	1.86%	12,509	1.72%	13,271	1.83%

② The policy, standard and combination of the remuneration, the procedures for setting the remuneration, and the relevance to the business performance and future risks:

The remuneration of the Company's directors and supervisors shall be paid, in accordance with Article 17-1 of the Articles of Association, from not more than 0.5% of the profit of the current year. Reasonable remuneration shall be provided to directors and supervisors based on performance review criteria and contributions of the board, such as mastery of the Company's objectives and tasks and degree of participation in the Company's operation. Reasonable salaries shall be provided to appointed managers e.g., President and vice presidents based on the Company's salary system and in reference to the prevalent industry standards and the employment market

for comparable positions. In addition, according to Article 17-1 of the Company's Articles of Association, no less than 0.5% of profits during the current year shall be distributed as employees' remunerations. Among this, appropriate remuneration to individual appointed managers shall be paid in line with performance indicators such as contribution to the Company's operations, revenue growth, expense control ratio, profit margin, growth in book value per share. The performance evaluation criteria, remuneration and reward standard for directors, supervisors and appointed managers shall be submitted to the Compensation Committee for discussion and review and to the board for decision and approval in accordance with relevant procedures. In sum, there are no issues that can cause risks to the Company going forward.

### 3. Corporate Governance Status:

#### (1) Operation of the board of directors:

In the most recent year (2021), the board of directors held 6 meetings (A). The attendance of Directors and Supervisors is as follows:

Position	Name	Number of actual (voting and non-voting) attendance (B)	Number of attendance by proxy	actual (voting and non-voting) attendance rate	Remarks
Chairman	Daweili Co., Ltd. Representative: Po-Loung Tang	6	0	100%	
Director	Changjiang Property Co., Ltd. Representative: Chiu-Lin Tang	5	0	83%	
Director	Huarong Investment Co., Ltd Representative: David Tang	6	0	100%	
Director	Cheng-Lzen Lo	6	0	100%	
Director	Huai-Yi Zeng	6	0	100%	
Independent Director	Tung-Hsu Lin	6	0	100%	
Independent Director	Hsu-Hui Wu	6	0	100%	
Supervisors	De-Jin Tang Culture and Education Foundation Representative: Yun-Peng Chen	6	0	100%	
Supervisors	Chang-I Wang	6	0	100%	

Other items to be recorded:

- I. For the matters listed in Article 14-3 of the Securities and Exchange Act and other matters which the independent directors are opposed to or have reserved opinions over and are recorded or have a written statement of board of directors in place, the date, meeting session number, proposal content, opinions of all the independent directors and the company's handling of the opinions of the independent directors shall be stated: See Schedule 1 for details.
- II. Directors' recusal from issues with conflict of interest: The names of the director concerned, proposal contents, reason for recusal, participation in discussion and voting results should be provided.  
Director Po-Loung Tang had interests on the proposal for the 2021 remunerations to directors, supervisors and employees (Agenda 1) in the 18th session under the 16th term Board meeting and was excused from the discussion and voting. The discussion was led by Independent Director Tung-Hsu Lin, appointed as the deputy chairperson. The proposal was passed without demur after inquiries made by the deputy chairperson to the six other attending directors. A listed or OTC company shall disclose information such as the evaluation cycle, period, scope, method and content of the board of directors' self (or peer) evaluation and fill in Schedule 2 (2) Implementation of the Board of Directors' Evaluation.
- III. Objectives for strengthening the functions of the board of directors in the current and most recent year (e.g., establishment of an audit committee, improvement of information transparency, etc.) and performance assessment:
  1. Regular promotion of further education courses for directors and supervisors: When the regular board of directors' meeting is held, the responsible unit will also provide relevant information about the further education courses and handle registration for the further education courses. In 2021, 17 directors and supervisors participated in further education courses for totally 69 hours.
  2. Setting up a special area for the operation of the board of directors on the Company's official website: the content covers directors' and supervisors' further education, attendance status of directors and supervisors, brief introduction of directors and supervisors, major resolutions of the board of directors' meetings, etc., for the reference of investors.
  3. Emphasis on corporate governance evaluation: The full-time (part-time) corporate governance unit gave special briefings at the board meetings on May 7, 2021 and December 17, 2020. All directors and supervisors have a deep understanding of the corporate governance indicators and have instructed relevant units to implement and draw up work plans for gradual improvement. In the fifth, seventh and eighth corporate governance evaluations, the

Company was listed as the top 5% of the evaluated companies by the competent authority (the Corporate Governance Evaluation Group) and has been listed as the top 6% ~ 20% for seven consecutive years.

4. Communication between independent directors, the independent auditor and the internal audit director:

(1) Communication and discussion with the independent auditor

Time	Summary of key communication points	Participants	Recommendations	Company disposal
May 07, 2021	1. Audit service. 2. Audit timetable 3. Self-compiled financial statements 4. Laws and regulations update	Tung-Hsu Lin, Independent Director Hsu-Hui Wu, Independent Director Chun-Ting Ma, Independent Auditor	None	None
December 17, 2021	1. Audit service. 2. Self-compiled financial statements 3. Update of laws and regulations. 4. Corporate Governance 3.0 – Sustainable Development Roadmap	Tung-Hsu Lin, Independent Director Hsu-Hui Wu, Independent Director Chun-Ting Ma, Independent Auditor	None	None

(2) Communication and discussion with Internal Audit Director

Time	Summary of key communication points	Participants	Recommendations	Company disposal
May 07, 2021	Case study: "Inventory age" of Chungyo Company	Tung-Hsu Lin Independent Director Hsu-Hui Wu, Independent Director Shun-Cheng Hsu, Chief Auditor	None	None
December 17, 2021	Disciplinary data analysis	Tung-Hsu Lin, Independent Director Hsu-Hui Wu, Independent Director Shun-Cheng Hsu, Chief Auditor	Tangible rewards are suggested.	HR Department was informed to take charge

IV. The board of directors held 6 meetings in the most recent year (2020) and the attendance status of Independent Directors is as follows:

Name	March 22, 2021	May 07, 2021	July 14, 2021	August 09, 2021	November 08, 2021	December 17, 2021
Tung-Hsu Lin	◎	◎	◎	◎	◎	◎
Hsu-Hui Wu	◎	◎	◎	◎	◎	◎

◎: attendance in person ☆: attendance by proxy \*: absent

Schedule 1: For the matters listed in Article 14-3 of the Securities and Exchange Act and other matters which the independent directors are opposed to or have reserved opinions over and are recorded or have a written statement of board of directors in place, the date, meeting session number, proposal content, opinions of all the independent directors and the company's handling of the opinions of the independent directors shall be stated:

Board of directors	Motion content and subsequent processing	Matters listed in Article 14-3 of the Securities and Exchange Act	Matters which the independent directors are opposed to or have reserved opinions over
The 16th term the 12th session March 22, 2021	1.Approved the distribution of remunerations to directors, supervisors and employees for 2020	v	
	2.Approved the finalized financial statements for 2020.	v	
	3.Approved the 2020 earnings distribution plan.	v	
	4.Approved the matters in relation to acceptance of proposals for 2021 general shareholders' meeting.	v	
	5.Approved the matters in relation to convening of 2021 general shareholders' meeting.	v	
	6.Approved the 2020 Internal Control Statement.	v	
	7. Approved the disposal of the fixed assets.	v	
	8. Approved the acquisition of real estate.	v	
	Opinion of independent director: None.		
	The Company's disposal of Independent Directors' opinions: none.		
	Resolution result: All directors present agree to pass the resolutions.		
The 16th term the 13th session May 07, 2021	1. Approved the review of the required conditions of independence of Ernst & Young for the independent audit.	v	
	Opinion of independent director: None.		
	The Company's disposal of Independent Directors' opinions: none.		
	Resolution result: All directors present agreed to pass the resolutions.		
The 16th term the 15th session August 09, 2021	1. Decided on the ex-dividend date for 2021 cash dividends.	v	
	2. Approved the amendment of the internal control system.	v	
	Opinion of independent director: None.		
	The Company's disposal of Independent Directors' opinions: None.		
	Resolution result: All directors present agreed to pass the resolution.		
The 16th term the 16th session November 8, 2021	1. Approved the Company's 2022 business plan and budget plan.	v	
	2. Approved the 2022 internal audit schedule.	v	
	Opinion of independent director: None.		
	The Company's disposal of Independent Directors' opinions: None.		
The 16th term the 17th session December 17, 2021	Resolution result: All directors present agreed to pass the resolutions.		
	1. Approved the review of the required conditions of independence of Ernst & Young for the independent audit.	v	
	2.Approved the amendment of the internal control system.	v	
	3.Approved the disposal of the fixed assets.	v	
	4.Approved the acquisition of right-of-use assets from relative parties	v	
	5.Approved the cash capital reduction for Shanghai GFC Elevator Co., Ltd	v	
	Opinion of independent director: None.		
	The Company's disposal of Independent Directors' opinions: None.		
	Resolution result: All directors present agree to pass the resolutions.		

## (2) Status of Evaluation of the Board of Directors

Evaluation cycle (note 1)	Evaluation period (note 2)	Evaluation scope (note 3)	Evaluation method (note 4)	Evaluation contents (note 5)
Once a year	January 1, 2021 ~ December 31, 2021	Board of directors and Compensation Committee	Internal self-assessment of the board of directors, self-assessment of directors/supervisors/members of the Compensation Committee	1. Performance evaluation of the board of directors: status of compliance with relevant laws and regulations, participation in the operation of the Company, continuous learning of Directors

				<p>and Supervisors.</p> <p>2. Self-assessment of Directors/Supervisors: Mastery of the Company's objectives and tasks, recognition of Directors' responsibilities, participation in the Company's operation, internal relationship management and communication, professional and continuous learning of Directors and internal control.</p> <p>3. Self-assessment of the members of the Compensation Committee: Participation in the operation of the Company, cognition of the responsibilities of the Compensation Committee, decision-making quality of the Compensation Committee, composition of the Compensation Committee and selection of members.</p>
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Note 1: Fill in the cycle of the evaluation of the board of directors, for example: once a year.

Note 2: Fill in the period covered by the evaluation of the board of directors. For example, the performance of the board of directors from January 1, 2019 to December 31, 2019 shall be evaluated.

Note 3: The scope of evaluation includes the performance evaluation of the board of directors, individual directors and functional committees.

Note 4: The evaluation methods include internal self-evaluation of the board of directors, self-evaluation of the board members, peer evaluation, appointment of external professional institutions and experts or other appropriate methods for performance evaluation.

Note 5: According to the evaluation scope, the evaluation contents shall at least include the following items:

(1) Performance evaluation of the board of directors: at least including degree of participation in the operation of the Company, decision-making quality of the board of directors, composition and structure of the board of directors, selection and continuous learning of directors, internal control, etc.

(2) Performance evaluation of individual directors: at least including mastery of the Company's objectives and tasks, cognition of directors' responsibilities, degree of participation in the Company's operation, internal relationship management and communication, directors' professional and continuous learning, internal control, etc.

(3) Performance evaluation of functional committees: degree of participation in the operation of the Company, cognition of the responsibilities of the functional Committee, decision-making quality of the functional Committee, composition and selection of members of the functional Committee, internal control, etc.

(3) Operation of Audit Committee: The Company has not set up an Audit Committee.

(4) Supervisors' participation in the operation of the board of directors:

The board of directors held 6 meetings (A) in the most recent year (2021) and the attendance status is as follows:

Position	Name	Actual number of attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisors	Representative of De-Jin Tang Culture and Education Foundation: Yun-Peng Chen	6	100%	
Supervisors	Chang-I Wang	6	100%	
Other items to be recorded:				
1. Composition and responsibilities of supervisors:				
(1) Communication between supervisors and employees and shareholders of the Company:				
Through the audit report, special audit report and other information submitted by the Audit Office, the supervisors can know the status of the Company's compliance with corporate governance and the performance				

of each unit. Therefore, the supervisors can play the role of supervision.
(2) Supervisors' communication with internal audit managers and independent auditors:
A. The Audit Office shall submit the audit report and special audit report for review. If the supervisors have any doubts, they shall ask the auditor for a detailed explanation.
B. The audit director shall attend the regular board of directors' meeting of the Company to report on the audit business, and the Supervisors may consult and communicate the audit business in person.
2. If the supervisor attending the board meeting as a non-voting delegate has any opinion, it is necessary to state the board meeting date, the session number, the motion content, the resolution of the board meeting and the company's handling of the supervisor's opinion: None.

(5) The operation of corporate governance and the difference from the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons:

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
1. Has the company been in compliance with the "Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies" and disclosed the company's own corporate governance best practice principles?	✓		The Company amended and updated its own corporate governance best practice principles to the 4 <sup>th</sup> version, on 03/25/2022, in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies" and disclosed the latest version on MOPS and the Company's website.	No significant differences.
2. Equity structure and shareholders' equity of the company				
(1) Has the company established internal operation procedures to deal with shareholders' suggestions, doubts, disputes and lawsuits and implemented them in accordance with the procedures?	✓		(1) In accordance with articles 55 and 56 of the Company's "Corporate Governance Best Practice Principles," the Company has a spokesperson, an acting spokesperson and a dedicated person in charge of stock affairs. Legal issues will be transferred to the legal unit for handling. If the shareholders have doubts about stock affairs or the service needs, they will be transferred to an independent professional stock affairs agency company (Yuanta Securities) to provide professional answers, and the Company will also follow up at any time to learn about the progress of replies. The Company's official website has an "Investor Contact" area, where investors can exchange views with the spokesperson, acting spokespersons and stock agency (Yuanta Securities) by telephone or e-mail to provide multiple connection channels.	No significant differences.
(2) Does the company have a list of major shareholders and ultimate controllers of major shareholders who actually control the company?	✓		(2) Through the register of shareholders provided by the stock agency and the quarterly access to more than 5% of the major shareholders' information, the Company can keep track of the change of major shareholders and the list of ultimate controllers of major shareholders at any time. At the same time, the stock affairs unit of the company regularly reports the stock rights of directors, supervisors, managers, major shareholders holding more than 10% of shares and other insiders every month, so as to grasp the stock rights changes at any time.	No significant differences.
(3) Has the company established and implemented the risk control and firewall mechanism with related	✓		(3) The Company has formulated and implemented the "Measures for the Operation and Management of Subsidiaries,"	No significant differences.

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
enterprises?			the "Procedures for Transactions with Related Parties, Specific Companies and Group Enterprises." The audit unit of the Company conducts internal control audit on the affiliated enterprises in accordance with the annual audit schedule, and the audit results will be submitted to the supervisor for review in accordance with the regulations. If there is any proposed improvement, the audit unit will also be responsible for tracking the improvement of the affiliated enterprises.	
(4) Does the company have internal regulations that prohibit insiders of the company from buying and selling securities using non-public information?	✓		(4) The Company has established its Management Guidelines of Material Internal Information Processing and Prevention of Insider Trading in the internal control system according to the "Guidelines for the Establishment of Internal Control System by Public Companies" in order to prohibit insiders of the Company from trading securities with non-public information. On November 8, 2021, the Company's Corporate Governance Officer carried out training at the 16th board meeting of the 16th term under the title of "Precautions for Internal Shareholding Change and Insider Trading" to remind participants to comply with laws and regulations and pay attention to relevant violation cases.	No significant differences.
3. Composition and responsibilities of the board of directors	✓			
(1) Has the board of directors formulated and implemented diversified policies and tangible management targets on the composition of its members?			(1) The composition of the board of directors shall be diversified, and a diversification policy shall be set based on the following criteria, including but not limited to: 1. Basic conditions and values: gender, age, nationality, culture, etc. 2. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience. Members of the board of directors shall generally have the necessary knowledge, skills and literacy to perform their duties. The overall abilities of the board of directors are as follows: 1. Operation judgment ability; 2. Operation management ability; 3. Accounting and financial analysis ability; 4. Industrial knowledge; 5. Crisis handling ability; 6. International market outlook; 7. Leadership and decision-making ability. All directors and supervisors of the Company are voted by shareholders and there is no different treatment or restrictions driven by gender difference. None of the directors or supervisors are employees. There should be at least two independent directors and the independent directors shall consist of at least one fifth of the board	No significant differences.

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
(2) In addition to setting up a compensation committee and an audit committee according to law, has the company voluntarily set up other functional committees?		✓	<p>seats. Female directors shall be no less than 25% of the board seats. Directors shall be proficient in business, finance and knowledge required for the Company's operations and have extensive knowledge and professional literacy to strengthen the Company's board structure. Please refer to P16 for details on the professional background and independency of board members.</p> <p>(2) At present, the Company has set up the Compensation Committee and will complete the establishment of the Audit Committee by the end of 2022 according to the schedule. In addition to the statutory functional committees above, other functional committees will be set up in the future according to the Company's operational needs or laws and regulations.</p>	In addition to completing the establishment of audit committee by the end of 2022, other functional committees will be proposed in the future according to the company's operational needs and laws and regulations.
(3) Has the company established performance evaluation measures and methods for the board of directors, conducted performance evaluation annually and regularly, reported the results of performance evaluation to the board of directors, and applied them to the reference of salary and remuneration of individual directors and nomination and renewal?	✓		<p>(3) In order to implement corporate governance and improve the efficiency of the board of directors, the Company has formulated the performance evaluation measures and methods of the board of directors. The performance evaluation measures of the board of directors are placed on the Company's website /Investment Area/Corporate Governance/Important Rules and Regulations for investors to check and read.</p> <p>At the end of December of each year, the Company carries out an annual performance evaluation of the board of directors by means of "self-evaluation of board members" and "overall operation of the board of directors (by the unit in charge)" which are briefly described as follows:</p> <ol style="list-style-type: none"> <li>1. The evaluation of "overall operation of the board of directors" covers "legal compliance (including 7 quantitative indicators)" and "participation in the operations of the Company (including 4 quantitative indicators);" the unit in charge shall collect the statistical data of the operations and implementation of the board of directors and report to the board of directors for recognition.</li> <li>2. "Self- evaluation of board members" covers the six aspects of "mastery of company objectives and tasks," "cognition of responsibilities of directors/supervisors," "participation in the operation of the company," "operations and communication of internal relations," "specialty and continuous learning of directors/supervisors" and "internal control" which shall be evaluated by the members of the board of directors and the unit in charge shall collect the self-evaluation questionnaires and statistics of the members of the board of directors</li> </ol>	No significant differences.

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
(4) Does the company regularly evaluate the independence of the independent auditor?	✓		<p>and submit them to the board of directors for approval.</p> <p>3. Self-assessments by the Compensation Committees' members cover four dimensions: the level of participation in the Company's operation; acknowledgement of the Compensation Committee's responsibility; decision-making quality of the Compensation Committee; the Compensation Committee composition and member selections. The responsible unit collects the self-assessment questionnaires and collates the statistics in the report to the board for ratification.</p> <p>After the evaluation with the above assessment method, the corporate governance unit at the board meeting of the 18th session of the 16<sup>th</sup> term on March 25, 2022 de-briefed as follows: the overall average score on the board's "overall operations" was 100 points (out of a full mark of 100); the overall score of self-assessments by the board members was 3.91 points (out of a full mark of 4); and the overall score of self-assessments by the Compensation Committee members was 4 points (out of a full mark of 4). In sum, the results of the performance reviews were good. In reviewing the compensation of directors and supervisors, the Compensation Committee of the Company, in addition to considering the value of the member's performance evaluation items and contributions such as "mastery of the company's objectives and tasks" and "participation in the company's operation," will formulate reasonable compensation policies and payment standards. Such compensation policies and individual payment standards will be submitted to and approved by the board of directors and will serve as the reference for nomination and renewal of directors and supervisors by the board of directors.</p> <p>(4) When the independent auditor accepts the appointment of the Company before the beginning of the year, he/she shall issue the statement of independence according to the requirements of the Company. During the appointment period, if there is any change of accountant or audit staff of the accounting firm due to its internal job rotation, the Company will also require the statement of independence.</p> <p>The board of directors of the Company shall evaluate and review whether or not the independent auditor meets the requirements of independence at least twice a year and the</p>	No significant differences.

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>frequency and time of the regular review shall be before the end of the second quarter and the fourth quarter of the current year, respectively; during the period of appointment, if there is any change of accountant or audit staff of the accounting firm due to its internal job rotation, the Company will also increase the review and evaluation work.</p> <p>The stock affairs unit and the professional stock affairs agency company of the Company first checked whether or not such personnel held the shares of the Company in accordance with the independence statement and independence checklist of the independent auditor, the HR Department checked whether such personnel held positions of affiliated enterprises (including the Company) and the Finance Department checked whether or not there were direct or indirect financial interests between such personnel and the Company. After the preliminary review above, the results were submitted to the board of directors for review on May 7, 2021 and December 17, 2021. The review results confirmed that the appointed independent auditor did not hold the shares of the Company and was not a related person with the directors and supervisors of the Company and the staff of the accounting firm participating in the audit also did not hold the shares of the Company and their independence was verified by the board of directors of the Company. See the table in note 2 for the details of the standards for the independence evaluation of the independent auditor.</p>	
4. Is the listed or OTC company equipped with competent and appropriate number of corporate governance personnel and has it designated the corporate governance director to be responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, managing related matters of the board of directors' meeting and shareholders' meeting in accordance with laws, taking minutes of the board of directors' meeting and shareholders' meeting, etc.)?	✓		<p>The board meeting of the 8<sup>th</sup> session of the 16<sup>th</sup> on June 19, 2020 appointed Hung-Peng Lin, Manager of the Management Department, as the Company's Corporate Governance Officer. He will have an associate providing part-time assistance in corporate governance. The main responsibilities of Corporate Governance Officer are to provide the information necessary for directors and supervisors to carry out duties, to assist the directors and supervisors to comply with laws and regulations and to handle matters related to board meetings and shareholders' meetings in accordance with the law. In summary, corporate governance related affairs are as follows:</p> <ol style="list-style-type: none"> <li>1. Schedule the date of the board of directors' meeting, prepare the agenda, and produce and distribute the minutes.</li> <li>2. Declare the board of directors meeting related information.</li> <li>3. Schedule the date of the general shareholders' meeting, prepare the agenda and produce the minutes and the announcement.</li> <li>4. Declare the general shareholders' meeting</li> </ol>	No significant differences, as the Company has voluntarily established Corporate Governance Officer.

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>related information.</p> <ol style="list-style-type: none"> <li>5. Apply with the competent authority for company registration, change registration and other matters.</li> <li>6. Declare and announce various information in accordance with the relevant regulations promulgated by the competent securities authority.</li> <li>7. Provide legal information required by directors, supervisors and senior management, including but not limited to the Securities and Exchange Act, the Business Mergers and Acquisitions Act and the Company Act.</li> <li>8. Provide information about or arrange the registration of continuing courses for directors and supervisors.</li> <li>9. Internal training and publicity on corporate governance, ethical corporate management, corporate social responsibility performance, etc.</li> <li>10. Execute corporate governance indicator improvement projects.</li> <li>11. Handle investor relations related matters</li> <li>12. Other business execution related to corporate governance.</li> </ol> <p>The implementation of corporate governance in 2021 is as follows:</p> <ol style="list-style-type: none"> <li>1. Assisted independent directors and general directors in the performance of their duties, provided necessary information and arranged the directors for further study: <ol style="list-style-type: none"> <li>(1) The board of directors was informed regularly of the latest laws and regulations related to the Company's business field and corporate governance.</li> <li>(2) Provided the company information needed by the directors and maintained the smooth communication between the directors and business heads.</li> <li>(3) Arranged a forum for independent directors to meet with the internal audit director and the independent auditor to learn about the Company's finance, audit and operation.</li> <li>(4) According to the Company's industrial characteristics and the background of directors' education and experience, assisted in providing further education course information for independent directors and general directors.</li> </ol> </li> <li>2. Assisted in the legal compliance of the procedures and resolutions of the board of directors' meeting and the shareholders' meeting: <ol style="list-style-type: none"> <li>(1) Reported the Company's corporate governance operation to the board of directors, independent directors and</li> </ol> </li> </ol>	

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>supervisors and confirmed whether the convening of the shareholders' meeting and the board of directors' meeting conformed to relevant laws and corporate governance rules and regulations.</p> <p>(2) Assisted and reminded the directors of the laws and regulations to be observed when carrying out business or making a formal resolution at the board of directors' meeting and made suggestions when an illegal resolution was to be made at the board of directors' meeting.</p> <p>(3) Took care of the review of the significant information of important resolutions of the board of directors' meeting after the meeting to ensure the legality and correctness of the content to ensure the equivalence of investors' trading information.</p> <p>(4) Confirmed the shareholdings with the directors, supervisors and other insiders on a monthly basis and reported the information on time.</p> <p>3. Investor relations: On April 14, 2021, April 27, 2021, September 23, 2021 and October 20, 2021, respectively, the Company was invited by KGI Securities, Institutional Capital Advisory and the Taipei Exchange to present to investors its operating performances and maintain good two-way communication with investors.</p> <p>4. Made special briefings on corporate governance, ethical corporate management and corporate social responsibility performance in the board of directors' meeting on May 7, 2021 and December 17, 2021.</p> <p>5. Drew up the agenda of the board of directors' meeting, prepared relevant information for the meeting, notified the directors and supervisors to convene the meeting seven days prior, remind them in advance to avoid motions with a conflict of interest, and completed the delivery of the minutes of the board of directors' meeting within 20 days after the meeting.</p> <p>6. Registered the date of the shareholders' meeting in advance according to law, prepared the meeting notice, meeting manual and meeting minutes within the statutory period required and applied for the registration of change within the statutory period required.</p>	
5. Has the company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a stakeholder	✓		1. The Company has established a communication channel with stakeholders, and set up a "Stakeholder Contact" area (Investment Area/Corporate Social Responsibility) on the Company's official website. In addition to elaborating the	No significant differences.

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
area on the company's website, and properly respond to major corporate social responsibility issues of concern to stakeholders?			<p>important concerns of stakeholders, the area also provides a smooth communication channel for stakeholders such as employees, investors, customers, suppliers/collaborators and government agencies, and all relevant issues are timely responded to.</p> <p>2. Stakeholders' concerns and communication channels:</p> <p>(1) Employees</p> <p>A. Issues of concern: working hours and leaves/salary/employee benefits/customer service quality/occupational safety</p> <p>B. Communication channels: Employees can communicate with the Company bilaterally through complaint email, labor union meeting and employer and employee meeting.</p> <p>(2) Suppliers</p> <p>A. Issues of concern: product quality/customer service quality/corporate image/sustainable supplier management</p> <p>B. Communication channels: the Company conducts a supplier evaluation every month and holds supplier meetings from time to time for dialogue and communication. Suppliers can also respond at any time through the relevant department's dedicated liaison window.</p> <p>(3) Non-profit organization</p> <p>A. Issues of concern: regulatory compliance/corporate image/product quality</p> <p>B. Communication channels: information about the Company can be obtained through the Company's official website, MOPS and the annual report. The Company may participate in the activities held by the non-profit organizations from time to time to communicate and support the initiatives of non-profit organizations.</p> <p>(4) Customers</p> <p>A. Issues of concern: product quality/customer service quality/regulatory compliance of products/sustainable supplier management</p> <p>B. Communication channels: the Company understands customers' expectations for the Company through the customer satisfaction survey, maintenance and repair quality survey, etc. and customers can reflect their issues of concern through the grievance line and provincial service sites.</p> <p>(5) Investors</p> <p>A. Issues of concern: corporate governance/work ethics and anti-</p>	

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>corruption/risk management/corporate image/financial performance</p> <p>B. Communication channels: the Company announces the operation performance and corporate governance operation to investors through the general shareholders' meeting, monthly/quarterly revenue announcement, MOPS, seminar for institutional investors and the investor area on the Company's official website. Investors can also communicate bilaterally and real-time through the dedicated lines and e-mail of the Company's spokesperson and deputy spokesperson.</p> <p>(6) Media</p> <p>A. Issues of concern: product quality/financial performance/corporate governance/ risk management</p> <p>B. Communication channels: two-way communication and explanation are conducted through the monthly press release, twice-a-year seminar for institutional investors and irregular theme interview.</p> <p>3. Corporate Governance Office presented to the board meeting of the 17<sup>th</sup> session of the 16<sup>th</sup> term on December 17, 2021 regarding the communication with stakeholders.</p>	
6. Has the company appointed a professional agency to handle the affairs of the shareholders' meeting?	✓		The Company has appointed a professional stock affairs agency (Yuanta Securities Co., Ltd.) to handle the relevant affairs of the shareholders' meeting and various stock affairs.	No significant differences.
7. Information Disclosure				
(1) Has the company set up a website to disclose financial and corporate governance information?	✓		(1) At present, in addition to using MOPS to disclose major financial and corporate information, the Company has set up on its website an "Investor Area" to disclose financial and corporate governance information from time to time.	No significant differences.
(2) Does the company adopt other ways of information disclosure (such as setting up an English website, appointing a dedicated person to be responsible for the collection and disclosure of the company's information, implementing the spokesperson system and placing on the company's website the process of the seminar for institutional investors)?	✓		<p>(2) The Company's stock affairs personnel and finance and accounting personnel are responsible for information collection and disclosure.</p> <p>The Company has a spokesperson and a deputy spokesperson to speak on behalf of the Company and disclose information in accordance with the regulations of the competent authority.</p> <p>On April 1, 2021, April 27, 2021, September 3, 2021 and October 20, 2021, respectively, the Company was invited by KGI Securities, Institutional Capital Advisory and the Taipei Exchange to present to institutional investors its operating performances. In addition to publishing material information in accordance with the regulations, the Company posts presentation decks on its official website</p> <p>(Investment/Financials/Analyst Day</p>	No significant differences.

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
(3) Does the company announce and declare the annual financial report within two months after the end of the fiscal year and announce and declare the first, second and third quarter financial reports and the operations of each month ahead of the required time limit?		✓	Materials) for the reference of investors. The Company's annual financial report, quarterly report and monthly revenue are all reported and announced before the prescribed time limit in accordance with the provisions of the Securities and Exchange Act and the information reporting regulations of OTC companies.	1. The financial reports of the first, second and third quarters and the operation of each month have been announced and declared ahead of the required time limit. 2. The announcement and declaration of the annual financial report will be determined according to the audit progress of the independent auditor.
8. Whether or not the company has other important information to help understand the operations of corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relations, rights of interested parties, the status of directors' and supervisors' further education, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the company's purchase of liability insurance policy for directors and supervisors, etc.)?	✓		1. Employee's rights and interests: the Company, in accordance with the relevant provisions of the Labor Standard Act, safeguards the legitimate rights and interests of employees, allocates pension on a monthly basis in accordance with the provisions, and protects the retirement rights of employees. The "Rules of Work" was revised in 2018 and was approved by and filed with Taipei Labor Bureau via its letter referenced Taipei-Lao-Tsi No. 1076062331; at the same time, it was announced on the internal website of the Company for the downloading and reference by all staff. 2. Employee care: on May 5, 1978, the Company established the Employee Welfare Committee in accordance with the relevant labor laws and regulations and allocated monthly welfare funds in accordance with the Articles of Association of the Welfare Committee. The Welfare Committee also formulated various welfare measures, such as consolation funds, injury subsidies, children's awards and grants, etc. to take care of the employees. The Company holds regular health examinations every year to care for the health of employees. As of December 31, 2021, the Company has hired two corporate nurses, dedicated to providing health consultation to the employees. 3. Investor relations: the Company has a spokesperson, a deputy spokesperson and dedicated stock affairs personnel to properly handle the suggestions of shareholders. 4. Supplier relationship: the Company strictly implements the standard requirements of "Code of Conduct for Employees" and "Code of Conduct for Suppliers" and abides by the principle of professional ethics and good faith when dealing with suppliers. Suppliers shall avoid any conflict of interest with employees of the Company and are prohibited from improper behavior or bribery to employees of the Company. If suppliers find that any employee of the Company has improper or dishonest conducts in the transaction process, they may report the misconduct via the	No significant differences.

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			<p>Company's dedicated mailbox. Therefore, the Company maintains good interaction with its suppliers.</p> <p>5. Rights of stakeholders: to safeguard their rights and interests, stakeholders may exchange views with the Company's contact window in accordance with the "Contact Information for Stakeholders" on the Company's official website. Corporate Governance Office presented to the board meeting of the 17th session of the 16th term on December 17, 2021 regarding the communication with stakeholders.</p> <p>6. Training of directors and supervisors: the Company's directors and supervisors, in general, have practical experience in operation and management. In principle and depending on individual requirements, they participate in suitable classes signed up by the Company or tailored classes arranged by the Company. Please see note 3 for details on the training hours of directors and supervisors in 2021.</p> <p>7. Implementation of risk management policies and risk measurement standards:</p> <p>(1) Risk management policies - to strengthen corporate governance, the first step is to cope with possible risks from company operations via risk identification, risk monitoring and risk reporting, etc. This ensures risk prevention and the achievement of corporate strategies.</p> <p>(2) Scope of risk management – A pro-active and cost-effective method is put in place to centrally manage all the potential risks to operations and profits. A responding mechanism is adopted accordingly. The Company's risks include hazard risks, operational risks, financial risks, compliance/contract risks and strategy risks.</p> <p>(3) The Company has set up a Risk Management Taskforce under the board according to its Risk Management Policies and Procedures. The President serves as Chief Executive Officer, the Administration Division's Director as Executive Secretary. Risk management is conducted in a three-level hierarchy for risk identification and risk monitoring. The Risk Management Taskforce is responsible for amendment, formulation and supervision of risk management policies. Reports are made to the board periodically or once each year.</p> <p>(4) The Risk Management Taskforce presented a discussion and the counteractive mechanism, titled 2021 Risk Management</p>	

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			<p>Operations during the 17th meeting session under the Board 16th term on December 17, 2021, including damaging risks from the pandemic; operation risks - labor shortage/ broken supply chain/ material shortage; strategy risks - peer competition; financial risks - account receivable control. In addition, the countermeasure mechanism for 2022 risk items was also proposed and discussed.</p> <p>8. Implementation of customer policy: after the Company obtained the ISO9001 management operation process certification in 1995, the Company strictly adheres to the quality requirements and operation process of ISO standard every year and has established a sound customer complaint handling mechanism and implemented customer satisfaction survey to serve as a reference for operations management and sales strategy. Before the lapse of the ISO 9001 management system certification period, the Company also completed the renewal of the ISO 9001 management system certificate after the second review and inspection by SGS. The Company has passed the ISO 9001: 2015 certification, with a validity period of 3 years.</p> <p>9. Purchase of liability insurance for directors and supervisors: The Company has purchased the directors' and supervisors' liability insurance policy from Sinkong Insurance on November 8, 2021, at an insured amount of NT\$100 million for a period of one year.</p> <p>10. Green bond investments: in 2020, the Company invested on green bonds for a total of NT\$23,858,150 - Schroder ISF Global Climate Change Equity and NN(L) Climate and Environmental Sustainability Fund, NN (L).</p> <p>11. Energy efficiency, environmental protection and green procurement: In 2021, the Company invested a total of NT\$5,967,388 on machinery and equipment for energy efficiency or environmental protection. This includes 33 air-conditioners with energy efficiency or environmental protection marks, 3 drinking water machines, 2 washers, 154 energy-saving lights and 3 business cars fit in Phase 5 emission standards.</p>	
<p>9. Please explain the improvement of the corporate governance evaluation results according to the findings issued by the Corporate Governance Center of the Taiwan Stock Exchange for the latest year and put forward the priorities and measures for those that have not been improved. (not applicable as the Company is not listed for evaluation)</p> <p>Corporate governance is reviewed and improvement timetable is developed according to the assessments on four dimensions: safeguarding of shareholders' rights and fair treatment of shareholders; strengthening of the board structure and operations; enhancement of information transparency; and implementation of corporate social responsibility. In the eighth corporate governance evaluation for 2021, a total of 8 indicators were improved. The Company was ranked among top 5% of the assessed companies after the review from the competent authority' evaluation group. The completion of indicator improvement for the eighth corporate governance evaluation and the priority indicators for improvement for the ninth corporate governance evaluation in 2022 are detailed in note 4 and note 5, respectively.</p> <p>The board of directors attaches great importance to the evaluation indicators that scored zero in the four major aspects of</p>				

Evaluation items	Operation status (note 1)			Difference from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
corporate governance. In addition to the improvement plan and schedule, the Company's management personnel have made a special report on the improvement status in the board of directors' meeting.				

Note 1: The operations, whether "yes" or "no" is checked, shall be described in the summary description field.

Note 2: Evaluation criteria for the independence of the independent auditor

Evaluation items	Evaluation results	Compliant with the independence requirement or not
1. Whether or not the independent auditor has direct or significant indirect financial interest relationship with the Company	No	Yes
2. Whether or not the independent auditor has financing or guarantee activities with the Company or its directors	No	Yes
3. Whether or not the independent auditor has close business relationship and potential employment relationship with the Company	No	Yes
4. Whether or not the independent auditor and members of his audit team have held any position in the Company as a director, manager at present or in the past two years or have a significant impact on the audit work	No	Yes
5. Does the independent auditor provide non-audit services that may directly affect his audit work to the Company	No	Yes
6. Whether or not the independent auditor has brokered the shares or other securities issued by the Company	No	Yes
7. Whether or not the independent auditor acts as the defender of the Company or coordinates conflicts with other third parties on behalf of the Company	No	Yes
8. Whether or not the independent auditor is related to the Company's directors, managers or persons who have significant influence on the audit case	No	Yes

Note 3: Directors' and supervisors' further education in 2021 -

Position	Name	Date of study	Organizer	Course name	Hours of study
Corporate director representative	Po-Loung Tang	December 22, 2021	Taiwan Corporate Governance Association	2021 (17 <sup>th</sup> ) Corporate Governance Summit-ESG Implementation for Carrying out Governance and Sustainable Development.	6.0
Corporate director representative	Chiu-Lin Tang	December 28, 2021	Taiwan Corporate Governance Association	Counteractions led by directors in the mid of ever-changing technology.	3.0
		December 24, 2021	Taiwan Corporate Governance Association	Case Study: Financial Statement Fraudulence	
Corporate director representative	David Tang	September 1, 2021	Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6.0
		April 14, 2021	Taiwan Corporate Governance Association	Learning from century enterprises to take off and turn around	3.0
Director	Cheng-Lzen Lo	December 16, 2021	Securities and Futures Institute	Merger Trend in Taiwan and the Future of Investment Holding Companies	3.0
		December 16, 2021	Securities and Futures Institute	Merger Strategy and Evaluation Practice	3.0
Director	Huai-Yi Zeng	September 1, 2021	Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6.0
Independent Director	Tung-Hsu Lin	April 27, 2021	Securities and Futures Institute	Corporate Governance 3.0 – Sustainable Development Roadmap & Actual Evaluation Case Study	3.0
		April 26, 2021	Taiwan Corporate Governance Association	Audit Practice for the Law Compliance of Corporate "Shareholders' meeting"	3.0
		January 28, 2021- January 29, 2021	ROC Accounting Research and Development Foundation	Continuous Training Course for Accounting Supervisors of Securities Issuers, Securities Firm and Stock Exchange	12.0
Independent Director	Hsu-Hui Wu	December 22, 2021	Taiwan Corporate Governance Association	2021 (17 <sup>th</sup> ) Corporate Governance Summit-ESG Implementation for Carrying out Governance and Sustainable Development.	3.0
		August 2, 2021	Taiwan Corporate Governance Association	Data security issues for directors after reoccurrence of cyberattacks.	3.0

Position	Name	Date of study	Organizer	Course name	Hours of study
Corporate supervisor representative	Yun-Peng Chen	September 1, 2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum	3.0
		August 19, 2021	Taiwan Corporate Governance Association	Corporate governance and information disclosure system – insider major accountabilities	3.0
Supervisors	Chang-I Wang	November 10, 2021	Securities and Futures Institute	Corporate governance from the prosecutors' perspective, 3.0	3.0
		November 9, 2021	Securities and Futures Institute	Enterprise merger practice – hostile takeover based	3.0

Note 4: The improvement of the indicators in the 8th Corporate Governance Evaluation has been completed:

Indicator	Details	Improvement completion and description
1. Safeguarding of shareholders' rights and fair treatment of shareholders	Was English annual report uploaded no later than 7 days prior to the general shareholders' meeting?	The report was filed 16 days prior the general shareholder's meeting as required.
2. Strengthening of the board structure and operation	Has the Company disclosed on its website the independent directors' communication with internal auditors and external accountants (regarding the communication methods, items and results of financial reports, financials and businesses)?	Disclosed on the Company's website as required
	Have the independent directors completed the number of training hours required under "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX--Listed Companies?"	Required training hours were completed in 2021 by both independent directors and supervisors of the Company.
	Has the Company established the standards for hiring/dismissing, evaluating and compensating insider auditors? Has the standard reported to the Board meetings or approved by the Chairman through the auditor manager and disclosed on the Company website, accordingly?	Disclosed at the Company's website, as required
3. Enhancement of information transparency	Has the Company uploaded the English-language financial report no later than 7 days prior to the general shareholders' meeting?	The report was filed 16 days prior the general shareholder's meeting as required.
4. Implementation of corporate social responsibility	Has the "Corporate Social Responsibility Report" compiled according to general guidance adopted internationally before the end of September and was disclosed on the Company's website?	Completed prior the deadline as required
	Has the Company disclosed on its website or annual reports the ethical corporate management policies, with delineation on measures preventing unethical conducts with explicit explanation?	Additional disclosure was made and available on the Company website as required.
	Does the Company's website or corporate social responsibility report disclose its formulated supplier management policy, requirements for suppliers to abide by regulations on environmental protection, occupational health and safety or labor rights, and explain the implementation status?	Additional disclosure was made to "Corporate Social Responsibility Report" as required.

Note 5: Priority indicators and improvement measures for the 9th Corporate Governance Review:

Index aspect	Priority to strengthen indicator content	Summary of improvement measures
1. Safeguarding of shareholders' rights and fair treatment of shareholders	Was the Company uploaded the annual report no later than 18 days prior to the general shareholders' meeting?	Completed before the deadline as required
	Has the Company disclosed on its website the internal policy prohibiting directors or employees trading on non-public information, which included but limited to blocked periods of 30 days prior the publication of the yearly financial statements and 15 days prior the publication of the quarterly financial statements for the directors, along with the implementation status?	Enhanced disclosure at the Company's website as required
2. Strengthening of the board structure and operations	Do the independent directors consist of at least one third of the entire board seats.	Complied as required by the evaluation standard.
	Has the Company disclosed the professional qualification and experience from the audit committee members and the committee's annual operation highlights and status?	Additional disclosure was made available on the Company website as required.

Index aspect	Priority to strengthen indicator content	Summary of improvement measures
	Has the Company carried out regular annual performance evaluation internally on its functional task forces (including the audit and compensation committees, at least) and disclosed the implementation status and evaluation results on the Company's website or annual report?	Additional disclosure was made available on the Company website as required.
	Has the Company established a data security risk management structure with an associated policy, management measures and resource investment and made the related disclosure on the Company's website or annual report?	Additional disclosure was made available on the Company website as required.
3. Enhancement of information transparency	Does the Company release material information in the English language at the same time?	Disclosure of material information in the English language as required
4. Implementation of corporate social responsibility	Has the Company created a dedicated working unit to promote sustainable development based on the principle of significance and conduct risks assessment for impacts brought by the Company's operation to environment, society and corporate governance for the creation of risk management policy or strategy under the supervision of the Board for the sustainable development operation with related disclosure on the Company's website and annual report.	Additional disclosure was available on the Company website as required.
	Has the Company updated its English-language sustainable report on the Market Observation Post System and the Company website?	The disclosure was made on the Market Observation Post System and the Company website, as required.
	Has the Company established a policy governing greenhouse gas emission, water usage and waste management, including the reduction targets and implementation measure, along with the achievement status?	Additional disclosure was made available on the Company website or the annual report, as required.
	Has the Company disclosed, regarding climate change, its regulations, policy, risk management, measuring indicators and targets in accordance with TCFD?	Additional disclosure was made to the annual report, as required.

(6) Compensation committee members and operation:

(1) Compensation Committee member information

April 22, 2022

Identity (note 1)	Conditions Name	Professional qualifications and experience	Independence status (note 2)	Number of seats held as a compensation committee member concurrently at other public companies
Independent Director (Chairperson)	Tung-Hsu Lin	For committee members' professional qualification and experience, please refer to Page 15 under Three, II, 1 in this report.	All committee members comply as follows: 1. Security Act#14-6, "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" and related regulation. 2. No shareholding held (whether personally or under others' names) or by spouse or minor children. 3. No Compensation was received, in the past two years, from the Company or associated entities for providing professional services covering business, legal affairs, finance, accounting or company business, etc.	0
Independent Director	Hsu-Hui Wu			0
Other	Ming-Liang Li	Possess more than five years of experience in in business, legal affairs, finance, accounting or company business.		0

Note: During the two years before being elected or during the term of office, an independent director of a public company may not have been or be any of the following:

1. An employee of the company or any of its affiliates
2. A director or supervisor of the company or any of its affiliates.
3. A natural person shareholder with at least 1% of the Company's total issued shares or among the ten largest natural person shareholders based on the shares owned in person, by the spouse or minor children or under the name of others.
4. The spouse or a relative within two degrees or a direct relative within three degrees to any of the managers listed in (1) and personnel listed in (2) or (3).
5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or

more of the total number of issued shares of the Company or that are ranked among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27-1 or Article 27-2 of the Company Act.

6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor or employee of that other company.
7. If 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: a director (or governor), supervisor or employee of that other company or institution.
8. A director, supervisor, officer or shareholder holding five per cent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
9. A professional individual who or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the compensation committee of the Company.

(2) Information on the operation of the Compensation Committee

1. There are three members of the Compensation Committee of the Company.
2. The term of office of the current members: From July 1, 2019 to June 20, 2022, the Compensation Committee held two meetings (A) in the most recent year (from January 1, 2021 to December 31, 2021). The member qualification and attendance are as follows:

Position	Name	Actual number of attendees (B)	Number of attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Convener	Tung-Hsu Lin	2	0	100%	
Member	Hsu-Hui Wu	2	0	100%	
Member	Ming-Liang Li	2	0	100%	

Other items to be recorded:

1. If the board of directors does not adopt or amend the recommendation of the Compensation Committee, it shall state the date, period, content of the proposal, resolution results of the board of directors' meeting and the Company's handling of the opinions of the Compensation Committee (if the compensation adopted by the board of directors is better than the proposal of the Compensation Committee, it shall state the difference and reason): no such situation.
2. In case of any objection or reservation of any member to the resolution of the Compensation Committee with a record or written statement in place, please state the date, period, proposal content, opinions of all members and the handling of the opinions of the members: no such situation.

