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**FUSHENG PRECISION CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

## **Independent Auditors' Report Translated from Chinese**

To Fusheng Precision Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated balance sheets of Fusheng Precision Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively "the consolidated financial statements").

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2020 and 2019, and their consolidated financial performance and cash flows for the years ended December 31, 2020 and 2019, 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 2020 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.

### Impairment of Accounts Receivable

As at December 31, 2020, the amount of the Group's accounts receivable was \$3,780,487 thousand, which accounted for 26% of total assets was significant to the consolidated financial statements. Since the collection of accounts receivable is the key factor in the working capital management of the Group, and the adoption of provision policy requires significant management judgement, we therefore determined this a key audit matter.

The audit procedures included, but not limited to, understanding the appropriateness of internal control grouping with respect to accounts receivable impairment assessment and account receivable analysis, to ensure that grouping was made appropriately based on similar risk characteristics; and testing the provision matrix adopted, including evaluating the reasonableness of the account aging interval and sampling the original documents of basic data to verify its accuracy; testing the average loss rate in terms of rolling rate and standard deviation statistics within one year; considering the reasonableness of the forward-looking information included in the loss rate assessment; evaluating the impact of forward-looking information on the loss rate, and recalculating the lifetime expected credit losses.

We also consider the appropriateness of disclosure of accounts receivables and related risks. Please refer to Notes 5 and 6 of the Company's consolidated financial statements.

### Inventory valuation

The net carrying value of inventory as of December 31, 2020 for Fusheng Precision Co., Ltd. and Its subsidiaries amounted to \$2,902,577 thousand, which accounted for 20% of total assets and was significant to the consolidated financial statements. Allowance for inventory valuation losses was measured by lower of cost and net realizable value and the valuation of which involved the management's significant judgement, we have therefore determined valuation on inventory a key audit matters.

Our audit procedures included but not limited to, understanding the process design of estimating the allowance for inventory valuation loss, testing the effectiveness of related control, selecting samples to recheck the unit cost of inventory, considering the expected demand and market value of inventory, assessing management's estimates of the possibility to convert inventory to cash and the net realizable value; selecting samples to review related certificates to verify the correctness of the net realizable value that management used.

We also consider the appropriateness of disclosure of inventories. Please refer to Notes 5 and 6 of the Company's consolidated financial statements.

### **Emphasis of Matter—Mergers and acquisitions**

As stated in Note 6(25) of the consolidated financial statements, the Company set November 30, 2020 as the acquisition date to acquire Minson Integration, Inc. and its subsidiaries. However, Fusheng Precision Co., Ltd. is conducting independent evaluation of the above-mentioned merger and acquisition transactions. By the date of releasing this consolidated financial statement, a formal evaluation report has not been obtained. Therefore, in accordance with International Financial Reporting Standard No. 3 "*Business Combinations*", if the original accounting treatment of a business combination is still to be completed before the end of the reporting period in which the merger occurs, the temporary amount of the pending accounting treatment should be reported in its financial statements. Thus, in the consolidated financial statement of Fusheng Precision Co., Ltd. on December 31, 2020, the amount of identifiable assets, assumed liabilities, and non-controlling interests of the acquiree due to the acquisition of these subsidiaries was recognized as a temporary amount. It may be adjusted when the evaluation report is formally issued thereafter. The auditor did not revise the opinion for this reason.

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

We did not audit the consolidated financial statements of certain consolidated subsidiaries, which reflected total assets of \$1,249,718 thousand and \$0, constituting 9% and 0% of consolidated total assets as of December 31, 2020 and 2019, respectively, and total operating revenues of \$42,466 thousand and \$0, constituting both 0% of the consolidated net income before tax for the years ended December 31 2020 and 2019.

### **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 audit committee, 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 2020 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 unqualified opinions including Other Matter paragraph and Emphasis of Matter paragraph in the parent company only financial statements of the Company as of and for the years ended December 31, 2020 and 2019, respectively.

Lin, Su-Wen  
Tu, Jia-Ling  
Ernst & Young, Taiwan  
March 24, 2021

### Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, 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 consolidated 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 Statement Originally Issued in Chinese  
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Decmenber 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

| Assets  | Notes                    | As of December 31,  |                     |
|---|--------------------------|---------------------|---------------------|
|   |                          | 2020                | 2019                |
| <b>Current assets</b>   |                          |                     |                     |
| Cash and cash equivalents   | 4,6(1)                   | \$1,573,175         | \$2,665,743         |
| Financial assets at fair value through profit or loss - current     | 4,6(2)                   | 233,623             | 181,748             |
| Financial assets measured at amortized cost - current               | 4,6(3),6(18),8           | 29,700              | 17,158              |
| Notes receivable, net   | 4,5,6(4),6(18)           | 8,661               | 13,144              |
| Accounts receivable, net  | 4,5,6(5),6(18),7         | 3,771,826           | 3,065,493           |
| Other receivable  | 7                        | 210,328             | 196,561             |
| Current income tax assets   |                          | 361                 | 706                 |
| Inventories, net  | 4,5,6(6)                 | 2,902,577           | 2,117,552           |
| Prepayments   | 7                        | 145,788             | 124,118             |
| Other current assets  |                          | 11,016              | 3,258               |
| <b>Total current assets</b>   |                          | <b>8,887,055</b>    | <b>8,385,481</b>    |
| <b>Non-current assets</b>   |                          |                     |                     |
| Financial assets at fair value through profit or loss - non-current | 4,6(2)                   | 1,801               | 1,789               |
| Financial assets measured at amortized cost- non-current            | 4,6(3),6(18),8           | 259,757             | -                   |
| Investments accounted for using equity method                       | 4,6(7)                   | 20,857              | 22,297              |
| Property, plant and equipment                                       | 4,6(8),6(23),6(25),7,8,9 | 3,819,913           | 2,612,107           |
| Right-of-use assets   | 4,6(19),7                | 382,633             | 409,218             |
| Net investment property   | 4,6(9)                   | 9,208               | -                   |
| Intangible assets   | 4,6(10),6(25)            | 817,513             | 159,547             |
| Deferred tax assets   | 4,5,6(23)                | 53,007              | 77,826              |
| Prepayment for equipment  | 7,9                      | 44,235              | 10,980              |
| Refundable deposits   |                          | 18,438              | 15,557              |
| Other non-current assets-others                                     |                          | 159,814             | 125,940             |
| <b>Total non-current assets</b>                                     |                          | <b>5,587,176</b>    | <b>3,435,261</b>    |
| <b>Total assets</b>   |                          | <b>\$14,474,231</b> | <b>\$11,820,742</b> |

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English Translation of Consolidated Financial Statement Originally Issued in Chinese  
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Decmenber 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

| Liability and Equity                                      | Notes           | As of December 31,  |                     |
|---|-----------------|---------------------|---------------------|
|   |                 | 2020                | 2019                |
| <b>Current liabilities</b>                                |                 |                     |                     |
| Short - term loans  | 4,6(11),8       | \$2,227,367         | \$894,177           |
| Contract liabilities                                      | 4               | 28,538              | 9,634               |
| Notes payable   | 4               | 317                 | -                   |
| Accounts payable  | 4               | 3,017,541           | 2,271,270           |
| Other payables  | 6(12),7         | 1,110,312           | 1,053,879           |
| Current income tax liabilities                            | 4,5,6(23)       | 405,728             | 340,447             |
| Current provisions  | 4,5,6(15)       | 39,452              | -                   |
| Lease liabilities - current                               | 4,6(19),6(21),7 | 68,767              | 56,894              |
| Long-term liabilities - current portion                   | 6(13)           | 4,536               | -                   |
| Other current liabilities                                 |                 | 31,503              | 14,981              |
| <b>Total current liabilities</b>                          |                 | <b>6,934,061</b>    | <b>4,641,282</b>    |
| <b>Non-current liabilities</b>                            |                 |                     |                     |
| Long-term loans   | 6(13)           | 25,702              | -                   |
| Non-current provisions                                    | 4,5,6(15)       | 56,321              | 151,894             |
| Deferred tax liabilities                                  | 4,5,6(23)       | 88,678              | 2,366               |
| Lease liabilities - non-current                           | 4,6(19),6(21),7 | 218,275             | 241,469             |
| Net defined benefit liabilities                           | 4,5,6(14)       | 153,587             | 136,303             |
| Guarantee deposits  |                 | 5,862               | 4,412               |
| Other non-current liabilities                             |                 | 1,073               | 147                 |
| <b>Total non-current liabilities</b>                      |                 | <b>549,498</b>      | <b>536,591</b>      |
| <b>Total liabilities</b>                                  |                 | <b>7,483,559</b>    | <b>5,177,873</b>    |
| <b>Equity</b>   | 6(16)           |                     |                     |
| <b>Common stock</b>                                       |                 | 1,310,300           | 1,310,300           |
| <b>Additional paid-in capital</b>                         |                 | 1,664,358           | 1,664,358           |
| <b>Retained earnings</b>                                  |                 |                     |                     |
| Legal reserve   |                 | 1,183,976           | 966,346             |
| Special reserve   |                 | 569,208             | 434,124             |
| Unappropriated retained earnings                          |                 | 2,218,377           | 2,508,703           |
| Total retained earnings                                   |                 | 3,971,561           | 3,909,173           |
| <b>Other components of equity</b>                         | 4               |                     |                     |
| Exchange differences on translation of foreign operations |                 | (604,273)           | (569,208)           |
| Total equity attributable to stockholders of the parent   |                 | 6,341,946           | 6,314,623           |
| Non-controlling interests                                 | 6(16),6(25)     | 648,726             | 328,246             |
| <b>Total equity</b>                                       |                 | <b>6,990,672</b>    | <b>6,642,869</b>    |
| <b>Total liabilities and equity</b>                       |                 | <b>\$14,474,231</b> | <b>\$11,820,742</b> |

The accompanying notes are an integral part of the consolidated financial statements.



English Translation of Consolidated Financial Statement Originally Issued in Chinese  
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

| Accounting Items  | Notes                              | For the years ended December 31, |                    |
|---|------------------------------------|----------------------------------|--------------------|
|   |                                    | 2020                             | 2019               |
| <b>Operating revenues</b>   | 4,6(17),7                          | \$14,229,734                     | \$17,200,853       |
| <b>Operating costs</b>  | 6(6),6(10),6(14),6(19),<br>6(20),7 | (10,971,403)                     | (12,796,704)       |
| <b>Gross profit</b>   |                                    | <u>3,258,331</u>                 | <u>4,404,149</u>   |
| <b>Operating expenses</b>   | 4,6(10),6(14),6(19),<br>6(20),7    |                                  |                    |
| Sales and marketing expenses  |                                    | (362,426)                        | (365,650)          |
| General and administrative expenses                                       |                                    | (749,486)                        | (758,141)          |
| Research and development expenses   |                                    | (504,733)                        | (497,623)          |
| Expected credit losses  | 6(18)                              | (1,181)                          | 3,068              |
| Total operating expenses  |                                    | <u>(1,617,826)</u>               | <u>(1,618,346)</u> |
| <b>Net operating income</b>   |                                    | <u>1,640,505</u>                 | <u>2,785,803</u>   |
| <b>Non-operating income and expenses</b>                                  | 4,6(21),7                          |                                  |                    |
| Interest income   |                                    | 25,199                           | 35,309             |
| Other income  |                                    | 151,657                          | 75,439             |
| Other gains and losses  |                                    | (318,286)                        | (5,315)            |
| Finance costs   |                                    | (22,979)                         | (29,010)           |
| Share of profit or loss of associates and joint ventures                  | 6(7)                               | (1,440)                          | (2,903)            |
| Total non-operating income and expenses                                   |                                    | <u>(165,849)</u>                 | <u>73,520</u>      |
| <b>Income from continuing operations before income tax</b>                |                                    | 1,474,656                        | 2,859,323          |
| <b>Income tax expenses</b>  | 4,5,6(23)                          | (261,775)                        | (593,634)          |
| <b>Net income from continuing operations</b>                              |                                    | <u>1,212,881</u>                 | <u>2,265,689</u>   |
| <b>Other comprehensive income(loss)</b>                                   | 6(22)                              |                                  |                    |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |                                    |                                  |                    |
| Remeasurements of defined benefit pension plans                           |                                    | (23,814)                         | (24,774)           |
| Income tax related to items that will not be reclassified subsequently    | 6(23)                              | 4,763                            | 4,955              |
| <b>Items that may be reclassified subsequently to profit or loss</b>      |                                    |                                  |                    |
| Exchange differences on translation of foreign operations                 |                                    | (37,787)                         | (143,918)          |
| <b>Total other comprehensive income, net of tax</b>                       |                                    | <u>(56,838)</u>                  | <u>(163,737)</u>   |
| <b>Total comprehensive income</b>   |                                    | <u>\$1,156,043</u>               | <u>\$2,101,952</u> |
| <b>Net income attributable to:</b>  |                                    |                                  |                    |
| Stockholders of the parent  |                                    | \$1,129,679                      | \$2,176,302        |
| Non-controlling interests   | 6(16)                              | 83,202                           | 89,387             |
|   |                                    | <u>\$1,212,881</u>               | <u>\$2,265,689</u> |
| <b>Comprehensive income attributable to:</b>                              |                                    |                                  |                    |
| Stockholders of the parent  |                                    | \$1,075,563                      | \$2,021,399        |
| Non-controlling interests   | 6(16)                              | 80,480                           | 80,553             |
|   |                                    | <u>\$1,156,043</u>               | <u>\$2,101,952</u> |
| <b>Earnings per share(NT\$):</b>  | 6(24)                              |                                  |                    |
| Earnings per share - basic  |                                    | <u>\$8.62</u>                    | <u>\$16.61</u>     |
| Earnings per share - diluted  |                                    | <u>\$8.61</u>                    | <u>\$16.57</u>     |