Compensation Committee	Proposal item	Resolution results	The Company's handling of the opinions on the Compensation Committee
The 4nd session of the 4th term March 22, 2021	1. Distribution of remunerations to directors and supervisors for 2020 2. Distribution of remunerations to employees for 2020	Approved by all members of the Committee	Submitted to the board of directors' meeting and approved by all the directors present
The 5rd session of the 4th term November 8, 2021	1. Distribution of remunerations to directors and supervisors for 2021 2. Distribution of remunerations to employees for 2021 3. Review and evaluation annual compensation of the Company's managers	Approved by all members of the Committee	Submitted to the board of directors' meeting and approved by all the directors present

- (7) Performance of sustainable development and differences from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Evaluation items	Operation status (note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies and the reasons
	Yes	No	Abstract description	
1. Has the Company formulated a governance structure for promoting matters regarding sustainable development with the establishment of a dedicated working unit which is authorized by the board of directors to be handled by the senior management and reported to the board of directors?	✓		<p>A corporate sustainable development policy was approved by the Board on 2014/12/19 during the 10th session under the 14th Board term, which indicated the Company shall endeavor in bringing out social identity and implementing corporate governance and sustainable environment, practicing public welfare, enhancing social responsibility disclosure and continuing such practices by improving life quality of employees, community and the society, as a member of a corporate citizen.</p> <p>The dedicated sustainable development task force (the Administration Division) manages the following departments finance, management, information technology, personnel, factory affairs, technology/quality, R&amp;D, maintenance, corporate planning and purchase. The division head (associate-manager ranked), the task manager, and a supervisor from the management department (manager-ranked), the director general, work together to formulate the associated policy, system and managing guideline, plan and execute the advocacy programs and report to the Board of directors regularly.</p> <p>Operation results from the task force were reported to the Board meeting on 2021/05/07 and 2021/12/17, respectively during the 13<sup>th</sup> and 17<sup>th</sup> sessions under the 16<sup>th</sup> Board term. The Board praised the fearless spirit of the Company's volunteers who helped to replace lightings in eight charity organizations (or 17 locations in total) during the severe circumstance of the pandemic, which also served a model for energy conserving.</p>	No significant differences.
2. Has the Company conducted the risk assessment, based on the principle of significance, for impacts brought by the Company's operations to environment, society and corporate governance, followed by the stipulation of risk management policy or strategy? (Note 2)	✓		<p>Risk items assessed based on the principle of significance for impacts brought by the Company's operations to the environment, society and corporate governance are as follows:</p> <p>(1) Environment – for climate change and carbon reduction policy or strategy, please see the attached table.</p> <p>(2) Society – public welfare and social service policy or strategy, please see the attached table.</p> <p>(3) Corporate governance – law compliance policy or strategy, please see the attached table.</p>	No significant differences.
3. Environmental issues (1) Has the company established an appropriate environmental management system according to its industrial characteristics?	✓		<p>(1) The Company obtained ISO14001 environmental management system certification in 1998. Every year, according to the environmental protection manual formulated by the Company, the Company publishes the environmental policies to its employees in a timely manner, effectively manages wastes, promises to follow relevant environmental protection laws and regulations, and monitors, measures and improves the environment from time to time; the annual implementation procedures and results are also affirmed by SGS. Before the lapse of the ISO14001 environmental protection management system certification period, the Company also completed the ISO14001 management system renewal after the re-inspection by SGS. The Company has passed the ISO14001: 2015 certification, with a validity period of 3 years.</p>	No significant differences.

Evaluation items	Operation status (note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Abstract description	
(2) Is the company committed to improving the efficiency of resource utilization and using recycled materials with low impact on the environment?	✓		<p>(2) The Company is committed to improving the efficiency of resource utilization and advocating the recycling and reuse of wastepaper. The factory previously used wooden boxes for cargo but now packs goods into re-usable iron cases. Wood pallets for carrying goods have given way to re-usable iron pallets. In 2021, a total of 1,134 iron cases and 547 iron pallets were deployed for 4,391 and 1,839 uses, respectively to reduce the environmental impact.</p> <p>In accordance with the regulations of the Environmental Protection Department of the Executive Yuan, the Company's "GFC Energy Saving Elevators X68" series products do not use toxic chemicals on the control list and substances controlled by the Montreal Protocol, and do not use PVC or other plastics as packaging materials; if cartons are used for packaging, they shall be recycled materials with a mixing rate of recycled paper over 80%.</p> <p>Since 2018, GFC series elevator products have adopted the permanent magnet synchronous motor (PM motor), which not only avoids the use of gear oil to avoid pollution, but also has a mechanical efficiency of nearly 100% to greatly save power. It is an advanced green energy machine with environmental protection and has won the honor of the Second-category Environmental Protection mark issued by the Environmental Protection Department of the Executive Yuan.</p>	No significant differences.
(3) Does the company assess the potential risks and opportunities of climate change for the enterprise now and in the future, and take measures to deal with climate-related issues?			<p>(3) Identification of climate change risks:</p> <p>As a specialist manufacturer of elevators, the Company followed climate risk identification procedures and conducted an inspection on its inventory of greenhouse gas types within the scope of corporate operations. It was confirmed that the Company's operations and production activities do not involve direct emissions of greenhouse gases.</p> <ul style="list-style-type: none"> <li>• Current and future risks and responses: The Company primarily purchases external electricity for its operations and production activities. This involves indirect emissions of greenhouse gases. The biggest risk is the increase in indirect emissions of greenhouse gases in an abnormal climate and corresponding to higher production activities. Therefore, the Company has adopted a 10-stage electricity efficiency program, without affecting its production activities, by deploying a corporate platform for aggregation of power consumption in kilowatt hours for periodical control and management and better efficiency in energy consumption. This will continue the effective implementation of energy efficiency and achieve the management goal of carbon emissions.</li> <li>• Opportunities to the Company: According to a report by the Intergovernmental Panel on Climate Change (IPCC) of the United Nations, the world is heating up by 0.74 degrees Celsius every</li> </ul>	No significant differences.

Evaluation items	Operation status (note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Abstract description	
(4) Does the company prepare statistics of greenhouse gas emissions, water consumption and total weight of waste in the past two years and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?	✓		<p>100 years. Therefore, the Company has been introducing new products by revamping existing portfolios for energy efficiency and carbon reduction. This is also the top priority for R&amp;D. The GF series started in 2018 to adopt permanent-magnet synchronous motors (PMSMs). These motors avoid environmental pollution as they do not require gear oil and the mechanical efficiency is almost 100%. As the best energy efficiency product to customers, it received second-category environmental protection mark issued by the Environmental Protection Administration.</p> <p>(4) According to the GHG Protocol issued by WBCSD and WRI, the Company shall check the direct (Category I) and indirect (Category II) GHG emissions. In order to effectively manage the greenhouse gas emissions of the main production sites, the Company has set up a power consumption summary platform for each unit on the internal website of the Company since 2015, the carbon reduction base year, to record the power consumption status of each unit and have the Administration Department regularly supervise and urge the units exceeding the standard to improve. The relevant greenhouse gas inspection and energy conservation and carbon reduction strategies are as follows:</p> <ol style="list-style-type: none"> <li>1. Greenhouse gas inspection <ol style="list-style-type: none"> <li>A. No direct carbon emission: in the manufacturing process of the Company's products, most of it is elevator parts assembly and testing and the required parts are manufactured by external manufacturers without involving Category I carbon emission activities.</li> <li>B. Reduction of indirect carbon emissions: The Company's indirect greenhouse gas emissions come from externally purchased electricity. According to the emission factor for electricity consumption (at 0.509 kilogram of carbon emission for each 1kWh) published by the Bureau of Energy, Ministry of Economic Affairs in 2020. Due to production increase, the Company used a total of 1,943,150 kWh of electricity in 2020 and this translates to a carbon emission of about 989,040 kilograms for the year. In 2021 and due to higher production activities, the annual electricity consumption was 1,963,399 kilograms, this translates to a carbon emission of about 985,626 kilograms for the year, or a 1.04% increase of electricity consumption, which resulted in an increase of carbon emissions by 10,187 kilograms over the year. Measures of energy saving will be enforced in 2022, including (1) lights off, when possible (2) power off computers</li> </ol> </li> </ol>	No significant differences.

Evaluation items	Operation status (note 1)		Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	
			<p>after work (3) appoint designated personnel in each working area to ensure switch off after office hours (4) lights off in unoccupied areas</p> <p>2. Energy saving and carbon reduction strategies</p> <p>2.1 publicity and green procurement of the company</p> <p>A. In ordinary times, it is advised to turn off the lights and turn off the computer power when not used.</p> <p>B. Appointed area managers to use the information system to monitor and remind the staff to turn off the computer power.</p> <p>C. Replacement of traditional lamps with energy-saving ones: The lighting systems at offices and factories have been changed into energy-efficient or LEDs to reduce electricity consumption and carbon emissions. The number of lamps replaced with energy-saving or LED lights by the Company and its affiliated units was 2,514 by the end of 2021. The results have been remarkable in electricity consumption reduction for the year.</p> <p>D. Traditional air conditioners have been replaced with variable frequency air conditioners with energy saving marks. In 2021, 23 old air conditioners were replaced with new energy-saving variable frequency air conditioners.</p> <p>E. The engineering vehicles of each unit have been replaced with the vehicles compliant with Phase 5 emission standards. In 2021, three engineering vehicles were phased out and the new ones all meet Phase 5 emission standards.</p> <p>F. The Company's water dispensers, photocopiers and other business equipment will be gradually replaced with those with the energy-saving label.</p> <p>G. Old fax machines are eliminated and fax signals are connected to the Company's information storage space for colleagues to read fax documents online. Unless necessary, fax documents are no longer printed to reduce the use of paper.</p> <p>2.2 Implementation of energy saving strategies at the Company's Yangmei plant:</p> <p>A. The contracted capacity is reduced from 945kw/month to 430kw/month.</p> <p>B. The daily production plan is properly arranged to avoid the simultaneous start-up of unused machines on the same day and reduce the power</p>

Evaluation items	Operation status (note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Abstract description	
			<p>consumption peak.</p> <p>C. The diesel stackers in the plant are replaced with battery stackers to reduce environmental pollution.</p> <p>D. The power saving monitoring information system is installed to analyze the causes of peak power consumption and propose improvement measures.</p> <p>3. Water reduction strategy The Company's Yangmei Plant consumed 3,960 cubic meters (metric tons) in 2020 and 3,079 cubic meters (metric tons) in 2021 or a 22.25% reduction over the period.</p> <p>4. Waste disposal The original coating facility has obsoleted for years, replaced with non-toxic-generated ones in use. The Company implements waste classification and all the waste generated in the Yangmei plant is transported and treated by professional qualified environmental protection companies and the annual waste treatment plan is reported in accordance with the environmental protection laws and regulations:</p> <p>4.1 Waste plastic mixture – 17.37 metric tons transported and treated in 2020 and 13.08 metric tons in 2021.</p> <p>4.2 Waste fiber or other mixture of cotton, cloth, etc. - 0.05 metric tons transported and treated in 2020, and 0.04 metric tons in 2021.</p> <p>4.3 Waste oil mixture – no more waste is produced from the category after changes in the production procedure.</p> <p>4.4 Waste wood (Class A) – 48.775 metric tons transported and treated in 2020, 55.82 metric tons in 2021.</p> <p>4.5 Waste paper – 2.356 metric tons transported and treated in 2020, 1.321 metric tons in 2021.</p> <p>4.6 Scrap iron – 179.42 metric tons transported and treated in 2020, 182.25 metric tons in 2021.</p>	
<p>4. Social issues</p> <p>(1) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations and International Human Rights Conventions?</p>	✓		<p>(1) In order to fulfill corporate social responsibility and safeguard the rights and interests of all employees, the Company has formulated corresponding human rights policies in relevant internal control systems in accordance with the principles stated in International Labor Convention, United Nations International Labor Organization and other international human rights conventions:</p> <p>A. Human resources policy In addition to planning according to the Company's objectives, operation plan and overall development, the Company also considers and complies with the local government's labor policy in its human resources policy to make the Company's human resources policy perfect and legal.</p>	No significant differences.

Evaluation items	Operation status (note 1)		Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx-Listed Companies and the reasons
	Yes	No	
(2) Has the company established and implemented reasonable employee welfare measures (including compensation, vacation and other benefits) and properly reflected the operating performance or results in employee compensation?	✓		<p>B. Labor rights and interests</p> <ul style="list-style-type: none"> <li>Holding labor and capital meetings according to law: to keep smooth communication with employees.</li> <li>Respect for freedom of association: establishing a business association in accordance with the Labor Union Act and assigning the human resources unit to attend the regular meeting of the labor union to explain various salary policies to employees.</li> <li>Prohibition of child labor: employees under the age of 18 shall not engage in dangerous work.</li> <li>Working hours and wages: the Company has established the "Compensation Standard for Employees" and "Performance Award Measures" and the Articles of Association also stipulates "employee remuneration" appropriation standards. The compensation standard and working hour arrangement shall comply with local labor laws and regulations.</li> <li>Prohibition of discrimination: abiding by the provisions of the Gender Equality Act, and setting measures to prevent sexual harassment; when recruiting personnel, abiding by the Employment Equality Act without unequal treatment or discrimination due to sex, age, religious belief, race, disability, marital status, etc.</li> </ul>
			<p>(2) The compensation policy and welfare measures are as follows:</p> <p>Compensation: establishing a reasonable employee compensation system according to the external market level and internal employee position and taking the Company's operating performance as the basis for the payment of performance bonus, employee remuneration and year-end bonus. According to Article 17-1 of the Company's Articles of Association, no less than 0.5% of the Company's annual profit shall be set aside as the employee's remuneration.</p> <p>Leaves: leaves are granted according to the one-holiday one-off rule of the Labor Standard Act, and special leaves are granted to employees in accordance with the law and the Act of Gender Equality in Employment.</p> <p>Other benefits: employee emergency relief, group insurance, occupational disaster insurance, children's scholarship, birthday gift certificate, wedding and funeral allowance, employee travel, employee welfare committee welfare measures, etc.</p> <p>Work place diversity: As of 2021, the employment population of the Company was 1,280 people. There were a total of 194 female workers or 15.16% total employees, of which 11 were low-to-middle ranked managers or 8.21% of the</p> <p>No significant differences.</p>

Evaluation items	Operation status (note 1)		Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	
(3) Does the company provide a safe and healthy working environment for its employees and conduct regular safety and health education for them?	✓		<p>rank.</p> <p>(3) The Company conducts safety and health training for new employees and employees under job rotation, and conducts regular health checks for employees every year.</p> <p>The Company carries out regular inspection on the working environment of special working areas of the factory every year to ensure compliance with the relevant laws and standards of environmental protection and labor safety.</p> <p>The Company's Yangmei plant holds regular disaster prevention and response training activities in the whole plant area every year to instill disaster prevention in people's awareness; the office space of each area complies with the annual plan of the building's management committee to have a fire drill of the building residents conducted under the guidance of the fire department.</p> <p>As of December 31, 2021, the Company has hired two corporate nurses, dedicated to providing health consultation and assisting care to the employees. Total number of employees injured during work incidents was eight (excluding off-hour traffic accidents) or 0.6% employee population, which translated into 1,091 working days. The safety and health office conducted interviews to personnel involved in each case to assemble necessary information for training materials that were later provided in the annual meeting for the work safety and health committee.</p>
(4) Has the company established an effective career development training program for its employees?	✓		<p>(4) The Company has formulated the "Measures for the Training of New Employees" and "Measures for the Training of On-the-job Employees." It prepares a professional training demand plan and an annual training demand plan every year to carry out employee training.</p> <p>The training provided by the Company can be roughly divided into the following four categories:</p> <ul style="list-style-type: none"> <li>A. Training for new employees: guiding employees to understand basic professional knowledge and work skills.</li> <li>B. Internal and external management and professional knowledge courses: the knowledge can be applied to work effectively.</li> <li>C. Certificate training for technicians: it can enable employees to have advanced professional skills and obtain certification.</li> <li>D. Professional skills competition at home and abroad: employees with excellent performance have the chance to go to Japan to participate in the professional skills competition of overseas elevator industries on behalf of the Company, and compete with experts from all walks of life!</li> </ul> <p>Please see attached Table 3 for training programs offered during the period.</p>
(5) Does the company follow relevant laws and regulations and international standards for customer health and safety.	✓		<p>(5) In accordance with government regulations and CNS10594 Chinese National Standard, our products and services mark the use and stowage load of elevator products in the easy-to-see place</p>

Evaluation items	Operation status (note 1)		Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	
customer privacy, marketing and labeling of products and services, and formulate relevant policies and grievance procedures to protect the rights and interests of consumers?			
(6) Does the company have a supplier management policy that requires suppliers to follow relevant specifications and their implementation in environmental protection, occupational safety and health or labor human rights issues?	✓		<p>in the elevator car. If the elevator is used for carrying people or sickbeds, the maximum number of passengers will also be marked. In addition, the Company also marks the service contract number and emergency contact number in the car or at the customer contact window to facilitate the emergency contact of customers. At the same time, customers can also use the customer service hotline on the Company's website to get in touch. The Company's central control room personnel also provide the fastest and most convenient service after receiving the call.</p> <p>The Company has customer complaint handling measures and a dedicated unit to handle the product and service demands put forward by customers. The dedicated unit records and tracks the processing progress one by one to make the best efforts to satisfy customers.</p> <p>(6) Supplier management policy -Based on the principles of mutual benefit and cooperation and a shared pursuit of corporate sustainability; joint establishment of a sustainable supply chain with an emphasis on the environment, labor rights, occupational health and safety and business ethics; and assistance to suppliers to enhance green competitiveness.</p> <p>Implementation status:</p> <p>A. Based on the supplier management policy as the highest-level principle, the Company released at the annual supplier conference "Supplier Management Guidelines" and "Supplier Commitment Statement" to outline the requirements for suppliers in the inspection and maintenance of labor rights, environment, health and safety, moral ethics and legal regulations. The Company requested its suppliers to review the clauses one by one and sign "Supplier Commitment Statement" according to the management policy. This enabled all the suppliers to understand and adhere with the Company's requirements for product safety and ethics, in order to enhance the responsibility for the society and the environment.</p> <p>B. The green supply chain management policy was advocated at the annual supplier conference.</p> <p>C. Amendment of internal control requirements – the control and management requirements on subcontractors to guide suppliers into paying attention to environmental protection and to encourage suppliers to obtain the ISO14001 environmental management accreditation.</p> <p>D. Periodical supplier assessments are performed to examine the implementation by suppliers regarding the protection of employees' labor right, occupational health and safety and environmental protection, etc. If a supplier has obtained the ISO14001 environmental management accreditation, the supplier will receive bonus points on the annual assessment and awarded at the supplier conference.</p> <p>E. Ad-hoc internal audits are conducted onsite for product quality and deliveries and management</p> <p>No significant differences.</p>

Evaluation items	Operation status (note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Abstract description	
			<p>policy implementations. Training and education are provided to address incompliance with the green supply chain management policy.</p> <p>F. The selection of new suppliers will prioritize those who have obtained the ISO14001 environmental management accreditation.</p> <p>G. Supplier Commitment Statement specifies that in case of breach of Supplier's Code of Conduct, the supplier is willing to make amends and accept assistance. If the Company's business reputation and corporate image are damaged as a result, it may terminate the cooperation and demand compensations.</p> <p>H. Encouragement of certifications for quality and environment management: Suppliers are guided to pay attention to environment protection and quality safety. The Company gives a special award, in the annual meeting, to suppliers that obtain certifications from a third party, in addition to extra points given during the evaluation, in order to achieve win-win with society. Please refer to Table 4 for the list of suppliers receiving related certification.</p>	
5. Does the company prepare the corporate social responsibility report and other reports that disclose the company's non-financial information in accordance with the international reporting standards or guidelines? Is the aforesaid report confirmed or guaranteed by a third-party verification unit?		✓	The Company published its second CSR report in 2020, with the contents prepared in accordance with sustainability report guide issued by GRI (Global Reporting Initiative) for the reference of the investing public. A third version of the report is scheduled to publish in September 2021.	The Company's corporate social responsibility report is a voluntary disclosure, which will be confirmed or guaranteed by a third-party verification unit according to the progress in the future.
6. If the Company has its own corporate social responsibility best practice principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please state the implementation status and the differences: no significant difference				
7. Other important information to understand the operation of corporate social responsibility:				
1. Environmental protection: The Company has obtained ISO 14001:2015 environmental protection management system certification (certification date: July 1, 1998; validity period: September 20, 2019 ~ August 13, 2022).				
2. Quality, consumer rights and interests: The Company has obtained ISO 9001:2015 quality management certification (certification date: November 9, 1995; validity period: November 9, 2019 ~ November 9, 2022).				
3. Community participation: The Company's Yangmei plant participated in the regular training of civilian defense groups in Yangmei District in 2021 to enhance the self-defense capability.				
4. Social services: (1) The GFC corporate volunteers and Chongyou Culture and Education Foundation worked together to promote "Hands in Hands for Love; Lamps of Happiness Lightened Up" an initiative to encourage the introduction of energy efficient lamps. A total of 8 charity organizations of 17 locations in Taiwan were provided with free 773 LED lamps (1,896 energy-saving tubes) and replacement services by 63 volunteers from the GFC corporate. In aggregate, the GFC volunteers made 212 visits to install 718 energy-efficient lamps (1,196 compact fluorescent lamp tubes). This is expected to save electricity consumption by 129,994 KWh and reduce carbon emissions by 65,257 Kg per annum.				
(2) The Company participated in science education and safety advocacy campaigns about elevators organized by the initiatives from Chongyou Culture and Education Foundation as follows:				
A. A total of 10 seminars on the science of elevators were arranged in 2020 at Chen-Ping Elementary School in Taichung and Zhong-Yi Elementary School in. These seminars enabled students to learn about the magic of fundamental science and safety knowledge about the use of elevators. This initiative reduced the risks in the utilization of elevators and served a total of 270 participants.				
B. The sponsorship to the National Taiwan Science Education continued in 2021 for the development of teenager talents in science. Professors with different specializations provided individual instructions to nurture technology talent of tomorrow. A total of 66 students were tutored and 38				

Evaluation items	Operation status (note 1)		Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	
			submissions passed the review for science fair participation, of which six were selected for overseas contests among the 13 projects signed up for Taiwan International Science Fair (TISF).
			C. The sponsorship was continued in 2021 for GFC Innovation & Research Award at the 61 <sup>th</sup> National Primary and High School Science Fair. A total of 10 schools including National Changhua Senior School of Commerce received awards.
			(3) In 2021, a total 85 college and university students in electric machinery, machinery, architecture and civil and construction engineering passed the review for GFC scholarships. Chongyou Culture and Education Foundation issued an aggregate of NT\$4.01 million in scholarships and organized a workshop for learning, sharing and scholarship awarding. A cross-disciplinary curriculum was designed and a tour to Taipei 101 was arranged for ultra-high speed elevators. This encouraged the conversations among students, so that they could broaden their horizons, develop team spirit and problem-solving capabilities.
			5. Social welfare: The Company makes an annual donation of NT\$3.5 million to Chongyou Culture and Education Foundation for promotion of elevator science education, arts and cultural activities for the public and care of the disadvantaged. In addition, the Company donated or sponsored the following public welfare activities in 2021:
			(a) Sponsorship to Tai Shin Social Welfare Foundation in New Taipei City for free medical diagnostic services to communities and the less fortunate
			(b) The GFC corporate and Chongyou Culture and Education Foundation together made a donation of NT\$2,500 thousand to the anti-pandemic funding under Taipei City Government and New Taipei City Government to align the prevention measure for giving back to the society through the exercise of the corporate responsibility.
			6. Environmental protection: In October 2016, the Company's Yangmei plant completed the installation of a solar power generation system, which feeds an average of 1,045 kWh of green power to TaiPower every year. The installation of solar panels also reduces the roof temperature by 3~5 degrees and hence energy consumption and carbon emissions for the Yangmei plant. In 2021, the solar photovoltaic power generation totaled 2,600,000 kWh, equivalent to a reduction of carbon dioxide emissions by 1,591 metric tons or a planting of 158,000 trees.
			7. Energy saving and carbon reduction:
			(a) Up to the end of 2021, the Company has installed 2,514 energy-saving lamps or LEDs to effectively lower energy consumption.
			(b) The Company has set up a power consumption summary platform for each unit on the internal website of the Company to record the power consumption status of the unit, and the Administration Department regularly supervises and urges the units exceeding the standard to make improvement.
			(c) Due to a step-up in production activities, the Company used a total of 1,963,399 kWh of electricity in 2021, 20,295 kWh higher from 2020. Additional measures of energy saving will be enforced in 2022, including (1) light off, when possible (2) power off computers after work (3) appoint designated personnel in each working area to ensure switch offs after office hours (4) lights off in unoccupied areas.
			8. Products of the Company: GL368N, GF568HS and GL568 passenger elevators have all obtained the German TUV energy efficiency Class A label. Starting in 2017, all the Company's elevators adopted permanent magnet synchronous motors (PMSMs), known for significant energy efficiency and avoidance of oil pollution in contrast with traditional gear motors. In 2018, all the GFC series of elevators adopted the permanent magnet synchronous motor (PMSMs). PMSM does not require gear oil and hence avoids pollution. It has nearly 100% mechanical efficiency and about 30% more energy efficient. This advanced and environmentally friendly motors attracted the second-category environmental protection mark issued by the Environmental Protection Administration, Executive Yuan. In 2019, the GFC series of smart elevators, equipped with innovative technologies such as IoT and facial recognition participated in and won the 2020 Taiwan Excellence Award. In November 2021, the Genesis High Speed Elevator series from GFC corporate received the Silver Award from the 30th Taiwan Excellence Award in 2022 and won the bid for mid-term escalator improvement contract for MRT station entrance/exit, Project IYZX0, in addition to being rewarded for Golden Quality Award for Public Construction.
			9. Safety and health: the Company has set up the Labor Safety and Health Office, and the safety and health administrator is responsible for formulating and supervising the implementation of safety and health measures by each unit; meanwhile, the Labor Safety and Health Committee is also established in accordance with the relevant labor safety laws and regulations, and a dedicated person is appointed to supervise the implementation of environmental maintenance, waste treatment and safety and health measures in the plant area. These measures meet the requirements and standards of relevant environmental laws and regulations.
			10. Other social responsibility activities: the Company has set up Chongyou Culture and Education Foundation, which aims to hold cultural, educational and public welfare related activities and give back to the society in time. The public welfare activities in 2021 are as follows:
			(1) Studio Tang
			To enhance cultural and artistic education to carry forward life aesthetics, various exhibitions were sponsored, which served a total of 328 visitors, in Kaohsiung, including joint calligraphy works, joint collection from Dang Dynasty, living ware from Dang Dynasty, Dang Dynasty art study series, spring art seminar, Shen Shih Chih Yu tea ceremony and many other serials shows and courses.
			(2) Aesthetics education series:
			Chongyou Culture and Education Foundation and Soochow University collaborated in a series of workshops by inviting

Evaluation items	Operation status (note 1)			Differences from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Abstract description	
<p>heavyweight artists and cultural celebrities such as Tse-Chou Chang, Horng-Shya Huang, Chao-Hsu Tseng, Wei-Wen Li, Hui-Jen Li, Hsiu-Ju Ma, Chun Cheng Lin, Wang-Ling Hsieh, Wen-Yuan Chiang, I-Kung Ma, Lien-Hsiang Chou, Hsiao-Hsiung Chang, Chia-Wei Li, Pei-Chun Ho and Wen-Yuan Chiang to speak on art, culture and the environment. These workshops shared the extensive knowledge and long-standing achievements of the speakers in different fields to develop a deeper literacy on art and culture and broaden the cultural perspective of the mass audience. A total of 120 university students was served.</p> <p>(3) Sponsorships and promotion of art and culture events The Company sponsored Chen-Chieh Chang Cello Recital and Family Concert, and 2021 Quartet by Qiyan Chamber Orchestra. A total of 4,041 attendants were served.</p> <p>(4) Public welfare: Chongyou Culture and Education Foundation made a donation of NT\$ 250,000 to four hospitals under Changhua Christian Hospital for 10 AC installed for outdoor quick test centers and another donation of NT\$300,000 for “Legend Lin Dance” for post-accident reconstruction.</p> <p>For more details about the promotion of aesthetic education and the series of Chongyou humanities lectures, please refer to the official website of Chongyou Culture and Education Foundation (<a href="http://www.gfc.org.tw/">http://www.gfc.org.tw/</a>).</p>				

Note 1: If "yes" is checked in the operating status, please indicate the important policies, strategies, measures and implementation; if "no" is checked in the operating status, please explain the reasons and explain the plans for adopting relevant policies, strategies and measures in the future.

Note 2: The principle of materiality refers to the environmental, social and corporate governance issues which have a significant impact on the Company's investors and other stakeholders.

Note 3: At-work training and implementation

Ranking		2021				
		Gender	Total Participants	Total training	Average training hour/participant	Training Expense
Manager		M	128	990	8	103,365
		F	8	56	7	10,533
Non-Manager	Engineering	M	526	116,600	222	1,192,243
		F	6	64	11	14,015
	Maintenance	M	1,203	22,710	19	1,259,478
		F	7	41	6	6,528
	Factory	M	227	2,819	12	20,863
		F	95	569	6	4,000
	Administration	M	66	496	8	46,247
		F	55	367	7	35,530
Total		M	2,150	143,615	67	2,622,196
		F	171	1,097	6	70,606

Note 4: Certifications obtained by the suppliers:

Certifications	Number of suppliers
ISO 9001:2015	17
ISO 14001:2015	9
OHSAS 18001:2007	3
CNS 15506:2011(TOSHMS)	1
IECQ(QC 08000)	1
IATF 16849:2016	1

(8) Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons:

Evaluation items	Operation status (note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
1. Establishment of ethical corporate management policy and plan	✓			
(1) Does the company have an ethical corporate management policy approved by the board of directors, and clearly state the ethical corporate management policy and practice in the internal regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the corporate management policy?			(1) The board meeting on August 12, 2014 resolved to approve the Ethical Corporate Management Best Practice Principles as the guideline for business ethics in corporate culture and business operations. These principles prohibit employees from giving or receiving gifts or commissions when dealing with business counterparties or taking advantage of job positions for fraudulent activities or accepting gifts. On August 12, 2019, the third edition of the Ethical Corporate Management Best Practice Principles was passed by the board meeting of the 3rd session of the 16th term.  The Company has also established Code of Conduct for Employees, Code of Services and Supplier Management Policy. According to these codes and policies, the Company should deal with other companies or conduct transactions based on the principles of honesty and fairness, avoidance of conflict of interest and prohibition of bribery. It is not allowed to give to or receive gifts or kickbacks from other companies or manufacturers. In addition to accepting the Supplier Code of Conduct, suppliers shall issue a written commitment to these the requirements.	No significant differences.
(2) Has the company established an evaluation mechanism for the risk of unethical behavior, regularly analyzed and evaluated the business activities with high unethical behavior risk within the business scope, and formulated a plan to prevent unethical behavior accordingly which at least covers the preventive measures for the behaviors in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	✓		(2) The board meeting of the 18th session of the 14th term on May 9, 2016 decided to establish a dedicated ethical corporate management promotion unit (the Ethical Corporate Management Team), with the directors and President as the team leaders and deputy team leader responsible for the formulation and revision of the ethical corporate management policy and the evaluation of unethical behavior. The Ethical Corporate Management Team regularly reports to the board of directors twice a year.  In accordance with the Ethical Corporate Management Best Practice Principles adopted by the board, the Ethical Corporate Management Team analyzed and evaluated each possible pattern of unethical behaviors within the Company's business scope and referred to behaviors described in Article 7-2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, in order to formulate the Ethical Corporate Management Operation Standard for all units.  After the evaluation of the Company's operating activities by the Ethical Corporate Management Team, the highest risks sit with procurement cycles. Therefore, the Company has a strict control mechanism in the procurement system. If the procurement amount is more than	No significant differences.

Evaluation items	Operation status (note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
(3) Does the company stipulate the operating procedures, behavior guidelines and disciplinary and grievance systems in its unethical behavior prevention plan and implement them and regularly review and revise the plan?	✓		<p>NT\$500,000, the Company will notify the audit unit to be present to chaperone the price negotiation process.</p> <p>The procurement department will conduct regular evaluation to suppliers, which shall include reviews on operation attitude to avoid possible dealing with suppliers of unethical conducts.</p> <p>(3) The Company has established Ethical Corporate Management Operations Standards. All the managerial personnel of the Company and its subsidiaries have signed the Ethical Corporate Management Compliance Statement to declare that they shall abide by the Ethical Corporate Management Best Practice Principles, Code of Conduct and other internal control systems. On May 7, 2021 and December 17, 2021, the director general of the Ethical Corporate Management Team presented a special review report to the board on the Ethical Corporate Management Best Practice Principles. The auditor's staff will also focus on internal unethical behaviors in the daily audit. In case of the verification of an unethical behavior, the employee will be punished based on the content of the violation and the case will be included in the training materials and used in the training of new employees or existing employees. In case of any unethical behavior, the accuser may report the illegal act to the independent accusation e-mail and dedicated line listed in the "Administrative Measures for Accusation Operation." The dedicated handling unit will strictly keep the confidentiality of the identity of the accuser for his protection; at the same time, it will provide an appropriate appeal mode to the accused. The "Administrative Measures for Accusation Operations" have been published on the official website of the Company for easy reference.</p>	No significant differences.
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the company assess the ethical corporate management records of its counterparties and specify the ethical corporate management terms in the contracts it enters into with them?</p>	✓		<p>(1) The Company has established an evaluation mechanism for its customers and manufacturers, which specifies the rights and obligations of both parties at the time of signing the contract. The legal unit and business unit also query the operating conditions of the customers and manufacturers through the JCIC system and reduce transactions with counterparts with unethical behaviors.</p> <p>The Company's Legal Department also has drafted the ethical behavior statement or integrity and ethical behavior clauses in the procurement contract between the Company and the manufacturer. The ethical behavior statement or integrity and ethical behavior clauses clearly state that if the supplier violates the "Code of Conduct for Suppliers," the Company may terminate the contract and the supplier shall be responsible for compensating the Company for</p>	There is no significant difference.

Evaluation items	Operation status (note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
(2) Has the company set up a dedicated unit under the board of directors to promote ethical corporate management and regularly (at least once a year) report to the board of directors its ethical corporate management policy and plan to prevent unethical behavior as well as its supervision of the implementation?	✓		<p>the losses incurred thereby to reaffirm its determination to prevent any unethical behavior.</p> <p>(2) The Company has set up an "Ethical Corporate Management Team", a dedicated unit under the board of directors which is responsible for the formulation, supervision and implementation of the ethical corporate management policy and prevention plan, and regularly reports to the board of directors. The "Ethical Corporate Management Team" is headed by the directors, who shall instruct the President to implement the ethical corporate management policy in accordance with the responsibilities of each department.</p> <p>On May 7, 2021 and December 17, 2021, the director general of the Ethical Corporate Management Team reported to the board the progress of the annual implementations and the advocacy plan for 2022. The summary of this special report has been disclosed on the Company's official website for investors' reference.</p>	No significant differences.
(3) Does the company have a conflict of interest prevention policy, provide appropriate channels for explanation and implement it?	✓		<p>(3) The Company's "Code of Conduct for Employees" and "Code of Conduct for Suppliers" both include the policy of preventing conflicts of interest to avoid conflicts of interest in the transaction process. In accordance with the internal control system and authorization measures, when a certain amount of external procurement is achieved, the auditor shall be informed to supervise the process of price comparison for implementation of the regulations.</p> <p>The directors and supervisors shall withdraw from matters and proposal discussion if there is a conflict of interest involved, and disclose in the annual report the operation of avoidance of conflict of interest in the board of directors' meeting.</p>	No significant differences.
(4) Has the company established an effective accounting system and internal control system for the implementation of ethical corporate management and has the internal audit unit, according to the assessment results of the risk of unethical behavior, drawn up relevant audit plans to check the status of unethical behavior prevention accordingly or entrusted an independent auditor to carry out the audit?	✓		<p>(4) The Company has established a complete internal control system and relevant measures and rules. In addition to publishing them on the internal website of the Company for the convenience of employee reference at any time, in order to ensure that the design and implementation of the system is continuously effective, the stock affairs unit, accounting unit and other responsible departments will review the system contents from time to time and propose amendments and then cooperate with the auditor's staff in the audit operations to establish a good corporate governance and risk control mechanism.</p> <p>At the same time, in addition to conducting internal control self-inspection in accordance with the planned schedule, the Audit Office schedules the ethical corporate management best practice principles audit plan in the annual internal control audit plan to ensure the implementation of the ethical corporate management best practice principles.</p>	No significant differences.
(5) Does the company regularly	✓		(5) The propaganda of "Guided Reading of the	No significant differences.

Evaluation items	Operation status (note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
conduct internal and external sessions for ethical corporate management?			Ethical Corporate Management Policy and Relevant Measures and Policies" is conducted in the training for new employees held by the HR Department and the regular monthly meeting time of all units. In addition to making trainees understand the Company's Ethical Corporate Management Policy, Ethical Corporate Management Operating Standards, Code of Conduct for Suppliers and ethical corporate management terms, the consensus of "honesty and fairness" is to be reached among the staff to maintain the corporate culture of ethical corporate management operation and continue to promote a good business operation mode. On January 11, 2021, March 10, 2021 and April 19, 2021, trainings and education programs were provided to promote business ethics to Taichung Branch's, Tainan Branch's and Kaohsiung Branch's employees at monthly meetings. A total of 328 participants joined the advocacy curriculum. This added to 328 person-hours of training.	
3. Operations of the company's accusation system				
(1) Does the company have a specific accusation and reward system, establish a convenient accusation channel and assign appropriate personnel to the accused person?	✓		(1) In case of any violation of the Code of Conduct for Employees or any other unethical conduct, if it is verified, the accused person shall be punished according to the HR reward and punishment regulations based on the severity of the circumstances and impact; the most serious punishment shall be dismissal. The Company has formulated the "Measures for Accusation Management," which stipulates that the head of the Audit Office and the head of the Administration Department are the dedicated personnel who are independently responsible for accusation cases; the principle of confidentiality is strictly followed in the investigation process to safeguard the rights and interests of the accuser.	No significant differences.
(2) Has the company established the standard operating procedures for investigation of accused matters, follow-up measures after investigation and the relevant confidentiality mechanism?	✓		(2) It is stipulated in the "Measures for Accusation Management" that when receiving an accusation case, the responsible person shall organize an investigation team to conduct an investigation and deal with the case in a confidential manner, so as to protect the accuser from unfair retaliation or treatment.	No significant differences.
(3) Does the company take measures to protect the accuser from improper treatment due to the accusation?	✓		(3) The Company's responsible persons for accepting accusation cases are all senior executives of the Company and the entire investigation process is kept confidential. The accuser will not be improperly treated due to the accusation.	No significant differences.
4. Enhancing information disclosure Does the company disclose the content and promotion effect of its ethical corporate management best practice principles on its website and MOPS?	✓		The Company has disclosed the information about its ethical corporate management best practice principles on its official website (at <a href="http://gfc.com.tw/Investment/CorporateGovernance/BusinessEthics">http://gfc.com.tw/Investment/CorporateGovernance/Business Ethics</a> ), in annual reports and at MOPS.	No significant differences.
5. If the company has its own ethical corporate management best practice principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please state the differences between its operations and the principles				

Evaluation items	Operation status (note 1)			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons
	Yes	No	Summary description	
There are no significant differences.				
6. Other important information helpful to understand the company's ethical corporate management operation: (such as the company's review and amendment of the ethical corporate management best practice principles) The Company pays attention to the development of relevant regulations on ethical corporate management from time to time to serve as a reference for the review and improvement of the Company's ethical corporate management policy. The Company has also revised its ethical corporate management best practice principles and ethical corporate management operation benchmark in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" published by the competent authority. To implement the ethical corporate management policy, the Company has set up a dedicated "Ethical Corporate Management Group" under the board and spearheaded by directors. The Ethical Corporate Management Group made a special report at the board meetings on May 7, 2021 and December 17, 2021, respectively, to review the effectiveness and the promotion program for the following year.				

Note: Whether checking "yes" or "no" for the operations, a description shall be made in the summary description field.

(9) If the company has corporate governance best practice principles and related regulations, it shall disclose its query method:

1. The Company has formulated the following relevant rules and regulations in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies:

- (1) Rules of Procedure of Shareholders' Meetings.
- (2) Management of the Operations of Board Meetings.
- (3) Measures for Election of Directors and Supervisors.
- (4) Asset management (Procedures for Acquisition or Disposal of Assets).
- (5) Measures for Loans to Others and Endorsement Guarantee.
- (6) Supervision and Management of Subsidiaries.
- (7) Transaction Procedures for Related Parties, Specific Companies and Group Enterprises.
- (8) Management of Significant Internal Information Processing and Prevention of Insider Trading.
- (9) Organizational Rules of the Compensation Committee.
- (10) Code of Conduct for Employees.
- (11) Ethical Corporate Management Best Practice Principles.
- (12) Corporate Sustainable Development Best Practice Principles.
- (13) Corporate Governance Best Practice Principles.
- (14) Supplier Management Best Practice Principles.
- (15) Measures for the Performance Evaluation of the Board of Directors.
- (16) Measures for Accusation Operation Management.
- (17) Risk Management Policies and Procedures

2. Query method: The Company's website <http://www.gfc.com.tw> contains the Company's financial status and corporate governance information.

(10) Other important information to improve the understanding of the operation of corporate governance:

The above-mentioned relevant rules and regulations are formulated and revised in accordance with the internal control system procedures. Upon completion of the revised procedures, the Company will make an announcement on the internal website of the Company to facilitate employees' reference and understanding of the latest revision of the Company's major rules and regulations. Meanwhile, the Company's IT Department will also

Inform the department heads via e-mail again, and the department heads will propagate the rules and regulations in the staff meeting.

Secondly, the above-mentioned relevant rules and measures are disclosed in the Investor Area of the Company's website simultaneously for the convenience of investors' inquiry.

Note: Managers' further study on corporate governance in 2021:

Position	Name	Date of study	Organizer	Course name	Hours of stud
Accounting and Finance Director	Ying-Chen Lu	September 16 ~ 17, 2021	ROC Accounting Research and Development Foundation	Continuous Training Course for Accounting Supervisors of Securities Issuers, Securities Firm and Stock Exchange	12 hours
Audit Director	Shun-Cheng Hsu	July 13, 2021	ROC Internal Audit Association	Case Study: Business practices with risks of unethical conducts	6 hours
		July 21, 2021	ROC Internal Audit Association	Management of business contracts and the audit practices	6 hours
Corporate Governance Officer	Hung-Peng Lin	January 15, 2021	Taiwan Corporate Governance Association	Decoding critical information in financial statements	3 hours
		August 6, 2021	Taiwan Corporate Governance Association	Distance to insider trading	3 hours
		August 19, 2021	Taiwan Corporate Governance Association	Corporate governance and information disclosure system – insider responsibilities	3 hours
		October 18, 2021	Taipei Exchange	Insider Shareholdings of OTC/Emerging Market Listed Companies	3 hours
		November 30, 2021	Taiwan Corporate Governance Association	Critical information in annual reports and accountability analysis: directors' and supervisors' perspectives	3 hours

(11) Implementation of internal control system:

1. Internal Control Statement:

**GFC Corporation**  
**Statement of Internal Control System**

Date: March 25, 2022

Based on the results of self-assessment of the Company's internal control system in 2021, the Company hereby states the following:

1. The Company acknowledges that it is the responsibility of the board of directors and the managers of the Company to establish, implement and maintain the internal control system, which has already been established by the Company. Its purpose is to provide reasonable assurance in achieving the objectives of operation effectiveness and efficiency (including profitability, performance and asset safety), in order to assure reliability, timeliness and transparency of reports, and compliance with relevant norms and regulations.
2. The internal control system has its inherent limitations. No matter how well designed, an effective internal control system can only provide reasonable assurance for the achievement of the above three objectives. Moreover, due to the change of environment and situation, the effectiveness of internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a shortcoming is identified, the Company will immediately take corrective action.
3. The Company judges the effectiveness of the design and implementation of the internal control system in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the Regulations). The judgment items of the internal control system adopted in the "Regulations" are the process of management control, and the internal control system is divided into the following five components: 1. control environment, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervision operation. Each component includes several items. Please refer to the "Regulations" for these items.
4. The Company has adopted the aforesaid internal control system judgment items to assess the effectiveness of the design and implementation of the internal control system.
5. Based on the assessment results, it is believed that the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2021<sup>(note 2)</sup>, including the understanding of the operation effectiveness and the extent to which the efficiency objectives have been achieved, the reliability, timeliness, transparency of the report, and the design and implementation of the internal control system on the compliance with relevant norms, laws and regulations are effective and can reasonably assure the achievement of the objectives above.
6. This Statement will be the main content of the Company's annual report and prospectus, and will be made public. If the above-mentioned contents are false or concealing, the legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act shall be involved.
7. This Statement has been approved by the board of directors' meeting of the Company on March 25, 2022. Of the seven directors present, there was no objection, and the rest agreed with the contents of this Statement.

GFC Corporation

Chairman: Po-Loung Tang

Signature

President: Pen-Li Yu

Signature

Note 1: If there are significant deficiencies in the design and implementation of the internal control system of a public company during the year, a paragraph shall be added to the fourth paragraph of the Statement of Internal Control System to list and explain the significant deficiencies found in the self-assessment, as well as the improvement actions and status of the Company before the balance sheet date.

Note 2: The date of the statement is "the end date of the fiscal year."

2. If an independent auditor is entrusted to audit the internal control system, the independent auditor's report shall be disclosed: None.

- (12) During the most recent year and up to the date of printing of the annual report, the punishment of the company and its insiders in accordance with the law, the company's punishment on its insiders for violating the provisions of the internal control system and the major deficiencies and improvements:

From January 2021 to March 2022, five employees were punished for violating the internal control system operation regulations in accordance with the Company's "Measures of Punishment for Violation of the Company's Operation Management Rules." In addition, relevant supervisors at all levels were invited to review and improve the deficiency issues and strengthen the propaganda and training, as well as supervision and management of the employees.

- (13) Important resolutions of the shareholders' meetings and the board of directors' meetings in the most recent year and up to the date of printing of the annual report:

1. Important resolutions of the shareholders' meeting and implementation status:

Date of meeting	Meeting type	Important resolutions	Implementation status
August 9, 2021	2021 general shareholders' meeting	1. Ratified all financial statements and accounts for 2020 2. Ratified the 2020 earnings distribution plan (NT\$3.0 cash dividends per share)	August 31, 2021 was set as the ex-dividends date and September 15, 2020 as the dividends distribution date.

2. Important resolutions of the board of directors' meetings:

March 31, 2022

Date of meeting	Meeting type	Important resolutions
March 22, 2021	Board meeting (the 16th term - the 12th session)	1. Reported on results of 2020 performance reviews on the board and the Compensation Committee. 2. Highlighted the key issues official letters from Taipei Exchange: Securities-OTC-Regulation Letter No. 11002001401 on January 28, 2021; Securities-OTC-Regulation Letter No. 1080201762 on December 12, 2019; and Regulation Letter No. 10902010101 on July 1, 2020. 3. Approved the distribution of remunerations to directors, supervisors and employees for 2020. 4. Approved the finalized financial statements for 2020. 5. Approved the 2020 earnings distribution plan. 6. Approved the matters in relation to acceptance of proposals for 2021 general shareholders' meeting. 7. Approved the matters in relation to convening of 2021 general shareholders' meeting 8. Approved the 2020 Internal Control Statement. 9. Approved extension of unsecured bank credit facilities for 2021. 10. Approved the disposal of fixed assets of Shanghai GFC Elevator Co., Ltd. 11. Approved the purchase of real estates.
May 07, 2021	Board meeting (the 16th term -	1. Reviewed 1Q 2021 financial statements. 2. Reviewed the special topic presentation on corporate

Date of meeting	Meeting type	Important resolutions
	the 13th session)	governance, ethical operation and corporate social responsibilities. 3. Approved independency review on KPMG Accounting firm for audit work. 4. Discussed the uses of a trademarks co-existed with Hyundai Motor Company's.
July 07, 2021	Board meeting (the 16th term - the 14th session)	1. Approved the postpone of 2021 shareholders' meeting.
August 09, 2021	Board meeting (the 16th term - the 15th session)	1. Reviewed 2Q 2021 financial statements. 2. Set 2021 ex-dividends date (August 31, 2021 as the ex-dividends date and September 15, 2020 as the dividends distribution date). 3. Approved the amendment of the internal control system.
November 08, 2021	Board meeting (the 16th term - the 15th session)	1. Reviewed 3Q 2021 financial statements. 2. Reviewed the special topic presentation on the Company's competency to prepare self-compiled financial statements. 3. Reviewed the special topic presentation on liability insurance purchase for directors and supervisors (including insurance amount, coverage and insurance premium). 4. Reviewed the special topic presentation on information security. 5. Discussion on changes in insider shareholding and advocacy of insider trading. 6. Approved the 2022 business plan and budget. 7. Approved the review plan for 2022 internal audit operation.
December 17, 2021	Board meeting (the 16th term - the 16th session)	1. Reviewed the risk management report. 2. Reviewed the special topic presentation on corporate governance, ethical operation and corporate social responsibilities. 3. Reviewed the report on intellectual properties. 4. Reviewed the report on communication with stakeholders. 5. Approved independency review on KPMG Accounting firm for audit work. 6. Approved the amendment of internal control system. 7. Approved the disposal of fixed assets. 8. Approved the acquisition of right-of-use assets from relative parties. 9. Approved the cash capital reduction for Shanghai GFC Elevator Co., Ltd.

- (14) In the most recent year and up to the print date of the annual report, if the directors or supervisors have different opinions on the important resolutions passed by the board meeting with recorded or written statements in place, the main contents are: none.
- (15) Summary of resignations and dismissals of relevant persons of the company (including Chairman, President, accounting director, financial director, internal audit director, corporate governance director and R&D director) in the most recent year and up to the printing date of the annual report: none.

#### 4. Independent Auditor Fee Information:

Unit: NT\$1,000

Name of accounting firm	Name of independent auditor	Audit period	Audit fee	Non-audit fee (Note)	Total	Remarks
Ernst & Young	Wen-Fun Fuh Chun-Ting Ma	Full year of 2021	2,850	950	3,800	

Note: Service covered under non-audit fee

1. Non-audit fee: NT\$450,000 for the consolidated financial statements for the first three quarters of 2021 and English translation service for the 2021 parent-only and consolidated financial reports.
2. 2021 Tax compliance audit: NT\$500,000

#### 5. Change of Independent Auditor:

- (1) About the former independent auditor: the Company did not change its independent auditor in 2021.

Date of change	None.		
Reason for the change and explanation	None.		
State that the appointment is terminated or not accepted by the appointer or independent auditor	The situation of the parties involved	Independent auditor	Appointer
	Voluntary termination of appointment	-	-
	No longer accepting (continuing) the appointment	-	-
Opinions other than unqualified opinions in the audit reports issued within the latest two years and the reasons	None.		
Is there any different opinion with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial report
			Audit scope or steps
			Other
	None	V	
	Explanation		No such situation
Other disclosures (items to be disclosed pursuant to items 4 to 7, sub-paragraph 1, paragraph 6 of Article 10 of the Standards)	None.		

- (2) About the succeeding independent auditor: the Company did not change the independent auditor in 2021.

Name of accounting firm	Ernst & Young
Name of independent auditor	Wen-Fun Fuh, Chun-Ting Ma
Date of appointment	Full year of 2021
Items consulted on accounting treatment methods or accounting principles for specific transactions and possible opinions of the financial statements before the appointment, and the results	None.
Written opinions of the succeeding independent auditor on opinions different from those of the former independent auditor	None.

- (3) Letter of reply from the former independent auditor regarding sub-paragraph 1 and item 3, sub-paragraph 2, paragraph 6 of Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: The Company did not change its independent auditor in 2021.

6. **Whether or not the chairman, president or manager in charge of financial or accounting affairs of the company has worked in the firm of the independent auditor or its affiliated enterprises in the past year: none.**
7. **Equity transfer and equity pledge by directors, supervisors, managers and shareholders with a shareholding ratio of more than 10% in the most recent year and up to the date of printing of the annual report:**

1. Changes in shareholdings of directors, supervisors, major managers and major shareholders

Position	Name	2021		2022 as of April 29	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in shareholding (note)	Increase (decrease) in number of shares pledged
Chairman	Daweili Co., Ltd. Representative: Po-Loung Tang	0 -1,500,000	0 0	0 0	0 0
Director	Changjiang Property Co., Ltd. Representative: Chiu-Lin Tang	3,033,000 0	0 0	887,000 0	0 0
Director	Huarong Investment Co., Ltd Representative: David Tang	0 0	0 0	0 0	0 0
Director	Cheng-Lzen Lo	0	0	0	0
Director	Huai-Yi Zeng	0	0	0	0
Independent Director	Tung-Hsu Lin	0	0	0	0
Independent Director	Hsu-Hui Wu	0	0	0	0
Supervisors	De-Jin Tang Culture and Education Foundation Representative: Yun-Peng Chen	0 0	0 0	0 0	0 0
Supervisors	Chang-I Wang	0	0	0	0

President	Pen-Li Yu	0	0	0	0
Manager	Chuan-Hsing Kuo	0	0	0	0
Manager	Hung-Mou Cheng	0	0	0	0
Manager	Ying-Chen Lu	0	0	0	0
Manager	Hung-Peng Lin (note 1)	0	0	0	0

2. Equity transfer information

The directors, supervisors, managers and major shareholders of the Company have no transfer of shares to related parties.

3. Equity pledge information

The directors, supervisors, managers and major shareholders of the Company have no pledge of shares to related parties.

**8. Information on the relationship among the top ten shareholders in terms of shareholding ratio:**

April 29, 2022

Name (note 1)	Own shareholding		Shareholdings of spouse and minor children		Shareholdings in the name of others		Names and relationships of the top ten shareholders who are related persons, spouses or relatives within the second degree (note 3)		Remarks
	No. of shares	Shareholdings ratio	No. of shares	Shareholdings ratio	No. of shares	Shareholdings ratio	Name	Relationship	
Changjiang Property Co., Ltd. Chairman: Ru-Yan Tang	99,868,498 0	56.42% 0.00%	0 0	0% 0%	0 0	0% 0%	Da Way Lee Corp.	Director	
The Investment Account of Cathay Life Insurance Under the Full Discretion of Cathay SITE (Taiwan Stock 15)	5,103,800	2.88%	0	0%	0	0%	None	None	
Bo-Sheng Yeh	4,973,459	2.81%	0	0%	0	0%	None	None	
Yu-Hsin Yeh	4,354,900	2.46%	0	0%	0	0%	None	None	
The Special Account of Chase Taipei as Custodian for Stitching for the APG Emerging Market Stock Mutual Fund	3,664,900	2.07%	0	0%	0	0%	None	None	
Dawei li Co., Ltd. Chairman: Shu-Ching Li	3,564,000 5,263	2.01% 0.003%	0 0	0% 0%	0 0	0% 0%	Changjiang Property Co., Ltd.	Director	
Huarong Investment Co., Ltd. Chairman: Pei-Gen Huang	3,524,185 0	1.99% 0%	0 0	0% 0%	0 0	0% 0%	None	None	
The Special Account of Citibank Taiwan Custodian for Heiyou Fund	3,349,000	1.89%	0	0%	0	0%	None	None	
De-Jin Tang Culture and Education Foundation	2,537,720	1.43%	0	0%	0	0%	None	None	
Tzu-Hsin Yeh	2,532,100	1.43%	0	0%	0	0%	None	None	

Note 1: All the top ten shareholders shall be listed and the names of corporate shareholders and their representatives shall be listed, respectively.

Note 2: The calculation of shareholding ratio refers to the calculation of shareholding ratio in the name of oneself, spouse and minor children or in the name of others.

Note 3: If the shareholders listed above include legal persons and natural persons, please disclose their relationships in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**9. The number of shares held by the Company, its directors, supervisors, managers and the Company's indirectly controlled enterprises in the same re-invested enterprise, and the consolidated shareholding ratio:**

December 31, 2021

Reinvested enterprises	Investment of the Company		Investment by directors, supervisors, managers and enterprises directly or indirectly controlled by the Company		Total number of investment	
	No. of shares	Shareholdings ratio	No. of shares	Shareholdings ratio	No. of shares	Shareholdings ratio
GFC Cayman Island Limited	-	100.00%	-	0%	-	100.00%
Howtobe Technology Co., Ltd.	2,600,000	100.00%	-	0%	2,600,000	100.00%
Shanghai GFC Elevator Co., Ltd. (note)	-	100.00%	-	0%	-	100.00%
V.T. Systems of Japan	2,073	65.11%	-	0%	2,073	65.11%

Note: It is a grandson company of the Company via indirect investment (a subsidiary of GFC Cayman Island Limited).

## IV. Fund Raising Status

### 1. Capital and Shares

#### (1) Source of capital

Month and year	Issue price (NT\$)	Approved share capital		Paid-in capital		Remarks		
		No. of shares (1000 shares)	Amount (NT\$'000)	No. of shares (1000 shares)	Amount (NT\$'000)	Share capital source	Share capital paid in assets other than cash	Other
May 1974	10	337.5	3,375	337.5	3,375	Paid-in capital for establishment	None	
March 1975	10	2,000	20,000	2,000	20,000	Cash injection of NT\$16,625 thousand	None	
May 1975	10	3,000	30,000	3,000	30,000	Cash injection of NT\$9,400 thousand plus NT\$600 thousand	None	
November 1976	10	4,000	40,000	4,000	40,000	Cash injection of NT\$10,000 thousand	None	
August 1978	10	10,000	100,000	6,000	60,000	Cash injection of NT\$16,000 thousand Capital increase of NT\$4,000 thousand from retained earnings	None	
June 1979	10	10,000	100,000	10,000	100,000	Cash injection of NT\$25,000 thousand Capital increase of NT\$15,000 thousand from retained earnings	None	
December 1979	10	15,000	150,000	13,000	130,000	Cash injection of NT\$30,000 thousand	None	
December 1979	10	15,000	150,000	15,000	150,000	Capital increase of NT\$20,000 thousand from retained earnings	None	
August 1981	10	18,000	180,000	18,000	180,000	Capital increase of NT\$30,000 thousand from creditor's rights	None	
September 1985	10	19,080	190,800	19,080	190,800	Cash injection of NT\$0.66 thousand Capital increase of NT\$10,799.34 thousand from retained earnings	None	
November 1990	10	30,900	309,000	30,900	309,000	Cash injection of NT\$89,580 thousand Capital increase of NT\$28,620 thousand from retained earnings	None	
August 1991	10	37,080	370,800	37,080	370,800	Capital increase of NT\$61,800 thousand from retained earnings	None	
October 1992	10	61,291	612,910	61,291	612,910	Cash injection of NT\$130,870 thousand Capital increase of NT\$111,240 thousand from retained earnings	None	
July 1994	10	101,130.15	1,011,301.50	101,130.15	1,011,301.50	Capital increase of NT\$398,391.50 thousand from retained earnings	None	
September 1995	10	166,864.748	1,668,647.48	166,864.748	1,668,647.48	Capital increase of NT\$657,345.98 thousand from retained earnings	None	
September 1996	10	200,872.57	2,008,725.70	200,872.57	2,008,725.70	Capital increase of NT\$333,729.498 thousand from retained earnings Capital increase of NT\$6,348.722 thousand from employee bonus	None	
August 1997	10	241,453.17	2,414,531.70	241,453.17	2,414,531.70	Capital increase of NT\$401,745.14 thousand from retained earnings Capital increase of NT\$4,060.86 thousand from employee bonus	None	
June 1998	10	266,110	2,661,100	266,110	2,661,100	Capital increase of NT\$241,453.17 thousand from retained earnings Capital increase of NT\$5,115.13 thousand from employee bonus	None	
June 1999	10	293,000	2,930,000	293,000	2,930,000	Capital increase of NT\$162,456 thousand from retained earnings Capital increase of NT\$106,444 thousand from additional paid-in capital	None	
September 2000	10	310,700	3,107,000	310,700	3,107,000	Capital increase of NT\$177,000 thousand from retained earnings	None	
November 2001	10	304,572	3,045,720	304,572	3,045,720	Capital reduction of NT\$61,280 thousand from buyback of treasury shares	None	
March	10	297,000	2,970,000	297,000	2,970,000	Capital reduction of NT\$75,72	None	

Month and year	Issue price (NT\$)	Approved share capital		Paid-in capital		Remarks		
		No. of shares (1000 shares)	Amount (NT\$'000)	No. of shares (1000 shares)	Amount (NT\$'000)	Share capital source	Share capital paid in assets other than cash	Other
2002						thousand from buyback of treasury shares		
September 2003	10	293,000	2,930,000	293,000	2,930,000	Capital reduction of NT\$40,000 thousand from buyback of treasury shares	None	
August 2004	10	293,000	2,930,000	286,597	2,865,970	Capital reduction of NT\$20,200 thousand from buyback of treasury shares, and capital reduction of NT\$44,030 thousand due to receipt of subsidiary's remaining assets; a total capital reduction of NT\$64,030 thousand.	None	
November 2004	10	293,000	2,930,000	285,000	2,850,000	Capital reduction of NT\$15,970 thousand from buyback of treasury shares	None	
January 2008	10	293,000	2,930,000	199,500	1,995,000	Cash capital reduction of NT\$855,000 thousand	None	
March 2009	10	293,000	2,930,000	196,680	1,966,800	Capital reduction of NT\$28,200 thousand from buyback of treasury shares	None	
August 2017	10	293,000	2,930,000	177,012	1,770,120	Cash capital reduction of NT\$196,680 thousand	None	

Type of shares	Approved share capital			Remarks
	Outstanding shares (OTC company) (1000 shares)	Unissued shares (1000 shares)	Total	
Common shares	177,012	115,988	293,000	

(2) Shareholder structure:

April 29, 2022

Shareholder structure Quantity	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and individuals	Total
Number	-	7	44	8,632	37	8,720
Number of shares held	-	7,002,300	112,411,489	48,954,611	8,643,600	177,012,000
Shareholdings ratio	0.00%	3.96%	63.50%	27.66%	4.88%	100.00%

(3) Shareholding diversification status

April 29, 2022

Shareholding tiers	Number of shareholders	Number of shares held	Shareholdings ratio
1~999	3,464	917,566	0.52%
1,000~5,000	4,438	7,906,971	4.47%
5,001~10,000	415	3,124,296	1.77%
10,001~15,000	107	1,374,007	0.78%
15,001~20,000	72	1,298,181	0.73%
20,001~30,000	60	1,477,654	0.83%
30,001~40,000	34	1,227,392	0.69%
40,001~50,000	17	779,391	0.44%
50,001~100,000	46	3,231,276	1.83%
100,001~200,000	20	2,606,021	1.47%
200,001~400,000	20	5,583,623	3.15%
400,001~600,000	8	3,921,374	2.22%
600,001~800,000	1	658,150	0.37%
800,001~1,000,000	3	2,852,500	1.61%
Above 1,000,001	15	140,053,598	79.12%
Total	8,720	177,012,000	100.00%

## (4) List of major shareholders:

April 29, 2022

Major shareholder's name	Shares	Number of shares held	Shareholdings ratio
Changjiang Property Co., Ltd.		99,868,498	56.42%
Cathay Life Insurance's full discretionary account with Cathay Securities Investment Trust (TAIEX 15)		5,103,800	2.88%
Bo-Sheng Yeh		4,973,459	2.81%
Yu-Hsin Yeh		4,354,900	2.46%
JPMorgan Chase Bank, N. A., Taipei Branch – Stichting Depositary APG Emerging Markets Equity Pool		3,664,900	2.07%
Da Way Lee Corp.		3,564,000	2.01%
Huarong Investment Co., Ltd.		3,524,185	1.99%
Citibank (Taiwan) – Dedicated Fund		3,349,000	1.89%
De-Jin Tang Culture and Education Foundation		2,537,720	1.43%
Tzu-Hsin Yeh		2,532,100	1.43%

Note: Major shareholders are the top 10 shareholders with a shareholding ratio of 5% or more.

## (5) Market price, net value, earnings, dividends and relevant information of each share in the last two years:

Item			Year	2020	2021	Current year as of March 31, 2022
Market price per share	Highest			61.40	70.90	68.40
	Lowest			49.00	55.20	65.30
	Average (note 1)			57.39	62.34	66.63
Net value per shares	Before distribution			25.18	26.74	28.06
	After distribution (note 2)			22.18	—	—
Earnings per share (note 3)	Weighted average share number (1000 shares)			177,012	177,012	177,012
	Per share earnings	Before retrospective adjustment		4.10	4.39	1.52
		After retrospective adjustment		4.10	4.39	—
Dividends per share	Cash dividends			3.00	(note 7) 3.20	—
	Free share allotment	from earnings		—	—	—
		Share allotment from additional paid-in capital		—	—	—
	Accumulated unpaid dividends			—	—	—
Return on investment	P/E ratio (note 4)			14.00	14.20	—
	Price dividends ratio (note 5)			19.13	19.48	—
	Cash dividends yield (note 6)			5.23%	5.13%	—

Note 1: The average market price of each year is calculated based on the transaction value and volume of each year.

Note 2: The net value per share after distribution is based on the distribution of the resolution of the shareholders' meeting in the following year.

Note 3: If a retrospective adjustment is required due to free share allotment, etc., the earnings before and after

adjustment shall be shown.

Note 4: P/E ratio = average closing price per share for the year/earnings per share.

Note 5: Price dividends ratio = average closing price per share for the year/cash dividend per share.

Note 6: Cash dividends yield = cash dividend per share/average closing price per share for the current year.

Note 7: The earnings distribution plan approved by the board of directors' meeting on March 25, 2022 for the cash dividend of 2021 has not yet been approved by the shareholders' meeting.

(6) The Company's dividends policy and implementation status:

1. Dividend policy:

If there is a surplus in the Company's annual final accounts, after paying taxes and making up for the loss, 10% shall be set aside as the legal reserve, then the special reserve shall be appropriated or reversed, and then the dividends shall be set aside. If there is a balance remaining, the balance plus the undistributed earnings at the beginning of the period is the distributable earnings, which shall be prepared by the board of directors and submitted to the shareholders' meeting for approval.

The industry of the Company is in a mature period at present. If no major capital expenditure is expected in the year of distribution, the Company will appropriate more than 50% of the distributable earnings as shareholders' dividends and bonuses. At least 80% of the dividends and bonuses distributed shall be cash dividends. However, if there is a sudden major investment plan and no other funds can be obtained, the cash dividends distribution rate may be reduced to between 30% and 50%.

2. Proposed dividend distribution of the shareholders meeting:

According to the 2021 dividends distribution plan as resolved by the board on March 25, 2022, NT\$566,438,400 is intended to be distributed as cash dividends to shareholders at NT\$3.20 per share.

3. Any expected major changes in the dividends policy should be explained:

There are no major changes in the Company's dividends policy.

(7) The impact of bonus shares proposed by the shareholders' meeting on the company's business performance and earnings per share:

The Company's earnings distribution for 2021 is planned to be distributed in cash and without any issuance of bonus shares. Therefore, there is no impact on the Company's business performance and earnings per share.

(8) Employees' remuneration and directors' and supervisors' remuneration:

1. According to the distribution of directors' and supervisors' remuneration and employees' remuneration stipulated in Article 17 of the Company's Articles of Association, if the Company makes a profit in the year, the following remuneration shall be allocated and distributed by the resolution of the board of directors' meeting. However, if the Company still has a cumulative loss, the amount to make up for the loss shall be reserved first:

(1) Employees' remuneration:

Not less than 0.5% shall be distributed once a year and can be distributed in full or in batches; the targets may include employees of subordinate companies that meet certain conditions, which are to be prescribed by the board of directors; the payment can be made in cash or shares.

(2) Directors' and supervisors' remuneration:

No more than 0.5%, to be reviewed and approved by the Compensation Committee and then reported to the board of directors.

2. The accounting treatment if the basis of estimation of employees' remuneration and directors' and supervisors' remuneration for the current period, the calculation basis of the number of shares allotted as stock dividends and the actual distributed amount are different from the estimated amount: The difference will be listed in the 2022 profit and loss.

3. Remuneration distribution approved by the board of directors' meeting:

According to the board's resolution on March 25, 2022, a total of NT\$4,830,022 will be distributed as employees' remuneration and NT\$2,898,013 as directors' and supervisors' remuneration, all in cash in one go. The previous estimates for employees' remuneration and directors' and supervisors' remuneration are identical to the approval amount from the Board of directors.

4. The difference, reasons and reconciliation for between the discrepancy between actual distributions to employee, directors and supervisors (in stocks, the size of that amount and stock price) and the associated recognitions in the financial: A total of NT\$4,390,892 will be distributed as employees' remuneration and NT\$2,634,535 as directors' and supervisors' remuneration, all in cash in one go. The previous estimate for employees' remuneration was NT\$4,388,852, NT\$2,040 lower than the actual distributed amount. The previous estimate for directors' and supervisors' remuneration was NT\$2,633,311, NT\$1,224 lower than the actual distributed amount. These differences will be recognized as profit or loss for 2021 as change in accounting estimates.

(9) The company's buyback of its shares: None.

2. **The company's handling of corporate bonds: None.**

3. **The company's handling of special shares: None.**

4. **The company's handling of overseas depository receipts: None.**

5. **The company's handling of employee stock option certificates and new shares with restricted employee rights: None.**

6. **The company's issuing of new shares for mergers and acquisitions or assignment of shares of other companies: None.**

7. **Implementation of the fund utilization plan:**

(1) Project content:

As of the quarter before the printing date of the annual report, the previous issuance or private placement of securities that has not been completed or has been completed within the past three years but the planned benefits have not yet shown: none.

(2) Implementation situation: None.

## V. Operations Overview

### 1. Business Content:

#### (1) Business Scope:

##### A. The main content of the business:

- (1) C302010 weaving.
- (2) CA02010 metal structure and building component manufacturing.
- (3) CA02030 screw, nut, bolt and rivet manufacturing.
- (4) CA02040 spring manufacturing.
- (5) CA02090 metal wire product manufacturing.
- (6) CA02990 manufacturing of other metal products.
- (7) CB01010 machinery and equipment manufacturing.
- (8) CC01010 power generation, transmission and distribution machinery manufacturing.
- (9) CC01030 electrical appliances and audio-visual electronic products manufacturing.
- (10) CC01080 electronic component manufacturing.
- (11) CC01990 other motor and electronic mechanical equipment manufacturing.
- (12) CD01030 automobile and part manufacturing.
- (13) E501011 water pipe contractor.
- (14) E599010 piping engineering.
- (15) E601010 electrical appliance packaging.
- (16) E603010 cable installation engineering.
- (17) E603020 elevator installation engineering.
- (18) E603040 fire safety equipment installation engineering.
- (19) E603050 automatic control equipment engineering.
- (20) E603090 lighting equipment installation engineering.
- (21) E604010 machinery installation.
- (22) E701010 communication engineering.
- (23) EZ05010 instrument and meter installation engineering.
- (24) F102020 wholesale of edible fats and oils.
- (25) F102170 wholesale of food and grocery.
- (26) F102180 alcohol wholesale.
- (27) F107990 wholesale of other chemical products.
- (28) F112040 wholesale of petroleum products.
- (29) F117010 wholesale of fire safety equipment.
- (30) F203010 retail of food, grocery and beverages.
- (31) F203030 alcohol retail.
- (32) F207990 retail of other chemical products.
- (33) F212050 retail of petroleum products.
- (34) F217010 retail of fire safety equipment.
- (35) F401010 international trade.
- (36) H701010 development, rental and sale of residential and business buildings.
- (37) H701080 urban renewal.
- (38) I301010 information software service.
- (39) I301020 data processing service.
- (40) I301030 electronic information supply service.
- (41) IF01010 fire safety equipment maintenance.
- (42) ZZ99999 businesses that are not prohibited or restricted by law in addition to permitted businesses.

B. Proportions of businesses:

Business content	Business proportion
Elevators and escalators	55.03%
Services	42.83%
Generators	2.14%
Total	100.00%

C. Current products and services:

The Company mainly sells elevators, escalators, car elevators, generators and household elevators.

D. New products and services planned to be (or already being) developed:

- (1) Development of technology for home lifts under the new regulations.
- (2) Development of wireless-transmission monitoring and control system
- (3) Development of elevator dispatching system based on destination floors
- (4) Development of the IoT system, 3rd phase.

(2) Industry Overview:

A. The Taiwan Market:

(a) Overview of the current stage:

The outlook for Taiwan's economic growth is bright for 2022. According to the statistics by the Construction and Planning Agency, Ministry of the Interior, the number of applications for new building construction licenses in 2021 grew modestly, compared that in 2020. The General Chamber of Commerce of the Republic of China forecasts that the year 2022 will see the stabilizing prices but a 20% reduction in the number of development projects launched on the market. Meanwhile, in order to expand the investment in public infrastructure, the government approved the railway construction under the Special Act for the Forward-Looking Infrastructure Project and for this, the Executive Yuan intends to invest NT\$424.133 billion over eight years (2017~2024), which indicates tremendous building of railway stations going forward and shall be a positive for the topline of the elevator industry. In sum, the Company is cautiously optimistic about the demand for new elevators this year.

(b) Future development trends:

i. The new elevator market:

At present, the demand for elevators is primarily for passenger elevators of mansions and community residential buildings. To accommodate the requirements from the continued emergence of high-rise high-end residential buildings and luxury properties in the metropolitan areas, the aging population of the society and new or additional elevators in houses or buildings with five or fewer stories, the Company has successively developed models of high-speed and large-capacity elevators with or without machine rooms, and small household elevators. In addition, there are constant R&D efforts on innovative features such as anti-COVID-19 and smart dispatching. distributions, to cater to the market needs.

ii. The elevator replacement market:

It has been more than 30 years since the rapid growth of the elevator market starting in 1985, and many elevators have to be replaced as they are approaching the end of service lives. At present, the number of old elevators exceeds 50,000 in Taiwan and the replacement market will continue to flourish going forward. In addition, the Company has won several bids for renewing and installing escalators in MRT stations as Taipei Metro continues improving the barrier-free environment in its stations.

iii. Maintenance market:

The number of machines under maintenance has exceeded 40,000 units. Given the diversity of lifestyles in the society, we will provide customized maintenance and repair services for customers with different needs. We also implement preventive maintenance with the IoT (Internet-of-Things) technology and we have launched the first in the world feature to call for emergency help with QR Code. We strive to satisfy customers' needs with rapid, caring and quality services.

B. Correlations among the industry's upstream, middle stream and downstream:

The elevator industry integrates the machinery and motor fields and the industry category is the transportation machinery and equipment manufacturing industry. The upstream is mainly suppliers of iron, castings, traction machines, machinery and electrical components, etc. The downstream is mainly the building industry, construction industry, building managers, etc.

C. Various development trends of products:

COVID-19 prevention features, the application of IoT technology, smart dispatching with artificial intelligence, Big Data analytics and safety function innovations are the most important trends for the elevator industry. To keep COVID-19 at bay, the Company integrates gesture recognition, facial recognition and voice recognition for dispatching and offered patented air cleaning machines, so that our elevators are the safest public space possible.

Due to the rising land cost in the metropolitan areas, buildings are becoming taller, and hence the demand is increasing for high-speed and high-quality elevators designed for skyscrapers. The Company has completed the domestic development and mass production of passenger elevators in Taiwan with the speed of 300 meters per minute, which has been firstly installed in The Cathay Financial Center in Taichung.

Taiwan has officially entered an aging society. Newly added elevators for existing buildings and the new elevators for townhouses will become more standard and common. In addition, the elevators set up from 1985 to 1995, the golden decade, are now more than 20 years old and have entered the phase of replacement. Under the guidance of the urban renewal policy, together with the government's subsidy program for the elevator replacement and installation for old buildings, the market for elevator replacement will be expanded year by year.

D. Market competition:

Due to Taiwan's proximity to mainland China, the elevator market is inevitably affected by China's oversupply. In addition to the supply of major parts and components, there have been frequent import cases of whole machines from large European and American manufacturers with low bidding prices in recent years.

Furthermore, Taiwan's elevator-related standards have been announced and is currently awaiting the new formats and style of some supplementary paper works of Certificate of Administrative Regulations on Installment and Inspection of Elevator in Building released by the Construction and Planning Agency. In the future, Taiwan's elevator standards will match up with those of the European Union and China, and there will be less product differentiation. Faced with new foreign manufacturers and low-price components from the other side of the Taiwan Strait, the competition will become more intense.

GFC will continue to provide quality services and products with a robust organization and scale and abundance of qualified technical personnel. We strive to secure long-term customers and develop new clientele, and we work with the government's policy by bidding for large public infrastructure and social housing projects. By enhancing the price-performance ratio of products and quality of services,

we endeavour to grow our market shares and revenues by winning businesses for new elevators and replacement orders for retiring elevators of GFC brand or other brands.

(3) Overview of technology and R&D:

A. R&D expenditure in the last two years:

Unit: NT\$'000

Item/year	2020	2021	March 31, 2022
R&D expenditure	37,918	40,741	9,822

Note: IFRS is adopted for the above figures of the consolidated income statement.

B. R&D achievements in the last two years:

- (a) Development of technology for home lifts under the new regulations.
- (b) Development of destination dispatch system, DDS
- (c) Improvement development for elevator AI group management

C. Future research and development plan:

- (a) Expansion and development of elevator IoT control functions.
- (b) Development of the speed control system for ultra-high-speed elevators.
- (c) Development of landing doors resistant to smoke and fire.
- (d) Development of machine-room-less elevators

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

1. Short-term market goals:

High-end residential buildings have accounted for the majority of property development projects over the recent years. Therefore, the near-term target market for the elevator industry remains the passenger elevator segment for high-end residential buildings. In 2022, the expected hot areas for new residential projects will concentrate in the top six major cities as well as Hsinchu city and country, with the biggest number of projects in New Taipei city and the biggest project growth in Hsinchu city and the country.

In recent years, the dependence on elevators has increased due to the rapid aging of the population and changes in people's living habits. As elevators are incorporated in new or renovated villas, townhouses and old residential buildings, the market for small residential elevators has grown significantly in recent years. Therefore, the Company has developed and actively promoted small residential elevators to meet the market demand in this block.

In addition, the inventory of elevators over 20 years old in Taiwan exceeds 50,000 units. As these elevators continue to age and the government is pushing for regeneration with the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, inquiries and transactions in the replacement market have gone up significantly during recent years. Due to the shorter lead times and the lumpiness of engineering manpower requirements, the Company has adjusted production lines and human resource allocations. We expect the replacement market to grow over 15 p.a. going forward.

2. Long-term market goals:

In addition to the target markets of high-end residential buildings and luxury properties, the Company will also pursue landmark hybrid projects of hotels and high-rise buildings, invest in large-scale public infrastructure projects, and continue to innovate and develop new products and new engineering techniques to meet the changing needs of the market and prepare for the long-term target market.

## 2. Market, Production and Sales Overview:

### (1) Market analysis:

#### 1. Sales (provided) regions of major products (services)

The company's main product sales regions in the last two years

Unit: NT\$ thousand

Region \ Year	2020		2021	
	Amount	%	Amount	%
Taiwan	4,378,421	99.66	4,591,617	99.71
Mainland China	5,727	0.13	3,854	0.08
Other areas in Asia	9,248	0.21	9,552	0.21
Total	4,393,396	100.00	4,605,023	100.00

#### 2. Market share

The Company's main business is the manufacturing, sales and maintenance of elevator (escalator) related products and the sales and maintenance of generators, and we are one of the three major elevator manufacturing and sales companies in Taiwan. Although the market competition is intense, our average market share remains at about 20%.

#### 3. Future supply and demand situation and growth in the market

Elevators, escalators and residential elevators

The elevator market in Taiwan has been benefiting from the economic recovery and the architectural boom. The sales of new elevators in 2021 rose significantly. The Company enjoyed a significant increase in the number of contracts at hand. Shipments this year are expected to grow slightly. In the public infrastructure market, the government has approved the investment of NT\$424.133 billion from 2017 to 2024 on the railway construction under the Special Act for Forward-Looking Infrastructure Project and the policy for 200,000 social housing units over the next eight years. This will drive the growth of the elevator industry. The Company will continue to keep track of project tender information and chase sales orders.

During the golden decade of Taiwan's construction from 1985 to 1995, the market has accumulated a considerable number of elevators, and these elevators have been in use for more than 20 years so far. The recommended service life of general elevators is about 20 years; the frequency of old elevators' equipment failure will increase, leading to the difficulties of obtaining maintenance spare parts, long waiting periods, increased maintenance costs and reduced comfort. Therefore, there has been an upsurge in recent years in the inquiry of elevator replacement and the actual number of transactions, and it is estimated that the market demand for elevator replacement will expand year by year.

Over time, the Company has accumulated extensive experience in large-scale engineering projects. During recent years, we have invested considerable manpower in product development such as high-speed and green elevators, elevators without machine rooms, and the Internet of Things to respond and prepare for vertical transportation of buildings.

#### 4. Expected sales volume and the basis

The Company mainly sells elevators, escalators, residential elevators, vacuum pneumatic shuttles and generators. After taking into account the current business situation and the future development trend of the elevator market, the detailed sales volume expected in 2022 is as follows:

Unit: machine set

Main products	Expected sales volume
Elevators	2,598
Generators	43

#### 5. Competitive niche

The Company specializes in the manufacturing, installation, sales and maintenance of elevators and escalators, and serves as a distributor and maintenance provider for Caterpillar generators. Fifty years on since inception, we have the most professional design, installation and service personnel and excellent technology. Our countrywide service network provides various merchandise sales and a 24-hour emergency service system. In the face of the competition, we introduce fully automated equipment to boost capacity, integrate production, marketing and engineering management monitoring and develop value-oriented products. We are the most competitive team in the marketplace.

#### 6. Advantages and disadvantages of development prospects and countermeasures

##### (1) Favorable factors

- a. We have focused on the core business for more than 50 years and have accumulated significant state-of-the-art engineering experience such as Taipei 101 Building, Shin Kong Life Tower, Taiwan High Speed Rail, Taipei MRT, Taoyuan Airport MRT, Kaohsiung MRT and Kaohsiung Music Center. Our excellent quality, superb technology and caring service have established an excellent brand reputation in Taiwan.
- b. Our cumulative sales of more than 50,000 units since the start of the business have contributed to the stable growth of the elevator (escalator) replacement and maintenance business.
- c. The number of old elevators in Taiwan is increasing year by year, which is conducive to the stable growth of elevator function update business.
- d. We have professional service bases all over the country, providing customers with 24-7 and a full range of maintenance services.
- e. Investments in 2021 in Taiwan hit a 21-year record high. This increased the demand for office spaces and industrial sites.
- f. The Company began in 2019 to offer services in the building projects of large generators and saw good business growth. We believe that we can create reasonable profits and satisfy customers' needs with distribution terms and conditions based on mutual benefit and mutual trust.

##### (2) Unfavorable factors

- a. Taiwan's elevator (escalator) market suffers an intense low-price competition; there is no substantial growth in the demand for elevators, and it is impossible to reduce costs by mass production. What is worse is that large European and American manufacturers import from China whole machine sets to compete for the market, thus affecting the profit of new elevators further.
- b. Small manufacturers preempt the elevator maintenance market with lower maintenance costs. In addition, it is common for small residential elevators to stop maintenance due to the owner's shutdown.
- c. The economic recovery has pushed up global inflation and raw materials costs.

##### (3) Countermeasures

- a. Professional support to architects in planning and designing of vertical transportation for construction projects in order to stay ahead of the game; and working with the government policy and participation in public infrastructure by bidding for the 8-year 200,000 social housing units, MRT revamps and Forward-Looking Infrastructure Project for business opportunities in lifting equipment.

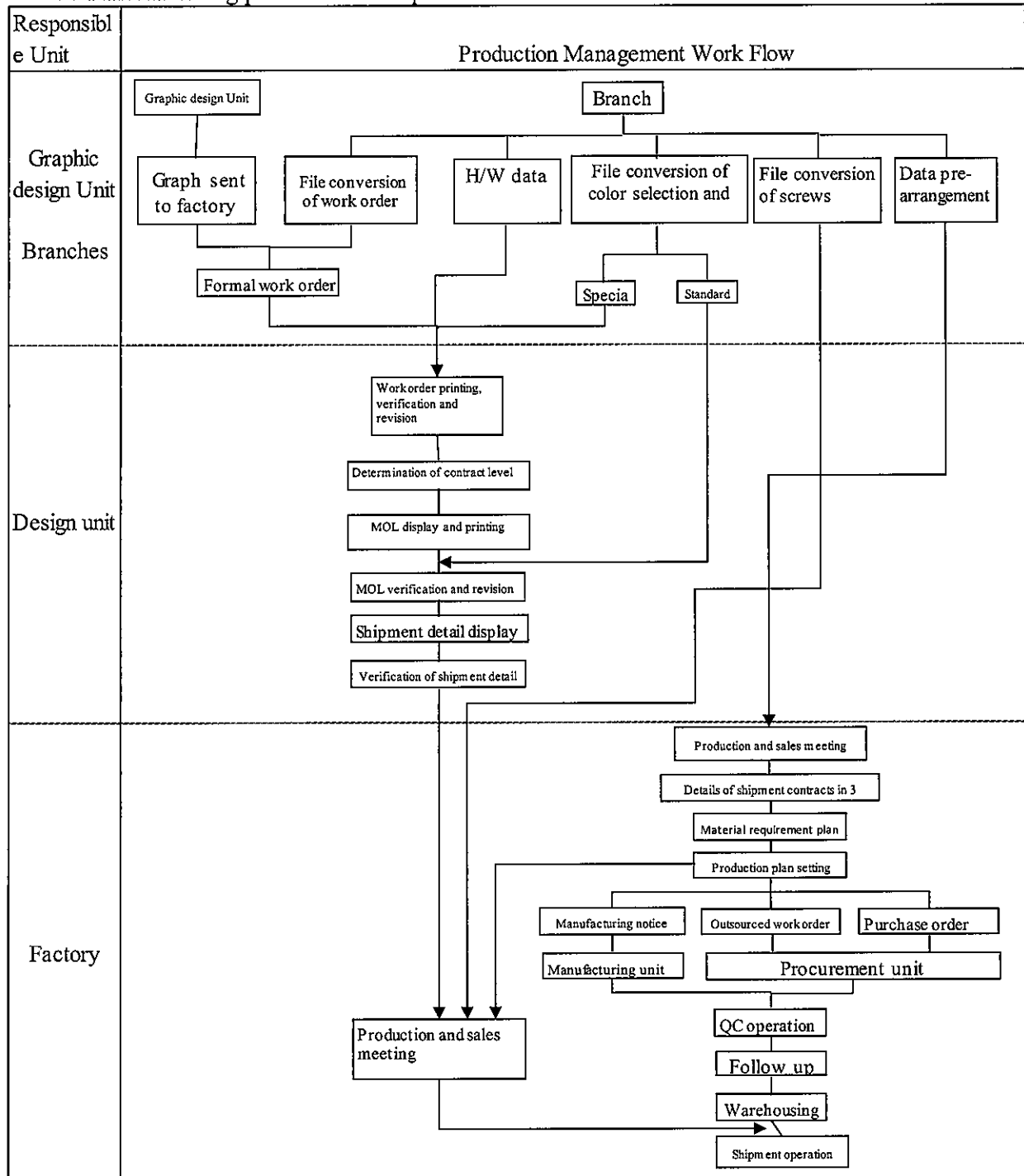
- b. Provide diversified maintenance portfolio solutions, replacement of energy-saving parts, equipment maintenance and monitoring system settings, etc., to meet the needs of different customers, and maintain a continuous growth of maintenance units.
- c. Leverage of stable exchange rate of the New Taiwan Dollar for offsetting the rising costs while maintaining the strategies of diversified procurement and development of components with higher price-performance ratios.

(2) Important use and manufacturing process of main products:

1. Purpose of main products:

Product name	Use
Elevators for passengers, cargo and hospital beds	Provide the carrying of passengers, goods and hospital beds for buildings.
Escalator	Provide the transportation of passengers for office buildings, shopping malls, stations and other large public constructions.
Generators	Provide emergency power for various public, commercial and residential buildings and factories.

## 2. Manufacturing process of main products:



(3) Main raw materials supply status:

The Company continues to dedicate itself to the development of new models and the improvement of in-sourcing ratios. The shortening of delivery lead times and the reduction of manufacturing costs are also top priorities. We consolidate our supplier list by concentrating procurement to ensure favorable material sourcing in Taiwan. Annual contracts are signed with major suppliers and there are mostly two or more suppliers for important components, to reduce stock-out risks. As COVID-19 rages around the world, fluctuations from costs of international shipping and raw materials and foreign exchange rate intensify. In response, the Company is dynamically adjusting procured quantities, based on a quarterly schedule and via HUB warehousing, and managing inventory levels with price negotiations for large-batch purchases. These measures ensure a steady supply for good qualities, at a lower level of inventories, for products satisfying customers' needs and meeting fast deliveries. Other than imported parts specified by customers, the majority of imported items are from Japan for main steel cables, guide rails above 30K and few special parts. The products imported from China include counterweight irons and guide rails. All the other materials and parts are sourced in Taiwan.

(4) The names of the customers who account for more than 10% of the total amount of purchases (sales) in any of the most recent two years and the amount and proportion of the purchases (sales):

1. Manufacturers with a total purchase volume of more than 10%: None

Unit: NT\$'000

Item	2020				2021				As of the end of the previous quarter in 2022			
	Name	Amount	Percentage of net purchases for the whole year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases for the whole year (%)	Relationship with the issuer	Name	Amount	Percentage of net purchases in the current year up to the previous quarter (%)	Relationship with the issuer
1	Other	1,713,449	100.00	—	Other	1,850,727	100.00	—	Other	436,091	100.00	—
	Net purchase	1,713,449	100.00		Net purchase	1,850,727	100.00		Net purchase	436,091	100.00	

2. Customers accounting for more than 10% of total sales: None

Unit: NT\$'000

Item	2020				2021				As of the end of the previous quarter in 2022			
	Name	Amount	Percentage of net sales in the whole year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales in the whole year (%)	Relationship with the issuer	Name	Amount	Percentage of net sales in the current year up to the previous quarter (%)	Relationship with the issuer
1	Other	4,393,396	100.00	—	Other	4,605,023	100.00	—	Other	1,087,316	100.00	—
	Net sales	4,393,396	100.00		Net sales	4,605,023	100.00		Net sales	1,087,316	100.00	

(5) Production value in the last two years:

Unit: NT\$1000/machine set

Main products \ Year	Unit	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Elevators	Machine set	1,500	2,266	1,995,482	1,500	2,394	2,053,606
Generators	Machine set	—	22	71,504	—	30	90,442
Services	—	—	—	1,009,904	—	—	1,043,311
Total				3,076,890			3,187,359

Note: For the sales of generators, the production value is the relevant purchase cost.

(6) The sales value of the last two years:

Unit: NT\$1000/machine set

Main products \ Year	2020				2021			
	Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Elevators	2,266	2,414,933	—	10,104	2,394	2,499,349	—	34,606
Generators	22	77,907	—	—	30	98,633	—	—
Services	—	1,890,452	—	—	—	1,972,435	—	—
Total		4,383,292		10,104		4,570,417		34,606

### 3. Employees

Year		2020	2021	2022 (note)
Number Engineering employee	Office clerks	456	457	454
	Salespersons	59	63	61
	Technicians	808	839	846
	Total	1,323	1,359	1,361
Average age		45.25	44.64	45.45
Average service years		12.53	13.11	13.18
Academic degree distribution ratio (%)	Master	0.68%	0.78%	0.78%
	College	51.75%	51.25%	51.30%
	High school	38.38%	38.86%	40.38%
	Below high school	9.19%	9.11%	7.54%

Note: Information as of March 31, 2022.

### 4. Information on Environmental Protection Expenditure:

- (1) Total losses and punishments due to environmental pollution in the past two years: none.
- (2) Countermeasures and possible expenditures in the future:

The Company has obtained the ISO 14001 environmental management system certification. In addition, the pollution prevention device in the production equipment has been installed, so it is not expected that there will be major environmental capital expenditure in the future.

- (3) The relevant information of the Company and its subsidiaries in response to the EU Environmental Protection Directive (RoHs) is as follows:

The products of the Company and its subsidiaries are not directly or indirectly exported to Europe or involve the relevant regulations of the EU Environmental Protection Directive (RoHs).

(4) Protection measures for the working environment and employees' personal safety:

For environmental safety, health and operation process management, the Company has always adopted the concepts of "effective use of energy/resources to protect the environment, and constantly pursue progress and strive to prevent environmental pollution" and "spontaneous and conscious efforts to withstand the criticism of experts and ensure the satisfaction of laymen" and has achieved ISO9001 management process verification in 1995 and ISO14001 verification in 1998. The time of verification was in the initial stage of management system promotion, and this is sufficient to prove that the Company has been pro-active in environmental and safety management.

1. Set up a dedicated unit for environmental protection, safety and health:

The Company established the Occupational Safety and Health Office, with an occupational safety and health management specialist responsible for formulating and supervising all units to implement various safety and health measures, so as to maintain the safety of the working environment. At the same time, the Company established an occupational safety and health committee and appointed dedicated personnel to supervise the implementation of plant environment maintenance and various safety and health measures in accordance with occupational safety related laws and regulations.