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statement Originally Issued in Chinese  
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGE IN STOCKHOLDERS' EQUITY  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

|  | Total equity attributable to owners of parent |                            |                    |                  |                                  |   | Non-controlling interests | Total equity       |
|--|---|----------------------------|--------------------|------------------|----------------------------------|---|---------------------------|--------------------|
|  | Retained earnings                             |                            |                    |                  |                                  | Other Components of Equity                                |                           |                    |
|  | Common stock                                  | Additional paid-in capital | Legal reserve      | Special reserve  | Unappropriated retained earnings | Exchange differences on translation of foreign operations |                           |                    |
| Balance as of January 1,2019                             | \$1,310,300                                   | \$1,664,358                | \$765,783          | \$350,167        | \$2,078,070                      | \$(434,124)   | \$5,734,554               | \$5,982,247        |
| Appropriation and distribution of 2018 retained earnings |   |                            |                    |                  |                                  |   |                           |                    |
| Legal reserve  |   |                            | 200,563            |                  | (200,563)                        |   | -                         | -                  |
| Special reserve  |   |                            |                    | 83,957           | (83,957)                         |   | -                         | -                  |
| Cash dividends   |   |                            |                    |                  | (1,441,330)                      |   | (1,441,330)               | (1,441,330)        |
| Net income in 2019                                       |   |                            |                    |                  | 2,176,302                        |   | 2,176,302                 | 2,265,689          |
| Other comprehensive income,net of tax in 2019            |   |                            |                    |                  | (19,819)                         | (135,084)   | (154,903)                 | (163,737)          |
| Total comprehensive income                               | -   | -                          | -                  | -                | 2,156,483                        | (135,084)   | 2,021,399                 | 2,101,952          |
| Balance as of December 31,2019                           | <u>\$1,310,300</u>                            | <u>\$1,664,358</u>         | <u>\$966,346</u>   | <u>\$434,124</u> | <u>\$2,508,703</u>               | <u>\$(569,208)</u>  | <u>\$6,314,623</u>        | <u>\$6,642,869</u> |
| Balance as of January 1,2020                             | \$1,310,300                                   | \$1,664,358                | \$966,346          | \$434,124        | \$2,508,703                      | \$(569,208)   | \$6,314,623               | \$6,642,869        |
| Appropriation and distribution of 2019 retained earnings |   |                            |                    |                  |                                  |   |                           |                    |
| Legal reserve  |   |                            | 217,630            |                  | (217,630)                        |   | -                         | -                  |
| Special reserve  |   |                            |                    | 135,084          | (135,084)                        |   | -                         | -                  |
| Cash dividends   |   |                            |                    |                  | (1,048,240)                      |   | (1,048,240)               | (1,048,240)        |
| Net income in 2020                                       |   |                            |                    |                  | 1,129,679                        |   | 1,129,679                 | 1,212,881          |
| Other comprehensive income,net of tax in 2020            |   |                            |                    |                  | (19,051)                         | (35,065)  | (54,116)                  | (56,838)           |
| Total comprehensive income                               | -   | -                          | -                  | -                | 1,110,628                        | (35,065)  | 1,075,563                 | 1,156,043          |
| Non-controlling interests                                |   |                            |                    |                  |                                  |   | 240,000                   | 240,000            |
| Balance as of December 31,2020                           | <u>\$1,310,300</u>                            | <u>\$1,664,358</u>         | <u>\$1,183,976</u> | <u>\$569,208</u> | <u>\$2,218,377</u>               | <u>\$(604,273)</u>  | <u>\$6,341,946</u>        | <u>\$6,990,672</u> |

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statement Originally Issued in Chinese  
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

|  | For the years ended December 31, |             |
|--|----------------------------------|-------------|
|  | 2020                             | 2019        |
| Cash flows from operating activities:  |                                  |             |
| Net income before tax  | \$1,474,656                      | \$2,859,323 |
| Adjustments:   |                                  |             |
| Income and expense that not affecting cash flow:                                     |                                  |             |
| Depreciation   | 479,803                          | 423,647     |
| Amortization   | 12,038                           | 13,332      |
| Expected credit losses and gains   | 1,181                            | (3,068)     |
| Loss/(Gains) on financial assets or liabilities at fair value through profit or loss | 4,269                            | (6,842)     |
| Interest expenses  | 22,979                           | 29,010      |
| Interest income  | (25,199)                         | (35,309)    |
| Share of profit of associates and joint ventures                                     | 1,440                            | 2,903       |
| (Gains)/loss on disposal of property, plan and equipment                             | (96)                             | 7,097       |
| Other  | (866)                            | (49)        |
| Changes in operating assets and liabilities:   |                                  |             |
| Decrease/(Increase) in notes receivable,net  | 4,483                            | (1,937)     |
| Increase in accounts receivable,net  | (396,347)                        | (246,860)   |
| Increase in other receivable   | (2,995)                          | (26,768)    |
| Increase in inventories,net  | (413,337)                        | (303,916)   |
| Decrease/(Increase) in prepayments   | 4,986                            | (46,733)    |
| (Increase)/Decrease in other current assets  | (4,911)                          | 705         |
| Increase/(Decrease) in contract liabilities  | 8,696                            | (2,062)     |
| Increase in notes payable  | 184                              | -           |
| Increase in accounts payable   | 503,437                          | 195,593     |
| Decrease in other payables   | (1,052,997)                      | (67,168)    |
| Decrease in provisions   | (55,852)                         | (109,322)   |
| Increase in other current liabilities  | 15,078                           | 7,705       |
| Decrease in net defined benefit liabilities  | (6,530)                          | (8,832)     |
| Cash generated from operations   | 574,100                          | 2,680,449   |
| Interest received  | 25,199                           | 35,309      |
| Interest paid  | (10,817)                         | (24,363)    |
| Income tax paid  | (166,139)                        | (650,074)   |
| Net cash provided by operating activities  | 422,343                          | 2,041,321   |

(Continued)

English Translation of Consolidated Financial Statement Originally Issued in Chinese  
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

|   | For the years ended December 31, |             |
|---|----------------------------------|-------------|
|   | 2020                             | 2019        |
| Cash flows from investing activities:   |                                  |             |
| Acquisition of financial assets measured at amortized cost                      | (274,457)                        | (2,158)     |
| Proceeds from disposal of financial assets measured at amortized cost           | 2,132                            | 5,989       |
| Acquisition of financial assets at fair value through profit or loss            | (58,786)                         | (180,000)   |
| Proceeds from disposal of financial assets at fair value through profit or loss | -                                | 180,516     |
| Acquisition of investments accounted for using the equity method                | -                                | (25,200)    |
| Acquisition of subsidiaries (net of cash acquired)                              | (822,629)                        | -           |
| Acquisition of property, plant and equipment                                    | (587,204)                        | (700,681)   |
| Proceeds from disposal of property, plant and equipment                         | 47,341                           | 21,545      |
| Increase in refundable deposits   | (1,330)                          | (8,998)     |
| Acquisition of intangible assets  | (6,121)                          | (9,873)     |
| Increase in other non-current assets  | (29,395)                         | (69,824)    |
| Increase in prepayment for equipment  | (73,458)                         | -           |
| Decrease in prepayment for equipment  | -                                | 52,246      |
| Net cash used in investing activities   | (1,803,907)                      | (736,438)   |
| Cash flows from financing activities:   |                                  |             |
| Increase in short-term loans  | 1,170,616                        | 482,601     |
| Increase in long-term loans   | 31,654                           | -           |
| Increase in guarantee deposits  | 1,778                            | 2,976       |
| Cash payments for the principal portion of the lease liability                  | (73,701)                         | (61,284)    |
| Increase in other non-current liabilities                                       | 926                              | -           |
| Decrease in other non-current liabilities                                       | -                                | (13,653)    |
| Cash dividends  | (1,048,240)                      | (1,441,330) |
| Changes in non-controlling interests  | 240,000                          | -           |
| Net cash provided by/(used in) financing activities                             | 323,033                          | (1,030,690) |
| Effects of exchange rate changes on cash and cash equivalents                   | (34,037)                         | (112,961)   |
| Net (decrease)/increase in cash and cash equivalents                            | (1,092,568)                      | 161,232     |
| Cash and cash equivalents, at beginning of the year                             | 2,665,743                        | 2,504,511   |
| Cash and cash equivalents, at end of the year                                   | \$1,573,175                      | \$2,665,743 |

The accompanying notes are an integral part of the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
FUSHENG PRECISION CO., LTD.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. History and organization

- (1) Fusheng Precision Co., Ltd. (The Company) was established by Coöperatieve Valiant APO Global U.A. on September 14, 2010.
- (2) To work in line with the parent company, Coöperatieve Valiant APO Global U.A., to engage in re-organization and specialization to enhance competitiveness and efficiency of management, the Company's board of directors ("Board of Directors") approved on September 14, 2010 the proposed deal to divide and assign the Sporting Goods Divisions (SGD) and Precision Products Divisions (PPD) of Fu Sheng Industrial CO., Ltd. under "Business Mergers and Acquisitions Act" and "Company Act", effective November 1, 2010. The assets, liabilities, all rights and obligations of SGD and PPD, including the existing factories, equipment and employees, were assigned to Fusheng Precision upon completion of the division and assignment. The Company will continue to operate its business.
- (3) The Company's first public offering was approved in October 2017 and its shares were first traded on the emerging stock market on November 30, 2017. The Company's common shares were publicly listed on the Taiwan Stock Exchange (TWSE) on December 18, 2018. The Company's registered office and the main business location are at 3F., No. 172. Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City, Taiwan (R.O.C.) and No. 9, Xingzhong St., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.).

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries ("the Group") for the years ended December 31, 2019 and 2020 were authorized for issue by the Board of Directors on March 24, 2021.

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.

The Group elected to early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual periods beginning on or after January 1, 2020, and in accordance with the requirements of the transition. 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. Please refer to Note 6 for disclosure related to the lessee which required by the amendment.

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

| Items | New, Revised or Amended Standards and Interpretations   | Effective Date issued by IASB |
|-------|---|-------------------------------|
| A     | Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | January 1, 2021               |

A. Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies’ financial statements:

- (a) A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- (b) A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- (c) A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The abovementioned amendments that are applicable for annual periods beginning on or after January 1, 2021 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.

| Items | New, Revised or Amended Standards and Interpretations  | Effective Date issued by IASB |
|-------|--|-------------------------------|
| 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 | To be determined by IASB      |
| B     | IFRS 17 “Insurance Contracts”  | January 1, 2023               |
| C     | Classification of Liabilities as Current or Non-current — Amendments to IAS 1  | January 1, 2023               |
| D     | 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               |
| E     | Disclosure Initiative - Accounting Policies — Amendments to IAS 1  | January 1, 2023               |
| F     | Definition of Accounting Estimates — Amendments to IAS 8   | 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 fulfilment cash flows comprise of the following:

- (a) estimates of future cash flows;
- (b) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (c) a risk adjustment for non-financial risk.

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 June 2020. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 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 January 1, 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. 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.

(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.

E. 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.

F. 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.

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 A., C., D., E. and F., 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, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRSs, IASs, IFRIC and SIC, which and endorsed by the FSC.

##### (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.

##### (3) Basis of consolidation

###### Preparation principle of consolidated financial statements

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 or not 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 Company 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 Company 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:

| Name of the investors | Name of subsidiaries           | Nature of Business   | Percentage of ownership (%) |                   |
|-----------------------|--------------------------------|--|-----------------------------|-------------------|
|                       |                                |  | December 31, 2020           | December 31, 2019 |
| The Company           | Sharphope Company Ltd.         | Investment holding   | 100.00%                     | 100.00%           |
| The Company           | Vision International Co., Ltd. | Manufacture and sale of golf club head   | 100.00%                     | 100.00%           |
| The Company           | Gainsmart Group Ltd.           | Investment holding   | 100.00%                     | 100.00%           |
| The Company           | World Gate Holdings Ltd.       | Investment holding   | 100.00%                     | 100.00%           |
| The Company           | NFT Technology CO., Ltd.       | Manufacture and sale of medical equipment and automotive parts   | 69.74%                      | 69.74%            |
| The Company           | Crosspace Co., Ltd.            | Selling pure titanium tableware and kitchenware  | 100.00%                     | 100.00%           |
| The Company           | Minson Integration, Inc.       | R&D and sales of shoes, helmets and protective gear for ice hockey, cross-country motorcycles, baseball, skiing and other sports | 85%<br>(Note1)              | -                 |