2. Regular environmental protection, safety and health training:

For new hires and employees under job rotation, safety and health training is provided and the training hours and subjects are carried out in accordance with the regulations. Personnel who operate hazardous machinery or equipment, for example, overhead cranes, stacker cranes, organic solvents, high-pressure gas, etc., must be trained and certified to do so. Whether or not dedicated personnel or professional technicians, they shall be regularly trained in accordance with the regulations. For the operating site of the factory, the operating environment inspection is conducted every six months to ensure that the operating site complies with the regulations.

3. Annual regular health checkups and on-site service of special medical personnel:

The Company regularly conducts health checkups for employees (including special operating personnel in the plant area) every year to safeguard the health of employees, and arranges medical personnel to handle health management and occupational disease prevention and other labor health protection matters to protect the physical and mental health of workers and provide medical knowledge to employees.

4. The Company regularly holds fire training and emergency drills for special places:

Emergency response drills are held at special operating sites every year for the emergency response capacity. General firefighting training is implemented every six months to train employees in the steps of grouping, rehearsing, contingency and aftercare.

5. In order to promote on-site safety operations and ensure the necessary safety and health awareness of all levels of personnel, the Company has set basic standards for safety and health training hours for personnel of various systems, and the Safety and Health Office is responsible for the supervision:

- (1) New employees and employees under job rotation - no less than 3 hours of training each time.
- (2) General in-service employees other than those in the preceding paragraph - at least 6 hours of training every 3 years.
- (3) Occupational safety and health supervisors - at least 6 hours of training every 2 years.
- (4) Occupational safety and health management personnel - at least 12 hours of training every 2 years.

6. In order to maintain the safety of on-site staff, the Company provides for the use of on-site staff personal protective equipment such as safety helmets, safety belts, safety shoes,

etc. which are listed as personal basic equipment and are regularly replaced and supplemented; to avoid on-site staff from any injury during work, the Company also has purchased security facilities such as isolation canvases, isolation railings, safety signs and safety nets for on-site personnel to use on site to reduce the risk of injury. The use of personal protective equipment and the installation of on-site safety facilities are listed as the focus of on-site inspections by the Safety and Health Office and occupational safety and health management personnel in various regions.

## **5. Labor-management Relations:**

- (1) The Company's various employee welfare measures, study, training, retirement systems and their implementation, as well as the agreement between labor and management and various employee right protection measures:

Since its establishment in May 1974, the Company has been actively creating a harmonious working environment. In order to enable labor to have appropriate channels for two-way communication with the management on the Company's management policies, working environment and related welfare so as to seek a perfect solution and establish a consensus between labor and management, the specific practices are as follows:

### **1. Welfare measures:**

The Company established the Employee Welfare Committee in 1978 to provide employees and their dependents with various welfare measures to improve the quality of leisure activities and enable employees to enjoy corporate profits. The implementation of the welfare measures of the Company and the Employee Welfare Committee is as follows:

#### **(1) Company welfare measures:**

- a. Employee marriage and funeral allowance
- b. Employee health checkup
- c. Group uniform
- d. Year-end bonus
- e. Year-end benefits
- f. Employee retirement pension
- g. Food allowance
- h. Labor insurance, health insurance, group insurance and occupational disaster insurance
- i. Birthday gift
- j. Seniority-based travel/prizes
- k. Year-end dinner/prize

#### **(2) Employee Welfare Committee's welfare measures:**

- a. Gifts for three major festivals
- b. Employee interest club subsidy
- c. Staff travel, cultural and recreational expenses
- d. Wedding gift, bereavement condolences, childbirth allowance, etc.
- e. Employee and child education scholarship
- f. Interest-free loans for distressed situations
- g. Birthday gift

### **2. Staff training:**

Through a dedicated training unit, the training of new recruits or the on-the-job training of employees are arranged to enable employees to continue to absorb new knowledge and continue to grow. The statistics and expenditures on employee training in 2021 are as follows:

Training	Internal training	External training
Expenditure	NT\$1,877 (thousand)	NT\$816 (thousand)
Number of trainees	1,858	463
Course name	<ol style="list-style-type: none"> <li>1. Newcomer training</li> <li>2. Pre-employment training for new engineering staff</li> <li>3. Basics/on-the-job training on installations</li> <li>4. Basics/on-the-job training on adjustments</li> <li>5. Basic/on-the-job training on maintenance</li> <li>6. On-the-job training of escalator maintenance</li> <li>7. Pre-employment/rotation/on-the-job training on occupational health and safety</li> <li>8. Installation/adjustment on-site training</li> <li>9. Training of transferred maintenance personnel</li> <li>10. Training of elevator technical inspection</li> <li>11. Advanced training in maintenance of electromagnetic brakes</li> <li>12. Maintenance training on guide rollers</li> <li>13. Defect code analysis</li> <li>14. Drills, training and education on emergency responses</li> <li>15. On-the-job training on organic solvents</li> <li>16. Training for dusty operations personnel</li> <li>17. Training for Class B/C technician certificates on elevator installation and repair</li> <li>18. Training for sales personnel from all locations</li> <li>19. On-the-job training for electro-mechanical personnel</li> </ol>	<ol style="list-style-type: none"> <li>1. CEO performance evaluation and remuneration planning</li> <li>2. Operation activities of unethical conducts and case studies</li> <li>3. Reading financial statements for operating performance and risks by internal auditors</li> <li>4. Corporate governance and information disclosure – major responsibilities of insiders</li> <li>5. Corporate governance trend in Taiwan and analysis of environment for implementation control</li> <li>6. Continued education for accounting manager from security issuers</li> <li>7. Business contract management and audit</li> <li>8. Training of elevator installation, repair and technical inspection – B and C levels</li> <li>9. Analysis of Noise Interference in Power Supply Circuit and countermeasures from real cases</li> <li>10. First aid/re-training</li> <li>11. Class A occupational safety and health supervisor (construction industry)</li> <li>12. Class C occupational safety and health supervisor (construction industry)</li> <li>13. Occupational safety and health supervisor and administrator re-training</li> <li>14. Forklift operator training/re-training</li> <li>15. Fixed crane operator/re-training</li> <li>16. General six-hour safety and health training</li> <li>17. Refresher training for personnel operating high pressure gas vessels</li> <li>18. Corporate product calculation analysis</li> <li>19. Work shift planning</li> <li>20. Enterprise customer relations management and customer complaints crisis management</li> </ol>

3. Through industrial trade unions, reach smooth upward communication and coordination between the labor and the management.

4. Retirement system and implementation status:

The Company formulated the "Labor Retirement Measures" in accordance with the Labor

Standard Act. The monthly retirement reserve is allocated and deposited in the Bank of Taiwan's retirement pension account, and the Labor Pension Supervision Committee is established by both the labor and the management according to law to jointly supervise the allocation and use of the Company's retirement reserve in order to protect the employees' life after retirement. In addition, for new employees after July 1, 2005 and those who changed from the old system to the new system (Labor Pension Act) before June 30, 2010, their pensions are paid monthly by the Company according to the government's salary scale from 6% of the employee's monthly salary to the personal account at the Labor Insurance Bureau.

5. Employee Code of Conduct:

In order to enable the employees of the Company to uphold the core value of "integrity and innovation" and construct the four pillars of "happy employees," "satisfied customers," "satisfied shareholders" and "harmonious society," and move forward to the GFC enterprise paradise through a proper code of conduct, the Employee Code of Conduct is specially formulated and the content is summarized as follows:

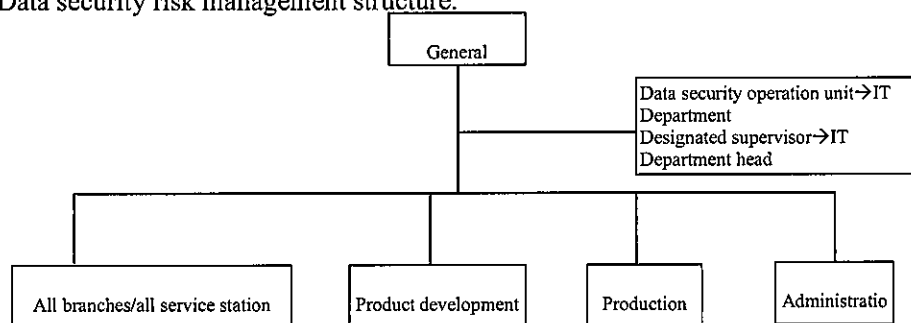
- a. Relationship among employees - The relationship among employees shall be based on mutual trust, mutual assistance and dedication to the Company.
- b. Our relationship with the Company - We understand the Company's trust in us, and employees shall act with integrity to maintain the Company's trust in us; therefore, we shall avoid conflicts of interest so as not to affect our judgment.
- c. Our relationship with other companies/manufacturers -When dealing with other companies, it is very important to maintain our "honest and fair" reputation. We shall observe professional ethics when dealing with suppliers, and must not give or accept manufacturers' gifts or rebates which may affect our business decision making.
- d. Our relationship with consumers - To win consumers' trust with products of superior quality and performance.
- e. Our relationship with the society - Participate in local donations and volunteer work, and comply with relevant government laws and regulations when handling the Company's business.

(2) Current and future estimated amounts and corresponding measures

Due to the harmonious labor-management relationship and smooth communication channels, the Company does not expect any possible disputes in the future.

## 6. Data security management :

### (1) Data security risk management structure:



1. General manager: the principal responsible person for the data security of the Company
2. Data security operation unit: IT Department
  - (1) Designated supervisor: IT Department head
  - (2) Appoint data security specialist for formulating, monitoring, inspecting and advocating data security operation.
  - (3) Update monthly report on data security operations
3. All branches and service stations: Top executives from each unit are responsible for its data security operations.

### (II) Data security policy :

1. Adhere to all data regulations of the Company to ensure information assets of the Company for continuous and sustainable operations.
2. Advocating related concepts to increase employee awareness in data security and regulation compliance to ensure continuous business operations.

### (III) Specific management approach :

1. Internet safety management : hacker prevention. 2. System access control and management : force periodical password update to maintain authorized access. 3. Virus protection: install virus scan software and carry out instant data backup. Data security training: reinforce “not clicking on unsolicited emails or links.” 5. Ensure system availability: remote data backup operations. 6. Computer safety management: maintain non-stop computer server operations.

### (IV) As of the printing date, there have not been significant data incidents from the Company.

## 7. Important Contracts:

Contractual nature	Parties involved	Contract start date	Main content	Restrictions
Technical Cooperation Contract	Toshiba Elevator Co., Ltd.	January 01, 2017 to December 31, 2027	Introducing the latest development technology and models of Toshiba Elevator and expanding and improving the current production line to improve the Company's technology and productivity, together with the agreement to pay the technical compensation fee.	None
General Agent Contract	Toshiba Elevator Co., Ltd.	January 01, 2022 to December 31, 2023	Toshiba Elevator Co., Ltd. appointed the Company as the sole agent of elevators and escalators in our country to jointly safeguard the rights and interests of both parties.	None
Cooperative Contracts	The Company's subsidiaries GFC Cayman Islands Limited and Shanghai Zhouqi Industrial Co., Ltd. of China	December 26, 1997 to December 25, 2037	<ol style="list-style-type: none"> <li>1. Name of the partner company: Shanghai GFC Elevator Co., Ltd. (Formerly known as Shanghai Jifuxi Mechanical and Electrical Equipment Co., Ltd.)</li> <li>2. Scope of production and operation: Production, sales and installation of diesel generators (except marine generators), passenger elevators, freight elevators and related spare parts and maintenance services.</li> <li>3. Cooperation conditions: <ol style="list-style-type: none"> <li>a. The total investment is US\$40 million and the registered capital is US\$16 million.</li> <li>b. Shanghai Zhouqi Industrial Co., Ltd. of China provides the right-of-use of 16,457 square meters of land for 40 years and the rent is collected annually without being involved in operations and earnings distribution.</li> </ol> </li> </ol>	Products of partner companies are sold in China and overseas markets, of which export accounts for 30%, and domestic sales accounts for 70%.

Note 1: The standard for important contracts is that the amount is over NT\$100 million.

## VI. Financial Status Overview

### 1. Concise Financial Information for the Past Five Years:

(1) Concise balance sheet - Consolidated financial statements and individual financial statements adopting International Financial Reporting Standards

Unit: NT\$'000

Item \ Year	Consolidated financial information in the last five years (note 1)					Current year as of March 31, 2022 Financial information (note 1)
	2017	2018	2019	2020	2021	
Current assets	3,410,060	4,393,090	4,443,160	4,980,065	5,723,120	5,926,285
Property, plant and equipment (note 2)	1,011,746	1,108,600	1,093,785	1,076,079	1,145,326	1,136,569
Intangible assets	2,966	4,102	84,217	82,225	78,087	77,014
Other assets (note 2)	1,620,388	1,553,921	1,555,824	1,574,707	1,463,021	1,433,340
Total assets	6,045,160	7,059,713	7,176,986	7,713,076	8,409,554	8,573,208
Current liabilities	Before distribution	1,760,952	2,814,743	2,784,351	3,186,980	3,610,077
	After distribution	2,309,689	3,274,974	3,262,283	3,718,016	-
Non-current liabilities		347,948	207,277	142,831	69,218	66,933
Total liabilities	Before distribution	2,108,900	3,022,020	2,927,182	3,256,198	3,677,010
	After distribution	2,657,637	3,482,251	3,405,114	3,787,234	-
Equity attributable to owners of parent Company		3,936,259	4,037,690	4,249,831	4,456,874	4,732,623
Share capital		1,770,120	1,770,120	1,770,120	1,770,120	1,770,120
Additional paid-in capital		60,603	60,603	60,603	60,830	60,830
Retained earnings	Before distribution	2,110,969	2,280,488	2,493,200	2,710,452	2,924,819
	After distribution	1,562,232	1,820,257	2,015,268	2,179,416	-
Other rights and interests		(5,433)	(73,521)	(74,319)	(84,528)	(23,146)
Treasury shares		0	0	0	0	0
Non-controlling interests		1	3	(27)	4	(79)
Owners' equity Total	Before distribution	3,936,260	4,037,693	4,249,804	4,456,878	4,732,544
	After distribution	3,387,523	3,577,462	3,771,872	3,925,842	-

Unit: NT\$'000

Item \ Year	Individual financial information in the last five years (note 1)				
	2017	2018	2019	2020	2021
Current assets	3,128,261	4,189,602	4,213,772	4,685,526	5,328,482
Property, plant and equipment (note 2)	969,344	1,072,775	1,065,409	1,051,217	1,124,870
Intangible assets	2,792	3,975	83,432	81,629	77,375
Other assets (note 2)	1,746,224	1,695,032	1,735,582	1,803,552	1,760,653
Total assets	5,846,621	6,961,384	7,098,195	7,621,924	8,291,380
Current liabilities	Before distribution	1,565,555	2,717,477	2,706,198	3,096,477
	After distribution	2,114,292	3,177,708	3,184,130	3,627,513
Non-current liabilities		344,807	206,217	142,166	68,573

Item \ Year		Individual financial information in the last five years (note 1)				
		2017	2018	2019	2020	2021
Total liabilities	Before distribution	1,910,362	2,923,694	2,848,364	3,165,050	3,558,757
	After distribution	2,459,099	3,383,925	3,326,296	3,696,086	-
Equity attributable to owners of parent Company		3,936,259	4,037,690	4,249,831	4,456,874	4,732,623
Share capital		1,770,120	1,770,120	1,770,120	1,770,120	1,770,120
Additional paid-in capital		60,603	60,603	60,830	60,830	60,830
Retained earnings	Before distribution	2,110,969	2,280,488	2,493,200	2,710,452	2,924,819
	After distribution	1,562,232	1,820,257	2,015,268	2,179,416	-
Other rights and interests		(5,433)	(73,521)	(74,319)	(84,528)	(23,146)
Treasury shares		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Owners' equity Total	Before distribution	3,936,259	4,037,690	4,249,831	4,456,874	4,732,623
	After distribution	3,387,522	3,577,459	3,771,899	3,925,838	-

Note 1: The financial information of the last five years has been certified by independent auditors; the financial information for the first quarter of 2022 has been reviewed by the independent auditor.

Note 2: So far, the Company has not conducted asset revaluation.

Note 3: The figures after distribution are based on the resolutions of the shareholders' meeting of the following year.

**Condensed Comprehensive Income Statement - Adopting International Financial Reporting Standards**  
Unit: NT\$'000

Item \ Year		Consolidated financial information in the last five years (note)					Current year as of Financial information on March 31, 2022 (note)
		2017	2018	2019	2020	2021	
Operating income		4,283,348	4,249,443	4,280,041	4,393,396	4,605,023	1,087,316
Net operating margin		1,297,218	1,256,449	1,288,356	1,316,506	1,417,664	362,305
Operating profit/loss		769,099	740,356	797,266	834,225	888,134	225,566
Non-operating income and expenditure		211,964	27,573	36,012	40,451	80,597	90,331
Net profit before tax		981,063	767,929	833,278	874,676	968,731	315,897
Units with continuing business net profit of the current period		830,502	642,521	679,283	725,709	777,883	269,899
Loss of units with business suspended		-	-	-	-	-	-
Net income (loss) of the current period		830,502	642,521	679,283	725,709	777,883	269,899
Other comprehensive income in the current period (net income after tax)		8,533	7,649	(7,168)	(40,703)	28,819	(35,704)
Total comprehensive income of the current period		839,035	650,170	672,115	685,006	806,702	234,195
Net income attributable to parent Company owner		830,547	642,511	679,312	725,678	777,924	269,931
Net income attributable to non-controlling interests		(45)	10	(29)	31	(41)	(32)
Comprehensive income attributable to parent Company owner		839,088	650,168	672,145	684,975	806,785	234,250
Comprehensive income attributable to Non-controlling interests		(53)	2	(30)	31	(83)	(55)
Earnings per share		4.40	3.63	3.84	4.10	4.39	1.52

Unit: NT\$'000

Item \ Year	Individual financial information in the last five years				
	2017	2018	2019	2020	2021
Operating income	4,011,211	4,074,993	4,185,425	4,289,039	4,505,572
Net operating margin	1,219,671	1,181,322	1,219,899	1,257,338	1,358,297
Operating profit/loss	770,533	708,706	752,287	781,095	839,654
Non-operating income and expenditure	209,041	57,328	78,439	90,061	118,623
Net profit before tax	979,574	766,034	830,726	871,156	958,277
Units with continuing business net profit of the current period	830,547	642,511	679,312	725,678	777,924
Loss of units with business suspended	-	-	-	-	-
Net income (loss) of the current period	830,547	642,511	679,312	725,678	777,924
Other comprehensive income in the current period (net income after tax)	8,541	7,657	(7,167)	(40,703)	28,861
Total comprehensive income of the current period	839,088	650,168	672,145	684,975	806,785
Net income attributable to parent Company owner	830,547	642,511	679,312	725,678	777,924
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to parent Company owner	839,088	650,168	672,145	684,975	806,785
Comprehensive income attributable to Non-controlling interests	-	-	-	-	-
Earnings per share	4.40	3.63	3.84	4.10	4.39

Note: The financial information of the last five years has all been certified by independent auditors. Note: The financial information for the first quarter of 2022 has been reviewed by the independent auditor.

(2) Names and audit opinions of independent auditors in the last five years

Year	Name of independent auditor	Audit Opinion
2017	Chian-Tse Huang, Rong-Huang Hsu	Unqualified opinion
2018	Wen-Fun Fuh, Chun-Ting Ma	Unqualified opinion
2019	Wen-Fun Fuh, Chun-Ting Ma	Unqualified opinion
2020	Wen-Fun Fuh, Chun-Ting Ma	Unqualified opinion
2021	Wen-Fun Fuh, Chun-Ting Ma	Unqualified opinion

## 2. Financial Analysis

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

Analysis items (note 2)		Year	Consolidated financial analysis in the last five years					Current year as of March 31, 2022 (note)
			2017	2018	2019	2020	2021	
Financial structure (%)	Debt-to-asset ratio		34.89%	42.81%	40.79%	42.22%	43.72%	42.07%
	Long-term capital as a percentage of property, plant and equipment		423.45%	382.91%	401.60%	420.61%	419.05%	441.14%
Solvency%	Current ratio		193.65%	156.07%	159.58%	156.26%	158.53%	166.50%
	Quick ratio		145.75%	82.37%	94.08%	97.18%	101.23%	106.71%
	Times interest earned		274.20	712.70	2008.90	1549.10	1284.09	2846.92
Operating ability	Receivable turnover (number of times)		4.44	4.53	5.01	4.98	4.69	4.27
	Average cash in days		82.20	80.57	72.85	73.29	77.82	85.48
	Inventory turnover (number of times)		3.54	2.08	1.59	1.75	1.68	1.42
	Payable turnover (number of times)		3.32	4.96	9.17	8.83	8.46	8.19
	Average days sold		103.10	175.48	229.55	208.57	217.26	257.04
	Turnover of property, plant and equipment (number of times)		4.17	4.01	3.89	4.05	4.15	3.81
	Total asset turnover (number of times)		0.70	0.65	0.60	0.59	0.57	0.51
Profitability	ROA (%)		13.60%	9.82%	9.55%	9.75%	9.66%	12.72%
	ROE (%)		21.69%	16.12%	16.39%	16.67%	16.93%	22.26%
	Ratio of paid-in capital (%)	Operating income	43.45%	41.83%	45.04%	47.13%	50.17%	50.97%
		Net profit before tax	55.42%	43.38%	47.07%	49.41%	54.73%	71.38%
	Net profit ratio (%)		19.39%	15.12%	15.87%	16.52%	16.89%	24.82%
	Earnings per share (NT\$)		4.40	3.63	3.84	4.10	4.39	1.52
Cash flow	Cash flow ratio (%)		29.20%	20.22%	33.75%	24.94%	28.18%	2.17%
	Cash flow allowance ratio (%)		164.15%	150.01%	136.02%	128.02%	129.51%	132.29%
	Cash reinvestment ratio (%)		1.86%	0.47%	10.95%	7.14%	10.25%	1.56%
Leverage	Operational leverage		1.63	1.64	1.58	1.55	1.57	1.57
	Financial leverage		1.00	1.00	1.00	1.00	1.00	1.00

Note: The financial information for the first quarter of 2022 was reviewed by the independent auditor.

Please explain the reasons for the changes in various financial ratios in the last two years. (If the increase or decrease is less than 20%, the analysis is exempted)

Increase or decrease less than 20%: none

Analysis items (note 2)		Year	Individual financial analysis in the last five years				
			2017	2018	2019	2020	2021
Financial structure %	Debt-to-asset ratio		32.67%	42.00%	40.13%	41.53%	42.92%
	Long-term capital as a percentage of property, plant and equipment		441.65%	395.60%	412.24%	430.50%	426.61%
Debt repayment ability %	Current ratio		199.82%	154.17%	155.71%	151.32%	152.57%
	Quick ratio		151.87%	79.56%	89.88%	91.61%	94.75%
	Times interest earned		1388.50	2947.28	2136.54	1542.87	1271.92
Operating ability	Receivable turnover (number of times)		4.60	4.60	5.03	4.94	4.63
	Average cash in days		79.35	79.35	72.55	73.88	78.83
	Inventory turnover (number of times)		3.99	2.11	1.61	1.75	1.69
	Payable turnover (number of times)		3.28	5.26	10.67	9.97	9.61
	Average days sold		91.49	172.82	226.90	208.09	215.98
	Turnover of property, plant and equipment (number of times)		4.10	3.99	3.91	4.05	4.14
	Total asset turnover (number of times)		0.69	0.64	0.60	0.58	0.57
Profitability ability	ROA (%)		14.25%	10.04%	9.67%	9.87%	9.78%
	ROE (%)		21.69%	16.12%	16.39%	16.67%	16.93%
	Ratio of paid-in capital (%)	Operating income	43.53%	40.04%	42.50%	44.13%	47.43%
		Net profit before tax	55.34%	43.28%	46.93%	49.21%	54.14%
	Net profit ratio (%)		20.71%	15.77%	16.23%	16.92%	17.27%
	Earnings per share (NT\$)		4.40	3.63	3.84	4.10	4.39
Cash flow	Cash flow ratio (%)		26.59%	18.11%	33.64%	23.51%	27.55%
	Cash flow allowance ratio (%)		186.43%	136.39%	124.42%	111.04%	116.96%
	Cash reinvestment ratio (%)		-0.48%	-1.35%	10.46%	5.76%	9.27%
Leverage	Operational leverage		1.58	1.66	1.61	1.59	1.60
	Financial leverage		1.00	1.00	1.00	1.00	1.00

Note 1: The financial analysis data of the last five years have all been verified and certified by the independent auditor.

Note 2: The calculation formula of financial analysis:

1. Financial structure

- (1) Ratio of liabilities to assets = total liabilities/total assets.
- (2) The ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities)/net of property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (current assets - inventory-prepaid expenses)/current liabilities.
- (3) Times interest earned = earnings before income tax and interest expense/interest expense for the current period.

3. Operating capacity

- (1) Receivables (including accounts receivable and bills receivable due to business) turnover ratio = net sales/ balance of average receivables in each period (including accounts receivable and notes receivable due to business).
- (2) Average cash collection days = 365/receivables turnover ratio.
- (3) Inventory turnover ratio = cost of goods sold/average inventory amount.
- (4) Payables (including accounts payable and bills payable due to business) turnover ratio = cost of goods sold/balance of average payables (including accounts payable and bills payable due to business) in each period.
- (5) Average days sold = 365/inventory turnover rate.
- (6) Property, plant and equipment turnover ratio = net sales/average net property, plant and equipment.
- (7) Total asset turnover ratio = net sales/average total assets.

4. Profitability

- (1) Return on assets = [profit and loss after tax + interest expense  $\times$  (1-tax rate)]/average total assets.
- (2) Return on equity = profit or loss after tax/average total equity.
- (3) Net profit margin = after-tax profit or loss/net sales.
- (4) Earnings per share = (profit and loss attributable to owners of the parent company - dividends on special shares)/weighted average of issued shares.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
- (2) Net cash flow allowance ratio = net cash flow from business activities in the last five years/capital expenditure + increase in inventory + cash dividends in the last five years.
- (3) Cash reinvestment ratio = (net cash flow from business activities - cash dividend)/(gross property, plant and equipment + long-term investment + other non-current assets + working capital).

6. Leverage:

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

**3. Supervisor's review report on the most recent annual financial report:**

## **Supervisor's Review Report**

The board of directors submitted the Company's 2021 annual financial report and the consolidated financial report of its subsidiaries, which had been verified and certified by Wen-Fun Fuh and Chun-Ting Ma of Ernst & Young. After checking by the supervisor, there is no inconsistency and we therefore submit them for your review in accordance with the provisions of Article 219 of the Company Act.

To

2022 general shareholders' meeting of GFC Corporation

Chang-I Wang

Supervisor:

De-Jin Tang Culture and Education Foundation  
Representative: Yun-Peng Chen

March 25, 2022

#### 4. Financial Report of the Most Recent Year

### REPRESENTATION LETTER

#### English Translation of the Representation Letter Originally Issued in Chinese

The companies that are required to be included in the combined financial statements of GFC, 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 the International Financial Reporting Standards No.10. "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, GFC, LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

GFC, LTD.

By

TANG, BO-LONG

Chairman

March 25, 2022

## **Audit Report of Independent Accountants**

To GFC, LTD.:

### **Audit Opinion**

We have audited the accompanying consolidated balance sheets of GFC, LTD. (the “Company”) and its subsidiaries as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial positions of the Company and its subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

#### Allowance for Receivables

The accounts receivable of the Company and its subsidiaries as of December 31, 2021 amounted to \$778,407 thousand, accounting for 9% of the total consolidated assets, and had a significant impact on the consolidated financial statements. Since the amount of allowance for accounts receivable is measured by the lifetime expected credit losses, the measurement process shall appropriately distinguish groups of accounts receivable, and judge and analyze the application of related assumptions in the measurement process, including the consideration of appropriate account aging interval, loss rate of each account aging interval and its forward-looking information. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the result will affect the net accounts receivable, we therefore considered this a key audit matter. Our audit procedures included (but are not limited to) understanding the internal control established by the management for accounts receivable collection management and testing the effectiveness of the internal control; evaluating the appropriateness of the loss allowance policy and the reasonableness of loss rate, and testing the preparation matrix used to measure the loss allowance, including evaluating whether the determination of each group’s aging interval and the estimation of loss rate are reasonable and checking the correctness of the original voucher based on the fundamental information; testing the relevant statistical information of loss rate calculated by roll rate; considering the reasonableness of the forward-looking information included in the loss rate evaluation; evaluating whether the forward-looking information affected the loss rate; reviewing the subsequent period collection of receivables and considering whether the assessment of recoverability was reasonable; carrying out analytical review to assess the turnover rate of receivables. We also considered the appropriateness of the disclosure of accounts receivable in Notes 4, 5 and 6 to the consolidated financial statements.

### Inventory Valuation

The inventory of the Company and its subsidiaries as of December 31, 2021 amounted to \$1,997,795 thousand, accounting for 24% of the total consolidated assets, and had a significant impact on the consolidated financial statements. As the technology of elevator production advances with each passing day, inventory may be obsolete or the selling price may decline. The valuation of inventory net realizable value and the loss allowance provision involved significant amount of management judgment. In our opinion, the inventory valuation is important for the audit of the consolidated financial statements, we therefore considered it a key audit matter. Our audit procedures included (but are not limited to): understanding the appropriateness and testing the effectiveness of the internal control established by the management for inventory valuation and obsolete loss; taking inventory at the end of the period and carrying out inventory sampling at the inventory storage site to observe whether there is obsolete inventory at the site; testing the accumulated inventory cost of construction in process and evaluating the appropriate attribution and classification of the construction in process cost at the end of the period; and evaluating the reasonableness of the allowance for inventory proposed by the management. We also considered the appropriateness of inventory disclosure in Notes 4, 5 and 6 to the consolidated financial statements.

### Revenue Recognition

The main source of revenue of the Company and its subsidiaries is the sales and maintenance of elevator related products. Due to the differences in the characteristics of various sources of revenue, it is necessary to determine whether the performance obligation and the applicable revenue recognition method are over time or at a certain point in time. The amount of revenue recognized and the recognition method involve judgment and analysis, and in our opinion it is important to the audit of revenue recognition of the consolidated financial statements, so it is determined to be a key audit matter. Our audit procedures included (but are not limited to) understanding the internal control established by the management regarding the sales, installation, maintenance and repair of elevator related commodities and testing the effectiveness of the internal control; assessing the appropriateness of the accounting policies for revenue recognition; assessing the reasonableness of the management's identification of the performance obligation related to revenue and the time of recognition; reviewing the major transaction contract terms and sample checking the contract performance related documents with respect to goods or services already transferred; and conducting analytical review of the gross profit margin and major customers. We also considered the appropriateness of the accounting policies for the recognition of revenue and related disclosures in Notes 4 and 6 to the consolidated financial statements.

### **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of other auditors. These associates and joint ventures under equity method amounted to \$29,172 thousand and \$46,244 thousand, both representing 0.3% and 1% of consolidated total assets as of December 31, 2021 and 2020. The related shares of profits (loss) from the associates and joint ventures under the equity method amounted to \$6,615 thousand and \$7,268 thousand, representing 0.7% and 0.8% of the consolidated income before tax for the years ended December 31, 2021 and 2020, respectively, and the related shares of other comprehensive income (loss) from the associates and joint ventures under the equity method amounted to \$(5,792) thousand and \$(2,083) thousand, representing (20)% and 5% of the consolidated comprehensive income (loss) for the years ended December 31, 2021 and 2020, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

### **Auditor's 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 auditor's 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 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 internal control of the Company and its subsidiaries.
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 ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries 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 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other**

We have audited and expressed an unqualified opinion including an other matter paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020.

Fuh, Wen-Fun

Ma, Chun-Ting

Ernst & Young, Taiwan

March 25, 2022

**Notice to Readers:**

The accompanying consolidated financial statements are intended only to present the financial position and results of operations and cash flows in accordance with 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.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GFC, LTD. and Subsidiaries

Consolidated Balance Sheets

December 31, 2021 and December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	4&6.(1)	\$1,902,682	23	\$1,509,503	20
Financial assets at fair value through profit or loss - current	4&6.(2)	675,327	8	588,131	8
Financial assets at amortised cost - current	4&6.(16)	25,545	-	34,303	1
Notes receivable, net	4, 6.(4)&6.(16)	251,521	3	218,562	3
Accounts receivable, net	4, 6.(5)&6.(16)	778,407	9	716,662	9
Other receivables	4&6.(16)	14,313	-	16,474	-
Inventories	4&6.(6)	1,997,795	24	1,804,383	23
Prepayments		70,912	1	78,640	1
Other current assets		6,618	-	13,407	-
<b>Total current assets</b>		<b>5,723,120</b>	<b>68</b>	<b>4,980,065</b>	<b>65</b>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income - non-current	4&6.(3)	63,817	1	45,147	1
Financial assets at amortised cost - non-current	4&6.(16)	34,343	1	7,067	-
Investments accounted for using equity method	4&6.(7)	29,172	-	46,244	1
Property, plant and equipment	4&6.(8)	1,145,326	14	1,076,079	14
Right-of-use assets	4, 6.(17)&7	18,019	-	28,180	-
Investment property, net	4&6.(9)	828,182	10	831,300	11
Intangible assets	4&6.(10)	78,087	1	82,225	1
Deferred tax assets	4&6.(21)	198,051	2	185,505	2
Refundable deposits	8	276,001	3	415,114	5
Other non-current assets - other		15,436	-	16,150	-
<b>Total non-current assets</b>		<b>2,686,434</b>	<b>32</b>	<b>2,733,011</b>	<b>35</b>
<b>Total assets</b>		<b>\$8,409,554</b>	<b>100</b>	<b>\$7,713,076</b>	<b>100</b>

(The accompanying notes are integral part of the consolidated financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GFC, LTD. and Its Subsidiaries

Consolidated Balance Sheets (continued)

December 31, 2021 and December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
<b>Current liabilities</b>					
Short-term borrowings	4&6.(12)	\$-	-	\$100,000	1
Contract liabilities - current	4&6.(15)	2,376,838	28	1,967,066	26
Notes payable	4	75,626	1	68,709	1
Accounts payable	4	316,810	4	292,066	4
Other payables	4	591,194	7	537,130	7
Current tax liabilities	4&6.(21)	120,874	2	97,343	1
Provisions	4	100,484	1	90,259	1
Lease liabilities - current	4, 6.(17)&7	6,579	-	11,255	-
Other current liabilities	4	21,672	-	23,152	-
<b>Total current liabilities</b>		<b>3,610,077</b>	<b>43</b>	<b>3,186,980</b>	<b>41</b>
<b>Non-current liabilities</b>					
Lease liabilities - non-current	4, 6.(17)&7	11,607	-	17,087	-
Defined benefit liabilities - net	4&6.(13)	47,014	-	43,790	1
Other non-current liabilities		8,312	-	8,341	-
<b>Total non-current liabilities</b>		<b>66,933</b>	<b>-</b>	<b>69,218</b>	<b>1</b>
<b>Total liabilities</b>		<b>3,677,010</b>	<b>43</b>	<b>3,256,198</b>	<b>42</b>
<b>Equity attributable to the parent company</b>					
Capital	6.(14)				
Common stock		1,770,120	21	1,770,120	23
Additional paid-in capital	6.(14)	60,830	1	60,830	1
Retained earnings	6.(14)				
Legal reserve		1,255,829	15	1,186,311	15
Special reserve		84,529	1	74,319	1
Unappropriated earnings		1,584,461	19	1,449,822	19
<b>Total retained earnings</b>		<b>2,924,819</b>	<b>35</b>	<b>2,710,452</b>	<b>35</b>
Other equity	4&6.(14)	(23,146)	-	(84,528)	(1)
<b>Non-controlling interests</b>	4&6.(14)	(79)	-	4	-
<b>Total equity</b>		<b>4,732,544</b>	<b>57</b>	<b>4,456,878</b>	<b>58</b>
<b>Total liabilities and equity</b>		<b>\$8,409,554</b>	<b>100</b>	<b>\$7,713,076</b>	<b>100</b>

(The accompanying notes are integral part of the consolidated financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
GFC, LTD. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the years ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	Note	2021		2020	
		Amount	%	Amount	%
Operating revenue	4&6.(15)	\$4,605,023	100	\$4,393,396	100
Operating costs	4&6.(18)	(3,187,359)	(69)	(3,076,890)	(70)
Gross profit		1,417,664	31	1,316,506	30
Operating expenses	6.(16), 6.(17), 6.(18)&7				
Sales and marketing expenses		(134,061)	(3)	(125,486)	(3)
General and administrative expenses		(359,354)	(8)	(346,027)	(8)
Research and development expenses		(40,741)	(1)	(37,918)	(1)
Expected credit gains on reversal		4,626	-	27,150	1
Total operating expenses		(529,530)	(12)	(482,281)	(11)
Operating income		888,134	19	834,225	19
Non-operating income and expenses	4, 6.(7), 6.(19)&7				
Interest revenue		8,341	-	7,171	-
Other income		44,038	1	27,791	1
Other gains and losses		22,358	1	(1,214)	-
Financial costs		(755)	-	(565)	-
Share of profit or loss of associates and joint ventures accounted for using equity method		6,615	-	7,268	-
Total non-operating income and expenses		80,597	2	40,451	1
Income before income tax		968,731	21	874,676	20
Income tax expense	4&6.(21)	(190,848)	(4)	(148,967)	(3)
Net income		777,883	17	725,709	17
Other comprehensive income (loss)					
Not to be reclassified to profit or loss in subsequent periods	4&6.(20)				
Remeasurements of defined benefit pension plans		(40,639)	(1)	(38,135)	(1)
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		69,184	2	(6,277)	-
Share of other comprehensive income of associates and joint ventures		(5,792)	-	(2,083)	-
Income tax related to items that will not be reclassified subsequently		8,118	-	5,362	-
To be reclassified to profit and loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		(2,555)	-	537	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		503	-	(107)	-
Total other comprehensive income (loss), net of tax		28,819	1	(40,703)	(1)
Total comprehensive income		\$806,702	18	\$685,006	16
Net income (loss) attributable to:					
Stockholders of the parent		\$777,924		\$725,678	
Non-controlling interests		\$(41)		\$31	
Comprehensive income (loss) attributable to:					
Stockholders of the parent		\$806,785		\$684,975	
Non-controlling interests		\$(83)		\$31	
Earnings per share (expressed in dollars)	6.(22)				
Basic earnings per share		\$4.39		\$4.10	
Diluted earnings per share		\$4.39		\$4.10	

(The accompanying notes are integral part of the consolidated financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GFC, 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 the parent company								Non-controlling interests	Total equity
	Retained earnings					Other Components of Equity				
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income			
Balance as of January 1, 2020	\$1,770,120	\$60,830	\$1,119,017	\$73,520	\$1,300,663	\$(7,031)	\$(67,288)	\$(27)	\$4,249,804	
Appropriation and distribution of 2019 retained earnings										
Legal reserve	-	-	67,294	-	(67,294)	-	-	-	-	
Special reserve	-	-	-	799	(799)	-	-	-	-	
Cash dividends	-	-	-	-	(477,932)	-	-	-	(477,932)	
Net income for the year ended December 31, 2020	-	-	-	-	725,678	-	-	31	725,709	
Other comprehensive income (loss), net of tax for the year ended December 31, 2020	-	-	-	-	(30,494)	430	(10,639)	-	(40,703)	
Total comprehensive income	-	-	-	-	695,184	430	(10,639)	31	685,006	
Balance as of December 31, 2020	\$1,770,120	\$60,830	\$1,186,311	\$74,319	\$1,449,822	\$(6,601)	\$(77,927)	\$4	\$4,456,878	
Balance as of January 1, 2021	\$1,770,120	\$60,830	\$1,186,311	\$74,319	\$1,449,822	\$(6,601)	\$(77,927)	\$4	\$4,456,878	
Appropriation and distribution of 2020 retained earnings										
Legal reserve	-	-	69,518	-	(69,518)	-	-	-	-	
Special reserve	-	-	-	10,210	(10,210)	-	-	-	-	
Cash dividends	-	-	-	-	(531,036)	-	-	-	(531,036)	
Net income for the year ended December 31, 2021	-	-	-	-	777,924	-	-	(41)	777,883	
Other comprehensive income (loss), net of tax for the year ended December 31, 2021	-	-	-	-	(32,521)	(2,010)	63,392	(42)	28,819	
Total comprehensive income	-	-	-	-	745,403	(2,010)	63,392	(83)	806,702	
Balance as of December 31, 2021	\$1,770,120	\$60,830	\$1,255,829	\$84,529	\$1,584,461	\$(8,611)	\$(14,535)	\$(79)	\$4,732,544	

(The accompanying notes are integral part of the consolidated financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

English Translation of Consolidated Financial Statements Originally Issued in Chinese

GFC, LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the year ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020		2021	2020
	Amount	Amount		Amount	Amount
<b>Cash flows from operating activities:</b>			<b>Cash flows from investing activities:</b>		
Net income before tax	\$968,731	\$874,676	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	50,334	5,247
Adjustments to reconcile profit (loss):			Acquisition of financial assets at amortised cost	(18,518)	(13,637)
Income and expense adjustments:			Acquisition of financial assets at fair value through profit or loss	(814,858)	(934,626)
Depreciation	58,177	57,343	Disposal of financial assets at fair value through profit or loss	730,825	813,649
Amortization	7,597	7,537	Proceeds from capital reduction of investments accounted for using equity method	11,579	4,211
Expected credit gains on reversal	(4,626)	(27,150)	Acquisition of property, plant and equipment	(112,164)	(23,412)
Net gains on financial assets or liabilities at fair value through profit or loss	(3,163)	(5,068)	Disposal of property, plant and equipment	27,863	333
Interest expense	755	566	Increase in refundable deposits	-	(21,905)
Interest income	(8,341)	(7,171)	Decrease in refundable deposits	139,113	-
Dividend income	(3,175)	-	Acquisition of intangible assets	(407)	(2,470)
Share of profit of associates and joint ventures accounted for using equity method	(6,615)	(7,268)	Disposal of intangible assets	-	7
Gain on disposal of property, plant and equipment	(25,940)	(312)	Acquisition of investment property	-	(10,777)
Gain on lease modification	(13)	-	Increase in prepayment for equipment	(1,079)	(1,131)
Total income and expense adjustments	14,656	18,477	Dividends received	9,491	7,811
Changes in operating assets and liabilities:			<b>Net cash provide by (used in) investing activities</b>	<b>22,179</b>	<b>(176,700)</b>
Increase in notes receivable	(32,789)	(26,599)	<b>Cash flows from financing activities:</b>		
Increase in accounts receivable	(57,148)	(52,888)	Increase in short-term borrowings	-	100,000
Decrease (increase) in other receivables	2,368	(435)	Decrease in short-term borrowings	(100,000)	-
Increase in inventories	(193,412)	(84,775)	Increase in guarantee deposits	-	1,747
Decrease in prepayments	7,728	25,516	Decrease in guarantee deposits	(29)	-
Decrease in other current assets	6,789	18,122	Cash payments for principal portion of the lease liabilities	(12,784)	(13,115)
Increase in other operating assets	(3,057)	(2,780)	Cash dividends	(531,036)	(477,932)
Increase in contract liabilities	409,772	182,639	<b>Net cash used in financing activities</b>	<b>(643,849)</b>	<b>(389,300)</b>
Increase in notes payable	6,917	11,574			
Increase in accounts payable	24,744	13,347			
Increase in other payables	54,064	52,526			
Increase in provisions	10,225	15,180			
(Decrease) increase in other current liabilities	(1,479)	11,918			
Decrease in defined benefit liabilities	(29,296)	(118,294)			
Cash generated from operations	1,188,813	938,204			
Interest received	8,763	6,625	Effect of exchange rate changes on cash and cash equivalents	(2,418)	1,645
Interest paid	(446)	(337)	Net increase in cash and cash equivalents	393,179	230,575
Income tax paid	(179,863)	(149,562)	Cash and cash equivalents at beginning of period	1,509,503	1,278,928
<b>Net cash provided by operating activities</b>	<b>1,017,267</b>	<b>794,930</b>	<b>Cash and cash equivalents at end of period</b>	<b>\$1,902,682</b>	<b>\$1,509,503</b>

(The accompanying notes are integral part of the consolidated financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries  
For the Years Ended December 31, 2021 and 2020  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

**1. History and organization**

**Evolution of Parent Company**

GFC, LTD. (hereinafter referred to as “the Company”) was established on May 30, 1974. The Company initially engaged in trade business and undertook crane installation projects of Ishikawa China Shipbuilding Company. The Company started engaging in the elevator and escalator business in June 1975. In April 1977, the Company and Toshiba Corporation of Japan formally signed an elevator technical cooperation contract for Taiwan and Japan markets. The Company was listed on the OTC market at the end of 1997. At present, its main business is the manufacturing and sales of elevators, escalators and generators. Its registered address and main operating site is on the 13th floor, No. 88, Section 2, Nanjing East Road, Taipei.

History of GFC Cayman Island Limited (subsidiary, hereinafter referred to as “GFC Cayman”) and Shanghai GFC elevator Co., Ltd. (sub-subsidiary, hereinafter referred to as “GFC Shanghai”):

1993	The Company remitted US\$10,000 to the British Cayman Islands to set up GFC Cayman Island Limited.
November 1997	In November 1997, in accordance with the law of the People’s Republic of China on Sino-Foreign Cooperation, the Company signed a contract with Shanghai Zhouqi Industrial Co., Ltd. to jointly establish “GFC Generator Equipment Shanghai Co., Ltd.,” which was approved by the Investment Commission with approval letter (86) Er-Zi No. 86740632, and US\$2 million was permitted to be remitted out as the Company’s capital increase for GFC Cayman Island Limited for its re-investment in GFC Generator Equipment Shanghai Co., Ltd. in Mainland China. Shanghai Zhouqi Industry Co., Ltd. provided the land and received one-off compensation and fixed income on an annual basis, but did not participate in the investment, operation and earnings distribution.
December 1998	Based on the approval letter of the Investment Commission referenced (87) Er-Zi No. 87732394, the Company was approved to remit out US\$4 million as the Company’s capital increase for GFC Cayman Island Limited for its re-investment in GFC Generator Equipment Shanghai Co., Ltd. in Mainland China, and the name of GFC Generator Equipment Shanghai Co., Ltd. was changed to Shanghai Jifuxi Mechanical and Electrical Equipment Co., Ltd.
2001	The name of “Shanghai Jifuxi Mechanical and Electrical Equipment Co., Ltd.” was changed to “Shanghai GFC elevator Co., Ltd.”
2002	Based on the approval letter of the Investment Commission referenced (91) Er-Zi No. 091011366, the Company was approved to remit out US\$2 million as the Company’s capital increase for GFC Cayman Island Limited for its re-investment in Shanghai GFC elevator Co., Ltd.
2010	Based on the approval letter of the Investment Commission referenced Jing-Shen-Er-Zi No. 09900273410, the Company was approved to remit out US\$8 million as the Company’s capital increase for GFC Cayman Island Limited for its re-investment in Shanghai GFC elevator Co., Ltd.
2011	GFC Shanghai Co., Ltd. invested CNY 3.96 million to set up GFC Elevators Qingdao Co., Ltd. in 2011.
2013	GFC Elevators Qingdao Co., Ltd. was dissolved in 2013.

History of GFC Hong Kong Co., Ltd. (subsidiary, hereinafter referred to as “GFC Hong Kong”):

The Company invested US\$10,000 on February 9, 1995 and registered GFC Hong Kong Co., Ltd. in accordance with the Hong Kong Companies Ordinance.

The main business of GFC Hong Kong Co., Ltd. is to act as the sales agent for the Company’s elevators, escalators, generators and other products, and started the actual business operation since its establishment.

2018 GFC Hong Kong Co., Ltd. was dissolved in 2018.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

History of Howtobe Technology Co., Ltd. (subsidiary, hereinafter referred to as “Howtobe Technology”):

The Company invested in the establishment of Howtobe Technology Co., Ltd. on June 20, 2000. Its main business items are the sales, maintenance, OEM and Internet communication services of elevators and parts, and it has been in operation since its establishment.

History of V.T. Systems Co., Ltd. of Japan (subsidiary, hereinafter referred to as “Japan V.T. ”):

The Company invested in V.T. Systems Co., Ltd. of Japan in 2005, and its main business is vacuum pneumatic shuttle trading. On March 14, 2008, the company reduced its capital by JPY40,050 thousand to make up for its loss, and increased its capital by JPY66,200 thousand. On January 28, 2009, its capital was increased by JPY33,000 thousand. On September 28, 2011, its capital was reduced by JPY20,000 to make up for its loss.

## 2. Date and procedure of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as “the Group”) for the years ended December 31, 2021 and 2020 were authorized for issue by the Company’s board of directors (hereinafter “the Board of Directors”) on March 25, 2022.

## 3. Newly issued or revised standards and interpretations

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2020. Apart from the nature and impact of the new standard and amendment is described below, the remaining new standards and amendments had no material impact on the Group.

- (2) Standards or interpretations issued, revised or amended, by IASB which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

### A. Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

- (a) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

- (b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

- (c) Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(d) Annual Improvements to IFRS Standards 2018 - 2020

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1 2022. Apart from item explained below, the remaining standards and interpretations have no material impact on the Company.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

A. IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

**B. IFRS 17 “Insurance Contracts”**

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

**C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1**

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

**D. Disclosure Initiative - Accounting Policies – Amendments to IAS 1**

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

**E. Definition of Accounting Estimates – Amendments to IAS 8**

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

**F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS12**

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (6), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

**4. Summary of Significant Accounting Policies**

**(1) Statement of compliance**

The consolidated financial statements of the Group for the years ended December 31, 2021 and 2020 have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”), IFRSs, IASs, IFRIC and SIC, which are endorsed by FSC (TIFRSs).

**(2) Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(3) Basis of consolidation

Preparation principle of consolidated financial statement

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- A. power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- B. exposure, or rights, to variable returns from its involvement with the investee, and
- C. the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- A. the contractual arrangement with the other vote holders of the investee.
- B. rights arising from other contractual arrangements
- C. the Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed 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.

If the Group loses control of a subsidiary, it:

- A. derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- B. derecognizes the carrying amount of any non-controlling interest;
- C. recognizes the fair value of the consideration received;
- D. recognizes the fair value of any investment retained;
- E. recognizes any surplus or deficit in profit or loss; and
- F. reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor Name	Name of subsidiary	Main business	Percentage of ownership	
			December 31, 2021	December 31, 2020
GFC, LTD.	GFC Cayman	Investment in GFC Shanghai	100.00%	100.00%
GFC, LTD.	Howtobe Technology	Sales and manufacturing of elevators and parts	100.00%	100.00%
GFC, LTD.	Japan V.T.	Sale of vacuum pneumatic shuttle	65.11%	65.11%
GFC Cayman	GFC Shanghai	Sales of elevators and parts	100.00%	100.00%

(4) Foreign Currency Transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(6) Current and non-current distinction

An asset is classified as current when:

- A. The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Group holds the asset primarily for the purpose of trading
- C. The Group expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or 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.

All other assets are classified as non-current.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

A liability is classified as current when:

- A. The Group expects to settle the liability in its normal operating cycle
- B. The Group holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial Instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

A. Financial instruments: Recognition and Measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Group's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

Financial Assets Measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial Assets at Fair Value Through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its accumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

Financial Assets at Fair Value Through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on abovementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

**B. Impairment of Financial Assets**

The Group recognizes a loss allowance for expected credit losses on financial asset measured at amortized cost.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for more details on credit risk.

**C. Derecognition of Financial Assets**

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

**D. Financial Liabilities and Equity**

**Classification between liabilities or equity**

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

**Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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Financial Liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**E. Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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(9) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or

B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on a weighted-average method

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture 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 or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affects the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

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When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~50 years
Machinery and equipment	5~10 years
Transportation equipment	5 years
Other equipment	2~5 years

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An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Investment Property

The Group's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, investment properties are measured using the cost model in accordance with the requirements of IAS 16 Property, plant and equipment for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	30~50 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group assesses whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

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At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset 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.

The Group applies IAS 36 "*Impairment of Assets*" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment

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Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer Software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

Right of Building Capacity Transfer

The right of building capacity transfer is the reward of a certain base of building capacity transfer after the Company donated land of public facility to the government. The right of building capacity transfer is assessed with an indefinite useful life.

A summary of the policies applied to the Group's intangible assets is as follows:

	<u>Computer Software</u>	<u>Right of Capacity Transfer</u>
Useful lives	3~5 years	Indefinite
Amortization method used	Amortized on a straight-line basis	Unamortized
Internally generated or acquired	Acquired	Acquired

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(16) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(17) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on historical experience, management's judgement and other known factors.

(18) Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Group are generators, elevators and escalators and revenue is recognized based on the consideration stated in the contract.

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The Group provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers, and the warranty is accounted in accordance with IAS 37.

The credit term of the Group's sale of goods is from 30 to 180 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

The Group provides maintenance services for the sale of generators, elevators and escalators. Such services are separately priced or negotiated, and provided based on contract period. As the Group provides the maintenance services over the contract period, the customers simultaneously receive and consume the benefits provided by the Group. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized by straight line method over the contract period.

Most of the contractual considerations of the Group are collected evenly throughout the contract period. When the Group has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Group has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arose.

(19) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries, therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

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(21) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### (1) Judgment

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### A. Investment properties

Certain properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Group accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

#### B. De facto control without a majority of the voting rights in investment companies

The Group's certain investment companies with the largest shareholder but less than 50% shareholdings of the Company have no de facto control but only significant influence after judgement, please refer to Note 6.(7) for more details.

### (2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### A. Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary increases.

#### B. Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

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C. Accounts receivables - estimation of impairment loss

The Group estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

D. Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

6. Contents of significant accounts

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$3,549	\$3,654
Bank deposits	768,168	606,697
Time deposits	685,786	639,062
Cash equivalents	445,179	260,090
Total	<u>\$1,902,682</u>	<u>\$1,509,503</u>

(2) Financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Fund	<u>\$675,327</u>	<u>\$588,131</u>

None of the abovementioned financial assets at fair value through profit or loss were pledged.

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

	December 31, 2021	December 31, 2020
Equity instrument investments measured at fair value through other comprehensive income - non-current:		
Unlisted companies' stocks	<u>\$63,817</u>	<u>\$45,147</u>

None of the abovementioned financial assets at fair value through other comprehensive income were pledged.

(4) Notes receivables

	December 31, 2021	December 31, 2020
Notes receivables	\$251,929	\$219,139
Less: loss allowance	<u>(408)</u>	<u>(577)</u>
Total	<u>\$251,521</u>	<u>\$218,562</u>

None of the abovementioned notes receivables were pledged.

Please refer to Note 6.(16) for more details of the Group's assessment of impairment and loss allowance information in accordance with IFRS 9, and Note 12 for more details of credit risk management.

Notes to consolidated financial statements of  
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(5) Accounts receivables

	December 31, 2021	December 31, 2020
Accounts receivables	\$844,514	\$799,517
Less: loss allowance	(66,107)	(82,855)
Total	<u>\$778,407</u>	<u>\$716,662</u>

None of the abovementioned accounts receivable were pledged.

Accounts receivable are generally on 30-180 day terms. The Group's total book value as at December 31, 2021 and 2020 were \$844,514 thousand and \$799,517 thousand, respectively. Please refer to Note 6.(16) for more details of loss allowance information for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details of credit risk management.

(6) Inventories

	December 31, 2021	December 31, 2020
Raw materials	\$280,480	\$285,075
Materials and supplies in transit	14,427	15,448
Semi-finished products	153,334	167,095
Work in process	72,133	57,037
Finished goods	62,973	63,624
Finished goods in transit	-	3,885
Construction in progress	1,414,448	1,212,219
Total	<u>\$1,997,795</u>	<u>\$1,804,383</u>

The cost of inventories recognized as expense by the Group for the years ended December 31, 2021 and 2020 were \$2,143,315 thousand and \$2,066,372 thousand, respectively, including the write-down of inventories in the amount of \$78,474 thousand and \$71,658 thousand, respectively. The inventory price drop led to the decline of the Group inventories' net realized value, which recognized as the write-down for the the years ended December 31, 2021 and 2020.

None of the abovementioned inventories were pledged.

(7) Investments accounted for using the equity method

The investments accounted for using the equity method are as follows:

Investees	December 31, 2021		December 31, 2020	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
Investments in associates:				
Hua Hung Management Consulting Co., Ltd.	\$11,441	20.00%	\$11,045	20.00%
Hua Chi Venture Capital Co., Ltd.	17,731	21.05%	35,199	21.05%
Total	<u>\$29,172</u>		<u>\$46,244</u>	

A. The Group has 21.05% ownership of Hua Chi Venture Capital Co., Ltd. and is the largest shareholder of the investment company. Because of less than half of the Board's directors owned by the Group, considering ownership of the investee and ownership distribution, the Group has no de facto control in the investment company but only significant influence.

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B. The Group's investment in Hua Hung Management Consulting Co., Ltd. and Hua Chi Venture Capital Co., Ltd. are not individually material. The aggregate financial information of the Group's investments in Hua Hung Management Consulting Co., Ltd. and Hua Chi Venture Capital Co., Ltd. is as follows:

	2021	2020
Profit or loss from continuing operations	\$6,615	\$7,268
Other comprehensive income	(5,792)	(2,083)
Total comprehensive income	<u>\$823</u>	<u>\$5,185</u>

C. The associates had no contingent liabilities or capital commitments as at December 31, 2021 and 2020.

D. The carrying amount of investments accounted for under the equity method in investees whose financial statements were not reviewed by auditors amounted to \$29,172 thousand and \$46,244 thousand as at December 31, 2021 and 2020, respectively. The share of the profit or loss of these associates and joint ventures accounted for using the equity method amounted to \$6,615 thousand and \$7,268 thousand for the years ended December 31, 2021 and 2020, respectively. The share of other comprehensive income (loss) of these associates and joint ventures accounted for using the equity method amounted to \$(5,792) thousand and \$(2,083) thousand for the years ended December 31, 2021 and 2020, respectively. The above is based on the financial statements of the investment companies audited by other accountants.

(8) Property, plant and equipment

	December 31, 2021	December 31, 2020
Owner occupied property, plant and equipment	\$1,113,805	\$1,043,871
Property, plant and equipment leased out under operating leases	31,521	32,208
Total	<u>\$1,145,326</u>	<u>\$1,076,079</u>

A. Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost:						
January 1, 2020	\$586,063	\$1,008,052	\$196,471	\$46,332	\$213,539	\$2,050,457
Additions	-	9,992	5,781	3,872	3,767	23,412
Disposals	-	(300)	(3,988)	(2,333)	(2,557)	(9,178)
Transfers	-	278	-	-	-	278
Exchange differences	-	1,094	243	59	84	1,480
December 31, 2020	<u>\$586,063</u>	<u>\$1,019,116</u>	<u>\$198,507</u>	<u>\$47,930</u>	<u>\$214,833</u>	<u>\$2,066,449</u>
January 1, 2021	\$586,063	\$1,019,116	\$198,507	\$47,930	\$214,833	\$2,066,449
Additions	72,006	27,944	4,662	3,451	4,101	112,164
Disposals	-	(6,810)	(9,571)	(1,106)	(3,313)	(20,800)
Transfers	-	1,385	-	48	358	1,791
Exchange differences	-	(522)	(166)	(28)	(40)	(756)
December 31, 2021	<u>\$658,069</u>	<u>\$1,041,113</u>	<u>\$193,432</u>	<u>\$50,295</u>	<u>\$215,939</u>	<u>\$2,158,848</u>
Depreciation and impairment:						
January 1, 2020	\$-	\$(587,798)	\$(167,606)	\$(33,084)	\$(201,129)	\$(989,617)
Disposals	-	(27,695)	(4,266)	(4,998)	(4,017)	(40,976)
Transfers	-	300	3,979	2,333	2,545	9,157
Exchange differences	-	(772)	(244)	(51)	(75)	(1,142)
December 31, 2020	<u>\$-</u>	<u>\$(615,965)</u>	<u>\$(168,137)</u>	<u>\$(35,800)</u>	<u>\$(202,676)</u>	<u>\$(1,022,578)</u>
January 1, 2021	\$-	\$(615,965)	\$(168,137)	\$(35,800)	\$(202,676)	\$(1,022,578)
Disposals	-	(28,129)	(4,791)	(4,885)	(4,091)	(41,896)
Transfers	-	5,624	8,834	1,106	3,313	18,877
Exchange differences	-	347	147	24	36	554
December 31, 2021	<u>\$-</u>	<u>\$(638,123)</u>	<u>\$(163,947)</u>	<u>\$(39,555)</u>	<u>\$(203,418)</u>	<u>\$(1,045,043)</u>
Net carrying amount as at:						
December 31, 2021	<u>\$658,069</u>	<u>\$402,990</u>	<u>\$29,485</u>	<u>\$10,740</u>	<u>\$12,521</u>	<u>\$1,113,805</u>
December 31, 2020	<u>\$586,063</u>	<u>\$403,151</u>	<u>\$30,370</u>	<u>\$12,130</u>	<u>\$12,157</u>	<u>\$1,043,871</u>

Notes to consolidated financial statements of  
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B. Property, plant and equipment leased out under operating leases

	Buildings
Cost:	
January 1, 2020	\$51,504
Additions	-
Disposals	-
Exchange differences	316
December 31, 2020	<u>\$51,820</u>
January 1, 2021	<u>\$51,820</u>
Additions	-
Disposals	-
Exchange differences	(150)
December 31, 2021	<u>\$51,670</u>
Depreciation and impairment:	
January 1, 2020	\$(18,559)
Disposals	(770)
Transfers	-
Exchange differences	(283)
December 31, 2020	<u>\$(19,612)</u>
January 1, 2021	<u>\$(19,614)</u>
Disposals	(669)
Transfers	-
Exchange differences	134
December 31, 2021	<u>\$(20,149)</u>
Net carrying amounts as at:	
December 31, 2021	<u>\$31,521</u>
December 31, 2020	<u>\$32,208</u>

Components of building that have different useful lives are main building structure, decoration equipment and elevators, which are depreciated over 50 years, 8 years and 15 years, respectively.

Property, plant and equipment were not pledged.

(9) Investment property

	Land	Buildings	Total
Cost:			
January 1, 2020	\$797,410	\$74,252	\$871,662
Additions from subsequent expenditure	-	10,777	10,777
December 31, 2020	<u>\$797,410</u>	<u>\$85,029</u>	<u>\$882,439</u>
January 1, 2021	<u>\$797,410</u>	<u>\$85,029</u>	<u>\$882,439</u>
Additions from subsequent expenditure	-	-	-
December 31, 2021	<u>\$797,410</u>	<u>\$85,029</u>	<u>\$882,439</u>
Depreciation and impairment:			
January 1, 2020	\$(7,657)	\$(40,879)	\$(48,536)
Depreciation	-	(2,603)	(2,603)
December 31, 2020	<u>\$(7,657)</u>	<u>\$(43,482)</u>	<u>\$(51,139)</u>
January 1, 2021	<u>\$(7,657)</u>	<u>\$(43,482)</u>	<u>\$(51,139)</u>
Depreciation	-	(3,118)	(3,118)
December 31, 2021	<u>\$(7,657)</u>	<u>\$(46,600)</u>	<u>\$(54,257)</u>
Net carrying amount as at:			
December 31, 2021	<u>\$789,753</u>	<u>\$38,429</u>	<u>\$828,182</u>
December 31, 2020	<u>\$789,753</u>	<u>\$41,547</u>	<u>\$831,300</u>
		2021	2020
Rental income from investment property		\$15,843	\$14,034
Less : Direct operating expenses from investment property generating rental income		(2,340)	(4,445)
Direct operating expenses from investment property not generating rental income		-	-
Total		<u>\$13,503</u>	<u>\$9,589</u>

Investment property was not pledged.

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Investment properties held by the Group are not measured at fair value for which the fair value is disclosed, instead. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties were \$1,442,162 thousand and \$1,393,076 thousand as at December 31, 2021 and 2020, respectively. The fair value have been determined based on valuations performed by an independent valuer. The valuation method used are the comparison approach and income approach, and the inputs used are discount rates and growth rates:

	December 31, 2021	December 31, 2020
Capitalization rate	1.51%~2.405%	1.51%~2.39%

(10) Intangible assets	Computer software	Right of building capacity transfer	Total
Cost:			
January 1, 2020	\$31,876	\$73,500	\$105,376
Additions from acquisitions	2,470	-	2,470
Disposals	(72)	-	(72)
Exchange differences	(460)	-	(460)
December 31, 2020	\$33,814	\$73,500	\$107,314
January 1, 2021	\$33,814	\$73,500	\$107,314
Additions from acquisitions	407	-	407
Disposals	-	-	-
Exchange differences	(252)	-	(252)
December 31, 2021	\$33,969	\$73,500	\$107,469
Amortization and impairment:			
January 1, 2020	\$(21,159)	\$-	\$(21,159)
Amortization	(4,464)	-	(4,464)
Disposals	65	-	65
Exchange differences	469	-	469
December 31, 2020	\$(25,089)	\$-	\$(25,089)
January 1, 2021	\$(25,089)	\$-	\$(25,089)
Amortization	(4,538)	-	(4,538)
Disposals	-	-	-
Exchange differences	245	-	245
December 31, 2021	\$(29,382)	\$-	\$(29,382)
Net carrying amount as at:			
December 31, 2021	\$4,587	\$73,500	\$78,087
December 31, 2020	\$8,725	\$73,500	\$82,225

The Group donated the land (cost of \$73,500 thousand) to Taichung City Government to obtain the right of building capacity transfer for 2 parcels of land with land lot numbers 265 and 265-1, in Huitai Section, Xitun District, Taichung City. The right of building capacity transfer is assessed as intangible assets with an indefinite useful life.

Amortization expense of intangible assets under the statements of comprehensive income:

	2021	2020
Operating costs	\$31	\$31
Operating expenses	4,507	4,433
Total	\$4,538	\$4,464

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(11) Impairment testing of intangible assets with indefinite lives

Right of building capacity transfer

The Group's carrying amount of Right of building capacity transfer as of December 31, 2021 and December 31, 2020 were both \$73,500 thousand.

The recoverable amount of the right of building capacity transfer is based on fair value less cost of disposal, which valuation technique used to measure fair value less costs of disposal. The fair value measurement categorized within Level 3 of the fair value hierarchy. As a result, the management did not identify an impairment for intangible assets with indefinite lives of the cash generating unit.

Key assumptions used in fair value less costs of disposal

The calculation of fair value less costs of disposal for right of building capacity transfer are most sensitive to the following assumptions:

A. Appraisal approaches - comparable properties

B. Land development analysis - rate of return

C. Land development analysis - overall capital interest rate

Comparable properties - Value of the subject comparable properties are according to the transaction cases nearby from the actual price registration of real estate transactions information, after considering condition factor, date factor, local factor and individual factor through comparison, analysis, adjustment and other means of estimation.

Rate of return - Construction or building profit of the subject property should be estimated by multiplying the sum of construction or building cost and other burden by a proper rate of return after taking the project scale, project duration, economic conditions and other factors into consideration. According to the rate of return used in similar to the comparable property from the market, the rate of return is 22%, accordingly.

Overall capital interest rate - Capital interest of the subject property have been calculated, according to capital installments and duration of capital invested, to derive interest amount respectively for own capital and capital loaned. The ratio of own capital to loaned capital is estimated on the basis of bank's general mortgage percentage. According to one-year time-deposit interest rate of the Central Bank of the Republic of China (Taiwan) and certain adjustment, the overall capital interest rate is 4.35%, accordingly.

(12) Short-term borrowings

A. The short-term borrowings are as follow:

	December 31, 2021	December 31, 2020
Treasury share transactions	\$-	\$100,000
Donated assets received	-	0.80%

B. The Group's unused short-term lines of credits amount to \$987,621 thousand and \$896,659 thousand as at December 31, 2021 and 2020, respectively.

(13) Post-employment benefits

Defined contribution plan

The retirement plan adopted by the Group and its domestic subsidiaries in accordance with the "Labor Standards Act of the R.O.C." is a defined contribution plan. According to the Act, the contribution rate of the Group's and its domestic subsidiaries' monthly labor pension shall not be less than 6% of the employees' monthly salaries. The Group and its domestic subsidiaries appropriate 6% of their employees' salaries to the personal pension accounts at the Labor Insurance Bureau each month in accordance with the employee retirement measures set up based on the Act.

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The subsidiaries in Mainland China shall, in accordance with the local government laws and regulations, allocate a certain proportion of the total salary of the employees to the relevant departments of the government, and make a special account for saving in the independent accounts of the employees.

The Group's recognized expenses of defined contribution plan in 2021 and 2020 were \$44,374 thousand and \$41,652 thousand, respectively.

Defined benefits plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 4% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company and its domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company and its domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandatory, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With the regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group expects to contribute NT\$43,248 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

The average duration of the defined benefits plan obligation as at December 31, 2021 and 2020 were 7 years and 8 years, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	2021	2020
Current period cost	\$(5,692)	\$(7,875)
Interest income or expense	(147)	(790)
Total	<u>\$(5,839)</u>	<u>\$(8,665)</u>

The adjustments to the present value of defined benefit obligation and the fair value of planned assets are as follows:

	December 31, 2021	December 31, 2020	January 1, 2020
Present value of defined benefit obligation	\$(925,282)	\$(908,363)	\$(896,478)
Fair value of plan assets	878,268	864,573	767,170
Defined benefit obligation at end of year	<u>\$(47,014)</u>	<u>\$(43,790)</u>	<u>\$(129,308)</u>

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Adjustment to the net defined welfare assets (liabilities):

	Defined benefit obligation	Fair value of plan assets	Benefit assets (liabilities)
January 1, 2020	\$ (896,478)	\$ 767,170	\$ (129,308)
Current period service costs	(7,875)	-	(7,875)
Net interest expense (income)	(5,393)	4,603	(790)
subtotal	(13,268)	4,603	(8,665)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gain or loss arising from change in demographic assumptions	318	-	318
Actuarial gain or loss arising from change in financial assumptions	(21,496)	-	(21,496)
Experience adjustments	(44,106)	-	(44,106)
Return on plan assets	-	27,148	27,148
subtotal	(65,284)	27,148	(38,136)
Payments from the plan	66,678	(66,678)	-
Contributions by employer	-	132,330	132,330
Effect of changes in foreign exchange rates	(11)	-	(11)
December 31, 2020	(908,363)	864,573	(43,790)
Current period service costs	(5,692)	-	(5,692)
Net interest expense (income)	(2,741)	2,594	(147)
subtotal	(8,433)	2,594	(5,839)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gain or loss arising from change in demographic assumptions	6	-	6
Actuarial gain or loss arising from change in financial assumptions	19,082	-	19,082
Experience adjustments	(72,719)	-	(72,719)
Return on plan assets	-	12,992	12,992
subtotal	(53,631)	12,992	(40,639)
Payments from the plan	45,140	(45,140)	-
Contributions by employer	-	43,249	43,249
Effect of changes in foreign exchange rates	5	-	5
December 31, 2021	\$ (925,282)	\$ 878,268	\$ (47,014)

The following main assumptions are used to determine the defined benefit obligation of the Group:

GFC, LTD.

	December 31, 2021	December 31, 2020
Discount rate	0.49%	0.30%
Expected rate of salary increases	1.00%	1.00%

Subsidiary GFC Shanghai

	December 31, 2021	December 31, 2020
Discount rate	2.75%	2.75%
Expected rate of salary increases	10.00%	5.00%

Sensitivity analysis of each significant actuarial assumption:

	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increased by 0.5%	\$-	\$17,214	\$-	\$21,609
Discount rate decreased by 0.5%	51,298	-	54,189	-
Future salary increased by 0.5%	50,763	-	53,517	-
Future salary decreased by 0.5%	-	17,196	-	21,600

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
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The sensitivity analysis above is to analyze the possible effect on the benefit obligations under the assumption that a single actuarial assumption (such as discount rate or expected salary) reasonably changes while other assumptions remain unchanged. Because some actuarial assumptions are related to each other, in practice there are few circumstances where only one single actuarial assumption changes, so this analysis has its limitations.

The method and assumption used in this sensitivity analysis are not different from those in the previous period.

(14) Equities

A. Common stock

The Company's authorized and issued capital were \$1,770,120 thousand as at December 31, 2021 and 2020, respectively, each at a par value of \$10 and 177,012 thousand shares. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	December 31, 2021	December 31, 2020
Treasury share transactions	\$29,893	\$29,893
Donated assets received	4,801	4,801
Share of changes in net assets of associates and joint ventures accounted for using the equity method	26,136	26,136
Total	<u>\$60,830</u>	<u>\$60,830</u>

According to the Company Act, the capital reserve shall not be used except for offset prior years' operating losses of the company. When a company incurs no losses, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

C. Retained earnings and dividend policies

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset prior years' operation losses;
- (c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- (d) Set aside or reverse special reserve in accordance with law and regulations; and
- (e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The industry of the Company is in a mature period at present. If no major capital expenditure is expected in the year of distribution, the Company will appropriate more than 50% of the distributable earnings as shareholders' dividends. At least 80% of the dividends distributed shall be cash dividends. However, if there is an unpredicted major investment plan and no other funds can be obtained, the cash dividends distribution rate may be reduced by 30% to 50%.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

Notes to consolidated financial statements of  
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The FSC on March 31, 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board of directors' meeting and shareholders' meeting on March 25, 2022 and August 9, 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$74,540	\$69,518		
Special reserve	(61,382)	10,209		
Common stock - cash dividends	566,438	531,036	\$3.20	\$3.00

Please refer to Note 6.(18) for more details on employees' compensation and remuneration to directors and supervisors.

D. Non-controlling interests

	2021	2020
Beginning balance	\$4	\$(27)
Loss attributable to non-controlling interests	(41)	31
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of foreign operations	(42)	-
Ending balance	\$(79)	\$4

(15) Operating revenue

	2021	2020
Revenue from contracts with customers		
Sale of goods	\$2,632,588	\$2,502,944
Revenue arising from rendering of services	1,972,435	1,890,452
Total	\$4,605,023	\$4,393,396

Analysis of revenue from contracts with customers during the years ended December 31, 2021 and 2020 are as follows:

A. Disaggregation of revenue

For the year ended December 31, 2021:

	Sales Department	Maintenance Department	Other Departments	Total
Sale of goods	\$2,536,127	\$-	\$96,461	\$2,632,588
Rendering of services	-	1,968,281	4,154	1,972,435
Total	\$2,536,127	\$1,968,281	\$100,615	\$4,605,023
Timing of revenue recognition:				
At a point in time	\$2,536,127	\$-	\$100,615	\$2,636,742
Over time	-	1,968,281	-	1,968,281
Total	\$2,536,127	\$1,968,281	\$100,615	\$4,605,023

For the year ended December 31, 2020:

	Sales Department	Maintenance Department	Other Departments	Total
Sale of goods	\$2,398,891	\$-	\$107,053	\$2,502,944
Rendering of services	-	1,888,204	2,248	1,890,452
Total	\$2,398,891	\$1,888,204	\$106,775	\$4,393,396
Timing of revenue recognition:				
At a point in time	\$2,398,891	\$-	\$109,301	\$2,508,192
Over time	-	1,888,204	-	1,888,204
Total	\$2,398,891	\$1,888,204	\$109,301	\$4,393,396

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
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B. Contract balances

Contract liabilities - current

	December 31, 2021	December 31, 2020	January 1, 2020
Sales of goods	<u>\$2,376,838</u>	<u>\$1,967,066</u>	<u>\$1,784,428</u>

The significant changes in the Group's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
The opening balance transferred to revenue	\$(1,309,274)	\$(1,288,554)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	1,679,164	1,498,394

C. Transaction price allocated to unsatisfied performance obligations

The Group's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to \$6,113,639 thousand as at December 31, 2021. Management expects that 23% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within a year. The remaining will be recognized as revenue when the control has been transferred and the performance obligations have been satisfied after December 31, 2022.

The Group's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to \$5,328,863 thousand as at December 31, 2020. Management expects that 31% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within a year. The remaining will be recognized as revenue when the control has been transferred and the performance obligations have been satisfied after December 31, 2021.

The Group's revenue will be recognized as an actual transaction when the control has been transferred and the performance obligations have been satisfied.

(16) Expected credit (losses) gains

	2021	2020
Operating expenses - expected credit (losses) gains		
Notes receivable	\$170	\$(129)
Accounts receivable	4,324	27,377
Other receivables	132	(98)
Total	<u>\$4,626</u>	<u>\$27,150</u>

Please refer to Note 12 for more details on credit risk management.

The credit risk as at December 31, 2021 and 2020 for the Group's financial assets measured at amortized cost are assessed as low (the same as the assessment result on January 1, 2020). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses (loss rate of 0%).

The Group measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The Group considers the grouping of trade receivables by the counterparties' geographical region, credit rating and industry sector and its loss allowance is measured by using a provision matrix. The assessment of the Group's loss allowance is as follows:

As at December 31, 2021

Group 1

	Not yet due (note)	Overdue				Total
		≤30 days	31-60 days	61-90 days	≥91 days	
Gross carrying amount	\$913,560	\$16,844	\$13,597	\$9,396	\$130,662	\$1,084,059
Loss rate	1%	21%	26%	30%	30%	
Lifetime expected credit losses	(6,073)	(3,560)	(3,525)	(2,773)	(39,439)	(55,370)
Carrying amount	<u>\$907,487</u>	<u>\$13,284</u>	<u>\$10,072</u>	<u>\$6,623</u>	<u>\$91,223</u>	<u>\$1,028,689</u>

Notes to consolidated financial statements of  
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Group 2: Comprehensively assess the geographical region, credit rating and industrial sector of the counterparties, and provide a single loss rate:

	Not yet due (note)	Overdue				Total
		<=30 days	31-60 days	61-90 days	>=91 days	
Gross carrying amount	\$366	\$94	\$-	\$-	\$11,924	\$12,384
Loss rate						92%
Lifetime expected credit losses						(11,145)
Carrying amount						<u>\$1,239</u>

As at December 31, 2020

Group 1

	Not yet due (note)	Overdue				Total
		<=30 days	31-60 days	61-90 days	>=91 days	
Gross carrying amount	\$834,460	\$10,371	\$8,109	\$8,808	\$119,544	\$981,292
Loss rate	1%	23%	28%	30%	31%	
Lifetime expected credit losses	(6,518)	(2,392)	(2,238)	(2,412)	(36,154)	(49,714)
Carrying amount	<u>\$827,942</u>	<u>\$7,979</u>	<u>\$5,871</u>	<u>\$6,396</u>	<u>\$83,390</u>	<u>\$931,578</u>

Group 2: Comprehensively assess the geographical region, credit rating and industrial sector of the counterparties, and provide a single loss rate:

	Not yet due (note)	Overdue				Total
		<=30 days	31-60 days	61-90 days	>=91 days	
Gross carrying amount	\$3	\$97	\$-	\$1,950	\$35,314	\$37,364
Loss rate						90%
Lifetime expected credit losses						(33,718)
Carrying amount						<u>\$3,646</u>

Note: The Group has no overdue notes receivable.

The Group's carrying amounts of other receivables were \$81,679 thousand and \$84,469 thousand as at December 31, 2021 and 2020, respectively. The Group's loss allowance were \$67,366 thousand, and \$67,995 thousand as at December 31, 2021 and 2020, respectively, after considering the grouping of trade receivables by the counterparties' credit rating, geographical region and industry sector.

The movement in the provision for impairment of note receivables, accounts receivables and other receivables during the years ended December 31, 2021 and 2020 are as follows:

	Notes receivable	Accounts receivable	Other receivables
As at January 1, 2020	\$448	\$134,051	\$67,086
Addition/(reversed) for the current period	129	(27,377)	98
Write-off	-	(24,159)	(572)
Exchange differences	-	340	1,383
As at December 31, 2020	<u>\$577</u>	<u>\$82,855</u>	<u>\$67,995</u>
As at January 1, 2021	\$577	\$82,855	\$67,995
Addition/(reversed) for the current period	(170)	(4,324)	(132)
Write-off	-	(12,151)	-
Exchange differences	1	(273)	(497)
As at December 31, 2021	<u>\$408</u>	<u>\$66,107</u>	<u>\$67,366</u>

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
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(17) Leases

A. Group as a lessee

The Group leases various properties, including real estate such as buildings and transportation equipment. The lease terms range from 1 to 5 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

(a) Amounts recognized in the balance sheet

i. Right-of-use assets

The carrying amount of right-of-use assets

	December 31, 2021	December 31, 2020
Buildings	\$16,177	\$28,180
Transportation equipment	1,842	-
Total	<u>\$18,019</u>	<u>\$28,180</u>

During the years ended December 31, 2021 and 2020, the Group's additions to right-of-use assets amounted to \$3,602 thousand and \$29,543 thousand, respectively.

ii. Lease liabilities

	December 31, 2021	December 31, 2020
Lease liabilities	<u>\$18,186</u>	<u>\$28,342</u>
Current	<u>\$6,579</u>	<u>\$11,255</u>
Non-current	<u>\$11,607</u>	<u>\$17,087</u>

Please refer to Note 6.(19)D for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and refer to Note 12.(5) liquidity risk management for the maturity analysis for lease liabilities.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2021	2020
Buildings	\$11,683	\$11,861
Transportation equipment	811	1,133
Total	<u>\$12,494</u>	<u>\$12,994</u>

(c) Income and costs relating to leasing activities

	2021	2020
The expenses relating to short-term leases	<u>\$1,913</u>	<u>\$1,910</u>

During the year ended December 31, 2021, the rent concessions arising as a direct consequence of the Covid-19 pandemic amounting to \$60 thousand, respectively, which are recognized in other income to reflect the variable lease payment that arising from the application of the practical expedient.

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Group's total cash outflows for leases amounted to \$14,697 thousand and \$15,025 thousand, respectively.

(e) Other information relating to leasing activities

i. Variable lease payments

None.

ii. Extension and termination options

None.

iii. Residual value guarantees

None.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
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B. Group as a lessor

Please refer to Note 6.(9) for relevant disclosure of investment properties for operating leases under IFRS 16.

For operating leases entered by the Group, the undiscounted lease payments to be received for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$15,843	\$14,034

Please refer to Note 6.(8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16.

For operating leases entered by the Group, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Not later than one year	\$27,976	\$25,540
Later than one year but not later than two years	24,763	24,519
Later than two years but not later than three years	24,373	22,852
Later than three years but not later than four years	24,372	29,817
Later than four years but not later than five years	24,372	23,977
Later than five years	53,682	77,881
Total	\$179,538	\$204,586

(18) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2021 and 2020:

	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$886,287	\$336,978	\$1,223,265	\$845,261	\$325,866	\$1,171,127
Labor and health insurance	74,759	30,438	105,197	67,725	27,677	95,402
Pension	37,654	12,559	50,213	37,929	12,388	50,317
Other employee benefits expense	42,354	17,756	60,110	40,306	14,413	54,719
Depreciation	29,527	28,650	58,177	28,265	29,078	57,343
Amortization	1,612	5,985	7,597	1,087	6,450	7,537

According to the Company's Articles of Incorporation, no less than 0.5% of profit of the current year is distributable as employees' compensation and no higher than 0.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at board meeting attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Shareholders' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company estimated the amount of the employee's compensation and director's and supervisors' remuneration for the year ended December 31, 2021 to be 0.5% and 0.3%, respectively, of the profit of the year based on the Company's performance, and recognized \$4,830 thousand and \$2,898 thousand as salaries expense based on the aforementioned percentages. If the Board of Directors resolves to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price on the day earlier than the date of resolution. The resolution was passed at the board meeting held on March 25, 2022 and distributed an actual amount of employees' compensation and directors' and supervisors' remuneration of the Company in 2021, \$4,830 thousand and \$2,898 thousand respectively, not materially different from the amounts of expenses recorded in the financial statement in 2021.

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Actual distribution of employees' compensation and remuneration to directors and supervisors of 2020 amount to \$4,391 thousand and \$2,635 thousand, respectively, whereas the estimated amount accrued in the financial statements for the year ended December 31, 2020 were \$4,389 thousand and \$2,633 thousand, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors were both \$2 thousand for the year ended December 31, 2020 are recognized in profit or loss of the subsequent year in 2021.

(19) Non-operating income and expenses

A. Interest income

	2021	2020
Interest income from bank deposits	\$7,720	\$6,714
Interest income from others	621	457
Total	<u>\$8,341</u>	<u>\$7,171</u>

B. Other income

	2021	2020
Rental income	\$27,584	\$20,510
dividend income	3,175	-
Others	13,279	7,281
Total	<u>\$44,038</u>	<u>\$27,791</u>

C. Other gains and losses

	2021	2020
Gains on disposal of property, plant and equipment	\$25,954	\$312
Foreign exchange (losses) gains, net	(682)	1,758
Gains on financial assets at fair value through profit or loss (note)	3,163	5,068
Gain on lease modification	13	-
Others	(6,090)	(8,352)
Total	<u>\$22,358</u>	<u>\$(1,214)</u>

Note: The balances arose from financial assets mandatorily measured at fair value through profit or loss.

D. Finance costs

	2021	2020
Interest on borrowings from bank	\$335	\$286
Interest on lease liabilities	308	221
Deposit interest	112	58
Total finance costs	<u>\$755</u>	<u>\$565</u>

(20) Components of other comprehensive income (loss)

December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (expense)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurement of defined benefit plans	\$(40,639)	\$-	\$(40,639)	\$8,118	\$(32,521)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	69,184	-	69,184	-	69,184
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(5,792)	-	(5,792)	-	(5,792)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(2,555)	-	(2,555)	503	(2,052)
Total of other comprehensive income (loss)	<u>\$20,198</u>	<u>\$-</u>	<u>\$20,198</u>	<u>\$8,621</u>	<u>\$28,819</u>

Notes to consolidated financial statements of  
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December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (expense)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurement of defined benefit plans	\$(38,135)	\$-	\$(38,135)	\$7,641	\$(30,494)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(6,277)	-	(6,277)	(2,279)	(8,556)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,083)	-	(2,083)	-	(2,083)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	537	-	537	(107)	430
Total of other comprehensive income (loss)	<u>\$(45,958)</u>	<u>\$-</u>	<u>\$(45,958)</u>	<u>\$5,255</u>	<u>\$(40,703)</u>

(21) Income tax

The major components of income tax expense for the years ended December 31, 2021 and 2020 are as follows:

Income tax expense recognized in profit or loss

	2021	2020
Current income tax expense:		
Current income tax charge	\$(204,617)	\$(168,210)
Adjustments in respect of current income tax of prior periods	9,844	12,384
Taxed separately	-	(3)
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	3,925	6,862
Total income tax expense	<u>\$(190,848)</u>	<u>\$(148,967)</u>

Income tax related to components of other comprehensive income

	2021	2020
Deferred tax expense:		
Remeasurement of defined benefit plans	\$8,118	\$7,641
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	-	(2,279)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	503	(107)
Income tax related to components of other comprehensive Income	<u>\$8,621</u>	<u>\$5,255</u>

The amount of income tax expense and accounting profit multiplied by the applicable income tax rate are adjusted as follows:

	2021	2020
Net profit before tax from units of continuing operations	<u>\$968,731</u>	<u>\$874,676</u>
Tax calculated according to the applicable domestic tax rate of income in relevant countries	\$(202,089)	\$(177,505)
Income tax effect of tax exempted revenues	5,869	4,079
Income tax effect of non-deductible expenses on tax return	3,942	24,080
Income tax effect of deferred tax assets/liabilities	(4,156)	(2,349)
Corporate income surtax on undistributed retained earnings	(4,258)	(9,653)
Taxed separately	-	(3)
Adjustment of the current income tax of previous years	9,844	12,384
Total income tax expenses recognized in profit or loss	<u>\$(190,848)</u>	<u>\$(148,967)</u>

Notes to consolidated financial statements of  
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Balance of deferred income tax assets (liabilities) related to:

2021

	Opening balance	Recognized in profit or loss	Recognized in others Comprehensive income	Ending balance
Temporary differences				
Impairment of property, plant and equipment	\$1,903	\$-	\$-	\$1,903
Provisions warranties	14,302	2,354	-	16,656
Bad debt loss	20,984	1,021	-	22,005
Investments accounted for under equity method	62,723	(11,481)	-	51,242
Unrealized foreign currency exchange gains or losses	1,919	(1,722)	-	197
Unrealized inventory impairment	19,263	6,607	-	25,870
Unrealized loss on inventory disposal	4,156	(258)	-	3,898
Unrealized transactions on intercompany sales	13	(1)	-	12
Net defined benefit liabilities - non-current	47,885	-	8,118	56,003
Estimated loss on unrealized construction	9,503	8,605	-	18,108
Exchange differences on the conversion of financial statements of foreign operating organizations	1,654	-	503	2,157
Unrealized compensation losses	1,200	(1,200)	-	-
Deferred tax income		\$3,925	\$8,621	
Net deferred income tax assets (liabilities)	<u>\$185,505</u>			<u>\$198,051</u>
The information presented on the balance sheet is as follows:				
Deferred tax assets	<u>\$185,505</u>			<u>\$198,051</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

2020

	Opening balance	Recognized in profit or loss	Recognized in others Comprehensive income	Ending balance
Temporary differences				
Impairment of property, plant and equipment	\$1,903	\$-	\$-	\$1,903
Provisions warranties	11,969	2,333	-	14,302
Bad debt loss	24,877	(3,893)	-	20,984
Investments accounted for under equity method	71,410	(8,687)	-	62,723
Unrealized foreign currency exchange gains or losses	2,134	(215)	-	1,919
Unrealized inventory impairment	7,525	11,738	-	19,263
Unrealized loss on inventory disposal	2,349	1,807	-	4,156
Unrealized transactions on intercompany sales	31	(18)	-	13
Net defined benefit liabilities - non-current	40,244	-	7,641	47,885
Estimated loss on unrealized construction	6,688	2,815	-	9,503
Income transferred from accounts payable overdue for two years	218	(218)	-	-
Exchange differences on the conversion of financial statements of foreign operating organizations	1,761	-	(107)	1,654
Unrealized impairment loss	2,279	-	(2,279)	-
Unrealized compensation losses	-	1,200	-	1,200
Deferred tax income		\$6,862	\$5,255	
Net deferred income tax assets (liabilities)	<u>\$173,388</u>			<u>\$185,505</u>
The information presented on the balance sheet is as follows:				
Deferred tax assets	<u>\$173,388</u>			<u>\$185,505</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

The assessment of income tax returns

As at December 31, 2021, the assessment of the income tax returns of the Company and its domestic subsidiaries is as follows:

	<u>The assessment of income tax returns</u>
The Company	Assessed and approved up to 2019
Subsidiary - Howtobe Technology	Assessed and approved up to 2019

(22) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	<u>2021</u>	<u>2020</u>
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$777,924</u>	<u>\$725,678</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>177,012</u>	<u>177,012</u>
Basic earnings per share (NT\$)	<u>\$4.39</u>	<u>\$4.10</u>
	<u>2021</u>	<u>2020</u>
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$777,924</u>	<u>\$725,678</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>177,012</u>	<u>177,012</u>
Effect of dilution:		
Employee compensation - stock (in thousands)	<u>94</u>	<u>95</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>177,106</u>	<u>177,107</u>
Diluted earnings per share (NT\$)	<u>\$4.39</u>	<u>\$4.10</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

**7. Related party transactions**

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Changjiang Products Co., Ltd.	Other related parties
Neruili Technology Co., Ltd.(Note)	Other related parties
Da-Tang Living Art Center Co., Ltd.	Other related parties
GFC Foundation	Other related parties

Note: Originally "Neruili Technology , Ltd."

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Significant transactions with the related parties

(1) Operating expenses

	Account details	2021	2020
<u>Other related parties</u>			
Neruili Technology Co., Ltd.	Research expense	\$1,500	\$2,340
GFC Foundation	Donation expense	10,510	5,130
		<u>\$12,010</u>	<u>\$7,470</u>

(2) Other income

	2021	2020
<u>Other related parties</u>		
Da-Tang Living Art Center Co., Ltd.	<u>\$1,081</u>	<u>\$1,081</u>

(3) Lease - related parties

Right-of-use assets	December 31, 2021	December 31, 2020
<u>Other related parties</u>		
Changjiang Products Co., Ltd.	<u>\$1,871</u>	<u>\$8,820</u>

The rental period and rental collection method are in accordance with the contract. In general, the rental term is 2 to 5 years and pay by month.

Lease liabilities	December 31, 2021	December 31, 2020
<u>Other related parties</u>		
Changjiang Products Co., Ltd.	<u>\$1,903</u>	<u>\$8,876</u>
Interest expenses	2021	2020
<u>Other related parties</u>		
Changjiang Products Co., Ltd.	<u>\$73</u>	<u>\$116</u>

(4) Key management personnel compensation

	2021	2020
Short-term employee benefits	\$37,031	\$35,057
Post-employment benefits	324	324
Total	<u>\$37,355</u>	<u>\$35,381</u>

The main management personnel include directors, supervisors and managers above the deputy president level.