| Name of the investors                          | Name of subsidiaries                                | Nature of Business   | Percentage of ownership (%) |                    |
|--|---|--|-----------------------------|--------------------|
|  |   |  | December 31, 2020           | December 31, 2019  |
| Sharpope Company Ltd.                          | Extensor World Trading Ltd.<br>(Cayman)             | International trade  | -<br>(Note2)                | 100.00%            |
| Sharpope Company Ltd.                          | Extensor World Trading Ltd. (Hong Kong)             | International trade  | 100.00%<br>(Note2)          | 100.00%<br>(Note2) |
| Gainsmart Group Ltd.                           | FS-North America, Inc.                              | Investment holding   | 100.00%                     | 100.00%            |
| FS-North America, Inc.                         | FS-Precision Tech Co., LLC.                         | Manufacture and sale of<br>medical equipment and<br>automotive parts   | 100.00%                     | 100.00%            |
| World Gate Holdings Ltd.                       | Zhong Shan Worldmark Sporting Goods Ltd.            | Manufacture and sale of golf club head   | 100.00%                     | 100.00%            |
| World Gate Holdings Ltd.                       | Zhong Shan LongXing Precision Machinery Co., Ltd.   | Manufacture and sale of<br>sports equipment,<br>automotive parts, molds<br>and other products  | 100.00%                     | 100.00%            |
| World Gate Holdings Ltd.                       | Wealth Max Creation Limited.                        | Investment holding and<br>international trade  | 52.5%                       | 52.5%              |
| World Gate Holdings Ltd.                       | Zhong Shan Aubo Precision Technology Co., Ltd.      | Researching and developing<br>and manufacturing of<br>hardware, plastics and<br>printing of packaging  | 52.5%<br>(Note3)            | 52.5%<br>(Note3)   |
| Zhong Shan Aubo Precision Technology Co., Ltd. | Zhong Shan Aubo Metal Surface Treatment Co., Ltd.   | Anodizing process  | 100.00%                     | 100.00%            |
| Zhong Shan Aubo Precision Technology Co., Ltd. | AUBO (VIETNAM) PRECISION TECHNOLOGY COMPANY LIMITED | Manufacture hardware and<br>plastics   | 100.00%                     | 100.00%            |
| Zhong Shan Worldmark Sporting Goods Ltd.       | Zhong Shan DingXing Vacuum Technology Co., Ltd.     | Research, development and<br>manufacturing of vacuum<br>technology products,<br>vacuum coating processing<br>and sports equipment,<br>metal products import and<br>export business | 100.00%                     | 100.00%            |
| Zhong Shan Aubo Precision Technology Co., Ltd. | AUBO PRECISION (HONG KONG) CO., LIMITED             | International trade  | 100.00%<br>(Note4)          | -                  |
| Minson Integration, Inc.                       | MENXON ENTERPRISES<br>(THAILAND) COMPANY<br>LIMITED | Manufacture and sale of ice<br>hockey shoes and<br>motocross boots   | 100.00%<br>(Note1)          | -                  |
| Minson Integration, Inc.                       | MINONE ENTERPRISES<br>COMPANY LIMITED               | Manufacture and sale of<br>motocross boots, skates and<br>sports protective gear   | 100.00%<br>(Note1)          | -                  |

| Name of the investors    | Name of subsidiaries                                | Nature of Business   | Percentage of ownership (%) |                   |
|--------------------------|---|--|-----------------------------|-------------------|
|                          |   |  | December 31, 2020           | December 31, 2019 |
| Minson Integration, Inc. | MINSON ENTERPRISES<br>(THAILAND) COMPANY<br>LIMITED | Manufacture and sale of<br>motocross boots and<br>protective gear and in-line<br>skates                              | 100.00%<br>(Note1)          | -                 |
| Minson Integration, Inc. | MINTECH ENTERPRISES<br>COMPANY LIMITED              | Manufacture , R&D and sale<br>of plastic injection parts,<br>sports helmets and various<br>footwear, protective gear | 100.00%<br>(Note1)          | -                 |

(Note 1) In order to expand the sporting goods business layout, diversify operations, and improve operating performance, the Company acquire Minson Integration, Inc. and its subsidiaries' equity in the amount of \$1,360,000 thousand, and set November 30, 2020 as the acquisition base date. Please refer to Note 6(25) for more details.

(Note 2) As the Cayman Islands enacted the International Tax Co-operation Economic Substance Law, the Company established Extensor World Trading Ltd. (Hong Kong) through its subsidiary: Sharpope Company Ltd. for US\$ 1 on July 19, 2019 to replace the international trading function of the Cayman subsidiary, Extensor World Trading Ltd.(Cayman). The establishment registration was approved and was ratified by the Board of Directors of the parent company on August 14, 2019. And Cayman subsidiary, Extensor World Trading Ltd. (Cayman) completed the phased tasks. In order to simplify the organizational structure and integrate internal resources, Cayman subsidiary, Extensor World Trading Ltd. (Cayman) was dissolved and liquidated on June 30, 2020.

(Note 3) The Company purchased 52.5% equity of Wealth Max Creation Limited through its subsidiary: World Gate Holdings Ltd. in 2018, the Company indirectly held 100% of the subsidiary of Wealth Max Creation Limited-"Zhong shan Aobo Precision Technology Co., Ltd. " In response to the future development plan of Zhong shan Aobo Precision Technology Co., Ltd., the parent company's Board of Directors approved on August 14, 2019 to carry out related organizational reorganization and adjust the investment structure, and transferred 52.5% equity of Zhong shan Aobo Precision Technology Co., Ltd. to the subsidiary: World Gate Holdings Ltd.. The equity transfer was completed on October 1, 2019.

(Note 4) To meet overseas order demand, the Company established AUBO PRECISION (HONG KONG) CO., LIMITED through its subsidiary: Zhong Shan Aobo Precision Technology Co., Ltd. with HKD\$100,000 on July 13, 2020.

#### (4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT dollars, 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.

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 dollars 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.

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 arrangement control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

#### (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.

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 three 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.
- (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 asset measured 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 as 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.

Besides, 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 cumulated 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 represents a recovery of part of the cost of investment.

### Financial asset measured 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 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 follow:

- (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 for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition 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.
- (d) For lease receivables arising from transactions within the scope of IFRS 16, 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 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 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.

##### 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 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 instruments

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.

## (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 cost basis.

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.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

#### (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 affect 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 prorata basis.

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. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

## (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               | 6~45 years |
| Machinery and equipment | 1~10 years |
| Other equipment         | 2~16 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.

## (13) 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, maximising 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.

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 amortised 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 statements 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.

#### 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.

#### (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 of 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 are 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.

#### Relationship of customer

The cost of customer relationship incurs as a result of merger and acquisition and is amortized on a straight-line basis over the estimated useful life of 7 years.

#### Technology and Know-how

The cost of technology and know-how incurs as a result of merger and acquisition and is amortized on a straight-line basis over the estimated useful life of 7 years.

#### Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (1 to 2 years).

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

|                                     | Relationship of<br>customer   | Technology and Know-<br>how   | Computer software   |
|-------------------------------------|---|---|---|
| Useful lives                        | Finite  | Finite  | Finite  |
| Amortization method<br>used         | Amortized on a<br>straight- line basis<br>over the estimated<br>useful life | Amortized on a<br>straight- line basis<br>over the estimated<br>useful life | Amortized on a<br>straight- line basis<br>over the estimated<br>useful life |
| Internally generated or<br>acquired | Acquired  | Acquired  | Acquired  |

## (15) 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.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

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 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.

### Other long-term provision

According to management's judgement and other known reasons, the expected employee occupational injury expenses were recognized as miscellaneous expenses and estimated related provisions.

## (17) 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 follow:

### 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 product of the Group is golf club head and revenue is recognized based on the consideration stated in the contract.

For some 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 is arised.

### Rendering of services

The Group provides technology services. These services recognize revenue based on the content of the relevant agreement. Most of the contractual considerations of the Group are collected evenly throughout the contract period.

## (18) 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.

## (19) 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 ventures, 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 ventures, 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.

## (20) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired, and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 9 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the cash-generating unit retained.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements require management to make judgments, 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.

### 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:

#### (1) 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 change of the future salary etc.

#### (2) 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.

#### (3) Accounts receivables—estimation of impairment loss

The Group estimates the impairment loss of accounts 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.



(4) Inventories

Estimates of net realisable 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.

(5) 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.

6. Contents of significant accounts

(1) Cash and cash equivalents

|                               | As of December 31, |                    |
|-------------------------------|--------------------|--------------------|
|                               | 2020               | 2019               |
| Cash on hand                  | \$2,115            | \$1,349            |
| Checking and savings accounts | 1,558,092          | 2,550,500          |
| Time deposits                 | 12,968             | 113,894            |
| Total                         | <u>\$1,573,175</u> | <u>\$2,665,743</u> |

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

|   | As of December 31, |                  |
|---|--------------------|------------------|
|   | 2020               | 2019             |
| Financial assets mandatorily measured at fair value through profit or loss: |                    |                  |
| Preferred stocks  | \$177,466          | \$181,748        |
| Financial products  | 56,157             | -                |
| Unlisted stocks   | 1,400              | 1,400            |
| US dollar aggressive funds  | 401                | 389              |
| Total   | <u>\$235,424</u>   | <u>\$183,537</u> |
| Current   | \$233,623          | \$181,748        |
| Non-current   | 1,801              | 1,789            |
| Total   | <u>\$235,424</u>   | <u>\$183,537</u> |

Financial assets at fair value through profit or loss were not pledged.

(3) Financial assets measured at amortized cost

|                                   | As of December 31, |                 |
|-----------------------------------|--------------------|-----------------|
|                                   | 2020               | 2019            |
| Time deposits                     | \$15,000           | \$15,000        |
| Restricted deposit                | 14,700             | 2,158           |
| Repatriated Offshore Funds (Note) | 259,757            | -               |
| Total                             | <u>\$289,457</u>   | <u>\$17,158</u> |
| Current                           | \$29,700           | \$17,158        |
| Non-current                       | 259,757            | -               |
| Total                             | <u>\$289,457</u>   | <u>\$17,158</u> |

Note: The Group applied to be applicable under the "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act"(hereinafter "the Act") in April 2020 and was approved to open a segregated foreign exchange deposit account by National Taxation Bureau of the Northern Area, Ministry of Finance. The repatriation of overseas investment income of US\$10,000 thousand is subject to an 8% withholding tax rate. After paying the income tax of US\$800 thousand, the remaining amount of US\$9,200 thousand (equivalent to \$258,980 thousand) and the current interest revenue of US\$28 thousand (equivalent to \$777 thousand) , according to the Act, was deemed funds that have not engaged in substantial investment and financial investment, and can only be withdrawn over a period of three years upon the expiry of five full years after the date of being deposited into the segregated foreign exchange deposit account. Please refer to Note 6(23) for more details on income tax.

The Group classified certain financial assets as financial assets measured at amortized cost. Please refer to Note 6(18) for more details on loss allowance and Note 8 for more details on financial assets measured at amortized cost under pledge. Please refer to Note 12 for more details on credit risk.

(4) Notes receivables

|  | As of December 31, |                 |
|--|--------------------|-----------------|
|  | 2020               | 2019            |
| Notes receivables arising from operating activities<br>(total carrying amount) | \$8,661            | \$13,144        |
| Less: loss allowance   | -                  | -               |
| Total  | <u>\$8,661</u>     | <u>\$13,144</u> |

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(18) for more details on loss allowance and Note 12 for details on credit risk.

(5) Accounts receivable, net

|   | As of December 31, |                    |
|---|--------------------|--------------------|
|   | 2020               | 2019               |
| Accounts receivable (total carrying amount)                   | \$3,777,110        | \$3,069,401        |
| Less: loss allowance  | (6,489)            | (6,257)            |
| Subtotal  | 3,770,621          | 3,063,144          |
| Accounts receivable — related parties (total carrying amount) | 1,205              | 2,349              |
| Less: loss allowance  | -                  | -                  |
| Subtotal  | 1,205              | 2,349              |
| Total   | <u>\$3,771,826</u> | <u>\$3,065,493</u> |

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount as of December 31, 2020 and 2019 were \$3,786,976 thousand and \$3,084,894 thousand, respectively. Please refer to Note 6(18) for more details on loss allowance of accounts receivable for the years ended December 31, 2020 and 2019. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

|                        | As of December 31, |                    |
|------------------------|--------------------|--------------------|
|                        | 2020               | 2019               |
| Raw materials          | \$636,369          | \$445,093          |
| Work in progress       | 993,803            | 691,959            |
| Finished goods         | 632,409            | 550,896            |
| Goods                  | 6,008              | 5,293              |
| Inventories in transit | 633,988            | 424,311            |
| Total                  | <u>\$2,902,577</u> | <u>\$2,117,552</u> |

For the years ended December 31, 2020 and 2019, the Group recognized \$10,971,403 thousand and \$12,796,704 thousand, respectively, in operating cost, including the write-down of inventories of \$16,462 thousand and \$(12,232) thousand, respectively. The reversal is due to disposal of slow-moving inventories.

No inventories were pledged.

(7) Investment accounted for using equity method

The following table lists the investments accounted for using the equity method of the Group:

| Investees                        | As of December 31, |                   |                 |                   |
|----------------------------------|--------------------|-------------------|-----------------|-------------------|
|                                  | 2020               |                   | 2019            |                   |
|                                  | Amount             | Percentage of (%) | Amount          | Percentage of (%) |
| Investments in associates:       |                    |                   |                 |                   |
| Digital-Can Technology Co., Ltd. |                    |                   |                 |                   |
| (Note)                           | <u>\$20,857</u>    | 9.93              | <u>\$22,297</u> | 9.93              |

Note: In order to enhance the manufacturing technology and expand the aerospace business, the Group completed the equity settlement on February 1, 2019, with the resolution of the parent company's board of directors passed on December 28, 2018 to acquired 9.93% equity of Digital-Can Technology Co., Ltd. in the amount of \$25,200 thousand, which was significant influence.