**8. Assets pledged as security**

The following table lists assets of the Group pledged as security:

	Carrying amount		
	December 31, 2021	December 31, 2020	Secured liabilities
Refundable deposits (time deposits)	<u>\$121,134</u>	<u>\$203,656</u>	Construction deposits

**9. Commitments and contingencies**

As at December 31, 2021, the performance guarantee the Company entrusted financial institutions to issue amounted to \$437,681 thousand.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

**10. Losses due to major disasters**

None.

**11. Significant subsequent events**

In order to meet the group's operating plan and to increase the capital efficiency, GFC Shanghai, the component of the Group, has reduced the share capital of CNY 20,000 thousand. The share capital reduction had been resolved by the board of directors' meeting in December 2021 and have approved by Shanghai Market Supervision and Administration on March 14, 2022.

**12. Financial instruments**

(1) Categories of financial instruments

Financial assets

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$675,327	\$588,131
Subtotal	675,327	588,131
Financial assets at fair value through other comprehensive income	63,817	45,147
Financial assets measured at amortized cost		
Cash and cash equivalents	1,899,133	1,505,849
Financial assets measured at amortized cost	59,888	41,370
Notes receivables	251,521	218,562
Accounts receivables	778,407	716,662
Other receivables	14,313	16,474
Subtotal	3,003,262	2,498,917
Refundable deposits	276,001	415,114
Total	<u>\$4,018,407</u>	<u>\$3,547,309</u>

Financial liabilities

	December 31, 2021	December 31, 2020
Financial liabilities at amortized cost:		
Trade and other payables	\$983,630	\$897,905
Lease liabilities	18,186	28,342
Guarantee deposits	8,312	8,341
Total	<u>\$1,010,128</u>	<u>\$934,588</u>

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take the interdependencies between risk variables into account.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for US and CNY. The information of the sensitivity analysis is as follows:

- A. When NTD strengthens/weakens against US by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by \$506 thousand and \$623 thousand, respectively, the equity is decreased/increased by \$561 thousand and \$693 thousand, respectively.
- B. When NTD strengthens/weakens against CNY by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by \$1,722 thousand and \$1,367 thousand, respectively, the equity is decreased/increased by \$1,722 thousand and \$1,367 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at fixed interest rates and bank borrowings with fixed interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting date, a change of bank deposit and 1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2021 and 2020 to decrease/increase by NT\$1,835 thousand and NT\$1,246 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counterparties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
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As at December 31, 2021 and December 31, 2020, trade receivables from top ten customers accounted for 10.88% and 15.41% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivables is insignificant as well.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit ratings. Consequently, there is no significant credit risk for these counterparties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2021					
Trade and other payables	\$983,630	\$-	\$-	\$-	\$983,630
Lease liabilities (Note)	8,419	9,481	2,485	-	20,385

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2020					
Short-term borrowings	\$100,142	\$-	\$-	\$-	\$100,142
Trade and other payables	897,905	-	-	-	\$897,905
Lease liabilities (Note)	21,750	8,655	5,467	-	35,872

Notes: Including cash flows resulted from short-term leases or leases of low-value assets.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2021:

	Short term borrowings	Leases liabilities	Other liabilities	Total liabilities from financing activities
January 1, 2021	\$100,000	\$28,342	\$8,341	\$136,683
Cash flows	(100,000)	(12,784)	(29)	(112,813)
Non-cash changes	-	2,628	-	2,628
December 31, 2021	\$-	\$18,186	\$8,312	\$26,498

Reconciliation of liabilities for the year ended December 31, 2020:

	Short term borrowings	Leases liabilities	Other liabilities	Total liabilities from financing activities
January 1, 2020	\$-	\$12,265	\$8,595	\$20,860
Cash flows	100,000	(13,115)	1,747	88,632
Non-cash changes	-	29,192	(2,001)	27,191
December 31, 2020	\$100,000	\$28,342	\$8,341	\$136,683

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivable, account payables and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The Group's cash and cash equivalents, trade receivables, financial assets measured at amortized cost, accounts payable and other current liabilities whose carrying amount approximate their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 - Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

As at December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$675,327	\$-	\$-	\$675,327
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	63,817	63,817

As at December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$588,131	\$-	\$-	\$588,131
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	45,147	45,147

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Details of changes in the third level of the measured at fair value on a recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

Adjustment to financial assets measured by Level 3 fair value:

	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2021	\$45,147
Total gains and losses recognized for the year ended December 31, 2021:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	69,184
Proceeds from capital reduction	(50,334)
Exchange differences	(180)
Ending balances as at December 31, 2021	\$63,817
	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2020	\$57,094
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(6,277)
Proceeds from capital reduction	(5,247)
Exchange differences	(423)
Ending balances as at December 31, 2020	\$45,147

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As at December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by \$7,827 thousand and (\$7,827) thousand

As at December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by \$4,627 thousand and \$(4,627) thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As at December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	\$1,830	27.6800	\$50,649
JPY	837	0.2405	201
CNY	52,462	4.3440	227,895
Non-monetary items:			
USD	198	27.6800	5,475
JPY	27	0.2405	6
Financial liabilities			
Monetary items:			
CNY	12,818	4.3440	55,682

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	As at December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
<b>Financial assets</b>			
<b>Monetary items:</b>			
USD	\$2,187	28.4800	\$62,297
JPY	1,446	0.2763	400
CNY	42,124	4.3770	184,378
<b>Non-monetary items:</b>			
USD	246	28.4800	7,009
JPY	26	0.2763	7
<b>Financial liabilities</b>			
<b>Monetary items:</b>			
CNY	10,901	4.3770	47,716

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

As the Group has a large variety of foreign currencies, it is not possible to disclose the foreign currency exchange gains or losses information of monetary financial assets and financial liabilities on each foreign currency's exposure to major impact. The Group's foreign exchange gains (losses) for the years ended December 31, 2021 and 2020 were \$(682) thousand and \$1,758 thousand, respectively.

**(10) Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

**13. Notes for Disclosure**

**(1) Information related to significant transactions**

- A. Financings provided to others: None.
- B. Endorsements/guarantees provided to others: Table 1.
- C. Marketable securities held (not including subsidiaries, associates and joint ventures): Table 2.
- D. Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20% of the capital stock: None.
- E. Acquisition of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital: None.
- F. Disposal of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital: Table 3.
- G. Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital: None.
- H. Receivables due from related parties amounting to at least NTD 100 million or 20% of the paid-in capital: None.
- I. Derivative instruments transactions: None.
- J. Business, relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between them: Table 4.

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

(2) Information on investees

Information to be disclosed for those with significant influence or control over the investee companies directly or indirectly: Table 5.

(3) Information on investments in Mainland China: Table 6.

(4) Information on major shareholders: Table 7.

**14. Segment information**

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (1) Sales segment: The segment is responsible for the manufacturing and sale of elevators and generators.
- (2) Maintenance segment: The segment is responsible for the maintenance of elevators and generators.
- (3) GFC Shanghai: The segment is the investee company of the Group via the reinvestment from a third party GFC Cayman Island Limited, responsible for the assembly and sales of elevators.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

Information on segment profit and loss, assets and liabilities to be reported.

2021

	Sales segments	Maintenance segments	GFC Shanghai	Other segments	Adjustment and elimination	Total
Revenue						
External customer	\$2,536,127	\$1,968,281	\$4,636	\$95,979	\$-	\$4,605,023
Inter-segment	803	190	164,678	12,852	(178,523)	-
Total revenue	<u>\$2,536,930</u>	<u>\$1,968,471</u>	<u>\$169,314</u>	<u>\$108,831</u>	<u>\$(178,523)</u>	<u>\$4,605,023</u>
Segment profit	<u>\$262,418</u>	<u>\$913,429</u>	<u>\$56,022</u>	<u>\$(191,793)</u>	<u>\$(71,345)</u>	<u>\$968,731</u>

2020

	Sales segments	Maintenance segments	GFC Shanghai	Other segments	Adjustment and elimination	Total
Revenue						
External customer	\$2,398,891	\$1,888,204	\$5,727	\$100,574	\$-	\$4,393,396
Inter-segment	1,218	556	164,810	20,621	(187,205)	-
Total revenue	<u>\$2,400,109</u>	<u>\$1,888,760</u>	<u>\$170,537</u>	<u>\$121,195</u>	<u>\$(187,205)</u>	<u>\$4,393,396</u>
Segment profit	<u>\$219,792</u>	<u>\$866,597</u>	<u>\$44,046</u>	<u>\$(205,039)</u>	<u>\$(50,720)</u>	<u>\$874,676</u>

The following table presents segment assets and liabilities of the Group's operating segments as at December 31, 2021 and 2020:

	Sales segments	Maintenance segments	GFC Shanghai	Other segments	Adjustment and elimination	Total
Segment assets on December 31, 2021	<u>\$3,420,266</u>	<u>\$607,678</u>	<u>\$263,050</u>	<u>\$4,442,711</u>	<u>\$(324,151)</u>	<u>\$8,409,554</u>
Segment assets on December 31, 2020	<u>\$3,257,870</u>	<u>\$675,894</u>	<u>\$223,295</u>	<u>\$3,827,999</u>	<u>\$(271,982)</u>	<u>\$7,713,076</u>

Notes to consolidated financial statements of  
GFC, LTD. and subsidiaries (continued)  
(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

	Sales segments	Maintenance segments	GFC Shanghai	Other segments	Adjustment and elimination	Total
Segment liabilities on						
December 31, 2021	\$3,013,952	\$553,520	\$59,118	\$60,105	\$(9,685)	\$3,677,010
Segment liabilities on						
December 31, 2020	\$2,521,151	\$509,594	\$68,425	\$175,476	\$(18,448)	\$3,256,198

Adjustment to segment profit and loss to be reported

	2021	2020
Total segment profit and loss to be reported	\$1,231,869	\$1,130,435
Other profit and loss	(191,793)	(205,039)
Elimination of inter-segment profit	(71,345)	(50,720)
Net profit before tax	\$968,731	\$874,676

B. Information by Region

Revenue from external customers:

	2021	2020
Taiwan	\$4,591,617	\$4,378,421
Mainland China	3,854	5,727
Singapore	4,404	3,514
Other countries	5,148	5,734
Total	\$4,605,023	\$4,393,396

Revenue is classified based on the country of the customer.

Non-current assets:

	December 31, 2021	December 31, 2020
Taiwan	\$2,660,994	\$2,702,109
Mainland China	25,360	30,788
Japanese	80	114
Total	\$2,686,434	\$2,733,011

C. Important Customer Information

There was no revenue from external customers amounted to 10% of its operating revenue in 2021 and 2020.

Notes to consolidated financial statements of GFC, LTD.(continued)

(In thousands, except for amounts noted)

Table 1: Endorsements/guarantees provided to others

Unit: Thousands(NTD/USD)

Number (note 1)	Endorser/guarantor Company name	Object of endorsement/guarantee		Limit of guarantee amount to a single enterprise (note 3)	Highest endorsement guarantee balance in the current period (note 4)	Endorsement guarantee balance in the end of the period (note 5)	Actual amount used (note 6)	Endorsement guarantees amount secured by properties	Accumulated amount of endorsements/guarantees to net value in financial statements ratio	Endorsements / guarantees limit (note 3)	Belongs to parent company's endorsement guarantees to subsidiaries (note 7)	Belongs to subsidiaries' endorsement guarantees to parent company (note 7)	Belongs to endorsements/guarantees to Mainland China (note 7)
		Company name	Relationship (note 2)										
1	Howtobe Technology	GFC, LTD.	(note 2)	NTD 300,000	NTD 226,780	NTD 14,668	NTD 14,688	None	0.31%	50% of the Company's net assets NTD 2,366,312	N	Y	N

Note 1: Description of the number field is as follows:

- 1.The issuer is "0".
- 2.Investee companies are numbered in order starting from 1.

Note 2: There are 7 types of relationships between the endorser/guarantor and the endorsed/guaranteed object as below, and only the type needs to be indicated:

- 1.A company with business contacts.
- 2.A company with more than 50% of its voting shares directly and indirectly held by the Company.
- 3.A company directly and indirectly holding more than 50% of the voting shares of the Company.
- 4.A company with 90% of its voting shares directly and indirectly held by the Company.
- 5.A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
6. A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholdings percentages.
7. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to Golden Friends Corporation's endorsement guarantee procedures, the relationship between the Company and the Company's endorsement guarantee objects, and the limit of the endorsement guarantee amount are as follows:

- 1.The total amount of external endorsement/guarantee liability shall not exceed 50% of the Company's current net assets.
- 2.The liability limit for endorsement guarantee of a single enterprise shall not exceed 20% of the Company's current net assets and 300 millions.

Note 4: The maximum balance of endorsement guarantees for others in the current year.

Note 5: The amount approved by the board of directors shall be filled in. However, if the board of directors authorizes the chairman of the board to make a decision in accordance with paragraph 8 of Article 12 of the Regulations Governing Loaning of

Funds and Making of Endorsements/Guarantees by Public Companies, then it refers to the amount decided by the chairman of the board.

Note 6: It is required to enter the actually used amount of the endorsed/guaranteed company within its balance of endorsement guarantees.

Note 7: Only those which are endorsement guarantees of a listed or OTC parent company to its subsidiary, endorsement guarantees of a subsidiary to its listed or OTC parent company, and endorsement guarantees in mainland China need to be filled in with Y.

Notes to consolidated financial statements of GFC, LTD.(continued)  
(In thousands, except for amounts noted)

Table 2: Marketable securities held (not including subsidiaries, associates and joint ventures)

Securities holding company	Name and type of securities held(note1)	Relationship with the securities issuer	Accounting subject	End of period				
				No. of shares/No. of units	Book value	Ratio	Fair value	Remarks
	Money Market Fund							
GFC, LTD.	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,665,684	\$60,025	*	\$60,025	(note 2)
GFC, LTD.	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,965,415	60,022	*	60,022	(note 2)
GFC, LTD.	Mega Diamond Market Fund	-	Financial assets at fair value through profit or loss - current	4,753,726	60,266	*	60,266	(note 2)
GFC, LTD.	PineBridge Taiwan Money Market Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	6,894,249	95,001	*	95,001	(note 2)
GFC, LTD.	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,811,400	60,330	*	60,330	(note 2)
GFC, LTD.	Deutsche Far Eastern DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,962,336	35,014	*	35,014	(note 2)
GFC, LTD.	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,870,127	30,003	*	30,003	(note 2)
GFC, LTD.	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,800,018	20,029	*	20,029	(note 2)
GFC, LTD.	JPMorgan (Taiwan) Taiwan First Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,302,255	35,007	*	35,007	(note 2)
GFC, LTD.	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,580,853	20,010	*	20,010	(note 2)
GFC, LTD.	Fuh Hwa Money Market	-	Financial assets at fair value through profit or loss - current	686,601	10,000	*	10,000	(note 2)
GFC, LTD.	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,227,841	20,010	*	20,010	(note 2)
GFC, LTD.	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	277,535	50,016	*	50,016	(note 2)
GFC, LTD.	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,491,725	50,108	*	50,108	(note 2)
	Stock Funds							
GFC, LTD.	PineBridge ESG Quantitative Global Equity Fund	-	Financial assets at fair value through profit or loss - current	300,000	3,153	*	3,153	(note 2)
GFC, LTD.	NN (L) Climate & Envir X Cap USD	-	Financial assets at fair value through profit or loss - current	96	4,234	*	4,234	(note 2)
	Bond Funds							
GFC, LTD.	PineBridge Frontier Emerging Markets High Yield Bond Fund-A	-	Financial assets at fair value through profit or loss - current	1,000,000	10,023	*	10,023	(note 2)
GFC, LTD.	PineBridge ESG Quant Bond Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	10,194	*	10,194	(note 2)
	Multiple Asset Funds							
GFC, LTD.	PineBridge Multi-Income Fund-A	-	Financial assets at fair value through profit or loss - current	1,413,444	15,800	*	15,800	(note 2)
GFC, LTD.	PineBridge ESG Quant Multi-Asset Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	10,365	*	10,365	(note 2)
GFC, LTD.	Schroder All Cycle Income Fund N (USD)- Acc	-	Financial assets at fair value through profit or loss - current	300,000	2,976	*	2,976	(note 2)
	Global Funds							
GFC, LTD.	Schroder International Selection Fund Global Climate Change Equity A1 Accumulation USD	-	Financial assets at fair value through profit or loss - current	3,926	2,770	*	2,770	(note 2)
GFC, LTD.	PineBridge Quantitative Diversified Income Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	9,971	*	9,971	(note 2)
	Stocks							
GFC, LTD.	Living Mall	-	Financial assets at fair value through other comprehensive income - non-current	49,205	51,311	0.49%	51,311	(note 2)
GFC, LTD.	Tiger City	-	Financial assets at fair value through other comprehensive income - non-current	50,000	350	0.03%	350	(note 2)
GFC, LTD.	Hua Da Venture Capital	-	Financial assets at fair value through other comprehensive income - non-current	330,000	3,551	6.00%	3,551	(note 2)
GFC, LTD.	Japan UC	-	Financial assets at fair value through other comprehensive income - non-current	300	3,130	19.99%	3,130	(note 2)
GFC Cayman	Northern Holding Corporation	-	Financial assets at fair value through other comprehensive income - non-current	115,000	5,475	10.40%	5,475	(note 3)

\*Shareholding percentage less than 0.01%

Note 1: Separately filled in by stock, bond, beneficiary certificates, convertible corporate bond...etc.

Note 2: OTC stocks and closed-end funds are calculated at the closing price at the end of the period, while open-end funds are calculated at the net asset value of the fund on the balance sheet date.

Notes to consolidated financial statements of GFC, LTD.(continued)

(In thousands, except for amounts noted)

Table 3: Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital

Unit: Thousands(NTD)

Purchasing (sale)of goods Company	Name of trading counterparty	Relationship	from those of general trading and the reasons				Difference in trading terms general transactions and reasons		Notes and accounts receivable(payable)		Notes
			Purchase (sale) of goods	Amount (note 2)	ratio to total purchase(sale)of goods in percentage(%)	Credit period	Unit price	Credit period	Ending balance	Percentage of total receivable account	
GFC, LTD	GFC Elevators Shanghai	Subsidiary	purchase of goods	\$164,678	8.28%	(note 1)	(note 1)	(note 1)	\$7,984	0.88%	
GFC Elevators Shanghai	Golden Friends Corporation	Parent company	sale of goods	164,678	97.26%	(note 1)	(note 1)	(note 1)	7,984	86.58%	

Note 1: There is no significant difference with general transactions.

Note 2: It has been written off due to the preparation of consolidated statements.

Notes to consolidated financial statements of GFC, LTD.(continued)  
(In thousands, except for amounts noted)

Table 4: Business, relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between them

Unit: Thousands (NTD)

Number (note 1)	Transaction party	Transaction counterparty	Relationship with the counterparty (note 2)	Transaction information			
				Subject	Amount	Transaction terms	% of consolidated revenue or total assets(note 3)
0	GFC, LTD	GFC Shanghai	1	Sales revenue	\$783	note 4	0.02%
		GFC Shanghai	1	Cost of goods sold	164,678	note 4	3.58%
		GFC Shanghai	1	Account receivable	1,369	note 4	0.02%
		GFC Shanghai	1	Accounts payable	7,984	note 4	0.09%
		Howtobe Technology	1	Sales revenue	20	note 4	0.00%
		Howtobe Technology	1	Labor income	190	note 4	0.00%
		Howtobe Technology	1	Operating cost	2,758	note 4	0.06%
		Howtobe Technology	1	Accounts receivable	216	note 4	0.00%
		Howtobe Technology	1	Accounts payable	118	note 4	0.00%
		Howtobe Technology	1	Operating expenses	17	note 4	0.00%
		Howtobe Technology	1	Other income	1,640	note 4	0.04%

Note 1: The information of business between the parent company and the subsidiary company shall be indicated in the number column respectively, and the number shall be filled in as follows:

1. Fill in 0 for the parent company
2. Subsidiaries are numbered in sequence starting with Arabic numeral with Arabic numerals according to company type.

Note 2: There are three types of relationship with the trader, which can be marked as follows(If it is the same transaction between parent and subsidiary companies or between subsidiaries, it is not necessary to disclose the information repeatedly. For example: For a transaction between the parent company and the subsidiary company, if the parent company has been disclosed, the subsidiary needs not be disclosed repeatedly; if one of the subsidiaries has been disclosed, the other subsidiaries need not be disclosed repeatedly):

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

Note 3: Percentage of the transaction amount to the consolidated total revenue or total assets, if transaction account belongs to balance sheet, it shall be calculated by the consolidated total assets; if transaction account belongs to comprehensive income statement, it shall be calculated by the consolidated net revenue.

Note 4: There is no special difference between the trading terms of related parties and non-related parties.

Notes to consolidated financial statements of GFC, LTD.(continued)

(In thousands, except for amounts noted)

Table 5: Information to be disclosed for those with significant influence or control over the investee companies directly or indirectly

Unit: Thousands(NTD)

Investor	Investee	Location	Major business	Initial investment amount		Ending amount			Investee profit (loss) in current period	GFC recognized investment profit (loss)	Notes
				End of this year	End of prior year	Number of shares	Ratio	Book value			
GFC, LTD	GFC Cayman	Cayman Islands	Investment in GFC Shanghai	\$331,494	\$331,494	-	100.00%	\$237,438	\$52,609	\$57,487	note 1, note 3
GFC, LTD	Howtobe Technology	Taipei, Taiwan	Sales and processing of elevators and parts	26,000	26,000	2,600,000	100.00%	66,182	18,811	18,972	note 1, note 3
GFC, LTD	Japan V.T. SYSTEMS	Tokyo, Japan	Manufacturing, sales and maintenance of elevators	29,337	29,337	2,073	65.11%	362	(116)	(75)	note 1
GFC, LTD	Hua Hung Management Consulting Co., Ltd.	Taipei, Taiwan	Investment analysis	1,000	1,000	200,000	20.00%	11,441	1,982	397	note 2
GFC, LTD	Hua Chi Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital business	1,053	12,631	105,263	21.05%	17,731	29,541	6,218	note 2

note 1 : The Company directly invested subsidiary.

note 2 : The Company directly invested company with influence.

note 3 : The Company recognized investment profit (loss) is the net of unrealized sales profit.

Table 6: Information on investments in Mainland China

(1) The Company established Shanghai GFC elevator CO., Limited in Mainland China through GFC Cayman Island Limited, an invested enterprise of the Company in a third region.

(2) Name of the invested company in Mainland China, main business items, paid-in capital, investment method, inward and outward remittance of capital, shareholding ratio, investment profit/loss, book value of investment at the end of the period, profit of investment repatriated and limit for Mainland China investment:

Unit: USD'000/NT\$'000

Name of the invested company in Mainland China	Main business items	Paid-in capital	Investment method (note 1)	Cumulative investment amount remitted outward from Taiwan at the beginning of the period	Investment capital remitted out or repatriated in the period		Cumulative investment amount remitted outward from Taiwan at the beginning of the period	Profit or loss of the invested company in the period	Shareholding ratio of direct or indirect investment of the company	Investment profit or loss recognized in the period (note 2)	Book value of investment at the end of the period	Investment profit already repatriated as of the end of the period
					outward remittance	repatriation						
Shanghai GFC elevator Co., Limited	Trading of diesel generators and sales and installation of passenger (cargo) elevators and elevator parts	\$442,880 (USD 16,000)	(b)	\$442,880 (USD 16,000)	\$-	\$-	\$442,880	\$50,305	100%	\$50,305	\$203,932	No repatriation of profit
							(USD 16,000)			((b)B)		

Cumulative amount remitted outward from Taiwan for investment in Mainland China at the end of the period	Investment amount approved by the Investment Commission, MOEA	Limit of investment in Mainland China by the Investment Commission, MOEA
\$442,800 (USD 16,000)	\$442,800 (USD 16,000)	\$2,839,574

Note 1: The investment methods can be divided into the following four types (indicate type):

- (a) Investment in a Mainland company via remittance from a third place.
- (b) Reinvestment in a Mainland company through a third place investment.
- (c) Reinvestment in a Mainland company through reinvestment in an existing company in a third place.
- (d) Other methods, e.g. entrusted investment

Note 2: In the column of investment profit or loss recognized in the period:

- (a) If there is no investment profit or loss as it is still in the preparation stage, a note shall be made.
- (b) The recognition basis of investment profit and loss is divided into the following three types and shall be noted.
  - A. Financial statements audited and certified by an international accounting firm that has a cooperative relationship with an accounting firm of the Republic of China
  - B. Financial statements audited and certified by the independent auditor of the Taiwanese parent company
  - C. Others.

Note 3: The figures in this table shall be presented in New Taiwan dollars. (US\$ exchange rate: 27.68 on December 31, 2021)

(3)Major transactions:

- 1)The purchase amount and the percentage as well as the closing balance and the percentage of the corresponding payable: See attached Table 1 for details.
- 2)The sales amount and the percentage as well as the closing balance and the percentage of the corresponding receivable: See attached Table 2 for details.
- 3)Amount of property transaction and amount of profit or loss generated: None.
- 4)The ending balance of bill endorsement, guarantee or provision of collateral and the purpose: None.
- 5)Maximum balance of financing, and its closing balance, interest rate interval and total interest of the current period: None.
- 6)Other transactions that have a significant impact on the current profit and loss or financial position: None.

Table 1 Unit: NT\$'000

Name of related party	Relationship with the related party	Transaction type (Purchase or sale of goods)	Purchases			Terms of transaction		Corresponding payables	
			Amount	Percentage	Price	Payment period	Comparison with general transactions	Balance	Percentage
Shanghai GFC elevator CO., Limited	Sub-subsidiary evaluated by equity method	Purchases	\$164,678	8.28%	The cost plus the due profit.	Two to four months after shipment, the payment shall be made directly by remittance.	There is no relevant export transaction for comparison.	\$7,984	0.88%

Table 2

Name of related party	Relationship with the related party	Transaction type (Purchase or sale of goods)	Sales			Terms of transaction		Corresponding receivable		Unrealized gross profit
			Amount	Percentage	Price	Payment period	Comparison with general transactions	Balance	Percentage	
Shanghai GFC elevator CO., Limited	Sub-subsidiary evaluated by equity method	Sales	\$783	0.03%	The cost plus the due profit.	Two to four months after shipment, the payment shall be made directly by remittance.	There is no relevant export transaction for comparison.	\$28 It was directly sold to GFC Shanghai and recognized as account receivable - related party.	0.00%	\$55

able 7: Information on major shareholders

Unit: shares

Name	Number of shares	Percentage of ownership
Changjiang Products Co., Ltd.	\$98,981,498	55.91%

## **5. Individual Financial Report of the Company for the Most Recent Year Audited and Certified by the Independent Auditor**

### English Translation of Audit Report Originally Issued in Chinese

#### **Audit Report of Independent Accountants**

To GFC, LTD:

#### **Opinion**

We have audited the accompanying parent company only balance sheets of GFC, LTD (the “Company”) as of December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter – Making Reference to the Audits of Component Auditors section of our report), the parent company only financial statements referred to above present fairly, in all material respects, the financial positions of the Company as of December 31, 2021 and 2020, and its financial performance and cash flows for the years ended December 31, 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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

#### Allowance for Receivables

The accounts receivable of the Company as of December 31, 2021 amounted to \$774,094 thousand, accounting for 9% of the total assets, and had a significant impact on the parent company only financial statements. Since the amount of allowance for accounts receivable is measured by the lifetime expected credit loss, the measurement process shall appropriately distinguish groups of accounts receivable, and judge and analyze the application of related assumptions in the measurement process, including the consideration of appropriate account aging interval, loss rate of each account age range and its forward-looking information. As the measurement of expected credit loss involves making judgment, analysis and estimates, and the measurement result will affect the net accounts receivable, we therefore considered this a key audit matter. Our audit procedures included (but are not limited to) understanding the internal control established by the management for accounts receivable collection management and testing the effectiveness of the internal control; evaluating the appropriateness of the loss allowance policy and the reasonableness of loss rate, and testing the preparation matrix used to measure the loss allowance, including evaluating whether the determination of each group’s aging interval and the estimation of loss rate is reasonable and checking the correctness of the original voucher based on the fundamental information; testing the relevant statistical information of loss rate calculated by roll rate; considering the reasonableness of the forward-looking information included in the loss rate evaluation; evaluating whether the forward-looking information affected the loss rate; reviewing the subsequent period collection of receivables and considering whether the assessment of recoverability was reasonable; carrying out analytical review to assess the turnover rate of receivables. We also considered the appropriateness of the disclosure of accounts receivable in Notes 4, 5 and 6 to the financial statements.

### Inventory Valuation

The inventory of the Company as of December 31, 2021 was \$1,958,280 thousand, amounted to 24% of the total assets, and had a significant impact on the financial statements. As the technology of elevator production advances with each passing day, inventory may be obsolete or the selling price may decline. The inventory valuation of net realizable value and the loss allowance provision involved significant amount of management judgment. In our opinion, the inventory valuation is important for the audit of the parent company only financial statements, we therefore considered it a key audit matter. Our audit procedures included (but are not limited to): understanding the appropriateness and testing the effectiveness of the internal control established by the management for inventory valuation and obsolete loss; taking inventory at the end of the period and carrying out inventory sampling at the inventory storage site to observe whether there is obsolete inventory at the site; testing the accumulated inventory cost of construction in process and evaluating the appropriate attribution and classification of the construction in process cost at the end of the period; and evaluating the reasonableness of the allowance for inventory proposed by the management. We also considered the appropriateness of inventory disclosure in Notes 4, 5 and 6 to the parent company only financial statements.

### Revenue Recognition

The main source of revenue of the Company is the sales and maintenance of elevator related products. Due to the differences in the characteristics of various sources of revenue, it is necessary to determine whether the performance obligation and the applicable revenue recognition method are over time or at a certain point in time. The amount of revenue recognized and the recognition method involves judgment and analysis, and in our opinion it is important to the audit of the parent company only financial statements, so it is determined to be a key audit matter. Our audit procedures included (but are not limited to) understanding the internal control established by the management regarding the sales, installation, maintenance and repair of elevator related commodities and testing the effectiveness of the internal control; assessing the appropriateness of the accounting policies for revenue recognition; assessing the reasonableness of the management's identification of the performance obligation related to revenue and the time of recognition; reviewing the major transaction contract terms and sample checking the contract performance related documents with respect to goods or services already transferred; and conducting analytical review of the gross profit margin and major customers. We also considered the appropriateness of the accounting policies for the recognition of revenue and related disclosures in Notes 4 and 6 to the financial statements.

### **Other Matter – Making References to the Audits of Component Auditors**

We did not audit the financial statements of certain associates and joint ventures accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of other auditors. These associates and joint ventures under equity method amounted to \$29,172 thousand and \$46,244 thousand, both representing 0.4% and 1% of total assets as of December 31, either 2021 or 2020. The related shares of profits (loss) from the associates and joint ventures under the equity method amounted to \$6,615 thousand and \$7,268 thousand, representing 0.7% and 0.8% of the income before tax for the years ended December 31, 2021 and 2020, respectively, and the related shares of other comprehensive income (loss) from the associates and joint ventures under the equity method amounted to \$(5,792) thousand and \$(2,083) thousand, representing (20)% and 5% of the comprehensive income (loss) for the years ended December 31, 2021 and 2020, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 supervisors, are responsible for overseeing the financial reporting process of the Company.

### **Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 2021 parent company only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fuh, Wen-Fun

Ma, Chun-Ting

Ernst & Young, Taiwan

March 25, 2022

**Notice to Readers:**

The accompanying parent company only financial statements are intended only to present the financial position and results of operations and cash flows in accordance with 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.

Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

GFC, LTD.

Parent Company Only Balance Sheets  
December 31, 2021 and December 31, 2020  
(Expressed in Thousands of New Taiwan Dollars)

Assets	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
<b>Current assets</b>					
Cash and cash equivalents	4&6.(1)	\$1,567,651	19	\$1,249,571	17
Financial assets at fair value through profit or loss - current	4&6.(2)	675,327	8	588,131	8
Financial assets at amortised cost - current	4&6.(16)	25,545	-	34,303	1
Notes receivable, net	4, 6.(4)&6.(16)	247,955	3	215,753	3
Accounts receivable, net	4, 6.(5)&6.(16)	774,094	9	707,781	9
Accounts receivable - related parties	4, 6.(5), 6.(16)&7	244	-	241	-
Other receivables	4&6.(16)	10,830	-	11,036	-
Other receivables - related parties	4, 6.(16)&7	1,341	-	17,997	-
Inventories	4&6.(6)	1,958,280	24	1,773,758	23
Prepayments		60,867	1	75,143	1
Other current assets		6,348	-	11,812	-
<b>Total current assets</b>		<b>5,328,482</b>	<b>64</b>	<b>4,685,526</b>	<b>62</b>
<b>Non-current assets</b>					
Financial assets at fair value through other comprehensive income - non-current	4&6.(3)	58,342	1	38,138	1
Financial assets at amortised cost - non-current	4&6.(16)	34,343	1	7,067	-
Investments accounted for using equity method	4&6.(7)	333,154	4	284,248	4
Property, plant and equipment	4&6.(8)	1,124,870	14	1,051,217	14
Right-of-use assets	4, 6.(17)&7	18,019	-	28,180	-
Investment property, net	4&6.(9)	828,182	10	831,300	11
Intangible assets	4&6.(10)	77,375	1	81,629	1
Deferred tax assets	4&6.(21)	197,199	2	183,408	2
Refundable deposits	8	276,001	3	415,114	5
Other non-current assets - other		15,413	-	16,097	-
<b>Total non-current assets</b>		<b>2,962,898</b>	<b>36</b>	<b>2,936,398</b>	<b>38</b>
<b>Total assets</b>		<b>\$8,291,380</b>	<b>100</b>	<b>\$7,621,924</b>	<b>100</b>

(The accompanying notes are an integral part of the parent company only financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

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

GFC, LTD.

Parent Company Only Balance Sheets

December 31, 2021 and December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity	Note	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
<b>Current liabilities</b>					
Short-term borrowings	4&6.(12)	\$-	-	\$100,000	1
Contract liabilities - current	4&6.(15)	2,341,055	28	1,951,382	26
Notes payable	4	73,839	1	67,704	1
Notes payable - related parties	4&7	73	-	179	-
Accounts payable	4	258,741	3	246,485	3
Accounts payable - related parties	4&7	8,029	-	32	-
Other payables	4&12	570,603	7	512,009	7
Current tax liabilities	4&6.(21)	118,899	2	95,302	2
Provisions	4	100,484	1	90,259	1
Lease liabilities - current	4, 6.(17)&7	6,579	-	11,255	-
Other current liabilities		14,242	-	21,870	-
<b>Total current liabilities</b>		<b>3,492,544</b>	<b>42</b>	<b>3,096,477</b>	<b>41</b>
<b>Non-current liabilities</b>					
Lease liabilities - non-current	4, 6.(17)&7	11,607	-	17,087	-
Defined benefit liabilities - net	4&6.(13)	46,294	1	43,145	1
Other non-current liabilities		8,312	-	8,341	-
<b>Total non-current liabilities</b>		<b>66,213</b>	<b>1</b>	<b>68,573</b>	<b>1</b>
<b>Total liabilities</b>		<b>3,558,757</b>	<b>43</b>	<b>3,165,050</b>	<b>42</b>
<b>Equity attributable to the parent company</b>					
Capital	6.(14)				
Common stock		1,770,120	21	1,770,120	23
Additional paid-in capital	6.(14)	60,830	1	60,830	1
Retained earnings	6.(14)				
Legal reserve		1,255,829	15	1,186,311	15
Special reserve		84,529	1	74,319	1
Unappropriated earnings		1,584,461	19	1,449,822	19
<b>Total retained earnings</b>		<b>2,924,819</b>	<b>35</b>	<b>2,710,452</b>	<b>35</b>
Other equity	4	(23,146)	-	(84,528)	(1)
<b>Total equity</b>		<b>4,732,623</b>	<b>57</b>	<b>4,456,874</b>	<b>58</b>
<b>Total liabilities and equity</b>		<b>\$8,291,380</b>	<b>100</b>	<b>\$7,621,924</b>	<b>100</b>

(The accompanying notes are an integral part of the parent company only financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

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

GFC, LTD.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Note	2021		2020	
		Amount	%	Amount	%
Operating revenues	4, 6.(15)&7	\$4,505,572	100	\$4,289,039	100
Operating costs	4, 6.(17)&7	(3,147,275)	(70)	(3,031,701)	(71)
Gross profit		1,358,297	30	1,257,338	29
Unrealized sales profit or loss		(57)	-	(64)	-
Realized sales profit or loss		64	-	154	-
Gross profit		1,358,304	30	1,257,428	29
Operating expenses	6.(16), 6.(17), 6.(18)&7				
Sales and marketing expenses		(122,137)	(3)	(113,866)	(2)
General and administrative expenses		(332,397)	(7)	(329,559)	(8)
Research and development expenses		(40,741)	(1)	(40,320)	(1)
Expected credit gains or losses		(23,375)	(1)	7,412	-
Total operating expenses		(518,650)	(12)	(476,333)	(11)
Operating income		839,654	18	781,095	18
Non-operating income and expenses	4, 6.(19)&7				
Interest revenue		5,178	-	5,050	-
Other income		32,278	1	22,001	1
Other gains and losses		(1,078)	-	4,824	-
Financial costs		(754)	-	(565)	-
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method		82,999	2	58,751	1
Total non-operating income and expenses		118,623	3	90,061	2
Income before income tax		958,277	21	871,156	20
Income tax expense	4&6.(21)	(180,353)	(4)	(145,478)	(3)
Net income	4, 6.(20)&6.(21)	777,924	17	725,678	17
Other comprehensive income (loss)					
Not to be reclassified to profit or loss in subsequent periods					
Remeasurements of defined benefit pension plans		(40,592)	(1)	(38,202)	(1)
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		70,538	2	(5,623)	-
Share of other comprehensive income of associates and joint ventures		(7,193)	-	(2,670)	-
Income tax related to items that will not be reclassified subsequently		8,118	-	5,362	-
To be reclassified to profit and loss in subsequent periods					
Exchange differences resulting from translating the financial statements of foreign operations		(2,513)	-	537	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		503	-	(107)	-
Total other comprehensive income (loss), net of tax		28,861	1	(40,703)	(1)
Total comprehensive income		\$806,785	18	\$684,975	16
Earnings per share (expressed in dollars)	6.(22)				
Basic earnings per share		\$4.39		\$4.10	
Diluted earnings per share		\$4.39		\$4.10	

(The accompanying notes are an integral part of the parent company only financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

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

GFC, LTD.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company						
	Retained earnings					Other Components of Equity	
	Common stock	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income
	3100	3200	3310	3320	3350	3410	3420
	Total equity						
	3XXX						
Balance as of January 1, 2020	\$1,770,120	\$60,830	\$1,119,017	\$73,520	\$1,300,663	\$(7,031)	\$(67,288)
Appropriation and distribution of 2019 retained earnings							
Legal reserve	-	-	67,294	-	(67,294)	-	-
Special reserve	-	-	-	799	(799)	-	-
Cash dividends	-	-	-	-	(477,932)	-	-
Net income for the year ended December 31, 2020	-	-	-	-	725,678	-	-
Other comprehensive income (loss), net of tax for the year ended December 31, 2020	-	-	-	-	(30,494)	430	(10,639)
Total comprehensive income	-	-	-	-	695,184	430	(10,639)
Balance as of December 31, 2020	\$1,770,120	\$60,830	\$1,186,311	\$74,319	\$1,449,822	\$(6,601)	\$(77,927)
Balance as of January 1, 2021	\$1,770,120	\$60,830	\$1,186,311	\$74,319	\$1,449,822	\$(6,601)	\$(77,927)
Appropriation and distribution of 2020 retained earnings							
Legal reserve	-	-	69,518	-	(69,518)	-	-
Special reserve	-	-	-	10,210	(10,210)	-	-
Cash dividends	-	-	-	-	(531,036)	-	-
Net income for the year ended December 31, 2021	-	-	-	-	777,924	-	-
Other comprehensive income (loss), net of tax for the year ended December 31, 2021	-	-	-	-	(32,521)	(2,010)	63,392
Total comprehensive income	-	-	-	-	745,403	(2,010)	63,392
Balance as of December 31, 2021	\$1,770,120	\$60,830	\$1,255,829	\$84,529	\$1,584,461	\$(8,611)	\$(14,535)

(The accompanying notes are an integral part of the parent company only financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen-Li

Chief Accounting Officer: Lu, Ying-Chen

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

GFC, LTD.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	2021	2020		2021	2020
<b>Cash flows from operating activities:</b>			<b>Cash flow from investing activities:</b>		
Net income before tax	\$958,277	\$871,156	Proceeds from capital reduction of financial assets at fair value through other comprehensive income	50,334	1,680
Adjustments to reconcile profit (loss):			Acquisition of financial assets at amortised cost	(18,518)	(13,636)
Income and expense adjustments:			Acquisition of financial assets at fair value through profit or loss	(814,858)	(929,626)
Depreciation	55,064	53,412	Disposal of financial assets at fair value through profit or loss	730,825	803,636
Amortization	7,179	7,012	Proceeds from capital reduction of investments accounted for using equity method	11,579	4,211
Expected credit gain on reversal (impairment loss)	23,375	(7,412)	Acquisition of property, plant and equipment	(111,375)	(23,345)
Net gains on financial assets or liabilities at fair value through profit or loss	(3,163)	(5,060)	Disposal of property, plant and equipment	313	333
Interest expense	755	566	Increase in refundable deposits	-	(22,045)
Interest income	(5,178)	(5,050)	Decrease in refundable deposits	139,113	-
Dividend income	(597)	-	Acquisition of intangible assets	(31)	(2,197)
Share of profit of subsidiaries associates and joint ventures accounted for using equity method	(82,999)	(58,751)	Acquisition of investment property	-	(10,777)
Gain on disposal of property, plant and equipment	(252)	(333)	Increase in prepayment for equipment	(1,079)	(1,131)
Gain on lease modification benefit	(13)	-	Dividends received	13,412	14,311
Total income and expense adjustments	(5,829)	(15,616)	<b>Net cash used in investing activities</b>	<b>(285)</b>	<b>(178,586)</b>
Changes in operating assets and liabilities:			<b>Cash flow from financing activities:</b>		
Increase in notes receivable	(32,032)	(28,363)	Increase in short term loans	-	100,000
Increase in accounts receivable	(73,645)	(64,205)	Decrease in short term loans	(100,000)	-
(Increase) decrease in accounts receivable - related parties	(3)	653	Increase in guarantee deposits	-	1,747
Increase in other receivables	(16,429)	(12,112)	Decrease in guarantee deposits	(29)	-
Decrease in other receivables - related parties	16,656	12,215	Cash payments for principal portion of the lease liabilities	(12,784)	(13,115)
Increase in inventories	(184,522)	(90,764)	Cash dividends	(531,036)	(477,932)
Decrease in prepayments	14,276	23,373	<b>Net cash used in financing activities</b>	<b>(643,849)</b>	<b>(389,300)</b>
Decrease in other current assets	5,464	17,672			
(Increase) decrease in other operating assets	(2,923)	655			
Increase in contract liabilities	389,673	185,548			
Increase in notes payable	6,135	11,275			
(Decrease) increase in notes payable - related parties	(106)	117			
Increase in accounts payable	12,256	9,035			
Increase (decrease) in accounts payable - related parties	7,997	(35)			
Increase in other payables	58,594	44,021			
Increase in provisions	10,225	15,179			
(Decrease) increase in other current liabilities	(7,628)	10,740			
Decrease in defined benefit liabilities	(37,443)	(123,700)			
Decrease in other operating liabilities	-	(2,000)			
Cash generated from operations	1,118,993	864,844			
Interest received	5,600	4,504			
Interest paid	(453)	(337)	<b>Net increase in cash and cash equivalents</b>	<b>318,080</b>	<b>160,227</b>
Income tax paid	(161,926)	(140,898)	<b>Cash and cash equivalents at beginning of period</b>	<b>1,249,571</b>	<b>1,089,344</b>
<b>Net cash provided by operating activities.</b>	<b>962,214</b>	<b>728,113</b>	<b>Cash and cash equivalents at end of period</b>	<b>\$1,567,651</b>	<b>\$1,249,571</b>

(The accompanying notes are an integral part of the parent company only financial statements)

Chairman: Tang, Po-Loung

General Manager: Yu, Pen- Li

Chief Accounting Officer: Lu, Ying-Chen

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

Notes to parent company only financial statements of

GFC, LTD.

For the Year Ended December 31, 2021 and 2020

(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

**1. History and organization**

GFC, LTD (hereinafter referred to as “the Company”) was established on May 30, 1974. The Company initially engaged in trade business and undertook crane installation projects of Ishikawa China Shipbuilding Company. The Company started engaging in the elevator and escalator business in June 1975. In April 1977, the Company and Toshiba Corporation of Japan formally signed an elevator technical cooperation contract for the Taiwan and Japan markets. The Company was listed on the OTC market at the end of 1997. At present, its main business is the manufacturing and sales of elevators, escalators and generators. Its registered address and main operating site is on the 13th floor, No. 88, Section 2, Nanjing East Road, Taipei.

**2. Date and procedure of authorization of financial statements for issue**

The parent company only financial statements of the Company for the year ended December 31, 2021 and 2020 were authorized for issue by the Company’s board of directors (hereinafter “the Board of Directors”) on March 25, 2022.

**3. Newly issued or revised standards and interpretations**

- (1) Changes in accounting policies resulting from applying for the first time certain standards and amendments
- (2) Standards or interpretations issued, revised or amended, by IASB which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

**A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)**

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

**B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

**C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

**D. Annual Improvements to IFRS Standards 2018 - 2020**

*Amendment to IFRS 1*

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

**Notes to parent company only financial statements of  
GFC, LTD.**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee's leasehold improvements.

*Amendment to IAS 41*

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. Apart from item explained below, the remaining standards and interpretations have no material impact on the Group.

- (3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

- A. IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

- B. IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

**Notes to parent company only financial statements of  
GFC, LTD.**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

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Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

**C. Classification of Liabilities as Current or Non-current – Amendments to IAS 1**

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

**D. Disclosure Initiative - Accounting Policies – Amendments to IAS 1**

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

**E. Definition of Accounting Estimates – Amendments to IAS 8**

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

**F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB but have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (6), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

**4. Summary of Significant Accounting Policies**

**(1) Statement of compliance**

The parent company only financial statements of the Company for the years ended December 31, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

**(2) Basis of preparation**

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The parent company only financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

**Notes to parent company only financial statements of  
GFC, LTD.**

**(Amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)**

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**(3) Foreign Currency Transactions**

The Company's parent company only financial statements are presented in NT\$, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded by the Company with the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- B. Foreign currency items within the scope of IFRS 9 Financial Instruments are accounted for based on the accounting policy for financial instruments.
- C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

**(4) Translation of financial statements in foreign currency**

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals:

- A. when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and
- B. when the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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**(5) Current and non-current distinction**

An asset is classified as current when:

- A. The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- B. The Company holds the asset primarily for the purpose of trading
- C. The Company expects to realize the asset within twelve months after the reporting period
- D. The asset is cash or 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.

All other assets are classified as non-current.

A liability is classified as current when:

- A. The Company expects to settle the liability in its normal operating cycle
- B. The Company holds the liability primarily for the purpose of trading
- C. The liability is due to be settled within twelve months after the reporting period
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

**(6) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 12 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(7) Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

**A. Financial instruments: Recognition and Measurement**

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- (a) the Company's business model for managing the financial assets and
- (b) the contractual cash flow characteristics of the financial asset.

**Financial Assets Measured at amortized cost**

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

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Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

**Financial Assets at Fair Value Through Other Comprehensive Income**

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its accumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

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Financial Assets at Fair Value Through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

**B. Impairment of Financial Assets**

The Company recognizes a loss allowance for expected credit losses on financial asset measured at amortized cost.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- (a) At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- (b) At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- (c) For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

**C. Derecognition of Financial Assets**

A financial asset is derecognized when:

- (a) The rights to receive cash flows from the asset have expired.
- (b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- (c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

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**D. Financial Liabilities and Equity**

**Classification between liabilities or equity**

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

**Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

**Financial Liabilities**

Financial liabilities within the scope of IFRS 9 Financial Instruments are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- (b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

**Financial liabilities at amortized cost**

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

**Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**E. Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**(8) Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

A. In the principal market for the asset or liability, or

B. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

**(9) Inventories**

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials - Purchase cost on a weighted-average method

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**(10) Investments accounted for using the equity method**

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. The Company made such adjustments by debiting or crediting accounts such as investments accounted for using equity method, share of profit (loss) of associates and joint ventures accounted for using equity method, or share of other comprehensive income of associates and joint ventures accounted for using equity method, unrealized gains (losses), considering the accounting method used for the investments in subsidiaries in the consolidated financial statements in accordance with IFRS 10 Consolidated Financial Statements and the differences of application of IFRS between different consolidated entities.

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The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the Company's related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate or joint venture, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company's interest in an associate or a joint venture is reduced or increased as the Company fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures*. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Company estimates:

- A. Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- B. The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

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**(11) Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~50 years
Machinery and equipment	5~10 years
Transportation equipment	5 years
Other equipment	2~5 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

**(12) Investment Property**

The Company's owned investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, investment properties are measured using the cost model in accordance with the requirements of IAS 16 *Property, plant and equipment* for that model. If investment properties are held by a lessee as right-of-use assets and is not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements of IFRS 16.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	30~50 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Company transfers to or from investment properties when there is a change in use for these assets.

Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

**(13) Leases**

The Company assesses whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

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- A. the right to obtain substantially all of the economic benefits from use of the identified asset; and
- B. the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximizing the use of observable information.

The Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

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If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset 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.

The Company applies IAS 36 "*Impairment of Assets*" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statement of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Group elected not to assess whether it is a lease modification but accounted it as a variable lease payment.

The Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

**(14) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

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Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer Software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

Right of Building Capacity Transfer

The right of building capacity transfer is the reward of a certain base of building capacity transfer after the Company donated land of public facility to the government. The right of building capacity transfer is assessed with an indefinite useful life.

A summary of the policies applied to the Company's intangible assets is as follows:

	<u>Computer Software</u>	<u>Right of Capacity Transfer</u>
Useful lives	3~5 years	Indefinite
Amortization method used	Amortized on a straight-line basis	Unamortized
Internally generated or acquired	Acquired	Acquired

**(15) Impairment of non-financial assets**

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

**(16) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for warranties

A provision is recognized for expected warranty claims on products sold, based on historical experience, management's judgement and other known factors.

**(17) Revenue recognition**

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Company are generators, elevators and escalators and revenue is recognized based on the consideration stated in the contract.

The Company provides its customer with a warranty with the purchase of the products. The warranty provides assurance that the product will operate as expected by the customers, and the warranty is accounted in accordance with IAS 37.

The credit term of the Company's sale of goods is from 30 to 180 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

Rendering of services

The Company provides maintenance services for the sale of generators, elevators and escalators. Such services are separately priced or negotiated, and provided based on contract period. As the Company provides the maintenance services over the contract period, the customers simultaneously receive and consume the benefits provided by the Company. Accordingly, the performance obligations are satisfied over time, and the related revenue are recognized by straight line method over the contract period.

Most of the contractual considerations of the Company are collected evenly throughout the contract period. When the Company has performed the services to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. However, for some rendering of services contracts, part of the consideration was received from customers upon signing the contract, and the Company has the obligation to provide the services subsequently; accordingly, these amounts are recognized as contract liabilities.

The period between the transfers of contract liabilities to revenue is usually within one year, thus, no significant financing component arose.

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**(18) Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**(19) Post-employment benefits**

All regular employees of the Company is entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company, therefore fund assets are not included in the Company's financial statements.

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- A. the date of the plan amendment or curtailment, and
- B. the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

**(20) Income taxes**

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

**Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the shareholders' meeting.

**Deferred tax**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- A. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- B. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**5. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's parent company only financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**(1) Judgment**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the parent company only financial statements:

**A. Investment properties**

Certain properties of the Company comprise a portion that is held to earn rentals or for capital appreciation and another portion that is owner-occupied. If these portions could be sold separately, the Company accounts for the portions separately as investment properties and property, plant and equipment. If the portions could not be sold separately, the property is classified as investment property in its entirety only if the portion that is owner-occupied is under 5% of the total property.

**B. De facto control without a majority of the voting rights in investment companies**

The Company's certain investment companies with the largest shareholder but less than 50% shareholdings of the Company have no de facto control but only significant influence after judgement, please refer to Note 6.(7) for further details.

**(2) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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**A. Pension benefits**

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and changes of the future salary increases.

**B. Income tax**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

**C. Accounts receivables - estimation of impairment loss**

The Company estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

**D. Inventories**

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note 6 for more details.

**6. Contents of significant accounts**

**(1) Cash and cash equivalents**

	December 31, 2021	December 31, 2020
Cash on hand and petty cash	\$3,422	\$3,502
Bank deposits	489,723	495,748
Time deposits	629,327	490,231
Cash equivalents	445,179	260,090
Total	<u>\$1,567,651</u>	<u>\$1,249,571</u>

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The Company's commercial paper are due within three months. The commercial paper are agreed to be sold back at the agreed price including interest on a specific date after the transaction. As at December 31, 2021 and December 31, 2020, the total resale values were \$445,275 thousand and \$260,148 thousand, respectively, with an annual interest rate of 0.21% and 0.20%, respectively.

(2) Financial assets at fair value through profit or loss

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Fund	<u>\$675,327</u>	<u>\$588,131</u>

None of the abovementioned financial assets at fair value through profit or loss were pledged.

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

	December 31, 2021	December 31, 2020
Equity instrument investments measured at fair value through other comprehensive income - non-current:		
Unlisted companies' stocks	<u>\$58,342</u>	<u>\$38,138</u>

None of the abovementioned financial assets at fair value through other comprehensive income were pledged.

(4) Notes receivable

	December 31, 2021	December 31, 2020
Notes receivables	<u>\$248,363</u>	<u>\$216,331</u>
Less: loss allowance	<u>(408)</u>	<u>(578)</u>
Total	<u>\$247,955</u>	<u>\$215,753</u>

None of the abovementioned notes receivables were pledged.

(5) Accounts receivable and accounts receivable - related parties

	December 31, 2021	December 31, 2020
Accounts receivables	<u>\$828,811</u>	<u>\$756,089</u>
Less: loss allowance	<u>(54,717)</u>	<u>(48,308)</u>
Subtotal	<u>774,094</u>	<u>707,781</u>
Accounts receivable - related parties	<u>244</u>	<u>241</u>
Total	<u>\$774,338</u>	<u>\$708,022</u>

None of the abovementioned accounts receivable were pledged.

Accounts receivables are generally on 30-180 day terms. The Company's total book value as at December 31, 2021 and 2020 were \$829,055 thousand, \$756,330 thousand, respectively. Please refer to Note 6.(16) for details of loss allowance information for the years ended December 31, 2021 and 2020. Please refer to Note 12 for more details of credit risk management.

(6) Inventories

	December 31, 2021	December 31, 2020
Raw materials	<u>\$279,165</u>	<u>\$293,717</u>
Materials and supplies in transit	<u>14,427</u>	<u>15,448</u>
Semi-finished products	<u>151,195</u>	<u>164,949</u>
Work in process	<u>55,207</u>	<u>40,819</u>
Finished goods	<u>43,838</u>	<u>42,721</u>
Finished goods in transit	<u>-</u>	<u>3,885</u>
Construction in progress	<u>1,414,448</u>	<u>1,212,219</u>
Total	<u>\$1,958,280</u>	<u>\$1,773,758</u>

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The cost of inventories recognized as expense by the Company for the year ended December 31, 2021 and 2020 were \$2,107,082 thousand and \$2,025,112 thousand, respectively, including the write-down of inventories in the amount of \$69,852 thousand and \$74,224 thousand, respectively. The inventory price drop led to the decline of the Company inventories' net realized value, recognized as the write-down for the year ended December 31, 2021 and 2020.

None of the abovementioned inventories were pledged.

**(7) Investments accounted for using the equity method**

The investments accounted for using the equity method are as follows:

Investees	December 31, 2021		December 31, 2020	
	Carrying amount	Percentage of ownership (%)	Carrying amount	Percentage of ownership (%)
<u>Investments in associates:</u>				
GFC Cayman Island Limited	\$237,438	100.00%	\$183,784	100.00%
Howtobe Technology Co., Ltd.	66,182	100.00%	53,703	100.00%
V.T. Systems of Japan	362	65.11%	517	65.11%
Subtotal	303,982		238,004	
<u>Investment in Affiliated Enterprises</u>				
Hua Hung Management Consulting Co., Ltd.	11,441	20.00%	11,045	20.00%
Hua Chi Venture Capital Co., Ltd.	17,731	21.05%	35,199	21.05%
Subtotal	29,172		46,244	
Total	\$333,154		\$284,248	

**A. Investment in subsidiaries**

The investee subsidiary's parent company only financial report is expressed as "Investments accounted for using the equity method," with necessary evaluation and adjustment made.

**B. Investments in associates**

(a) The Company has 21.05% ownership of Hua Chi Venture Capital Co., Ltd. and is the largest shareholder of the investment company. Because of less than half of the Board's directors owned by the Company, considering ownership of the investee and ownership distribution, the company has no de facto control in the investment company but only significant influence.

(b) The Company's investment in Hua Hung Management Consulting Co., Ltd. and Hua Chi Venture Capital Co., Ltd. are not individually material. The aggregate financial information of the Company's investments in Hua Hung Management Consulting Co., Ltd. and Hua Chi Venture Capital Co., Ltd. is as follows:

	December 31, 2021	December 31, 2020
Profit or loss from continuing operations	\$6,615	\$7,268
Other comprehensive income	(5,792)	(2,083)
Total comprehensive income	\$823	\$5,185

C. The associates had no contingent liabilities or capital commitments as at December 31, 2021 and December 31, 2020.

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D. The investments accounted for using the equity method on December 31, 2021 and 2020 was NT\$29,172 thousand and NT\$46,244 thousand, respectively. The share of income (loss) of related enterprises and joint ventures recognized by equity method for the years ended December 31, 2021 and 2020 were NT\$6,615 thousand and NT\$7,268 thousand, respectively, the share of other comprehensive income (loss) of affiliated enterprises and joint ventures recognized by equity method were NT\$(5,792) thousand and NT\$(2,083) thousand, respectively. The above is based on the financial statements of the investment companies audited by other accountants.

**(8) Property, plant and equipment**

	December 31, 2021	December 31, 2020
Owner occupied property, plant and equipment	\$1,095,250	\$1,020,928
Property, plant and equipment leased out under operating leases	29,620	30,289
Total	<u>\$1,124,870</u>	<u>\$1,051,217</u>

**A. Owner occupied property, plant and equipment**

	Land	Buildings	Machinery and equipment	Transportation equipment	Other equipment	Total
Cost:						
January 1, 2020	\$586,063	\$943,368	\$178,884	\$39,123	\$201,082	\$1,948,520
Additions	-	9,992	5,781	3,872	3,700	23,345
Disposals	-	(300)	(3,896)	(2,333)	(2,436)	(8,965)
Transfers	-	278	-	-	-	278
December 31, 2020	<u>\$586,063</u>	<u>\$953,338</u>	<u>\$180,769</u>	<u>\$40,662</u>	<u>\$202,346</u>	<u>\$1,963,178</u>
January 1, 2021	\$586,063	\$953,338	\$180,769	\$40,662	\$202,346	\$1,963,178
Additions	72,006	27,944	4,661	2,893	3,871	111,375
Disposals	-	(1,229)	(2,817)	(1,106)	(3,313)	(8,465)
Transfers	-	1,385	-	48	358	1,791
December 31, 2021	<u>\$658,069</u>	<u>\$981,438</u>	<u>\$182,613</u>	<u>\$42,497</u>	<u>\$203,262</u>	<u>\$2,067,879</u>
Depreciation and impairment:						
January 1, 2020	\$-	\$(542,776)	\$(152,943)	\$(28,390)	\$(189,959)	\$(914,068)
Disposals	-	(25,778)	(3,573)	(4,196)	(3,600)	(37,147)
Transfers	-	300	3,896	2,333	2,436	8,965
December 31, 2020	<u>\$-</u>	<u>\$(568,254)</u>	<u>\$(152,620)</u>	<u>\$(30,253)</u>	<u>\$(191,123)</u>	<u>\$(942,250)</u>
January 1, 2021	\$-	\$(568,254)	\$(152,620)	\$(30,253)	\$(191,123)	\$(942,250)
Disposals	-	(26,520)	(4,367)	(4,122)	(3,774)	(38,783)
Transfers	-	1,229	2,756	1,106	3,313	8,404
December 31, 2021	<u>\$-</u>	<u>\$(593,545)</u>	<u>\$(154,231)</u>	<u>\$(33,269)</u>	<u>\$(191,584)</u>	<u>\$(972,629)</u>
Net carrying amount as at:						
December 31, 2021	<u>\$658,069</u>	<u>\$387,893</u>	<u>\$28,382</u>	<u>\$9,228</u>	<u>\$11,678</u>	<u>\$1,095,250</u>
December 31, 2020	<u>\$586,063</u>	<u>\$385,084</u>	<u>\$28,149</u>	<u>\$10,409</u>	<u>\$11,223</u>	<u>\$1,020,928</u>

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**B. Property, plant and equipment leased out under operating leases**

	Buildings
Cost:	
January 1, 2020	\$32,662
Additions	-
Disposals	-
December 31, 2020	<u>\$32,662</u>
January 1, 2021	<u>\$32,662</u>
Additions	-
Disposals	-
December 31, 2021	<u>\$32,662</u>
Depreciation and impairment:	
January 1, 2020	\$(1,705)
Disposals	(668)
Transfers	-
December 31, 2020	<u>\$(2,373)</u>
January 1, 2021	<u>\$(2,373)</u>
Disposals	(669)
Transfers	-
December 31, 2021	<u>\$(3,042)</u>
Net carrying amounts as at:	
December 31, 2021	<u>\$29,620</u>
December 31, 2020	<u>\$30,289</u>

Components of building that have different useful lives are main building structure, decoration equipment and elevators, which are depreciated over 50 years, 8 years and 15 years, respectively.

None of the abovementioned property, plant and equipment were pledged.

**(9) Investment property**

	Land	Buildings	Total
Cost:			
January 1, 2020	\$797,410	\$74,252	\$871,662
Additions from subsequent expenditure	-	10,777	10,777
December 31, 2020	<u>\$797,410</u>	<u>\$85,029</u>	<u>\$882,439</u>
January 1, 2021	<u>\$797,410</u>	<u>\$85,029</u>	<u>\$882,439</u>
Additions from subsequent expenditure	-	-	-
December 31, 2021	<u>\$797,410</u>	<u>\$85,029</u>	<u>\$882,439</u>
Depreciation and impairment:			
January 1, 2020	\$(7,657)	\$(40,879)	\$(48,536)
Depreciation	-	(2,603)	(2,603)
December 31, 2020	<u>\$(7,657)</u>	<u>\$(43,482)</u>	<u>\$(51,139)</u>
January 1, 2021	<u>\$(7,657)</u>	<u>\$(43,482)</u>	<u>\$(51,139)</u>
Depreciation	-	(3,118)	(3,118)
December 31, 2021	<u>\$(7,657)</u>	<u>\$(46,600)</u>	<u>\$(54,257)</u>
Net carrying amount as at:			
December 31, 2021	<u>\$789,753</u>	<u>\$38,429</u>	<u>\$828,182</u>
December 31, 2020	<u>\$789,753</u>	<u>\$41,547</u>	<u>\$831,300</u>

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	2021	2020
Rental income from investment property	\$15,843	\$14,034
Less : Direct operating expenses from investment property generating rental income	(2,340)	(4,445)
Direct operating expenses from investment property not generating rental income	-	-
Total	<u>\$13,503</u>	<u>\$9,589</u>

None of the abovementioned investment properties were pledged.

Investment properties held by the Company are not measured at fair value for which the fair value is disclosed, instead. The fair value measurements of the investment properties are categorized within Level 3. The fair value of investment properties were \$1,442,162 thousand and \$1,393,076 thousand as at December 31, 2021 and 2020, respectively. The fair value have been determined based on valuations performed by an independent valuer. The valuation method used are the comparison approach and income approach, and the inputs used are discount rates and growth rates:

	December 31, 2021	December 31, 2020
Capitalization rate	<u>1.51%~2.405%</u>	<u>1.51%~2.39%</u>

**(10) Intangible assets**

	Computer software	Right of building capacity transfer	Total
Cost:			
January 1, 2020	\$19,461	\$73,500	\$92,961
Additions from acquisitions	2,197	-	2,197
Transfers	273	-	273
December 31, 2020	<u>\$21,931</u>	<u>\$73,500</u>	<u>\$95,431</u>
January 1, 2021	\$21,931	\$73,500	\$95,431
Additions from acquisitions	31	-	31
Transfers	-	-	-
December 31, 2021	<u>\$21,962</u>	<u>\$73,500</u>	<u>\$95,462</u>
Amortization and impairment:			
January 1, 2020	\$(9,529)	\$-	\$(9,529)
Amortization	(4,273)	-	(4,273)
December 31, 2020	<u>\$(13,802)</u>	<u>\$-</u>	<u>\$(13,802)</u>
January 1, 2021	\$(13,802)	\$-	\$(13,802)
Amortization	(4,285)	-	(4,285)
December 31, 2021	<u>\$(18,087)</u>	<u>\$-</u>	<u>\$(18,087)</u>
Net carrying amount as at:			
December 31, 2021	<u>\$3,875</u>	<u>\$73,500</u>	<u>\$77,375</u>
December 31, 2020	<u>\$8,129</u>	<u>\$73,500</u>	<u>\$81,629</u>

The Company donated the land (cost of \$73,500 thousand) to Taichung City Government to obtain the right of building capacity transfer for 2 parcels of land with land lot numbers 265 and 265-1, in Huitai Section, Xitun District, Taichung City. The right of building capacity transfer is assessed as intangible assets with an indefinite useful life.

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Amortization expense of intangible assets under the statements of comprehensive income:

	2021	2020
Operating expenses	\$4,285	\$4,273

**(11) Impairment testing of intangible assets with indefinite lives**

Right of building capacity transfer

The Company's carrying amount of Right of building capacity transfer as of December 31, 2021 and 2020 were both \$73,500 thousand.

The recoverable amount of the right of building capacity transfer is based on fair value less costs of disposal, which valuation technique used to measure fair value less costs of disposal. The fair value measurement categorized within Level 3 of the fair value hierarchy. As a result, the management did not identify an impairment for intangible assets with indefinite lives of the cash generating unit.

Key assumptions used in fair value less costs of disposal

The calculation of fair value less costs of disposal for right of building capacity transfer are most sensitive to the following assumptions:

A. Appraisal approaches - comparable properties

B. Land development analysis - rate of return

C. Land development analysis - overall capital interest rate

Comparable properties - Value of the subject comparable properties are according to the transaction cases nearby from the actual price registration of real estate transactions information, after considering condition factor, date factor, local factor and individual factor through comparison, analysis, adjustment and other means of estimation.

Rate of return - Construction or building profit of the subject property should be estimated by multiplying the sum of construction or building cost and other burden by a proper rate of return after taking project scale, project duration, economic conditions and other factors into consideration. According to the rate of return used in comparable property from the market, the rate of return is 22%, accordingly.

Overall capital interest rate - Capital interest of the subject property has been calculated, according to capital installments and duration of capital invested, to derive interest amount respectively for own capital and capital loaned. The ratio of own capital to loaned capital is estimated on the basis of bank's general mortgage percentage. According to one-year time-deposit interest rate of the Central bank of the Republic of China (Taiwan) and certain adjustment, the overall capital interest rate is 4.35%, accordingly.

**(12) Short-term borrowings**

A. The short-term borrowings are as follow:

	December 31, 2021	December 31, 2020
Treasury share transactions	\$-	\$100,000
Donated assets received	-	0.80%

B. The Company's unused short-term lines of credits amount to \$987,621 thousand and \$896,659 thousand as at December 31, 2021 and December 31, 2020, respectively.

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**(13) Post-employment benefits**

Defined contribution plan

The employee pension plan under the Labor Pension Act of the R.O.C. is a defined contribution plan. Pursuant to the plan, the Company makes monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts.

Expenses under the defined contribution plan for the years ended December 31, 2021 and 2020 were \$42,858 thousand and \$40,873 thousand, respectively.

Defined benefits plan

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company contributes an amount equivalent to 4% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandatory, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With the regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$43,248 thousand to its defined benefit plan during the 12 months beginning after December 31, 2021.

The average duration of the defined benefits plan obligation as at December 31, 2021 and 2020 were 7 years and 8 years, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2021 and 2020:

	2021	2020
Current period cost	\$(5,676)	\$(7,858)
Interest income or expense	(129)	(772)
Total	\$(5,805)	\$(8,630)

The adjustments to the present value of defined benefit obligation and the fair value of planned assets are as follows:

	December 31, 2021	December 31, 2020	January 1, 2020
Present value of defined benefit obligation	\$(924,562)	\$(907,719)	\$(895,814)
Fair value of plan assets	878,268	864,574	767,171
Defined benefit obligation at end of year	\$(46,294)	\$(43,145)	\$(128,643)

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Adjustment to the net defined welfare assets (liabilities):

	Defined benefit obligation	Fair value of plan assets	Benefit assets (liabilities)
January 1, 2020	\$ (895,814)	\$ 767,171	\$ (128,643)
Current period service costs	(7,858)	-	(7,858)
Net interest income (expense)	(5,375)	4,603	(772)
Subtotal	(13,233)	4,603	(8,630)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gain or loss arising from change in demographic assumptions	339	-	339
Actuarial gain or loss arising from change in financial assumptions	(21,479)	-	(21,479)
Experience adjustments	(44,210)	-	(44,210)
Return on plan assets	-	27,148	27,148
Subtotal	(65,350)	27,148	(38,202)
Payments from the plan	66,678	(66,678)	-
Contributions by employer	-	132,330	132,330
December 31, 2020	(907,719)	864,574	(43,145)
Current period service costs	(5,676)	-	(5,676)
Net interest expense (income)	(2,723)	2,594	(129)
Subtotal	(8,399)	2,594	(5,805)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gain or loss arising from change in financial assumptions	19,088	-	19,088
Experience adjustments	(72,672)	-	(72,672)
Return on plan assets	-	12,992	12,992
Subtotal	(53,584)	12,992	(40,592)
Payments from the plan	45,140	(45,140)	-
Contributions by employer	-	43,248	43,248
December 31, 2021	\$ (924,562)	\$ 878,268	\$ (46,294)

The following main assumptions are used to determine the Company's defined benefit obligation:

	December 31, 2021	December 31, 2020
Discount rate	0.49%	0.30%
Expected rate of salary increases	1.00%	1.00%

Sensitivity analysis of each significant actuarial assumption:

	2021		2020	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increased by 0.5%	\$-	\$ 17,205	\$-	\$ 21,605
Discount rate decreased by 0.5%	51,294	-	54,185	-
Future salary increased by 0.5%	50,767	-	53,521	-
Future salary decreased by 0.5%	-	17,205	-	21,604

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The sensitivity analysis above is to analyze the possible effect on the benefit obligations under the assumption that a single actuarial assumption (such as discount rate or expected salary) reasonably changes while other assumptions remain unchanged. Because some actuarial assumptions are related to each other, in practice there are few circumstances where only one single actuarial assumption changes, so this analysis has its limitations.

The method and assumption used in this sensitivity analysis are not different from those in the previous period.

**(14) Equities**

**A. Common stock**

The Company's authorized and issued capital were \$2,930,000 thousand and \$1,770,120 thousand as at December 31, 2021 and 2020, respectively, each at a par value of \$10 and 177,012 thousand shares. Each share has one voting right and a right to receive dividends.

**B. Capital surplus**

	December 31, 2021	December 31, 2020
Treasury share transactions	\$29,893	\$29,893
Donated assets received	4,801	4,801
Share of changes in net assets of associates and joint ventures accounted for using the equity method	26,136	26,136
Total	\$60,830	\$60,830

According to the Company Act, the capital reserve shall not be used except for offset prior years' operating losses of the company. When a company incurs no losses, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

**C. Retained earnings and dividend policies**

According to the Company's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of all taxes and dues;
- (b) Offset prior years' operation losses;
- (c) Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- (d) Set aside or reverse special reserve in accordance with law and regulations; and
- (e) The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

The industry of the Company is in a mature period at present. If no major capital expenditure is expected in the year of distribution, the Company will appropriate more than 50% of the distributable earnings as shareholders' dividends. At least 80% of the dividends distributed shall be cash dividends. However, if there is an unpredicted major investment plan and no other funds can be obtained, the cash dividends distribution rate may be reduced by 30% to 50%.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributing distributable earnings, it shall set aside to special reserve, an

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amount equal to “other net deductions from shareholders” equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed from the special reserve.

The FSC on March 31, 2021 issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve.

Details of the 2021 and 2020 earnings distribution and dividends per share as approved and resolved by the board of directors’ meeting and shareholders’ meeting on March 25, 2022 and August 9, 2021, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$74,540	\$69,518		
Special reserve	(61,382)	10,210		
Common stock - cash dividends	566,438	531,036	\$3.20	\$3.00

Please refer to Note 6.(18) for details on employees’ compensation and remuneration to directors and supervisors.

**(15) Operating revenue**

	2021	2020
Revenue from contracts with customers		
Sale of goods	\$2,536,930	\$2,400,108
Revenue arising from rendering of services	1,968,642	1,888,931
Total	<u>\$4,505,572</u>	<u>\$4,289,039</u>

**A. Disaggregation of revenue**

For the year ended December 31, 2021:

	Sales Department	Maintenance Department	Total
Sale of goods	\$2,536,930	\$-	\$2,536,930
Rendering of services	-	1,968,642	1,968,642
Total	<u>\$2,536,930</u>	<u>\$1,968,642</u>	<u>\$4,505,572</u>

Timing of revenue recognition:

At a point in time	\$2,536,930	\$-	\$2,536,930
Over time	-	1,968,642	1,968,642
Total	<u>\$2,536,930</u>	<u>\$1,968,642</u>	<u>\$4,505,572</u>

For the year ended December 31, 2020:

	Sales Department	Maintenance Department	Total
Sale of goods	\$2,400,108	\$-	\$2,400,108
Rendering of services	-	1,888,931	1,888,931
Total	<u>\$2,400,108</u>	<u>\$1,888,931</u>	<u>\$4,289,039</u>

Timing of revenue recognition:

At a point in time	\$2,400,108	\$-	\$2,400,108
Over time	-	1,888,931	1,888,931
Total	<u>\$2,400,108</u>	<u>\$1,888,931</u>	<u>\$4,289,039</u>

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**B. Contract balances**

**Contract liabilities - current**

	December 31, 2021	December 31, 2020	January 1, 2020
Sales of goods	\$2,341,055	\$1,951,382	\$1,765,834

The significant changes in the Company's balances of contract liabilities for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
The opening balance transferred to revenue	\$(1,235,749)	\$(1,198,163)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	1,585,540	1,408,077

**C. Transaction price allocated to unsatisfied performance obligations**

The Company's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to \$6,113,639 thousand as at December 31, 2021. Management expects that 23% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within a year. The remaining will be recognized as revenue when the control has been transferred and the performance obligations have been satisfied after 2022.

The Company's transaction price allocated to unsatisfied performance obligations (including partially unsatisfied) amounted to \$5,328,863 thousand as at December 31, 2020. Management expects that 31% of the transaction price allocated to unsatisfied performance obligations will be recognized as revenue within a year. The remaining will be recognized as revenue when the control has been transferred and the performance obligations have been satisfied after 2021.

The Company's revenue will be recognized as an actual transaction when the control has been transferred and the performance obligations have been satisfied.

**(16) Expected credit (losses)/gains**

	2021	2020
Operating expenses - expected credit (losses)/gains		
Notes receivables	\$170	\$(130)
Account receivables	(7,332)	19,408
Other receivables	(16,213)	(11,866)
Total	\$(23,375)	\$7,412

Please refer to Note 12 for more details on credit risk management.

The credit risk as at December 31, 2021 and 2020 for the Company's financial assets measured at amortized cost are assessed as low (the same as the assessment result on January 1, 2020). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses (loss rate of 0%).

The Company measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The Company considers the Companying of trade receivables by the counterparties' geographical region, credit rating and industry sector and its loss allowance is measured by using a provision matrix. The assessment of the Company's loss allowance is as follows:

As at December 31, 2021

	Not yet due (Note)	Overdue				Total
		<=30 days	31-60 days	61-90 days	>=91 days	
Gross carrying amount	\$908,326	\$16,800	\$13,375	\$9,348	\$129,569	\$1,077,418
Loss rate	1%	21%	26%	30%	30%	
Lifetime expected credit losses	(6,072)	(3,560)	(3,525)	(2,773)	(39,195)	(55,125)
Carrying amount	\$902,254	\$13,240	\$9,850	\$6,575	\$90,374	\$1,022,293

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As at December 31, 2020

	Not yet due	Overdue				Total
	(Note)	<=30 days	31-60 days	61-90 days	>=91 days	
Gross carrying amount	\$831,163	\$10,218	\$8,103	\$8,034	\$115,143	\$972,661
Loss rate	1%	23%	28%	30%	31%	
Lifetime expected credit losses	(6,518)	(2,392)	(2,238)	(2,412)	(35,326)	(48,886)
Carrying amount	\$824,645	\$7,826	\$5,865	\$5,622	\$79,817	\$923,775

Note: The Company has no overdue notes receivable.

The Company's carrying amounts of other receivables were \$16,737 thousand and \$33,730 thousand as at December 31, 2021 and 2020, respectively. The Company's loss allowance were \$4,566 thousand and \$4,697 thousand as at December 31, 2021 and 2020, respectively, after considering the Companying of trade receivables by the counterparties' credit rating, geographical region and industry sector.

The movement in the provision for impairment of note receivables, accounts receivables and other receivables during the years ended December 31, 2021 and 2020 are as follows:

	Notes receivable	Accounts receivable	Other receivables
As at January 1, 2020	\$448	\$68,331	\$5,172
Addition/(reversed) for the current period	130	(19,408)	11,866
Write-off	-	(615)	(12,341)
As at December 31, 2020	578	48,308	4,697
Addition/(reversed) for the current period	(170)	7,332	16,213
Write-off	-	(923)	(16,344)
As at December 31, 2021	\$408	\$54,717	\$4,566

**(17) Leases**

**A. The Company as a lessee**

The Company leases various properties, including real estate such as buildings and transportation equipment. The lease terms range from 1 to 5 years.

The Company's leases effect on the financial position, financial performance and cash flows are as follows:

**(a) Amounts recognized in the balance sheet**

**i. Right-of-use assets**

The carrying amount of right-of-use assets

	December 31, 2021	December 31, 2020
Buildings	\$16,177	\$28,180
Transportation equipment	1,842	-
Total	\$18,019	\$28,180

During the years ended December 31, 2021 and 2020, the Company's additions to right-of-use assets amounted to \$3,602 thousand and \$29,543 thousand, respectively.

**ii. Lease liabilities**

	December 31, 2021	December 31, 2020
Lease liabilities	\$18,186	\$28,342
Current	\$6,579	\$11,255
Non-current	\$11,607	\$17,087

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Please refer to Note 6.(19)D for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and refer to Note 12.(5) liquidity risk management for the maturity analysis for lease liabilities.

(b) Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2021	2020
Buildings	\$11,683	\$11,861
Transportation equipment	811	1,133
Total	<u>\$12,494</u>	<u>\$12,994</u>

(c) Income and costs relating to leasing activities

	2021	2020
The expenses relating to short-term leases	<u>\$1,897</u>	<u>\$1,894</u>

During the year ended December 31, 2021, the rent concessions arising as a direct consequence of the Covid-19 pandemic amounting to \$60 thousand, respectively, which are recognized in other income to reflect the variable lease payment that arising from the application of the practical expedient.

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company's total cash outflows for leases amounted to \$14,681 thousand and \$15,009 thousand, respectively.

(e) Other information relating to leasing activities

i. Variable lease payments

None.

ii. Extension and termination options

None.

iii. Residual value guarantees

None.

**B. The Company as a lessor**

Please refer to Note 6.(9) for relevant disclosure of investment properties for operating leases under IFRS 16.

	2021	2020
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$15,843</u>	<u>\$14,034</u>

Please refer to Note 6.(8) for relevant disclosure of property, plant and equipment for operating leases under IFRS 16.

For operating leases entered by the Company, the undiscounted lease payments to be received and a total of the amounts for the remaining years as at December 31, 2021 and 2020 are as follows:

	December 31, 2021	December 31, 2020
Not later than one year	\$26,120	\$24,340
Later than one year but not later than two years	24,763	24,519
Later than two years but not later than three years	24,373	22,852
Later than three years but not later than four years	24,372	29,817
Later than four years but not later than five years	24,372	23,977
Later than five years	53,682	77,881
Total	<u>\$177,682</u>	<u>\$203,386</u>

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- (18) Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2021 and 2020:

	2021			2020		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$874,837	\$311,602	\$1,186,439	\$832,932	\$302,398	\$1,135,330
Labor and health insurance	74,134	29,824	103,958	67,129	27,050	94,179
Pension	37,097	11,566	48,663	37,504	11,999	49,503
Remunerations to directors	-	9,103	9,103	-	7,251	7,251
Other employee benefits expense	41,657	15,383	57,040	39,730	13,169	52,899
Depreciation	28,314	26,750	55,064	26,580	26,832	53,412
Amortization	1,468	5,711	7,179	1,057	5,955	7,012

The number of employees in 2021 and 2020 were 1,307 and 1,273 respectively, of which the number of directors who were not part-time employees were 6.

The average employee welfare expenses in 2021 and 2020 were \$1,073 thousand and \$1,051 thousand respectively. In 2021 and 2020, the average employee salary expenses were \$912 thousand and \$896 thousand, respectively. Average staff salary expense adjustment 1.8%.

The supervisors' remuneration for the years ended December 31, 2021 and 2020 were \$1,932 thousand and \$1,995 thousand, respectively.

The Company set the policy for directors and employees' compensation in the Company's Articles of Incorporation and established the Remuneration Committee to evaluate and monitor the Company's remuneration system for its directors and executive officers. The Company shall assess the performance of directors and executive officers according to the Rules for Performance Assessment of the Board of Directors and the Performance Appraisal for employees of the Company, in order to determine their compensation. An adequate compensation scheme will be calculated by referencing the Company's operation results, future risks, corporate strategies, industry trends and individual contribution.

The Company developed a comprehensive employee welfare system in accordance with laws, government regulations and regional needs to provide employees with competitive salary and welfare conditions. Employees' compensation includes monthly salary, bonus based on operation performance, and the compensation based on the Company's earnings performance and regulated by the articles. The Company conducts a performance evaluation of all employees every year to understand their job performance and uses such information as a reference for promotions, training and distributing compensation.

According to the Company's Articles of Incorporation, no less than 0.5% of profit of the current year is distributable as employees' compensation and no higher than 0.5% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at board meeting attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Shareholders' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

The Company recognizes the employees and directors' compensation in the profit or loss during the periods when earned for the years ended December 31, 2021 and 2020. The Board of Directors estimates the amount by taking into consideration the Articles of Incorporation, government regulations and industry averages. If the Board of Directors resolves to distribute employee compensation through stock, the number of stocks distributed is calculated based on total employee compensation divided by the closing price of the day before the Board of Directors meeting. If the Board of Directors subsequently modifies the estimates significantly, the Company will recognize the change as an adjustment in the profit or loss in the subsequent period.

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The Company estimated the amount of the employee's compensation and director's and supervisors' remuneration for the year ended December 31, 2021 to be 0.5% and 0.3%, respectively, of the profit of the year based on the Company's performance, and recognized \$4,830 thousand and \$2,898 thousand as salaries expense based on the aforementioned percentages. If the Board of Directors resolves to distribute employees' compensation in the form of stocks, the number of stocks distributed was calculated based on the closing price on the day earlier than the date of resolution. The resolution was passed at the board meeting held on March 25, 2022 and distributed an actual amount of employees' compensation and directors' and supervisors' remuneration of the Company in 2021, \$4,830 thousand and \$2,898 thousand respectively, not materially different from the amounts of expenses recorded in the financial statement in 2021.

Actual distribution of employees' compensation and remuneration to directors and supervisors of 2020 amount to \$4,391 thousand and \$2,635 thousand, respectively, whereas the estimated amount accrued in the financial statements for the year ended December 31, 2020 were \$4,389 thousand and \$2,633 thousand, respectively. Differences between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors were both \$2 thousand for the year ended December 31, 2020 are recognized in profit or loss of the subsequent year in 2021.

**(19) Non-operating income and expenses**

**A. Interest income**

	2021	2020
Interest income from bank deposits	\$4,558	\$4,593
Interest income from others	620	457
Total	<u>\$5,178</u>	<u>\$5,050</u>

**B. Other income**

	2021	2020
Rental income	\$24,399	\$16,824
Dividend income	597	-
Others	7,282	5,177
Total	<u>\$32,278</u>	<u>\$22,001</u>

**C. Other gains and losses**

	2021	2020
Gains on disposal of property, plant and equipment	\$266	\$333
Foreign exchange (losses) gains, net	(669)	1,757
Gains on financial assets at fair value through profit or loss (Note)	3,163	5,060
Gain on lease modification gain	13	-
Others	(3,851)	(2,326)
Total	<u>\$(1,078)</u>	<u>\$4,824</u>

Note: The balances arose from financial assets mandatorily measured at fair value through profit or loss.

**D. Finance costs**

	2021	2020
Interest on borrowings from bank	\$335	\$286
Interest on lease liabilities	308	221
Deposit interest	111	58
Total finance costs	<u>\$754</u>	<u>\$565</u>

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**(20) Components of other comprehensive income (loss)**

For the year ended December 31, 2021:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (expense)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit pension plans	\$(40,592)	\$-	\$(40,592)	\$8,118	\$(32,474)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	70,538	-	70,538	-	70,538
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(7,193)	-	(7,193)	-	(7,193)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	(2,513)	-	(2,513)	503	(2,010)
Total of other comprehensive income (loss)	<u>\$20,240</u>	<u>\$-</u>	<u>\$20,240</u>	<u>\$8,621</u>	<u>\$28,861</u>

For the year ended December 31, 2020:

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income (loss), before tax	Income tax relating to components of other comprehensive income (expense)	Other comprehensive income (loss), net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit pension plans	\$(38,202)	\$-	\$(38,202)	\$7,641	\$(30,561)
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	(5,623)	-	(5,623)	(2,279)	(7,902)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,670)	-	(2,670)	-	(2,670)
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of a foreign operation	537	-	537	(107)	430
Total of other comprehensive income (loss)	<u>\$(45,958)</u>	<u>\$-</u>	<u>\$(45,958)</u>	<u>\$5,255</u>	<u>\$(40,703)</u>

**(21) Income tax**

The major components of income tax expense for the year ended December 31, 2021 and 2020 are as follows:

Income tax expense recognized in profit or loss

	2021	2020
Current income tax expense:		
Current income tax charge	\$(195,367)	\$(163,846)
Adjustments in respect of current income tax of prior periods	9,844	12,564
Taxed separately	-	(3)
Deferred tax expense:		
Deferred tax expense relating to origination and reversal of temporary differences	5,170	5,807
Total income tax expense	<u>\$(180,353)</u>	<u>\$(145,478)</u>

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Income tax related to components of other comprehensive income

	2021	2020
Deferred tax expense:		
Remeasurement of defined benefit plans	\$8,118	\$7,641
Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	-	(2,279)
Exchange differences on the conversion of financial statements of foreign operating organizations	503	(107)
Income tax related to other comprehensive income components	<u>\$8,621</u>	<u>\$5,255</u>

The amount of income tax expense and accounting profit multiplied by the applicable income tax rate are adjusted as follows:

	2021	2020
Net profit before tax from units of continuing operations	<u>\$958,277</u>	<u>\$871,156</u>
Tax calculated according to the applicable domestic tax rate of income in relevant countries	\$(191,655)	\$(174,231)
Income tax effect of tax exempted revenues	5,869	4,079
Income tax effect of non-deductible expenses on tax return	3,966	21,801
Income tax effect of deferred tax assets/liabilities	(4,156)	(69)
Taxed separately	-	(3)
Corporate income surtax on undistributed retained earnings	(4,221)	(9,619)
Adjustment of the current income tax of previous years	9,844	12,564
Total income tax expenses recognized in profit or loss	<u>\$(180,353)</u>	<u>\$(145,478)</u>

Balance of deferred income tax assets (liabilities) related to:

2021

	Opening balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Impairment of property, plant and equipment	\$1,788	\$-	\$-	\$1,788
Provisions - warranties	14,302	2,354	-	16,656
Bad debt loss	20,836	1,134	-	21,970
Investments accounted for using equity method	62,724	(11,482)	-	51,242
Unrealized foreign currency exchange gains and losses	1,919	(1,722)	-	197
Unrealized loss on inventory impairment	18,628	6,540	-	25,168
Unrealized loss on inventory disposal	4,156	(258)	-	3,898
Unrealized transactions on intercompany sales	13	(1)	-	12
Net defined benefit liabilities - non-current	47,885	-	8,118	56,003
Estimated loss of unrealized construction	9,503	8,605	-	18,108
Exchange differences on the conversion of financial statements of foreign operating organizations	1,654	-	503	2,157
Deferred tax income		<u>\$5,170</u>	<u>\$8,621</u>	
Net deferred income tax assets (liabilities)	<u>\$183,408</u>			<u>\$197,199</u>
The information presented in the balance sheet is as follows:				
Deferred tax assets	<u>\$183,408</u>			<u>\$197,199</u>
Deferred tax liabilities	<u>\$-</u>			<u>\$-</u>

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2020

	Opening balance	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance
Temporary differences				
Impairment of property, plant and equipment	\$1,788	\$-	\$-	\$1,788
Provisions - warranties	11,969	2,333	-	14,302
Bad debt loss	24,877	(4,041)	-	20,836
Investments accounted for using equity method	71,410	(8,686)	-	62,724
Unrealized foreign currency exchange gains and losses	2,134	(215)	-	1,919
Unrealized loss on inventory impairment	6,598	12,030	-	18,628
Unrealized loss on inventory disposal	2,349	1,807	-	4,156
Unrealized transactions on intercompany sales	31	(18)	-	13
Net defined benefit liabilities - non-current	40,244	-	7,641	47,885
Estimated loss of unrealized construction	6,688	2,815	-	9,503
Income transferred from accounts payable overdue for two years	218	(218)	-	-
Unrealized impairment loss	2,279	-	(2,279)	-
Exchange differences on the conversion of financial statements of foreign operating organizations	1,761	-	(107)	1,654
Deferred tax income		\$5,807	\$5,255	
Net deferred income tax assets (liabilities)	\$172,346			\$183,408
The information presented in the balance sheet is as follows:				
Deferred tax assets	\$172,346			\$183,408
Deferred tax liabilities	\$-			\$-

**Unrecognized deferred tax assets**

The Company has no unrecognized deferred tax assets as of December 31, 2021 and 2020.

**The assessment of income tax returns**

The assessment of the income tax returns of the Company was approved up to the year of 2019 as of December 31, 2021.

**(22) Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2021	2020
A. Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$777,924	\$725,678
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	177,012	177,012
Basic earnings per share (NT\$)	\$4.39	\$4.10

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	2021	2020
B. Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$777,924	\$725,678
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	177,012	177,012
Effect of dilution:		
Employee compensation - stock (in thousands)	94	95
Weighted average number of ordinary shares outstanding after dilution (in thousands)	177,106	177,107
Diluted earnings per share (NT\$)	\$4.39	\$4.10

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

**7. Related party transactions**

Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

**Name and nature of relationship of the related parties**

Name of the related parties	Nature of relationship of the related parties
V.T. Systems of Japan	Subsidiaries
Howtobe Technology Co., Ltd.	Subsidiaries
GFC Elevators Shanghai Co., Ltd.	Second-tier Subsidiaries
Neruili Technology Co., Ltd (Note)	Other related parties
Changjiang Property Co., Ltd.	Other related parties
Da-Tang Living Art Center Co., Ltd.	Other related parties
GFC Foundation	Other related parties

Note: Originally "Neruili Technology, Ltd."

**(1) Sale of goods**

	2021	2020
<u>Subsidiary</u>		
Howtobe Technology Co., Ltd.	\$20	\$1,216
<u>Second-tier Subsidiaries</u>		
GFC Elevators Shanghai Co., Ltd.	783	857
Total	\$803	\$2,073

The selling price of the Company to related parties is negotiated by both parties with reference to the market conditions.

**(2) Labor income**

	2021	2020
<u>Subsidiary</u>		
Howtobe Technology Co., Ltd.	\$190	\$397

**(3) Purchase of goods**

	2021	2020
<u>Subsidiary</u>		
Howtobe Technology Co., Ltd.	\$1,468	\$1,012
<u>Second-tier Subsidiaries</u>		
GFC Elevators Shanghai Co., Ltd.	164,678	164,811
Total	\$166,146	\$165,823

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The purchase price of the Company to related parties is negotiated by both parties with reference to the market conditions; the payment terms of the Company's purchase from related parties are the same as those with general vendors.