The Group's investment in Digital-Can Technology Co., Ltd. is not individually material. The aggregate carrying amount of the Group's interests in Digital-Can Technology Co., Ltd. is \$20,857 thousand and \$22,297 thousand as of December 31, 2020 and 2019, respectively. The aggregate financial information of the Group's investments is as follows:

|   | For the year ended December 31, |                  |
|---|---------------------------------|------------------|
|   | 2020                            | 2019             |
| Profit or loss from continuing operations | \$(1,440)                       | \$(2,903)        |
| Other comprehensive income (post-tax)     | -                               | -                |
| Total comprehensive income                | <u>\$(1,440)</u>                | <u>\$(2,903)</u> |

The associates had no contingent liabilities or capital commitments as of December 31, 2020 and 2019.

## (8) Property, plant and equipment

|   | Land               | Buildings          | Machinery and<br>equipment | Others           | Construction in<br>progress and<br>equipment<br>awaiting<br>inspection | Total              |
|---|--------------------|--------------------|----------------------------|------------------|--|--------------------|
| Cost:   |                    |                    |                            |                  |  |                    |
| As of January 1, 2020                         | \$552,444          | \$1,533,644        | \$2,452,789                | \$484,908        | \$77,746   | \$5,101,531        |
| Additions                                     | -                  | 137,714            | 340,227                    | 32,595           | 76,668   | 587,204            |
| Acquisitions through<br>business combinations | 577,622            | 556,450            | 493,799                    | 184,176          | -  | 1,812,047          |
| Disposals                                     | -                  | (5,076)            | (137,355)                  | (28,732)         | -  | (171,163)          |
| Transfers                                     | -                  | (89,966)           | 65,649                     | (3,521)          | (25,886)   | (53,724)           |
| Exchange differences                          | (165)              | (20,308)           | (52,642)                   | (10,757)         | (1,599)  | (85,471)           |
| As of December 31, 2020                       | <u>\$1,129,901</u> | <u>\$2,112,458</u> | <u>\$3,162,467</u>         | <u>\$658,669</u> | <u>\$126,929</u>   | <u>\$7,190,424</u> |
| As of January 1, 2019                         | \$552,444          | \$1,475,910        | \$2,058,554                | \$384,345        | \$156,715  | \$4,627,968        |
| Additions                                     | -                  | 16,323             | 517,204                    | 77,401           | 89,753   | 700,681            |
| Disposals                                     | -                  | (14,763)           | (98,301)                   | (9,447)          | -  | (122,511)          |
| Transfers                                     | -                  | 99,607             | 40,630                     | 38,666           | (168,232)  | 10,671             |
| Exchange differences                          | -                  | (43,433)           | (65,298)                   | (6,057)          | (490)  | (115,278)          |
| As of December 31, 2019                       | <u>\$552,444</u>   | <u>\$1,533,644</u> | <u>\$2,452,789</u>         | <u>\$484,908</u> | <u>\$77,746</u>  | <u>\$5,101,531</u> |
| Depreciation and<br>impairment:               |                    |                    |                            |                  |  |                    |
| As of January 1, 2020                         | \$-                | \$881,517          | \$1,330,992                | \$276,915        | \$-  | \$2,489,424        |
| Depreciation                                  | -                  | 58,509             | 287,806                    | 57,197           | -  | 403,512            |
| Acquisitions through<br>business combinations | -                  | 298,741            | 340,317                    | 76,367           | -  | 715,425            |
| Disposals                                     | -                  | (5,076)            | (92,528)                   | (26,314)         | -  | (123,918)          |
| Transfers                                     | -                  | (81,648)           | -                          | -                | -  | (81,648)           |
| Exchange differences                          | -                  | (4,640)            | (21,587)                   | (6,057)          | -  | (32,284)           |
| As of December 31, 2020                       | <u>\$-</u>         | <u>\$1,147,403</u> | <u>\$1,845,000</u>         | <u>\$378,108</u> | <u>\$-</u>   | <u>\$3,370,511</u> |
| As of January 1, 2019                         | \$-                | \$864,000          | \$1,186,672                | \$244,911        | \$-  | \$2,295,583        |
| Depreciation                                  | -                  | 58,237             | 251,613                    | 45,364           | -  | 355,214            |
| Disposals                                     | -                  | (14,763)           | (72,646)                   | (6,460)          | -  | (93,869)           |
| Transfers                                     | -                  | -                  | (1,692)                    | (2,313)          | -  | (4,005)            |
| Exchange differences                          | -                  | (25,957)           | (32,955)                   | (4,587)          | -  | (63,499)           |
| As of December 31, 2019                       | <u>\$-</u>         | <u>\$881,517</u>   | <u>\$1,330,992</u>         | <u>\$276,915</u> | <u>\$-</u>   | <u>\$2,489,424</u> |
| Net carrying amount as of:                    |                    |                    |                            |                  |  |                    |
| December 31, 2020                             | <u>\$1,129,901</u> | <u>\$965,055</u>   | <u>\$1,317,467</u>         | <u>\$280,561</u> | <u>\$126,929</u>   | <u>\$3,819,913</u> |
| December 31, 2019                             | <u>\$552,444</u>   | <u>\$652,127</u>   | <u>\$1,121,797</u>         | <u>\$207,993</u> | <u>\$77,746</u>  | <u>\$2,612,107</u> |

Components of building that have different useful lives are main building structure, fire protection engineering, air conditioning units and elevators, which are depreciated respectively.

There were no capitalized borrowing costs of construction in progress for the years ended December 31, 2020 and 2019.

Please refer to Note 8 for more details on property, plant and equipment under pledge. Please refer to Note 6(23) for more details on remaining land under pledge.

(9) Investment property

The Group's investment properties is self-own investment properties. The investment properties owned by the Group entered commercial property leases for a term of 3 years.

|   | Buildings       |            |
|---|-----------------|------------|
|   | 2020            | 2019       |
| Cost:   |                 |            |
| Beginning of period   | \$-             | \$-        |
| Transfers from owner-occupied property  | 90,720          | -          |
| Exchange differences  | 1,358           | -          |
| End of period   | <u>\$92,078</u> | <u>\$-</u> |
| Depreciation and impairment:  |                 |            |
| Beginning of period   | \$-             | \$-        |
| Transfers from owner-occupied property  | 81,648          | -          |
| Exchange differences  | 1,222           | -          |
| End of period   | <u>\$82,870</u> | <u>\$-</u> |
| Net carrying amount   | <u>\$9,208</u>  | <u>\$-</u> |
| Rental income from investment property  | \$2,075         | \$-        |
| Less:   |                 |            |
| Direct operating expenses from investment property generating rental income     | -               | -          |
| Direct operating expenses from investment property not generating rental income | -               | -          |
| Total   | <u>\$2,075</u>  | <u>\$-</u> |

No investment property was pledged.

The investment property held by the Group was not measured at fair value, but only disclosed information on its fair value, and the fair value measurement is categorized within Level 3 of the fair value hierarchy. The fair value of the investment property held by the Group amounted to NTD23,180 thousand and \$0 on December 31, 2020 and 2019, respectively. The Group evaluated the market price of similar real estate in the vicinity of the relevant assets.

(10) Intangible assets

|  | Relationship<br>of customer | Technology<br>and<br>Know-how | Goodwill         | Computer<br>software | Total            |
|--|-----------------------------|-------------------------------|------------------|----------------------|------------------|
| Cost:                                      |                             |                               |                  |                      |                  |
| As of January 1, 2020                      | \$28,000                    | \$19,000                      | \$107,476        | \$47,461             | \$201,937        |
| Addition-acquired separately               | -                           | -                             | -                | 6,121                | 6,121            |
| Acquisitions through business combinations | 108,000                     | 106,000                       | 442,752          | 6,453                | 663,205          |
| Transfers                                  | -                           | -                             | -                | -                    | -                |
| Exchange differences                       | -                           | -                             | (260)            | (1,186)              | (1,446)          |
| As of December 31, 2020                    | <u>\$136,000</u>            | <u>\$125,000</u>              | <u>\$549,968</u> | <u>\$58,849</u>      | <u>\$869,817</u> |
| As of January 1, 2019                      | \$28,000                    | \$19,000                      | \$107,559        | \$31,926             | \$186,485        |
| Addition-acquired separately               | -                           | -                             | -                | 9,873                | 9,873            |
| Transfers                                  | -                           | -                             | -                | 6,074                | 6,074            |
| Exchange differences                       | -                           | -                             | (83)             | (412)                | (495)            |
| As of December 31, 2019                    | <u>\$28,000</u>             | <u>\$19,000</u>               | <u>\$107,476</u> | <u>\$47,461</u>      | <u>\$201,937</u> |
| Amortization and impairment:               |                             |                               |                  |                      |                  |
| As of January 1, 2020                      | \$6,000                     | \$4,071                       | \$-              | \$32,319             | \$42,390         |
| Amortization                               | 4,000                       | 2,714                         | -                | 5,324                | 12,038           |
| Acquisitions through business combinations | -                           | -                             | -                | 1,403                | 1,403            |
| Transfers                                  | -                           | -                             | -                | (3,071)              | (3,071)          |
| Exchange differences                       | -                           | -                             | -                | (456)                | (456)            |
| As of December 31, 2020                    | <u>\$10,000</u>             | <u>\$6,785</u>                | <u>\$-</u>       | <u>\$35,519</u>      | <u>\$52,304</u>  |
| As of January 1, 2019                      | \$2,000                     | \$1,357                       | \$-              | \$21,858             | \$25,215         |
| Amortization                               | 4,000                       | 2,714                         | -                | 6,618                | 13,332           |
| Transfers                                  | -                           | -                             | -                | 4,006                | 4,006            |
| Exchange differences                       | -                           | -                             | -                | (163)                | (163)            |
| As of December 31, 2019                    | <u>\$6,000</u>              | <u>\$4,071</u>                | <u>\$-</u>       | <u>\$32,319</u>      | <u>\$42,390</u>  |
| Net carrying amount as of:                 |                             |                               |                  |                      |                  |
| December 31, 2020                          | <u>\$126,000</u>            | <u>\$118,215</u>              | <u>\$549,968</u> | <u>\$23,330</u>      | <u>\$817,513</u> |
| December 31, 2019                          | <u>\$22,000</u>             | <u>\$14,929</u>               | <u>\$107,476</u> | <u>\$15,142</u>      | <u>\$159,547</u> |

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

|                    | For the years ended December 31, |                 |
|--------------------|----------------------------------|-----------------|
|                    | 2020                             | 2019            |
| Operating costs    | <u>\$2,164</u>                   | <u>\$2,073</u>  |
| Operating expenses | <u>\$9,874</u>                   | <u>\$11,259</u> |

(11) Short-term loans

|                      | Interest Rates (%) | As of December 31, |                  |
|----------------------|--------------------|--------------------|------------------|
|                      |                    | 2020               | 2019             |
| Unsecured bank loans | 0.60%~4.00%        | \$1,951,531        | \$894,177        |
| Secured bank loans   | 1.86%~1.88%        | 275,836            | -                |
| Total                |                    | <u>\$2,227,367</u> | <u>\$894,177</u> |

The Group's unused short-term lines of credits amounted to \$8,545,958 thousand, and \$8,270,456 thousand, as of December 31, 2020 and 2019, respectively.

Please refer to Note 8 for more details on land and buildings pledged as security for short-term loans.

(12) Other payables

|                               | As of December 31, |                    |
|-------------------------------|--------------------|--------------------|
|                               | 2020               | 2019               |
| Salaries payable              | \$748,507          | \$776,289          |
| Accrued expenses              | 262,782            | 162,768            |
| Bonuses payable               | 43,199             | 58,450             |
| Interest payable              | 301                | -                  |
| Other payable—other           | 55,523             | 41,149             |
| Other payable—related parties | -                  | 15,223             |
| Total                         | <u>\$1,110,312</u> | <u>\$1,053,879</u> |

(13) Long-term loans

Details of long-term loans as of December 31, 2020 are as follows:

| Lenders                             | As of<br>December 31, 2020 | Interest<br>Rate (%) | Maturity date and terms of<br>repayment   |
|-------------------------------------|----------------------------|----------------------|---|
| Bank of China secured<br>bank loans | \$30,238                   | 4.15%                | The terms of repayment are from May 29, 2020 to May 28, 2023, repayment of 5% of the principal and interest are paid quarterly from May 29, 2021. |
| Subtotal                            | <u>30,238</u>              |                      |   |
| Less: current portion               | <u>(4,536)</u>             |                      |   |
| Total                               | <u>\$25,702</u>            |                      |   |

Long-term loans as of December 31, 2019: None.



#### (14) Post-employment benefits

##### Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the year ended December 31, 2020 and 2019 were \$163,870 thousand and \$184,663 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 15<sup>th</sup> 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 2% 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 mandate, 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 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 \$13,943 thousand to its defined benefit plan during the 12 months beginning after December 31, 2020.

As of December 31, 2020 and 2019, respectively, the durations of the defined benefits plan obligation of the subsidiaries under the Group were different. The latest years of maturity are expected at 2031 and 2030, respectively.

Pension costs recognized in profit or loss for the years ended December 31, 2020 and 2019:

|                              | For the years ended December 31, |                |
|------------------------------|----------------------------------|----------------|
|                              | 2020                             | 2019           |
| Current period service costs | \$5,952                          | \$3,094        |
| Interest income or expense   | 973                              | 1,280          |
| Total                        | <u>\$6,925</u>                   | <u>\$4,374</u> |

Changes in the defined benefit obligation and fair value of plan assets are as follows:

|   | As of December 31, |                  |
|---|--------------------|------------------|
|   | 2020               | 2019             |
| Defined benefit obligation at January 1   | \$322,383          | \$269,486        |
| Plan assets at fair value   | (168,796)          | (133,183)        |
| Other non-current liabilities - Accrued pension liabilities recognized on the consolidated balance sheets | <u>\$153,587</u>   | <u>\$136,303</u> |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

|  | Defined benefit obligation | Fair value of plan assets | Benefit liability (asset) |
|--|----------------------------|---------------------------|---------------------------|
| As of January 1, 2019  | \$254,400                  | \$(134,039)               | \$120,361                 |
| Current period service costs   | 3,094                      | -                         | 3,094                     |
| Net interest expense (income)  | 2,862                      | (1,582)                   | 1,280                     |
| Subtotal   | <u>260,356</u>             | <u>(135,621)</u>          | <u>124,735</u>            |
| Remeasurements of the net defined benefit liability (asset):               |                            |                           |                           |
| Actuarial gains and losses arising from changes in demographic assumptions | 794                        | -                         | 794                       |
| Actuarial gains and losses arising from changes in financial assumptions   | 10,356                     | -                         | 10,356                    |
| Experience adjustments   | 18,095                     | -                         | 18,095                    |
| Return on plan assets  | -                          | (4,471)                   | (4,471)                   |
| Subtotal   | <u>29,245</u>              | <u>(4,471)</u>            | <u>24,774</u>             |
| Payments from the plan   | (20,115)                   | 20,115                    | -                         |
| Contributions by employer  | -                          | (13,206)                  | (13,206)                  |
| As of December 31, 2019  | 269,486                    | (133,183)                 | 136,303                   |
| Current period service costs   | 5,952                      | -                         | 5,952                     |
| Net interest expense (income)  | 2,010                      | (1,037)                   | 973                       |
| Subtotal   | <u>277,448</u>             | <u>(134,220)</u>          | <u>143,228</u>            |

|  | Defined<br>benefit<br>obligation | Fair value of<br>plan assets | Benefit<br>liability<br>(asset) |
|--|----------------------------------|------------------------------|---------------------------------|
| Remeasurements of the net defined benefit liability (asset):               |                                  |                              |                                 |
| Actuarial gains and losses arising from changes in demographic assumptions | 679                              | -                            | 679                             |
| Actuarial gains and losses arising from changes in financial assumptions   | 13,913                           | -                            | 13,913                          |
| Experience adjustments   | 13,551                           | -                            | 13,551                          |
| Return on plan assets  | -                                | (4,329)                      | (4,329)                         |
| Subtotal   | 28,143                           | (4,329)                      | 23,814                          |
| Liabilities assumed (acquired) in a business combination                   | 38,364                           | (38,364)                     | -                               |
| Payments from the plan   | (21,605)                         | 21,605                       | -                               |
| Contributions by employer  | 33                               | (13,488)                     | (13,455)                        |
| As of December 31, 2020  | <u>\$322,383</u>                 | <u>\$(168,796)</u>           | <u>\$153,587</u>                |

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

|                                   | As of December 31, |       |
|-----------------------------------|--------------------|-------|
|                                   | 2020               | 2019  |
| Discount rate                     | 0.50%              | 0.75% |
| Expected rate of salary increases | 2.00~2.50%         | 2.25% |

A sensitivity analysis for significant assumption as of December 31, 2020 and 2019 is as shown below:

|                                 | Effect on the defined benefit obligation        |   |   |   |
|---------------------------------|---|---|---|---|
|                                 | 2020  |   | 2019  |   |
|                                 | Increase in<br>defined<br>benefit<br>obligation | Decrease<br>in defined<br>benefit<br>obligation | Increase<br>in defined<br>benefit<br>obligation | Decrease in<br>defined<br>benefit<br>obligation |
| Discount rate increase by 0.25% | \$-   | \$8,085   | \$-   | \$6,970   |
| Discount rate decrease by 0.25% | 8,381   | -   | 7,232   | -   |
| Future salary increase by 0.25% | 8,079   | -   | 7,001   | -   |
| Future salary decrease by 0.25% | -   | 7,838   | -   | 6,784   |

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

## (15) Provisions

|  | Decommissioning,<br>restoration and<br>rehabilitation | Other long-term<br>provision | Total            |
|--|---|------------------------------|------------------|
| As of January 1, 2020  | \$8,804   | \$143,090                    | \$151,894        |
| Utilized   | -   | (55,852)                     | (55,852)         |
| Discount rate adjustment and unwinding of discount from<br>the passage of time | 311   | -                            | 311              |
| Exchange differences   | -   | (580)                        | (580)            |
| As of December 31, 2020  | <u>\$9,115</u>  | <u>\$86,658</u>              | <u>\$95,773</u>  |
| As of January 1, 2019  | \$8,488   | \$252,412                    | \$260,900        |
| Utilized   | -   | (104,650)                    | (104,650)        |
| Discount rate adjustment and unwinding of discount from<br>the passage of time | 316   | -                            | 316              |
| Exchange differences   | -   | (4,672)                      | (4,672)          |
| As of December 31, 2019  | <u>\$8,804</u>  | <u>\$143,090</u>             | <u>\$151,894</u> |
| Current—December 31, 2020  | \$-   | \$39,452                     | \$39,452         |
| Non-current—December 31, 2020  | 9,115   | 47,206                       | 56,321           |
| As of December 31, 2020  | <u>\$9,115</u>  | <u>\$86,658</u>              | <u>\$95,773</u>  |
| Current—December 31, 2019  | \$-   | \$-                          | \$-              |
| Non-current—December 31, 2019  | 8,804   | 143,090                      | 151,894          |
| As of December 31, 2019  | <u>\$8,804</u>  | <u>\$143,090</u>             | <u>\$151,894</u> |

### Decommissioning, restoration and rehabilitation

A provision has been recognized for decommissioning costs associated with a factory owned by subsidiary. The Group is committed to restore the site as was when decommissioning the site.

### Other long-term provision

According to the management's judgement and other known reasons, the expected employee occupational injury expenses were recognized as miscellaneous expense and estimated related provisions.

## (16) Equities

### A. Common stock

The Company's authorized capital were both \$3,000,000 thousand as of December 31, 2020 and 2019. The Company's issued capital were both \$1,310,300 thousand as of December 31, 2020 and 2019, each at a par value of \$10. Each share has one voting right and a right to receive dividends.

## B. Capital surplus

|  | As of December 31, |                    |
|--|--------------------|--------------------|
|  | 2020               | 2019               |
| Additional paid-in capital   | \$1,515,684        | \$1,515,684        |
| Difference between consideration given/ received<br>and carrying amount of interests in subsidiaries<br>acquired/disposed of | 75,872             | 75,872             |
| Expired employee stock warrants  | 72,802             | 72,802             |
| Total  | <u>\$1,664,358</u> | <u>\$1,664,358</u> |

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, 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 policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the interest of the shareholders, share bonus equilibrium and long-term financial planning etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide at least 10% of the dividends must be paid in the form of cash.

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.

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, 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 an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, 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 in the preceding point, 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.

On first-time adoption of the TIFRS, the Company's special reserve amounted to \$112,383 thousand as of years ended December 31, 2020 and 2019. Following the Company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for \$135,084 thousand and \$83,957 thousand as of December 31, 2020 and 2019, respectively. The Company did not reverse special reserve to retained earnings for the years ended December 31, 2020 and 2019 as a result of the use, disposal of or reclassification of related assets.

Details of the 2020 and 2019 earnings distribution and dividends per share as approved by Board of Directors' meeting on March 24, 2021 and by the stockholders' meeting on June 23, 2020, respectively, are as follows:

|                             | Appropriation of earnings |           | Dividend per share (\$) |       |
|-----------------------------|---------------------------|-----------|-------------------------|-------|
|                             | 2020                      | 2019      | 2020                    | 2019  |
| Legal reserve               | \$111,063                 | \$217,630 |                         |       |
| Special reserve             | 35,065                    | 135,084   |                         |       |
| Common stock -cash dividend | 864,798                   | 1,048,240 | \$6.6                   | \$8.0 |

Please refer to Note 6(20) for details on employees' compensation and remuneration to directors and supervisors.

#### D. Non-controlling interests

|   | For the years ended December 31, |                  |
|---|----------------------------------|------------------|
|   | 2020                             | 2019             |
| Beginning balance   | \$328,246                        | \$247,693        |
| Net gains attributable to non-controlling interests   | 83,202                           | 89,387           |
| Other comprehensive income, attributable to non-controlling interests, net of tax:              |                                  |                  |
| Exchange differences resulting from translating the financial statements of a foreign operation | (2,722)                          | (8,834)          |
| Acquisition of additional interest in a subsidiary  | 240,000                          | -                |
| Ending balance  | <u>\$648,726</u>                 | <u>\$328,246</u> |

#### (17) Operating revenue

##### A. Disaggregation of revenue

|                                       | For the years ended December 31, |                     |
|---------------------------------------|----------------------------------|---------------------|
|                                       | 2020                             | 2019                |
| Revenue from contracts with customers |                                  |                     |
| Sale of goods                         | \$14,042,856                     | \$16,975,891        |
| Other revenue                         | 186,878                          | 224,962             |
| Total                                 | <u>\$14,229,734</u>              | <u>\$17,200,853</u> |

B. The Group recognizes contract revenue which is at a point in time.

#### (18) Expected credit losses/(gains)

|   | For the years ended December 31, |                |
|---|----------------------------------|----------------|
|   | 2020                             | 2019           |
| Operating expenses – Expected credit losses/(gains) |                                  |                |
| Accounts receivables                                | <u>\$(1,181)</u>                 | <u>\$3,068</u> |

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

The credit risk for the Group's financial assets measured at amortized cost are assessed as low (the same as the assessment result in the beginning of the period). Since the transaction objects of the company are all financial institutions such as banks with good credit, all of them are calculated based on the expected credit loss rate of 0% and the allowance loss amount is \$0.

The Group measures the loss allowance of its accounts receivable (including notes receivables and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of December 31, 2020 and 2019 are as follow:

Considering counterparties credit rating, industry characteristics and past experiences, the loss allowance of accounts receivable is measured as a single group by using a provision matrix. Details for provision matrix are as follow:

| As of December 31, 2020         |                    | Overdue          |                |               |                    |
|---------------------------------|--------------------|------------------|----------------|---------------|--------------------|
|                                 |                    | Under 60         |                |               |                    |
|                                 | Not yet due        | days             | 61~180 days    | Over 181 days | Total              |
| Gross carrying amount           | \$3,511,723        | \$264,474        | \$6,457        | \$4,322       | \$3,786,976        |
| Loss ratio                      |                    |                  |                |               | 0.1714%            |
| Lifetime expected credit losses | -                  | -                | (2,167)        | (4,322)       | (6,489)            |
| Net carrying amount             | <u>\$3,511,723</u> | <u>\$264,474</u> | <u>\$4,290</u> | <u>\$-</u>    | <u>\$3,780,487</u> |

  

| As of December 31, 2019         |                    | Overdue         |                 |               |                    |
|---------------------------------|--------------------|-----------------|-----------------|---------------|--------------------|
|                                 |                    | Under 60 days   |                 |               |                    |
|                                 | Not yet due        | Under 60 days   | 61~180 days     | Over 181 days | Total              |
| Gross carrying amount           | \$2,902,141        | \$91,917        | \$90,382        | \$454         | \$3,084,894        |
| Loss ratio                      |                    |                 |                 |               | 0.2028%            |
| Lifetime expected credit losses | -                  | (26)            | (6,215)         | (16)          | (6,257)            |
| Net carrying amount             | <u>\$2,902,141</u> | <u>\$91,891</u> | <u>\$84,167</u> | <u>\$438</u>  | <u>\$3,078,637</u> |

Note: The Group's note receivables are not overdue.

The movement in the provision for impairment of notes receivables and accounts receivable during the years ended December 31, 2020 and 2019 is as follows:

|                                 | Notes receivables | Accounts receivable |
|---------------------------------|-------------------|---------------------|
| As of January 1, 2020           | \$-               | \$6,257             |
| Addition for the current period | -                 | 1,181               |
| Write off                       | -                 | (656)               |
| Exchange differences            | -                 | (293)               |
| As of December 31, 2020         | <u>\$-</u>        | <u>\$6,489</u>      |
| As of January 1, 2019           | \$-               | \$9,425             |
| Reversal for the current period | -                 | (3,068)             |
| Exchange differences            | -                 | (100)               |
| As of December 31, 2019         | <u>\$-</u>        | <u>\$6,257</u>      |



## (19)Leases

### A. Group as a lessee

The Group leases various properties, including real estate such as land and buildings, machinery and equipment and other equipment. The lease terms range from 1 to 13 years. The Group is not subject to any special restrictions.

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

|           | As of December 31, |                  |
|-----------|--------------------|------------------|
|           | 2020               | 2019             |
| Land      | \$100,015          | \$97,304         |
| Buildings | 282,618            | 311,914          |
| Total     | <u>\$382,633</u>   | <u>\$409,218</u> |

During the years ended December 31, 2020 and 2019, the Group's additions to right-of-use assets amounting to \$70,946 thousand and \$157,258 thousand, respectively.