(4) Operating cost

	Account details	2021	2020
<u>Subsidiary</u>			
Howtobe Technology Co., Ltd.	Repair expenses	\$1,290	\$3,812

(5) Operating margin

	Account details	2021	2020
<u>Subsidiary</u>			
Howtobe Technology Co., Ltd.	Repair expense	\$17	\$-
<u>Other related parties</u>			
Neruili Technology Co., Ltd		1,500	2,340
GFC Foundation	Donation expenses	10,510	5,130
Total		\$12,027	\$7,470

(6) Lease - related parties

Right-of-use assets		2021	2020
<u>Other related parties</u>			
Changjiang Products Co., Ltd.		\$1,871	\$8,820
Lease liabilities		2021	2020
<u>Other related parties</u>			
Changjiang Products Co., Ltd.		\$1,903	\$8,876
Interest expenses		2021	2020
<u>Other related parties</u>			
Changjiang Products Co., Ltd.		\$73	\$116

(7) Other income

		2021	2020
<u>Subsidiary</u>			
Howtobe Technology Co., Ltd.		\$1,640	\$1,143
<u>Other related parties</u>			
Da-Tang Living Art Center Co., Ltd		1,081	1,081
Total		\$2,721	\$2,224

(8) Accounts receivable - related parties

		December 31, 2021	December 31, 2020
<u>Subsidiary</u>			
Howtobe Technology Co., Ltd.		\$216	\$241
<u>Second-tier Subsidiaries</u>			
GFC Elevators Shanghai Co., Ltd.		28	-
Total		\$244	\$241

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(9) Other receivables - related parties

	December 31, 2021	December 31, 2020
<u>Subsidiary</u>		
V.T. Systems of Japan	\$-	\$-
<u>Second-tier Subsidiaries</u>		
GFC Elevators Shanghai Co., Ltd.	1,341	17,997
Total	1,341	17,997
Less: allowance for loss	-	-
Net amount	\$1,341	\$17,997

Note: Other receivables include rent, sales account, technical dispatch fee and other income.

(10) Notes payable - related parties

	December 31, 2021	December 31, 2020
<u>Subsidiary</u>		
Howtobe Technology Co., Ltd.	\$73	\$179

(11) Accounts payable - related parties

	December 31, 2021	December 31, 2020
<u>Subsidiary</u>		
Howtobe Technology Co., Ltd.	\$45	\$32
<u>Second-tier Subsidiaries</u>		
GFC Elevators Shanghai Co., Ltd.	7,984	-
Total	\$8,029	\$32

(12) Key management personnel compensation

	2021	2020
Short-term employee benefits	\$29,320	\$28,049
Post-employment benefits	324	324
Total	\$29,644	\$28,373

The main management personnel include directors, supervisors and managers above the deputy president level.

**8. Assets pledged as security**

The following table lists assets of the Company pledged as security:

	Carrying amount		
	December 31, 2021	December 31, 2020	
Refundable deposits (time deposits)	\$121,134	\$203,656	Secured liabilities Construction deposits

**9. Commitments and contingencies**

As at December 31, 2021, the performance guarantee the Company entrusted financial institutions to issue amounted to \$437,681 thousand.

**10. Losses due to major disasters**

None.

**11. Significant subsequent events**

In order to meet the Group's operating plan and to increase the capital efficiency, GFC Shanghai, the component of the Group, has reduced the share capital of CNY 20,000 thousand. The share capital reduction had been resolved by the board of directors' meeting in December 2021 and have approved by Shanghai Market Supervision and Administration on March 14, 2022.

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**12. Financial instruments**

**(1) Categories of financial instruments**

Financial assets

	As at	
	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit or loss	\$675,327	\$588,131
Subtotal	675,327	588,131
Financial assets at fair value through other comprehensive income	58,342	38,138
Financial assets measured at amortized cost		
Cash and cash equivalents	1,564,229	1,246,069
Financial assets measured at amortized cost	59,888	41,371
Notes receivables	247,955	215,753
Accounts receivables	774,338	708,022
Other receivables	12,171	29,033
Subtotal	2,658,581	2,240,248
Refundable deposits	276,001	415,114
Total	<u>\$3,668,251</u>	<u>\$3,281,631</u>

Financial liabilities

	As at	
	December 31, 2021	December 31, 2020
Financial liabilities at amortized cost:		
Trade and other payables	\$911,285	\$826,409
Lease liabilities	18,186	28,342
Guarantee deposits	8,312	8,341
Total	<u>\$937,783</u>	<u>\$863,092</u>

**(2) Financial risk management objectives and policies**

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

**(3) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

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The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for US and CNY. The information of the sensitivity analysis is as follows:

- A. When NTD strengthens/weakens against US by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by \$519 thousand and \$259 thousand, respectively, the equity is decreased/increased by \$2,992 thousand and \$2,243 thousand, respectively.
- B. When NTD strengthens/weakens against CNY by 1%, the profit for the years ended December 31, 2021 and 2020 is decreased/increased by \$57 thousand and \$1,664 thousand, respectively, the equity is decreased/increased by \$57 thousand and \$1,664 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt instrument investments at fixed interest rates and bank borrowings with fixed interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period will decrease/increase \$1,539 thousand and \$1,024 thousand of the Company's income for the years ended December 31, 2021 and 2020, respectively.

Equity price risk

The fair value of the Company's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

**(4) Credit risk management**

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counterparties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counterparties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As at December 31, 2021 and 2020, trade receivables from top ten customers accounted for 11.63%, and 16.14% of the total trade receivables of the Company, respectively. The credit concentration risk of other trade receivables are insignificant as well.

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Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit ratings. Consequently, there is no significant credit risk for these counterparties.

**(5) Liquidity risk management**

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

**Non-derivative financial liabilities**

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2021					
Trade and other payables	\$911,285	\$-	\$-	\$-	\$911,285
Lease liabilities (Note)	8,419	9,481	2,485	-	20,385

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2020					
short-term loan	\$100,142	\$-	\$-	\$-	\$100,142
Trade and other payables	826,409	-	-	-	826,409
Lease liabilities (Note)	21,750	8,655	5,467	-	35,872

Notes: Including cash flows resulted from short-term leases or leases of low-value assets.

**(6) Reconciliation of liabilities arising from financing activities**

Reconciliation of liabilities for the year ended December 31, 2021:

	Short term borrowings	Leases liabilities	Other liabilities	Total liabilities from financing activities
January 1, 2021	\$100,000	\$28,342	\$8,341	\$136,683
Cash flows	(100,000)	(12,784)	(29)	(112,813)
Non-cash changes	-	2,628	-	2,628
December 31, 2021	\$-	\$18,186	\$8,312	\$26,498

Reconciliation of liabilities for the years ended December 31, 2020:

	Short term borrowings	Leases liabilities	Other liabilities	Total liabilities from financing activities
January 1, 2020	\$-	\$12,265	\$8,595	\$20,860
Cash flows	100,000	(13,115)	1,747	88,632
Non-cash changes	-	29,192	(2,001)	27,191
December 31, 2020	\$100,000	\$28,342	\$8,341	\$136,683

**(7) Fair values of financial instruments**

A. The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair value due to their short maturities.

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- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

**B. Fair value of financial instruments measured at amortized cost**

The Company's cash and cash equivalents, trade receivables, financial assets measured at amortized cost, accounts payable and other current liabilities whose carrying amount approximate their fair value.

**C. Fair value measurement hierarchy for financial instruments**

Please refer to Note 12.(8) for fair value measurement hierarchy for financial instruments of the Company.

**(8) Fair value measurement hierarchy**

**A. Fair value measurement hierarchy**

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 - Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

**B. Fair value measurement hierarchy of the Company's assets and liabilities**

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

As at December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$675,327	\$-	\$-	\$675,327
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	58,342	58,342

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As at December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss				
Fund	\$588,131	\$-	\$-	\$588,131
Financial assets at fair value through other comprehensive income				
Equity instrument measured at fair value through other comprehensive income	-	-	38,138	38,138

Transfers between Level 1 and Level 2 during the period

During the year ended December 31, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Details of changes in the third level of the measured at fair value on a recurring basis

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

Adjustment to financial assets measured by Level 3 fair value:

	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2021	\$38,138
Total gains and losses recognized for the year ended December 31, 2021	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	70,538
Proceeds from capital reduction	(50,334)
Ending balances as at December 31, 2021	\$58,342

	At fair value through other comprehensive income
	Stocks
Beginning balances as at January 1, 2020	\$45,441
Total gains and losses recognized for the year ended December 31, 2020:	
Amount recognized in OCI (presented in "Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income)	(5,623)
Proceeds from capital reduction	(1,680)
Ending balances as at December 31, 2020	\$38,138

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

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As at December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by \$7,827 thousand and \$7,827 thousand

As at December 31, 2020

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets at fair value through other comprehensive income					
Stocks	Market approach	discount for lack of marketability	10%~30%	The higher the discount for lack of marketability, the lower the fair value of the stocks	10% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Company's equity by \$4,627 thousand and \$(4,627) thousand

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's Financial Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

(9) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As at December 31, 2021		
	Foreign currencies	Foreign exchange rate	NTD
Financial assets			
Monetary items:			
USD	\$1,875	27.6800	\$51,906
CNY	3,158	4.3440	13,717
Non-monetary items:			
USD	8,933	27.6800	247,254
JPY	1,176	0.2405	283
financial liabilities			
Non-monetary items:			
CNY	1,838	4.3440	7,984

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	As at December 31, 2020		
	Foreign currencies	Foreign exchange rate	NTD
<b>Financial assets</b>			
Monetary items:			
USD	\$908	28.4800	\$25,870
CNY	38,024	4.3770	166,431
Non-monetary items:			
USD	6,969	28.4800	198,478
JPY	1,885	0.2763	521

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

As the Company has a large variety of foreign currencies, it is not possible to disclose the foreign currency exchange gains or losses information of monetary financial assets and financial liabilities on each foreign currency's exposure to major impact. The Company's foreign exchange (losses) gains for the years ended December 31, 2021 and 2020 were \$(669) thousand and \$1,757 thousand, respectively.

**(10) Capital Management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

**13. Notes for Disclosure**

**(1) Information related to significant transactions**

A. Financings provided to others: None.

B. Endorsements/guarantees provided to others: Table 1

C. Marketable securities held (not including subsidiaries, associates and joint ventures): Table 2

D. Individual securities acquired or disposed of with accumulated amount exceeding NTD 300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital: None.

F. Disposal of individual real estate properties at costs of at least NTD 300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital: Table 3

H. Receivables due from related parties amounting to at least NTD 100 million or 20% of the paid-in capital: None.

I. Derivative instruments transactions: None.

J. Business, relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between them: Table 4

**(2) Information on investees**

Information to be disclosed for those with significant influence or control over the investee companies directly or indirectly: Table 5

**(3) Information on investments in mainland China: Table 6**

**(4) Information on major shareholders: Table 7**

**14. Segment information**

The Company is exempt from the requirements of Article 22 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and has disclosed information about its segments in the consolidated financial statements.

Notes to parent company only financial statements of GFC, LTID.

(In thousands, except for amounts noted)

Table 1: Endorsements/guarantees provided to others

Unit: Thousands(NTD/USD)

Number (note 1)	Endorser/guarantor Company name	Object of endorsement/guarantee		Limit of guarantee amount to a single enterprise	Highest endorsement guarantee balance in the current period (note 4)	Endorsement guarantee balance in the end of the period (note 5)	Actual amount used (note 6)	Endorsement guarantees amount secured by properties	Accumulated amount of endorsements/guarantees to net value in financial statements ratio	Endorsements / guarantees limit (note 3)	Belongs to parent company's endorsement guarantees to subsidiaries	Belongs to subsidiaries' endorsement guarantees to parent company	Belongs to endorsements/guarantees to Mainland China
		Company name	Relationship (note 2)										
1	Howtobe Technology	Golden Friends Corporation	(note 2)	NTD 300,000	USD 226,780	NTD 14,668	NTD 14,688	None	0.31%	50% of the Company's net assets NTD 2,366,312	N	Y	N

Note 1: Description of the number field is as follows:

- 1.The issuer are numbered "0".
- 2.Investor companies are numbered in order starting from 1.

Note 2: There are 7 types of relationships between the endorser/guarantor and the endorsed/guaranteed object as below, and only the type needs to be indicated:

- 1.A company with business contacts.
- 2.A company with more than 50% of its voting shares directly and indirectly held by the Company.
- 3.A company directly and indirectly holding more than 50% of the voting shares of the Company.
- 4.A company with 90% of its voting shares directly and indirectly held by the Company.
- 5.A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- 6.A company that all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholdings percentages.
- 7.Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: According to Golden Friends Corporation's endorsement guarantee procedures, the relationship between the Company and the Company's endorsement guarantee objects, and the limit of the endorsement guarantee amount are as follows:

- 1.The total amount of external endorsement/guarantee liability shall not exceed 50% of the Company's current net assets.
- 2.The liability limit for endorsement guarantee of a single enterprise shall not exceed 20% of the Company's current net assets and 300 millions.

Note 4: The maximum balance of endorsement guarantees for others in the current year.

Note 5: The amount approved by the board of directors shall be filled in. However, if the board of directors authorizes the chairman of the board to make a decision in accordance with paragraph 8 of Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, then it refers to the amount decided by the chairman of the board.

Note 6: It is required to enter the actually used amount of the endorsed/guaranteed company within its balance of endorsement guarantee.

Note 7: Only those which are endorsement guarantees of a listed or OTC parent company to its subsidiary, endorsement guarantees of a subsidiary to its listed or OTC parent company, and endorsement guarantees in mainland China need to be filled in with Y.

Notes to parent company only financial statements of GFC, LTD.

(In thousands, except for amounts noted)

Table 2: Marketable securities held (not including subsidiaries, associates and joint ventures)

Unit: Thousands(NTD)

Securities holding company	Name and type of securities held(note1)	Relationship with the Company	Financial statement account	End of the period				
				Share/Units	Carrying Value	Ratio	Fair value	Remarks
	Money Market Fund							
GFC, LTD.	Hua Nan Phoenix Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,665,684	\$60,025	*	\$60,025	(note 2)
GFC, LTD.	Hua Nan Kirin Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,965,415	60,022	*	60,022	(note 2)
GFC, LTD.	Mega Diamond Market Fund	-	Financial assets at fair value through profit or loss - current	4,753,726	60,266	*	60,266	(note 2)
GFC, LTD.	PineBridge Taiwan Money Market Securities Investment Trust Fund	-	Financial assets at fair value through profit or loss - current	6,894,249	95,001	*	95,001	(note 2)
GFC, LTD.	Fubon Chi-Hsiang Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,811,400	60,330	*	60,330	(note 2)
GFC, LTD.	Deutsche Far Eastern DWS Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,962,336	35,014	*	35,014	(note 2)
GFC, LTD.	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,870,127	30,003	*	30,003	(note 2)
GFC, LTD.	CTBC Hwa-win Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,800,018	20,029	*	20,029	(note 2)
GFC, LTD.	JPMorgan (Taiwan) Taiwan First Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,302,255	35,007	*	35,007	(note 2)
GFC, LTD.	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,580,853	20,010	*	20,010	(note 2)
GFC, LTD.	Fuh Hwa Money Market Fund	-	Financial assets at fair value through profit or loss - current	686,601	10,000	*	10,000	(note 2)
GFC, LTD.	CAPITAL MONEY MARKET FUND	-	Financial assets at fair value through profit or loss - current	1,227,841	20,010	*	20,010	(note 2)
GFC, LTD.	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	277,535	50,016	*	50,016	(note 2)
GFC, LTD.	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,491,725	50,108	*	50,108	(note 2)
	Stock Funds							
GFC, LTD.	PineBridge ESG Quantitative Global Equity Fund A	-	Financial assets at fair value through profit or loss - current	300,000	3,153	*	3,153	(note 2)
GFC, LTD.	NN (L) Climate & Environment - X Cap	-	Financial assets at fair value through profit or loss - current	96	4,234	*	4,234	(note 2)
Golden Friends Corporation	Taishin Ta-Chong Money Market Fund	-	Financial assets at fair value through profit or loss - current			*		(note 2)
	Bond Funds							
GFC, LTD.	PineBridge Frontier Emerging Markets High Yield Bond Fund-A	-	Financial assets at fair value through profit or loss - current	1,000,000	10,023	*	10,023	(note 2)
GFC, LTD.	PineBridge ESG Quant Bond Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	10,194	*	10,194	(note 2)
	Multiple Asset Funds							
GFC, LTD.	PineBridge Multi-Income Fund-A	-	Financial assets at fair value through profit or loss - current	1,413,444	15,800	*	15,800	(note 2)
GFC, LTD.	PineBridge Multi-Income Fund A	-	Financial assets at fair value through profit or loss - current	1,000,000	10,365	*	10,365	(note 2)
	Schroder All Cycle Income Fund			300,000	2,976	*	2,976	(note 2)
	Global Fund							
GFC, LTD.	Schroder International Selection Fund Global Climate Change Equity A1 Accumulation		Financial assets at fair value through profit or loss - current	3,926	2,770	*	2,770	(note 2)
GFC, LTD.	PineBridge Quantitative Diversified Income Fund A		Financial assets at fair value through profit or loss - current	1,000,000	9,971	*	9,971	(note 2)
	Stocks							
GFC, LTD.	Living Mall	-	Financial assets at fair value through other comprehensive income - non-current	49,205	51,311	0.49%	51,311	(note 2)
GFC, LTD.	Tiger City	-	Financial assets at fair value through other comprehensive income - non-current	50,000	350	0.03%	350	(note 2)
GFC, LTD.	Hua Da Venture Capital	-	Financial assets at fair value through other comprehensive income - non-current	330,000	3,551	6.00%	3,551	(note 2)
GFC, LTD.	Japan UC	-	Financial assets at fair value through other comprehensive income - non-current	300	3,130	19.99%	3,130	(note 2)

\*Shareholding percentage less than 0.01%

Note 1: Separately filled in by stock, bond, beneficiary certificates, convertible corporate bond...etc.

Note 2: OTC stocks and closed-end funds are calculated at the closing price at the end of the period, while open-end funds are calculated at the net asset value of the fund on the balance sheet date.

Notes to parent company only financial statements of GFC, LTD.  
(In thousands, except for amounts noted)

Table 3: Total purchases from or sales to related parties of at least NTD 100 million or 20% of the paid-in capital

Unit: Thousands(NTD)

Company name	Related party	Relationship	from those of general trading and the reasons				Difference in trading terms general transactions and reasons		Notes and accounts receivable(payable)		Remark
			Purchase/sales	Amount	% to total	Payment term	Unit price	Payment term	Ending balance	% to total	
GFC, LTD.	GFC Elevators Shanghai	Subsidiary	purchase of goods	\$164,678	8.28%	(note 1)	(note 1)	(note 1)	\$7,984	0.88%	
GFC Elevators Shanghai	Golden Friends Corporation	Parent company	sale of goods	164,678	97.26%	(note 1)	(note 1)	(note 1)	7,984	86.58%	

Note 1: There is no significant difference with general transactions.

Notes to parent company only financial statements of GFC, LTD.  
(In thousands, except for amounts noted)

Table 4: Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between them

Unit: Thousands (NTD)

Number (note 1)	Company name	Related party	Relationship (note 2)	Transaction information			
				Subject	Amount	Transaction terms	% of consolidated revenue or total assets(note 3)
0	GFC, LTD.	GFC Shanghai	1	Sales revenue	\$783	note 4	0.02%
		GFC Shanghai	1	Cost of goods sold	164,678	note 4	3.58%
		GFC Shanghai	1	Accounts receivable	1,369	note 4	0.02%
		GFC Shanghai	1		7,984	note 4	0.09%
		Howtobe Technology	1	Sales revenue	20	note 4	0.00%
		Howtobe Technology	1	Labor income	190	note 4	0.00%
		Howtobe Technology	1	Operating cost	2,758	note 4	0.06%
		Howtobe Technology	1	Accounts receivable	216	note 4	0.00%
		Howtobe Technology	1	Accounts payable	118	note 4	0.00%
		Howtobe Technology	1	Other income	17	note 4	0.00%
		Howtobe Technology	1	Other income	1,640	note 4	0.04%

Note 1: The information of business between the parent company and the subsidiary company shall be indicated in the number column respectively, and the number shall be filled in as follows:

1. Fill in 0 for the parent company.
2. Subsidiaries are numbered in sequence starting with Arabic numeral with Arabic numerals according to company type.

Note 2: There are three types of relationship with the trader, which can be marked as follows(If it is the same transaction between parent and subsidiary companies or between subsidiaries, it is not necessary to disclose the information repeatedly. For example: For a transaction between the parent company and the subsidiary company, if the parent company has been disclosed the subsidiary needs not be disclosed repeatedly; if one of the subsidiaries has been disclosed, the other subsidiaries need not be disclosed repeatedly):

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

Note 3: Percentage of the transaction amount to the consolidated total revenue or total assets, if transaction account belongs to balance sheet, it shall be calculated by the consolidated total assets; if transaction account belongs to comprehensive income statement, it shall be calculated by the consolidated net revenue.

Note 4: There is no special difference between the trading terms of related parties and non-related parties.

Notes to parent company only financial statements of GFC, LTD.

(In thousands, except for amounts noted)

Table 5: Information to be disclosed for those with significant influence or control over the investee companies directly or indirectly

Unit: Thousands(NTD)

Investor	Investee	Location	Major business	Original investment amount		Ending amount			Investee profit (loss) in current period	The Company recognized investment profit (loss)	Notes
				Ending balance	Beginning balance	Number of shares	Ratio	Carrying value			
GFC, LTD.	GFC Cayman	Cayman Islands	Investment in GFC Shanghai	\$331,494	\$331,494	-	100.00%	\$237,438	\$52,609	\$57,487	note 1, note 3
GFC, LTD.	Howtobe Technology	Taipei, Taiwan	Sales and processing of elevators and parts	26,000	26,000	2,600,000	100.00%	66,182	18,811	18,972	note 1, note 3
GFC, LTD.	Japan V.T. SYSTEMS	Tokyo, Japan	Manufacturing, sales and maintenance of elevators	29,337	29,337	2,073	65.11%	362	(116)	(75)	note 1
GFC, LTD.	Hua Hung Management Consulting Co., Ltd.	Taipei, Taiwan	Investment analysis	1,000	1,000	200,000	20.00%	11,441	1,982	397	note 2
GFC, LTD.	Hua Chi Venture Capital Co., Ltd.	Taipei, Taiwan	Venture capital business	1,053	12,631	105,263	21.05%	17,731	29,541	6,218	note 2

note 1 : The Company directly invested subsidiary.

note 2 : The Company directly invested company with influence.

note 3 : The Company recognized investment profit (loss) is the net of unrealized sales profit.

Notes to Parent Company Only Financial Statements of Golden Friends Corporation (continued)  
(unless otherwise specified, the amount is in thousands of new Taiwan dollars)

Table 6: Information on investment in Mainland China:

- (1) The Company established Shanghai GFC elevator CO., Limited in mainland China through GFC Cayman Island Limited, an invested enterprise of the Company in a third region.  
(2) Name of the invested company in mainland China, main business items, paid-in capital, investment method, inward and outward remittance of capital, shareholding ratio, investment profit/loss, book value of investment at the end of the period, profit of investment repatriated and limit for mainland China investment:

Unit: USD'000/NT\$'000

Name of the invested company in mainland China	Main business items	Paid-in capital	Investment method (note 1)	Cumulative investment amount remitted outward from Taiwan at the beginning of the period	Investment capital remitted out or repatriated in the period		Cumulative investment amount remitted outward from Taiwan at the beginning of the period	Profit or loss of the invested company in the period	Shareholding ratio of direct or indirect investment of the company	Investment profit or loss recognized in the period (note 2)	Book value of investment at the end of the period	Investment profit already repatriated as of the end of the period
					outward remittance	repatriation						
Shanghai GFC elevator Co., Limited	Trading of diesel generators and sales and installation of passenger (cargo) elevators and elevator parts	\$442,880 (USD16,000)	(b)	\$442,880 (USD 16,000)	-	-	\$442,880 (USD 16,000)	\$50,305	100%	\$50,305 ((b)B)	\$203,932	No repatriation of profit

Cumulative amount remitted outward from Taiwan for investment in mainland China at the end of the period	Investment amount approved by the Investment Commission, MOEA	Limit of investment in mainland China by the Investment Commission, MOEA
\$442,800(USD16,000)	\$442,800(USD16,000)	2,839,574

Note 1: The investment methods can be divided into the following four types (indicate type):

- (a) Investment in a mainland company via remittance from a third place.
- (b) Reinvestment in a mainland company through a third place investment.
- (c) Reinvestment in a mainland company through reinvestment in an existing company in a third place.
- (d) Other methods, e.g. entrusted investment

Note 2: In the column of investment profit or loss recognized in the period:

- (a) If there is no investment profit or loss as it is still in the preparation stage, a note shall be made.
- (b) The recognition basis of investment profit and loss is divided into the following three types and shall be noted.
  - A. Financial statements audited and certified by an international accounting firm that has a cooperative relationship with an accounting firm of the Republic of China
  - B. Financial statements audited and certified by the independent auditor of the Taiwanese parent company
  - C. Others.

Note 3: The figures in this table shall be presented in New Taiwan dollars. (US\$ exchange rate: 27.68 on December 31, 2021)

Notes to Parent Company Only Financial Statements of Golden Friends Corporation (continued)  
(unless otherwise specified, the amount is in thousands of new Taiwan dollars)

(3) Major transactions:

- 1) The purchase amount and the percentage as well as the closing balance and the percentage of the corresponding payable: See attached Table 1 for details.
- 2) The sales amount and the percentage as well as the closing balance and the percentage of the corresponding receivable: See attached Table 2 for details.
- 3) Amount of property transaction and amount of profit or loss generated: None.
- 4) The ending balance of bill endorsement, guarantee or provision of collateral and the purpose: None.
- 5) Maximum balance of financing, and its closing balance, interest rate interval and total interest of the current period: None.
- 6) Other transactions that have a significant impact on the current profit and loss or financial position: None.

Table 1

Unit: NT\$'000

Name of related party	Relationship with the related party	Transaction type (Purchase or sale of goods)	Purchases			Terms of transaction		Corresponding payables	
			Amount	Percentage	Price	Payment period	Comparison with general transactions	Balance	Percentage
Shanghai GFC elevator CO., Limited	Sub-subsidiary evaluated by equity method	Purchases	\$164,678	8.28%	The cost plus the due profit.	Two to four months after shipment, the payment shall be made directly by remittance.	There is no relevant export transaction for comparison.	\$7,984	0.88%

Table 2

Unit: NT\$'000

Name of related party	Relationship with the related party	Transaction type (Purchase or sale of goods)	Sales			Terms of transaction		Corresponding receivable		Unrealized gross profit
			Amount	Percentage	Price	Payment period	Comparison with general transactions	Balance	Percentage	
Shanghai GFC elevator CO., Limited	Sub-subsidiary evaluated by equity method	Sales	\$783	0.03%	The cost plus the due profit.	Two to four months after shipment, the payment shall be made directly by remittance.	There is no relevant export transaction for comparison.	\$28 It was directly sold to GFC Shanghai and recognized as accounts receivable - related party.	0.00%	\$55

Notes to Parent Company Only Financial Statements of Golden Friends Corporation (continued)  
(unless otherwise specified, the amount is in thousands of new Taiwan dollars)

Table 7: Information on major shareholders

Unit: shares

<div>Shares</div> <div>Name</div>	Number of shares	Percentage of ownership
Changjiang Products Co., Ltd.	98,981,498	55,91%

Note: The percentage of provision for bad debts of accounts receivable of the Company is as follows:

- (1) General receivables: 1% by group
- (2) Accounts receivable with possible impairment: Based on individual assessment, 10% ~ 100% according to risk level.

6. For the most recent year and up to the date of publication of the annual report, the financial turnover difficulties of the company and its affiliated enterprises: None.

## VII. Financial Status and Results Review and Analysis and Risk Items

### 1. Review and analysis of financial status:

Unit: NT\$'000

Item \ Year	Consolidated Financial Report		Difference	
	2021	2020	Amount	%
Current assets	5,723,120	4,980,065	743,055	14.92
Property, plant and equipment	1,145,326	1,076,079	69,247	6.44
Intangible assets	78,087	82,225	(4,138)	-5.03
Other assets	1,463,021	1,574,707	(111,686)	-7.09
<b>Total assets</b>	<b>8,409,554</b>	<b>7,713,076</b>	<b>696,478</b>	<b>9.03</b>
Current liabilities	3,610,077	3,186,980	423,097	13.28
Other liabilities	66,933	69,218	(2,285)	-3.30
<b>Total liabilities</b>	<b>3,677,010</b>	<b>3,256,198</b>	<b>420,812</b>	<b>12.92</b>
Equity	1,770,120	1,770,120	0	0.00
Additional paid-in capital	60,830	60,830	0	0.00
Retained earnings	2,924,819	2,710,452	214,367	7.91
Equity attributable to owners of parent Company	4,732,623	4,456,874	275,749	6.19
Total owners' equity	4,732,544	4,456,878	275,666	6.19
In case of a change of more than 20% in the previous and later periods and the change amount reached NT\$10 million: None				

## 2. Review and analysis of financial results:

### (1) Comparative analysis of financial results:

Unit: NT\$'000

Item \ Year	Consolidated Financial Report		increase and decrease	
	2021	2020	Amount	Ratio
Operating income	4,605,023	4,393,396	211,627	4.82%
Operating cost	3,187,359	3,076,890	110,469	3.59%
Net operating margin	1,417,664	1,316,506	101,158	7.68%
Operating margin	529,530	482,281	47,249	9.80%
Operating income	888,134	834,225	53,909	6.46%
Non-operating income and expenditure	80,597	40,451	40,146	99.25%
Net income before tax of continuing operating departments	968,731	874,676	94,055	10.75%
Income tax expense (benefit)	190,848	148,967	41,881	28.11%
Net income after tax of continuing operating departments	777,883	725,709	52,174	7.19%
Net other comprehensive income (after tax)	28,819	(40,703)	69,522	170.80%
Total comprehensive income of the current period	806,702	685,006	121,696	17.77%

### (2) Analysis and explanation of changes in ratio increase and decrease:

1. Non-operating income and expenditure: non-operating income went up in the current period, compared with that in the last year, mainly due to additions in the non-operating income, including gains from disposal of property, plant and equipment and rental income.
2. Income tax expense: the difference was mainly due to increase in pre-tax earnings and supplementary recognition of differences in retirement expense for old system.
3. Other comprehensive income (after tax): The increase in the current period was due to addition in unrecognized gains from equity instrument investments measured at fair value through other comprehensive income.

### (3) Estimated sales completion volume and estimation basis:

Taking into account the current actual business situation and the development trend of the elevator market in the future, the Company estimates the details of the sales completion volume in 2022 as follows:

Unit: machine set

Main products	Estimated sales completion volume
Elevators	2,598
Generators	43

(4) Possible impact of future financial issues and countermeasures:

According to the statistics by the Construction and Planning Agency of the Ministry of the Interior, the total number of building construction licenses issued in 2021 increased by about 2% from 2020 but the number of residential construction licenses reached 170,000, up by about 6% year-over-year and again hitting a 30-year high. This shows that the momentum of new project volume remains at a high level. Sales orders increased in 2021 and are expected to stay healthy this year. The outlook is optimistic for shipments and revenue recognitions for the next two years.

In the public construction field, due to the Special Act for Forward-Looking Infrastructure it is expected that NT\$424.133 billion will be invested in railway construction between 2017 and 2024, including the five major spindles which are the network connection between the high-speed railway and Taiwan railway, Taiwan railway upgrade and improvement of services in the east, three-dimensional railway or raise of commuting speed, metro MRT and the Central-Southern Scenic Railway, which will drive the growth of the elevator industry to a certain extent. The Company will continue to follow up on the information of project bidding and business orders.

The Company's capital planning is based on the principle of conservatism and stability, with the highest priority on security and liquidity in capital allocation. We regularly assess changes financial information, money market interest rates and foreign exchange markets and pre-purchase an appropriate amount in foreign currencies depending on business needs. We maintain close links with various financial institutions to establish good interactions and choose the most favorable funding methods and appropriate response measures, so as to provide working capital for business development with a healthy financial structure.

### 3. Cash flow review and analysis:

(1) Liquidity analysis in the last two years:

Item \ Year	Consolidated Financial Report		Increase/decrease ratio
	2021	2020	(%)
Cash flow ratio	28.18%	24.94%	3.24%
Cash flow allowance ratio	129.51%	128.02%	1.49%
Cash reinvestment ratio (%)	10.25%	7.14%	3.11%

Analysis of change in ratio of increase and decrease: not applicable (changes less than 20%)

(2) Analysis of cash liquidity in the coming year:

Unit: NT\$'000

Beginning cash balance (1)	Estimated net cash flow from business activities throughout the year (2)	Estimated annual cash outflow (3)	Estimated cash surplus (deficient) amount (4)	Remedy for estimated cash shortage	
				Investment plan	Financing plan
\$1,902,682	\$757,000	\$1,159,682	\$1,500,000	—	—

A. Analysis of cash flow change in this year:

(a) Operating activities: estimated cost of purchase and engineering costs.

(b) Investing activities: expected purchase of real estates and fixed assets for business use.

(c) Financing activities: expected distribution of cash dividends.  
B. Remedy of expected cash shortage and liquidity analysis: none.

**4. Impact of recent major capital expenditures on financial status: none.**

**5. Most recent annual re-investment policy and the main reason for the profit or loss of the re-investment business and improvement measures:**

(1) Most recent annual re-investment policy:

The Company's re-investment is in diversified businesses based on core capabilities.

(2) Profit analysis and improvement measures for re-investment:

The Company recognized NT\$82,999 thousand in investment profits for its long-term equity investments under the equity method in 2020, up by NT\$24,248 thousand from NT\$58,751 thousand in 2020. The increase in investment profits in 2021 was primarily due to higher profits from subsidiaries recognized by the parent company.

The analysis shows that the profit from reinvestment in 2021 is higher than expected. Due to addition in profits from property disposition in the mainland China and Howtobe Technology, the recognized investment income increased relatively. Therefore, the investment income recognized in this period has increased compared with the same period last year.

The Company will strengthen the business sales capabilities of its subsidiaries and reduce costs through effective control to enhance competitiveness and profitability.

(3) Future investment plans:

The Company will focus on and integrate with multi-functional industries through investment.

**6. Risk items:**

(1) The impact of interest rate, exchange rate changes and inflation on the Company's profit and future countermeasures:

① In terms of interest rates, the market interest rate in 2021 remained low. The Company's use of credit loans to pay interest increased, but the total interest expense only accounted for 0.02% of the revenue. Therefore, changes in interest rates have little effect on the Company's 2021 profit.

Countermeasure: the Company currently has sufficient working capital and no long-term borrowings; as the interest rate level is not expected to change much, it will have little impact on the profit.

② In terms of exchange rates, the Company's 2021 conversion benefits account for only - 0.01% of the revenue, so there is no significant impact on profit. For non-functional currency-denominated purchases, the Company adopts the hedging method of foreign exchange pre-purchase for part of the expected goods to be purchased to reduce the risk of exchange rate changes.

Countermeasure: for non-functional currency-denominated purchases, the Company continues to adopt foreign exchange pre-purchase for risk hedging to reduce purchase costs.

③ Inflation is not the main consideration of the Company's price and cost policy. According to the current fluctuation of raw materials, the procurement volume is adjusted flexibly and the procurement is on a quarterly basis and the HUB warehousing is used and special-project bulk bargaining purchase is adopted for large-scale project contracts to maintain cost stability, so there is no significant impact on the Company's profit.

Countermeasure: The 1.96% decline in the Consumer Price Index in Taiwan last year did not have significant impact on the Company's profit or loss. The

Company maintained stable costs via quarterly procurements, HUB warehousing and price negotiations for large projects. In addition, as price adjustments have been applied through various steps to reflect increases in raw materials, we expect the business profit shall not be affected significantly.

- (2) Policies for engagement in high-risk and high-leverage investments, loans to others, endorsement guarantees and derivative transactions, main reasons for the profit or loss and countermeasures:

the Company does not engage in high-risk investments, and all investments are carefully evaluated and implemented after authorization by the board of directors. In addition, regarding loans to others and endorsement guarantees, the subsidiaries are the main targets. The derivative transactions are mainly for risk hedging and all risk scenarios have been considered for careful implemented.

- (3) Future R&D plan and estimated R&D expenses:

The Company's R&D roadmap is as follows: (1) extension of elevator IoT (Internet of Things) control functions; (2) new control system for ultra-high speed elevators; (3) landing doors resistant to smoke and fire; and (4) machine-room-less elevators. The Company carries out R&D initiatives as planned in order to meet the needs of customers and the market. The R&D expenses are estimated to be approximately NT\$42,200,000.

- (4) The impact of important domestic and foreign policies and legal changes on the Company's financial status and countermeasures:

The Company keeps abreast of any policies and laws that may affect its operations and adjusts its relevant internal systems accordingly. The new elevator standards CNS 15827-20/31/50 and CNS 15930-1/2 announced in 2015 and 2016 by the Bureau of Standards, Metrology and Inspection of the Ministry of Economic Affairs are scheduled to come into force in July 2023. The Company has started product design and sales personnel training in order to complete the necessary countermeasures before the regulations are enacted. Changes in laws and regulations have not brought significant impacts to the Company's operations.

- (5) The impact of technological changes and industrial changes on the Company's financial status and countermeasures:

The Company has always been committed to product development and research, and pays attention to industry trends at any time and adjusts operating policies and countermeasures in a timely manner, so they have no significant impact on our financial status.

- (6) Impact of corporate image change on corporate crisis management and countermeasures:

The Company has always adhered to the business philosophy of integrity and professional services to achieve customer satisfaction, and pays attention to corporate image and risk management, so there is no foreseeable crisis.

- (7) Expected benefits, possible risks and countermeasures for M&A: None.

- (8) Expected benefits, possible risks and countermeasures for plant expansion: None.

- (9) Risks and countermeasures for the concentration of purchases or sales: None.

- (10) The impact and risks on the Company of large-scale transfer or replacement of equity by directors, supervisors or shareholders holding more than 10% of the shares and countermeasures: None.

- (11) The impact, risks and countermeasures of the change of management rights on the company: None.

- (12) For litigation or non-litigation events, list the major litigation, non-litigation or administrative disputes that have been determined or are still in the process which involve the Company or the Company's directors, supervisors, President, actual person in charge, shareholders with a shareholding ratio of more than 10% or subordinate companies, the outcome of which may have a significant impact on shareholders' equity or securities prices:

None.

(13) Other important risks and countermeasures:

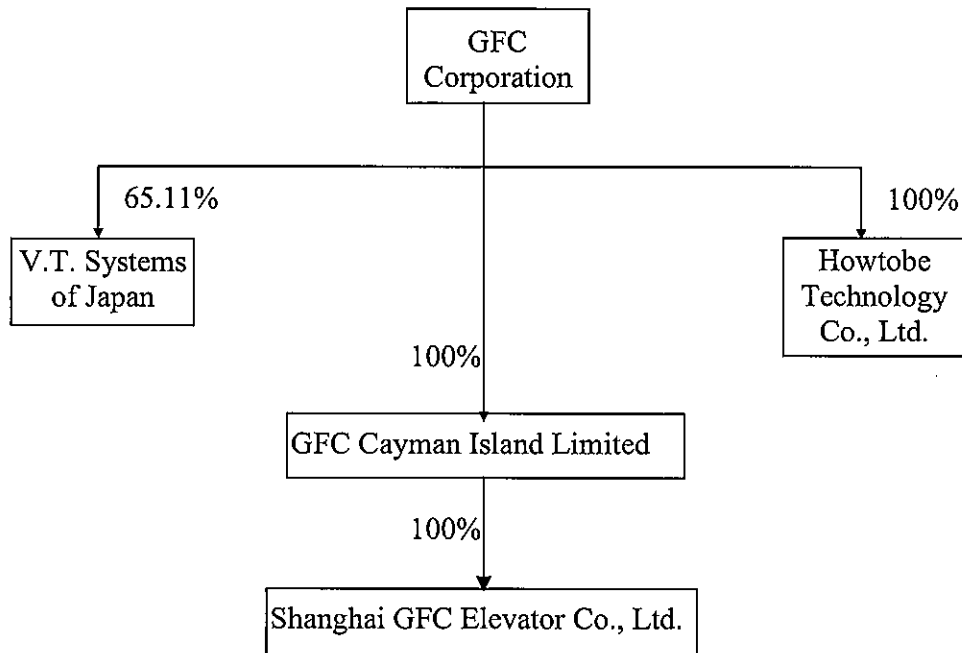
Information security risk analysis: The Company has established a complete network and computer security protection system, and conducts annual review and evaluation of the network security regulations and procedures to ensure its appropriateness and effectiveness. In the year of 2021 and up to the date of publication of the annual report, the Company has not detected any major Internet attacks or data leakage and there is no significant adverse impact on the Company's business and operations nor has the Company been involved in any related legal cases or regulatory investigations.

7. Other significant matters: none

## VIII. Specially recorded matters

### 1. Information on Affiliated Enterprises

#### (1) Organization chart of affiliated enterprises



#### (2) Basic information of affiliated enterprises:

Unit: US\$'000; RMB'000; NT\$'000

Company name	Date of establishment	Address	Paid-in capital	Main business or products
GFC Cayman Island Limited	September 3, 1993	P.O. Box 1034 GT, GRAND CAYMAN, CAYMAN ISLAND	USD 10,810 (@27.6800)	Investment in Shanghai GFC Elevator Co., Ltd.
Howtobe Technology Co., Ltd.	June 20, 2000	13th Floor, No. 88, Section 2, Nanking East Road, Taipei	26,000	Pneumatic shuttle trading and elevator maintenance business.
Shanghai GFC Elevator Co., Ltd.	December 26, 1997	No. 2555 Liuxiang Road, Malu Town, Jiading District, Shanghai	RMB119,348 (@4.3440)	Elevator manufacturing and sales.
V.T. Systems of Japan	April 27, 2005	No.14, No.7, 2-chome, Hamamatsucho, Minato-ku, Tokyo	JPY99,150 (@0.2405)	Trading of vacuum pneumatic shuttles

(3) The same shareholder information of those which are presumed to have a control or affiliation relationship: None.

#### (4) Description of business relationship

1. Industries covered by the overall relationship business operations: including the following

(1) Manufacture and sale of elevators and generators.

- (2) General investment.
- (3) Elevator maintenance.
- (4) Trading of vacuum pneumatic shuttles
2. If the businesses of various affiliated enterprises are related, the division of labor among them:
  - (1) GFC Corporation sells some elevator raw materials to Shanghai GFC Elevator Co., Ltd.; at the same time, it also purchases some elevator raw materials from Shanghai GFC Elevator Co., Ltd.
  - (2) GFC Corporation sells some elevator maintenance parts to Howtobe Technology Co., Ltd.; at the same time, it also purchases some raw materials for elevator manufacturing from Howtobe Technology Co., Ltd.

(5) Information about directors, supervisors and presidents of affiliated enterprises:

Unit: NT\$'000; shares, %

Company name	Position (note 1)	Name or legal representative	Shareholdings	
			Shareholding/ capital contribution	Shareholdings ratio
GFC Cayman Island Limited	Director	GFC Corporation	- (note 2)	- (note 2)
	Director	- Representative Pen-Li Yu GFC Corporation - Representative Chen-Chen Kuang	- (note 2)	- (note 2)
Howtobe Technology Co., Ltd.	Chairman	GFC Corporation	- (note 2)	- (note 2)
		- Representative Ah-Cheng Lin	- (note 2)	- (note 2)
	Director	GFC Corporation	- (note 2)	- (note 2)
		- Representative Chuan-Hsing Kuo	- (note 2)	- (note 2)
	Director	GFC Corporation	- (note 2)	- (note 2)
Shanghai GFC Elevator Co., Ltd.		- Representative Pin-Shan Hsieh	- (note 2)	- (note 2)
	Supervisors	GFC Corporation	- (note 2)	- (note 2)
		- Representative Chen-Chen Kuang	- (note 2)	- (note 2)
	Chairman	GFC Cayman Island Limited	- (note 3)	- (note 3)
		- Representative Pen-Li Yu	- (note 3)	- (note 3)
V.T. Systems of Japan	Director	GFC Cayman Island Limited	- (note 3)	- (note 3)
		- Representative Ah-Cheng Lin	- (note 3)	- (note 3)
	Director	GFC Cayman Island Limited	- (note 3)	- (note 3)
		- Representative Pei-Rong Hsu	- (note 3)	- (note 3)
	Director	Zhouqi Industrial Co., Ltd.	- (note 3)	- (note 3)
		- Representative Yan Feng	- (note 3)	- (note 3)
	President	Ting Wang	- (note 3)	- (note 3)
	Chairman	Tang David	433	15.55%
	Chairman	Yukioka Nao	0	0%
	Director	Ping Ching Huang	0	0%

Note 1: For foreign affiliated enterprises, list the equivalent positions.

Note 2: It is 100% funded by GFC Corporation; the representative has no individual capital contribution.

Note 3: It is 100% funded by GFC Cayman Islands Limited, a subsidiary of GFC Corporation, and Shanghai Zhouqi Industrial Co., Ltd. provides the right-of-use of 16,457 square meters of land for 40 years; the representative has no individual capital contribution.

(6) Overview of operations of affiliated enterprises:

Unit: NT\$'000

Company name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating (loss) profit	Profit or loss for the period (after tax)	Earnings per share (NT\$) (after tax)
GFC Cayman Island Limited	299,221	247,254	0	247,254	50,305	50,027	52,609	-
Howtobe Technology Co., Ltd.	26,000	135,670	68,821	66,849	108,647	22,494	18,811	7.24
Shanghai GFC Elevator Co., Ltd.	518,448	263,111	59,132	203,979	169,356	3,845	50,318	-
V.T. Systems of Japan	23,846	283	0	283	12	(116)	(116)	-

(7) Consolidated financial statements of affiliated enterprises:

In the year of 2021 (from January 1 to December 31, 2021), the companies that should be included in the preparation of the consolidated financial statements of affiliated enterprises in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the companies that should be included in the preparation of consolidated financial statements of parent and subsidiary companies in accordance with the International Financial Reporting Standards No. 10 are the same and the relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the consolidated financial statements of the parent and subsidiary companies previously mentioned, so the consolidated financial statements of affiliated enterprises will not be prepared separately.

(8) Merger report of affiliated enterprises: Not applicable.

2. **Handling of private-placement securities in the most recent year and as of the date of printing of the annual report: None.**
3. **Subsidiaries' holding or disposal of the company's shares in the most recent year and as of the date of printing of the annual report: None.**
4. **Other necessary supplementary explanations: None.**
5. **Matters that have a significant impact on shareholders' equity or the price of securities as specified in sub-paragraph 2, paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year and as of the date of printing of the annual report: None.**

**GFC, LTD.**

**Chairman Po-Loung Tang**