##### ii. Lease liabilities

|                   | As of December 31, |                  |
|-------------------|--------------------|------------------|
|                   | 2020               | 2019             |
| Lease liabilities | <u>\$287,042</u>   | <u>\$298,363</u> |
| Current           | \$68,767           | \$56,894         |
| Non-current       | 218,275            | 241,469          |
| Total             | <u>\$287,042</u>   | <u>\$298,363</u> |

Please refer to Note 6(21) for the interest on lease liabilities recognized during the years ended December 31, 2020 and 2019 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

|           | For the years ended December 31, |                 |
|-----------|----------------------------------|-----------------|
|           | 2020                             | 2019            |
| Land      | \$3,855                          | \$3,666         |
| Buildings | 72,436                           | 64,767          |
| Total     | <u>\$76,291</u>                  | <u>\$68,433</u> |

(c) Income and costs relating to leasing activities

|  | For the years ended December 31, |                 |
|--|----------------------------------|-----------------|
|  | 2020                             | 2019            |
| The expenses relating to leases of low-value assets (Including the expenses relating to short-term leases of low-value assets) | <u>\$10,017</u>                  | <u>\$13,194</u> |

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 Group have applied the practical expedient to the classification for the year ended December 31, 2020 of the subject of the lease related to \$730 thousand. Please refer to Note 6(21) for more details.

(d) Cash outflow relating to leasing activities

During the years ended December 31, 2020 and 2019, the Group's total cash outflows for leases amounting to \$83,718 thousand and \$74,478 thousand, respectively.

(e) Other information relating to leasing activities

Some of the Group's agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Group has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

## B. Group as a lessor

The Group's leases of self-own investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

|   | For the years ended December 31, |      |
|---|----------------------------------|------|
|   | 2020                             | 2019 |
| Lease income for operating leases       |                                  |      |
| Income relating to fixed lease payments | \$10,231                         | \$-  |

Please refer to Note 6(9) for relevant disclosure of property, plant and equipment for operating leases. 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, 2020 and 2019 are as follows:

|   | As of December 31, |      |
|---|--------------------|------|
|   | 2020               | 2019 |
| Not later than one year                           | \$12,450           | \$-  |
| Later than one year and not later than five years | 21,788             | -    |
| Later than five years                             | -                  | -    |
| Total   | \$34,238           | \$-  |

## (20) Summary statement of employee benefits, depreciation and amortization expenses by function:

|                                 | For the years ended December 31, |                    |             |                 |                    |             |
|---------------------------------|----------------------------------|--------------------|-------------|-----------------|--------------------|-------------|
|                                 | 2020                             |                    |             | 2019            |                    |             |
|                                 | Operating costs                  | Operating expenses | Total       | Operating costs | Operating expenses | Total       |
| Employee benefits expense       |                                  |                    |             |                 |                    |             |
| Salaries                        | \$2,485,822                      | \$709,999          | \$3,195,821 | \$2,685,421     | \$715,670          | \$3,401,091 |
| Labor and health insurance      | 33,239                           | 25,944             | 59,183      | 36,060          | 24,783             | 60,843      |
| Pension                         | 102,454                          | 68,341             | 170,795     | 159,791         | 29,246             | 189,037     |
| Remuneration to directors       | -                                | 5,100              | 5,100       | -               | 5,100              | 5,100       |
| Other employee benefits expense | 422,969                          | 61,240             | 484,209     | 464,816         | 68,346             | 533,162     |
| Depreciation                    | 365,863                          | 113,940            | 479,803     | 318,185         | 105,462            | 423,647     |
| Amortization                    | 2,164                            | 9,874              | 12,038      | 2,073           | 11,259             | 13,332      |

According to the Articles of Incorporation, 2% 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 a meeting of Board of Directors 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. 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. Information on the Board of Directors' 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.

Based on profit of the year ended December 31, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2020 to be 3.12% of profit of the current year and 0.11% of profit of the current year, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the year ended December 31, 2020 amounted to \$41,422 thousand and \$1,500 thousand, respectively and recognized as salaries expense. A resolution was passed at the Company's board meeting held on March 24, 2021 to distribute \$41,422 thousand and \$1,550 thousand in cash as employees' compensation and remuneration to directors of 2019, respectively.

A resolution was passed at a board meeting held on March 24, 2020 to distribute \$56,880 thousand and \$1,500 thousand in cash as employees' compensation and remuneration to directors of 2019, respectively. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2019.

## (21) Non-operating income and expenses

### A. Interest income

|   | For the years ended December 31, |                 |
|---|----------------------------------|-----------------|
|   | 2020                             | 2019            |
| Interest income                             |                                  |                 |
| Financial assets measured at amortized cost | \$23,897                         | \$35,205        |
| Lending to others (Note)                    | 1,302                            | 104             |
| Total                                       | <u>\$25,199</u>                  | <u>\$35,309</u> |

Note: Please refer to attachment 1 for financing provided to others.

### B. Other income

|  | For the years ended December 31, |                 |
|--|----------------------------------|-----------------|
|  | 2020                             | 2019            |
| Dividend income                          | \$6,135                          | \$4,198         |
| Rent income                              | 10,231                           | 11,929          |
| Other income - government subsidy income | 81,135                           | -               |
| Other income - other                     | 53,426                           | 59,312          |
| Other gains - rent concessions           | 730                              | -               |
| Total                                    | <u>\$151,657</u>                 | <u>\$75,439</u> |

### C. Other gains and losses

|   | For the years ended December 31, |                  |
|---|----------------------------------|------------------|
|   | 2020                             | 2019             |
| Gains/(losses) on disposal of property, plant and equipment             | \$96                             | \$(7,097)        |
| (Losses)/gains on financial assets at fair value through profit or loss | (4,269)                          | 6,842            |
| Foreign exchange (losses)/gains, net                                    | (306,173)                        | 17,370           |
| Others  | (7,940)                          | (22,430)         |
| Total   | <u>\$(318,286)</u>               | <u>\$(5,315)</u> |

## D. Finance costs

|                                  | For the years ended December 31, |                 |
|----------------------------------|----------------------------------|-----------------|
|                                  | 2020                             | 2019            |
| Interest on borrowings from bank | \$11,429                         | \$23,371        |
| Interest on lease liabilities    | 11,550                           | 5,639           |
| Total                            | <u>\$22,979</u>                  | <u>\$29,010</u> |

## (22) Components of other comprehensive income

### For the year ended December 31, 2020

|  | Arising<br>during the<br>period | Reclassification<br>adjustments<br>during the<br>period | Other<br>comprehensive<br>income, before<br>tax | Income tax<br>relating to<br>components of<br>comprehensive | Other<br>comprehensive<br>income, net of<br>tax |
|--|---------------------------------|---|---|---|---|
| Not to be reclassified to profit or loss in<br>subsequent periods:                                   |                                 |   |   |   |   |
| Remeasurements of defined benefit<br>plans   | \$(23,814)                      | \$-   | \$(23,814)                                      | \$4,763   | \$(19,051)                                      |
| To be reclassified to profit or loss in<br>subsequent periods:                                       |                                 |   |   |   |   |
| Exchange differences resulting from<br>translating the financial statements<br>of foreign operations | (37,787)                        | -   | (37,787)  | -   | (37,787)  |
| Total  | <u>\$(61,601)</u>               | <u>\$-</u>  | <u>\$(61,601)</u>                               | <u>\$4,763</u>  | <u>\$(56,838)</u>                               |

### For the year ended December 31, 2019

|  | Arising<br>during the<br>period | Reclassification<br>adjustments<br>during the<br>period | Other<br>comprehensive<br>income, before<br>tax | Income tax<br>relating to<br>components of<br>comprehensive | Other<br>comprehensive<br>income, net of<br>tax |
|--|---------------------------------|---|---|---|---|
| Not to be reclassified to profit or loss in<br>subsequent periods:                                   |                                 |   |   |   |   |
| Remeasurements of defined benefit<br>plans   | \$(24,774)                      | \$-   | \$(24,774)                                      | \$4,955   | \$(19,819)                                      |
| To be reclassified to profit or loss in<br>subsequent periods:                                       |                                 |   |   |   |   |
| Exchange differences resulting from<br>translating the financial statements<br>of foreign operations | (143,918)                       | -   | (143,918)                                       | -   | (143,918)                                       |
| Total  | <u>\$(168,692)</u>              | <u>\$-</u>  | <u>\$(168,692)</u>                              | <u>\$4,955</u>  | <u>\$(163,737)</u>                              |

(23) Income tax

The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

|   | For the years ended December 31, |                  |
|---|----------------------------------|------------------|
|   | 2020                             | 2019             |
| Current income tax expense:   |                                  |                  |
| Current income tax charge   | \$262,789                        | \$578,920        |
| Adjustments in respect of current income tax of prior periods                     | (60,265)                         | 5,148            |
| Repatriated offshore funds tax amount withheld (Note)                             | 23,500                           | -                |
| Deferred tax expense:   |                                  |                  |
| Deferred tax income relating to origination and reversal of temporary differences | 35,933                           | 9,566            |
| Others  | (182)                            | -                |
| Total income tax expense  | <u>\$261,775</u>                 | <u>\$593,634</u> |

Note: The Group applied "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" to pay income tax of US\$800 thousand (equivalent to \$23,500 thousand).

Income tax relating to components of other comprehensive income

|   | For the years ended December 31, |                |
|---|----------------------------------|----------------|
|   | 2020                             | 2019           |
| Deferred tax income:                    |                                  |                |
| Remeasurements of defined benefit plans | <u>\$4,763</u>                   | <u>\$4,955</u> |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

|  | For the years ended December 31, |                    |
|--|----------------------------------|--------------------|
|  | 2020                             | 2019               |
| Accounting profit before tax from continuing operations                  | <u>\$1,474,656</u>               | <u>\$2,859,323</u> |
| Tax at the domestic rates applicable to profits in the country concerned | \$398,940                        | \$737,932          |
| Tax effect of revenues exempt from taxation                              | (116,588)                        | (110,566)          |
| Tax effect of expenses not deductible for tax purposes                   | (40,824)                         | (43,921)           |
| Tax effect of deferred tax assets/liabilities                            | 43,187                           | 8,780              |
| Corporate income surtax on undistributed retained earnings               | 34,220                           | 8,264              |
| Adjustments in respect of current income tax of prior periods            | (60,265)                         | 5,148              |
| Impact of other income tax adjustments under tax law                     | 3,105                            | (12,185)           |
| Others   | -                                | 182                |
| Total income tax expense recognized in profit or loss                    | <u>\$261,775</u>                 | <u>\$593,634</u>   |

Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2020

|  | Beginning<br>balance as of<br>January 1,<br>2020 | Deferred tax<br>assets<br>(liabilities)<br>acquired in<br>business<br>combinations | Deferred tax<br>income<br>(expense)<br>recognized<br>in profit or<br>loss | Deferred tax<br>income<br>(expense)<br>recognized in<br>other<br>comprehensive<br>income | Exchange<br>differences | Ending<br>balance as of<br>December<br>31, 2020 |
|--|--|--|---|--|-------------------------|---|
| Temporary differences                  |  |  |   |  |                         |   |
| Inventory valuation and                |  |  |   |  |                         |   |
| obsolescence loss                      | \$2,988  | \$-  | \$620   | \$-  | \$(63)                  | \$3,545   |
| Attendance bonus                       | 1,669  | -  | (185)   | -  | (8)                     | 1,476   |
| Unrealized gain on foreign             |  |  |   |  |                         |   |
| exchange                               | -  | -  | (1,285)   | -  | -                       | (1,285)   |
| Unrealized loss on foreign             |  |  |   |  |                         |   |
| exchange                               | 1,130  | -  | (967)   | -  | (8)                     | 155   |
| Unrealized intragroup profits          |  |  |   |  |                         |   |
| and losses                             | 52,376   | -  | (40,243)  | -  | -                       | 12,133  |
| Prepaid pension cost difference        | 19,369   | -  | -   | 4,763  | -                       | 24,132  |
| Gain on valuation of financial         |  |  |   |  |                         |   |
| asset at fair value through            |  |  |   |  |                         |   |
| profit or loss                         | (2,366)  | -  | 857   | -  | -                       | (1,509)   |
| Loss of valuation of financial         |  |  |   |  |                         |   |
| asset at fair value through            |  |  |   |  |                         |   |
| profit or loss                         | 42   | -  | (2)   | -  | -                       | 40  |
| Other deductible temporary             |  |  |   |  |                         |   |
| differences                            | 252  | -  | 7,217   | -  | (15)                    | 7,454   |
| Bargain purchase                       | -  | -  | (6,017)   | -  | -                       | (6,017)   |
| Investment loss                        | -  | -  | 4,072   | -  | -                       | 4,072   |
| Adjustment of Fair Values for          |  |  |   |  |                         |   |
| business combinations                  | -  | (79,867)   | -   | -  | -                       | (79,867)  |
| Deferred tax (expense)/ income         |  | <u>(79,867)</u>  | <u>\$(35,933)</u>   | <u>\$4,763</u>   | <u>\$(94)</u>           |   |
| Net deferred tax assets/(liabilities)  | <u>\$75,460</u>                                  |  |   |  |                         | <u>\$(35,671)</u>                               |
| Reflected in balance sheet as follows: |  |  |   |  |                         |   |
| Deferred tax assets                    | <u>\$77,826</u>                                  |  |   |  |                         | <u>\$53,007</u>                                 |
| Deferred tax liabilities               | <u>\$(2,366)</u>                                 |  |   |  |                         | <u>\$(88,678)</u>                               |

For the year ended December 31, 2019

|                                       |                  | Deferred tax  | Deferred tax | Deferred tax  |             |                  |
|---------------------------------------|------------------|---------------|--------------|---------------|-------------|------------------|
|                                       |                  | assets        | income       | income        |             |                  |
|                                       |                  | (liabilities) | (expense)    | (expense)     |             |                  |
|                                       | Beginning        | acquired in   | recognized   | recognized in | Exchange    | Ending           |
|                                       | balance as of    | business      | in profit or | other         | differences | balance as of    |
|                                       | January 1,       | combinations  | loss         | comprehensive |             | December         |
|                                       | 2019             |               |              | income        |             | 31, 2019         |
| Temporary differences                 |                  |               |              |               |             |                  |
| Inventory valuation and               |                  |               |              |               |             |                  |
| obsolescence loss                     | \$4,171          | \$-           | \$(1,134)    | \$-           | \$(49)      | \$2,988          |
| Attendance bonus                      | 965              | -             | 710          | -             | (6)         | 1,669            |
| Unrealized gain on foreign            |                  |               |              |               |             |                  |
| exchange                              | (410)            | -             | 410          | -             | -           | -                |
| Unrealized loss on foreign            |                  |               |              |               |             |                  |
| exchange                              | 148              | -             | 987          | -             | (5)         | 1,130            |
| Unrealized intragroup profits         |                  |               |              |               |             |                  |
| and losses                            | 61,847           | -             | (9,471)      | -             | -           | 52,376           |
| Prepaid pension cost difference       | 14,414           | -             | -            | 4,955         | -           | 19,369           |
| Gain on valuation of financial        |                  |               |              |               |             |                  |
| asset at fair value through           |                  |               |              |               |             |                  |
| profit or loss                        | (1,110)          | -             | (1,256)      | -             | -           | (2,366)          |
| Loss of valuation of financial        |                  |               |              |               |             |                  |
| asset at fair value through           |                  |               |              |               |             |                  |
| profit or loss                        | 52               | -             | (10)         | -             | -           | 42               |
| Other deductible temporary            |                  |               |              |               |             |                  |
| differences                           | 61               | -             | 198          | -             | (7)         | 252              |
| Deferred tax (expense)/ income        |                  | \$-           | \$(9,566)    | \$4,955       | \$(67)      |                  |
| Net deferred tax assets/(liabilities) | <u>\$80,138</u>  |               |              |               |             | <u>\$75,460</u>  |
| Reflected in balance sheet as         |                  |               |              |               |             |                  |
| follows:                              |                  |               |              |               |             |                  |
| Deferred tax assets                   | <u>\$81,658</u>  |               |              |               |             | <u>\$77,826</u>  |
| Deferred tax liabilities              | <u>\$(1,520)</u> |               |              |               |             | <u>\$(2,366)</u> |

Unrecognized deferred tax liabilities relating to the investment in subsidiaries

The Group did not recognize any deferred tax liability for taxes that would be payable on the unremitted earnings of the Group's overseas subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2020 and 2019, the taxable temporary differences associated with investment in subsidiaries, for which deferred tax liabilities have not been recognized, aggregate to \$4,685,877 thousand and \$4,471,105 thousand, respectively.



### The assessment of income tax returns

As of December 31, 2020, the assessment of the income tax returns of the Company and its subsidiaries is as follows:

|             | <u>The assessment of income tax returns</u> |
|-------------|---|
| The Company | Assessed and approved up to 2018            |

The Company and the tax authority could not agree on the goodwill amortization in the Company's income tax returns from 2010 to 2015. The Company filed for administrative relief and has paid half of the taxable amount pursuant to relevant regulations. The unpaid amounts have been recognized as liabilities. The tax authority requested relevant competent authorities to prohibit land transfer registration or creation of other rights concerning certain pieces of land. The carrying amounts of restricted land amounted to both \$18,724 thousand as of December 31, 2020 and 2019. The Company retained attorneys to work on the case and the Company's operations, finances and business remained normal and were not affected by the case.

### (24) 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 for interest on the convertible preference shares) 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>For the years ended December 31,</u> |                    |
|--|---|--------------------|
|  | <u>2020</u>                             | <u>2019</u>        |
| A. Basic earnings per share  |   |                    |
| Profit attributable to ordinary equity holders of the Company (in thousand)                        | <u>\$1,129,679</u>                      | <u>\$2,176,302</u> |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | <u>131,030</u>                          | <u>131,030</u>     |
| Basic earnings per share (NT\$)  | <u>\$8.62</u>                           | <u>\$16.61</u>     |

|  | For the years ended December 31, |             |
|--|----------------------------------|-------------|
|  | 2020                             | 2019        |
| B. Diluted earnings per share  |                                  |             |
| Profit attributable to ordinary equity holders of the Company (in thousand)                        | \$1,129,679                      | \$2,176,302 |
| Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands) | 131,030                          | 131,030     |
| Effect of dilution:  |                                  |             |
| Employee compensation — stock (in thousands)   | 239                              | 317         |
| Weighted average number of ordinary shares outstanding after dilution (in thousands)               | 131,269                          | 131,347     |
| Diluted earnings per share (NT\$)  | \$8.61                           | \$16.57     |

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.

#### (25) Business combinations

##### Acquisition of Minson Integration, Inc. and its subsidiaries

In order to expand the sporting goods business layout, diversify operations, and improve operating performance, the Company intended to acquire four companies located in Thailand engaged in the production of sports equipment for ice hockey, motorcycle boots, baseball and skiing. The four companies own six factories in total. The counterparty of the merger and acquisition discussed with the Company and agreed to set up Minsheng Integration, Inc. (hereinafter referred to as "Minsheng Company"). In addition to the operation in Taiwan, Minsheng Company also acquired the aforementioned four subsidiaries in Thailand. After the merger, Minsheng Company holds 100% of ownership in each of these subsidiaries.

The aforesaid acquisition was approved by the Company's interim board meeting on October 15, 2020. It acquire 85% of Minsheng Company for \$833,000 thousand and participated in the new shares subscription issued by Minsheng Company in the amount of \$527,000 thousand, and the Company will then hold 85% of the total number of issued shares of Minsheng Company for a total of \$1,360,000 thousand. November 30, 2020 was set as the acquisition base date.

The Group elected to measure the non-controlling interest in Minson Integration, Inc. and its subsidiaries at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of Minson Integration, Inc. and its subsidiaries as at the date of acquisition were:

|   | Fair value<br>recognized on<br>acquisition |
|---|--|
| Cash and cash equivalents                   | \$777,371                                  |
| Accounts receivable, net                    | 310,874                                    |
| Other receivable                            | 10,772                                     |
| Inventories                                 | 371,688                                    |
| Prepayments                                 | 25,607                                     |
| Other current assets                        | 2,847                                      |
| Refundable deposits                         | 1,551                                      |
| Other assets — others                       | 4,479                                      |
| Property, plant and equipment               | 1,096,622                                  |
| Intangible assets                           | 219,050                                    |
| Identifiable net assets                     | <u>2,820,861</u>                           |
| Short-term loans                            | (213,981)                                  |
| Notes payable                               | (133)                                      |
| Accounts payable                            | (242,834)                                  |
| Other payables                              | (1,001,623)                                |
| Accrued expenses                            | (81,236)                                   |
| Advance payment                             | (10,208)                                   |
| Other current liabilities                   | (721)                                      |
| Other liabilities                           | (112,877)                                  |
| Total assumed liabilities                   | <u>(1,663,613)</u>                         |
| Total identifiable net assets at fair value | <u><u>\$1,157,248</u></u>                  |

Goodwill of Minson Integration, Inc. and its subsidiaries is as follows:

|   | Amount                  |
|---|-------------------------|
| Cash consideration                          | \$1,360,000             |
| Add: non-controlling interests              | 240,000                 |
| Less: identifiable net assets at fair value | <u>(1,157,248)</u>      |
| Goodwill                                    | <u><u>\$442,752</u></u> |

Cash flows on acquisition:

|                                       | Amount                    |
|---------------------------------------|---------------------------|
| Net cash acquired with the subsidiary | \$777,371                 |
| Cash paid                             | <u>(1,360,000)</u>        |
| Net cash outflow                      | <u><u>\$(582,629)</u></u> |

As of December 31, 2020, the cash consideration paid by the Group was made according to what was stated in the equity purchase and sale agreement. The amount of actual working capital in the balance sheet on the delivery date (November 30, 2020) after deducting the normal working capital level agreed by both parties (which is NTD\$350,000 thousand) (Hereinafter referred to as "working capital adjustment") was the basis for determining the initial price. After the working capital adjustment on the delivery date is determined, if it is within plus or minus 3% (inclusive) of the above normal working capital level, the initial price is not needed to be adjusted. However, when it exceeds plus or minus 3%, the initial price will fully reflect the increase/decrease of the working capital adjustment. The "working capital" mentioned previously is calculated based on all assets (excluding fixed assets and intangible assets) on the balance sheet on the delivery date after deducting all liabilities (excluding debts due to shares).

The amount of net assets listed in the consolidated financial statements on December 31, 2020 was based on a tentative assessment. The company is conducting an independent evaluation of the above net assets. As of the date of approval of the release of this consolidated financial statement, the evaluation results have not yet been obtained, and there may be adjustments when the evaluation report is officially issued in the future.

From the acquisition date (November 30, 2020) to December 31, 2020, Minson Integration, Inc. generated a net profit of \$11,872 thousand for the continuing operations to the Group. If the combination had taken place at the beginning of 2020, revenue from continuing operations would have been \$498,890 thousand, and the net profit from continuing operations would have been \$26,798 thousand.

Goodwill is expected to result from the synergy of the acquisition.

## 7. Related party transactions

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

| Name of the related parties                          | Nature of relationship of the related parties |
|--|---|
| Fu Sheng Elliott Co. LLC.                            | Substantive related party                     |
| Fusheng Curtis Direct                                | Substantive related party                     |
| Fu Sheng Industrial CO., Ltd.                        | Substantive related party                     |
| Fusheng Electronics Corporation                      | Substantive related party                     |
| Fu Sheng Industrial (Shanghai) Co., Ltd.             | Substantive related party                     |
| Zhong Shan Fu Sheng Electromechanical Co., Ltd.      | Substantive related party                     |
| Zhong Shan Fu Sheng Machinery Co., Ltd.              | Substantive related party                     |
| Airman Fu Sheng(Shanghai) Electromechanical CO.,Ltd. | Substantive related party                     |
| Fu Sheng USA   | Substantive related party                     |
| Max Source Holdings Ltd.                             | Substantive related party                     |
| Worldmark Service Ltd.                               | Substantive related party                     |
| Well Base International Limited                      | Substantive related party                     |
| Digital-Can Tech. Co., Ltd.                          | Substantive related party                     |

(1) Sales

|                               | For the years ended December 31, |                |
|-------------------------------|----------------------------------|----------------|
|                               | 2020                             | 2019           |
| Fu Sheng Industrial CO., Ltd. | \$3,325                          | \$1,568        |
| Other                         | 109                              | 402            |
| Total                         | <u>\$3,434</u>                   | <u>\$1,970</u> |

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection period for domestic sales to related parties was month-end 90 days, while the terms for overseas sales were 30~120 days from FOB shipping point. The collection period for third party domestic sales was month-end 30~60 days, while the terms for overseas sales were 30~90 days from FOB shipping point. The outstanding balance at December 31, 2020 and 2019 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(2) Purchases

|                               | For the years ended December 31, |                |
|-------------------------------|----------------------------------|----------------|
|                               | 2020                             | 2019           |
| Fu Sheng Industrial CO., Ltd. | \$7,018                          | \$-            |
| Fu Sheng USA                  | -                                | 2,866          |
| Other                         | 4,754                            | 3,283          |
| Total                         | <u>\$11,772</u>                  | <u>\$6,149</u> |

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment terms from the related party suppliers are comparable with third party suppliers and are between 30~90 days.

(3) Accounts receivable

|                              | As of December 31, |                |
|------------------------------|--------------------|----------------|
|                              | 2020               | 2019           |
| FuSheng Industrial CO., Ltd. | \$1,205            | \$952          |
| Other                        | -                  | 1,396          |
| Total                        | <u>\$1,205</u>     | <u>\$2,348</u> |

(4) Other receivable

|                          | As of December 31, |                |
|--------------------------|--------------------|----------------|
|                          | 2020               | 2019           |
| Max Source Holdings Ltd. | <u>\$-</u>         | <u>\$1,233</u> |

(5) Prepayments

|                              | As of December 31, |                |
|------------------------------|--------------------|----------------|
|                              | 2020               | 2019           |
| FuSheng Industrial CO., Ltd. | \$-                | \$1,400        |
| Other                        | 14                 | 25             |
| Total                        | <u>\$14</u>        | <u>\$1,425</u> |

(6) Other payables

|                          | As of December 31, |                 |
|--------------------------|--------------------|-----------------|
|                          | 2020               | 2019            |
| Max Source Holdings Ltd. | \$-                | \$12,713        |
| Other                    | -                  | 2,510           |
| Total                    | <u>\$-</u>         | <u>\$15,223</u> |

(7) Lease-related parties

A. Rent Income

|                          | For the years ended December 31, |                |
|--------------------------|----------------------------------|----------------|
|                          | 2020                             | 2019           |
| Max Source Holdings Ltd. | \$-                              | \$4,728        |
| Worldmark Service Ltd.   | 2,280                            | 2,364          |
| Other                    | 2,189                            | 2,322          |
| Total                    | <u>\$4,469</u>                   | <u>\$9,414</u> |

The rental income is generated from leasing the plant to related parties. The transaction conditions are agreed upon by both parties, and the rent is paid monthly.

B. Lease Payments

|                              | For the years ended December 31, |                |
|------------------------------|----------------------------------|----------------|
|                              | 2020                             | 2019           |
| FuSheng Industrial CO., Ltd. | <u>\$1,260</u>                   | <u>\$1,255</u> |

Rental expenses incurred as a result of leasing from related parties. The transaction conditions are agreed upon by both parties, and the rent is paid monthly.

C. Right-of-use assets

|   | As of December 31, |                 |
|---|--------------------|-----------------|
|   | 2020               | 2019            |
| Zhong Shan Fu Sheng Electromechanical Co., Ltd. | <u>\$25,369</u>    | <u>\$34,660</u> |

D. Lease liabilities

|   | As of December 31, |          |
|---|--------------------|----------|
|   | 2020               | 2019     |
| Zhong Shan Fu Sheng Electromechanical Co., Ltd. | \$14,522           | \$17,626 |

E. Interest Expense

|   | For the years ended December 31, |       |
|---|----------------------------------|-------|
|   | 2020                             | 2019  |
| Zhong Shan Fu Sheng Electromechanical Co., Ltd. | \$768                            | \$951 |

F. Depreciation

|   | For the years ended December 31, |         |
|---|----------------------------------|---------|
|   | 2020                             | 2019    |
| Zhong Shan Fu Sheng Electromechanical Co., Ltd. | \$8,165                          | \$8,565 |

(8) Operating expenses

|  | For the years ended December 31, |           |
|--|----------------------------------|-----------|
|  | 2020                             | 2019      |
| Sales and marketing expenses-freight, miscellaneous, etc. (Note) |                                  |           |
| Max Source Holdings Ltd.   | \$-                              | \$104,274 |

Note: The company handles import and export of goods on behalf of the Company and subsidiaries and collects shipping and miscellaneous fees from the Company and subsidiaries.

(9) Property transaction

A. Purchase of Property, plant and equipment

For the year ended December 31, 2020

| Related party                       | Item of asset           | Purchasing price |
|-------------------------------------|-------------------------|------------------|
| Fu Sheng Industrial CO., Ltd., etc. | Machinery and equipment | \$3,153          |
| Fu Sheng Industrial CO., Ltd.       | Other equipment         | 59,791           |
| Total                               |                         | \$62,944         |

For the year ended December 31, 2019

| Related party                                  | Item of asset           | Purchasing price |
|--|-------------------------|------------------|
| Fu Sheng Industrial (Shanghai) Co., Ltd., etc. | Machinery and equipment | \$14,752         |
| Fu Sheng Industrial CO., Ltd.                  | Other equipment         | 2,956            |
| Total  |                         | \$17,708         |

The above purchase price is negotiated by the buyer and the seller.

B. Zhong Shan Aubo Precision Technology Co., Ltd. entered into an assignment contract with the related party, Zhong Shan Fu Sheng Electromechanical Co., Ltd., on August 21, 2019, to transfer land tenure right and the buildings located on Huo-ju Road, Zhongshan Torch High-tech Industrial Development Zone, Zhongshan, Guangdong Province, China. Please refer to Note 9.

(10) Key management personnel compensation

|                              | For the years ended December 31, |          |
|------------------------------|----------------------------------|----------|
|                              | 2020                             | 2019     |
| Short-term employee benefits | \$71,196                         | \$68,769 |

8. Assets pledged as security

Except as mentioned in Note 6(23), the following table lists assets of the Group pledged as security:

| Items                                       | Carrying amount   |                   | Secured liabilities |
|---|-------------------|-------------------|---------------------|
|   | December 31, 2020 | December 31, 2019 |                     |
| Financial assets measured at amortized cost | \$15,000          | \$15,000          | Gas guarantee       |
| Financial assets measured at amortized cost | 14,700            | -                 | Performance bond    |
| Financial assets measured at amortized cost | -                 | 2,158             | Short-term loans    |
| Property, plant and equipment—Land          | 64,984            | -                 | Short-term loans    |
| Property, plant and equipment—Buildings     | 114,116           | -                 | Short-term loans    |
| Total                                       | \$208,800         | \$17,158          |                     |

9. Commitments and contingencies

(1) As of December 31, 2020, the Group has the following unused letters of credit:

| Currency | Amount (in dollar) |
|----------|--------------------|
| JPY      | \$98,252,352       |
| USD      | \$2,450,000        |

(2) Please refer to Attachment 2 for information of guarantees for related parties.

(3) Financial institution commitments:

| Financial institution               | Purpose of guarantee        | Amount  |
|-------------------------------------|-----------------------------|---------|
| Mega International Commercial Bank  | Customs Duty Guarantee      | \$3,000 |
| Bangkok Bank Public Company Limited | Electricity Usage Guarantee | 5,108   |
|                                     |                             | \$8,108 |



(4) Significant unpaid commitments:

| Contract                      | Contract amount | Payment amount | Unpaid amount |
|-------------------------------|-----------------|----------------|---------------|
| Machinery and equipment, etc. | \$58,007        | \$35,817       | \$22,190      |

- (5) Zhong shan Aobo Precision Technology Co., Ltd., a subsidiary of the Company, passed the resolution in its board meeting on August 21, 2019 in response to the demand for additional factory to acquire from a substantial related party, Zhong Shan Fu Sheng Electromechanical Co., Ltd., the land tenure right and its buildings located on Huo-ju Road, Zhongshan Torch High-tech Industrial Development Zone, Zhongshan, Guangdong Province, China at RMB48,629 thousand, equivalent to approximately \$219,000 thousand. Both parties completed the execution of the assignment contract on the same day. According to the contract between the two parties, the aforementioned transaction amount will be paid in installments in accordance with the schedule of the transfer registration of the land tenure right and the buildings. As of December 31, 2020, the aforementioned transaction has not yet been transferred.

10. Losses due to major disasters: None.

11. Significant subsequent events: None.

12. Others

(1) Categories of financial instruments

Financial assets

|  | As of December 31, |             |
|--|--------------------|-------------|
|  | 2020               | 2019        |
| Financial assets at fair value through profit or loss:         |                    |             |
| Designated at fair value through profit or loss                | \$235,424          | \$183,537   |
| Subtotal   | 235,424            | 183,537     |
| Financial assets measured at amortized cost:                   |                    |             |
| Cash and cash equivalents (excluding cash on hand)             | 1,571,060          | 2,664,394   |
| Financial assets measured at amortized cost                    | 289,457            | 17,158      |
| Notes and accounts receivable, net (including related parties) | 3,780,487          | 3,078,637   |
| Other receivables (including related parties)                  | 210,328            | 196,561     |
| Refundable deposits  | 18,438             | 15,557      |
| Subtotal   | 5,869,770          | 5,972,307   |
| Total  | \$6,105,194        | \$6,155,844 |

### Financial liabilities

|   | As of December 31, |                    |
|---|--------------------|--------------------|
|   | 2020               | 2019               |
| Financial liabilities at amortized cost:                              |                    |                    |
| Short-term loans  | \$2,227,367        | \$894,177          |
| Accounts payables (including related parties)                         | 3,017,858          | 2,271,270          |
| Lease liabilities   | 287,042            | 298,363            |
| Other payables (including related parties)                            | 1,110,312          | 1,053,879          |
| Guarantee deposits  | 5,862              | 4,412              |
| Long-term loans (including current portion with maturity less 1 year) | 30,238             | -                  |
| Other non-current liability   | 1,073              | 147                |
| Total   | <u>\$6,679,752</u> | <u>\$4,522,248</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 and Audit Committee 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 into account the interdependencies between risk variables.

### 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. 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 foreign currency USD. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against foreign currency USD by 1%, the profit for the years ended December 31, 2020 and 2019 is decrease/increase by \$2,876 thousand and \$24,131 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 variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2020 and 2019 to decrease/increase by \$1,321 thousand and \$864 thousand, respectively.

#### Equity price risk

The fair value of the Group's listed equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities is classified under financial assets measured at fair value through profit or loss. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

At the reporting date, a change of 1% in the price of the listed equity securities measured at fair value through profit or loss could increase/decrease the Group's profit for the years ended December 31, 2020 and 2019 by \$1,775 thousand and \$1,817 thousand, respectively.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

#### (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 counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2020 and 2019, amounts receivables from top ten customers represent 81% and 91% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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 rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for accounts and notes receivables, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery.

When the credit risk on debt instrument investment has increased, the Group will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

#### (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, bank borrowings and finance leases. 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 of the end of the reporting period.

## Non-derivative financial liabilities

|  | Less than 1<br>year | 2 to 3 years     | 4 to 5 years     | > 5 years       | Total              |
|--|---------------------|------------------|------------------|-----------------|--------------------|
| As of December 31, 2020                          |                     |                  |                  |                 |                    |
| Short-term loans (including<br>interest payable) | \$2,242,954         | \$-              | \$-              | \$-             | \$2,242,954        |
| Accounts payables (including<br>related parties) | 3,017,858           | -                | -                | -               | 3,017,858          |
| Lease liabilities                                | 76,226              | 136,630          | 76,591           | 16,307          | 305,754            |
| Other payables (including<br>related parties)    | 1,110,312           | -                | -                | -               | 1,110,312          |
| Guarantee deposits                               | 5,862               | -                | -                | -               | 5,862              |
| Long-term loans (including<br>interest payable)  | 5,695               | 26,915           | -                | -               | 32,610             |
| Other non-current liability                      | 1,073               | -                | -                | -               | 1,073              |
| Total  | <u>\$6,459,980</u>  | <u>\$163,545</u> | <u>\$76,591</u>  | <u>\$16,307</u> | <u>\$6,716,423</u> |
| As of December 31, 2019                          |                     |                  |                  |                 |                    |
| Short-term loans (including<br>interest payable) | \$918,110           | \$-              | \$-              | \$-             | \$918,110          |
| Accounts payables (including<br>related parties) | 2,271,270           | -                | -                | -               | 2,271,270          |
| Lease liabilities                                | 67,244              | 126,115          | 106,559          | 28,975          | 328,893            |
| Other payables (including<br>related parties)    | 1,053,879           | -                | -                | -               | 1,053,879          |
| Guarantee deposits                               | 4,412               | -                | -                | -               | 4,412              |
| Other non-current liability                      | 147                 | -                | -                | -               | 147                |
| Total  | <u>\$4,315,062</u>  | <u>\$125,115</u> | <u>\$106,559</u> | <u>\$28,975</u> | <u>\$4,576,711</u> |

## (6) Reconciliation of liabilities arising from financing activities

### Reconciliation of liabilities for the year ended December 31, 2020:

|                         | Short-term<br>loans | Long-term<br>loans | Guarantee<br>deposits | Lease<br>liabilities | Other non-<br>current<br>liability | Total liabilities<br>from financing<br>activities |
|-------------------------|---------------------|--------------------|-----------------------|----------------------|------------------------------------|---|
| As of January 1, 2020   | \$894,177           | \$-                | \$4,412               | \$298,363            | \$147                              | \$1,197,099                                       |
| Cash flows              | 1,170,616           | 31,654             | 1,778                 | (73,701)             | 926                                | 1,131,273   |
| Non-cash change         | 213,981             | -                  | -                     | 71,501               | -                                  | 285,482   |
| Exchange differences    | (51,407)            | (1,416)            | (328)                 | (9,121)              | -                                  | (62,272)  |
| As of December 31, 2020 | <u>\$2,227,367</u>  | <u>\$30,238</u>    | <u>\$5,862</u>        | <u>\$287,042</u>     | <u>\$1,073</u>                     | <u>\$2,551,582</u>                                |

## Reconciliation of liabilities for the year ended December 31, 2019:

|                         | Short-term<br>loans | Long-term<br>loans | Guarantee<br>deposits | Lease<br>liabilities | Other non-<br>current<br>liability | Total liabilities<br>from financing<br>activities |
|-------------------------|---------------------|--------------------|-----------------------|----------------------|------------------------------------|---|
| As of January 1, 2019   | \$436,281           | \$-                | \$1,548               | \$209,925            | \$13,800                           | \$661,554   |
| Cash flows              | 482,601             | -                  | 2,976                 | (61,284)             | (13,653)                           | 410,640   |
| Non-cash change         | -                   | -                  | -                     | 156,577              | -                                  | 156,577   |
| Exchange differences    | (24,705)            | -                  | (112)                 | (6,855)              | -                                  | (31,672)  |
| As of December 31, 2019 | <u>\$894,177</u>    | <u>\$-</u>         | <u>\$4,412</u>        | <u>\$298,363</u>     | <u>\$147</u>                       | <u>\$1,197,099</u>                                |

## (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:

- The carrying amount of cash and cash equivalents, notes and accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- 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.
- 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).
- 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 GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

- (e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

#### B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost 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

#### 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 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 was as follows:

As of December 31, 2020

|  | Level 1   | Level 2 | Level 3 | Total     |
|--|-----------|---------|---------|-----------|
| Financial assets:                                      |           |         |         |           |
| Financial assets at fair value through profit or loss: |           |         |         |           |
| Preferred stocks                                       | \$177,466 | \$-     | \$-     | \$177,466 |
| Financial products                                     | -         | -       | 56,157  | 56,157    |
| Unlisted stocks  | -         | -       | 1,400   | 1,400     |
| US dollar aggressive funds                             | -         | -       | 401     | 401       |

As of December 31, 2019

|  | Level 1   | Level 2 | Level 3 | Total     |
|--|-----------|---------|---------|-----------|
| Financial assets:                                      |           |         |         |           |
| Financial assets at fair value through profit or loss: |           |         |         |           |
| Preferred stocks                                       | \$181,748 | \$-     | \$-     | \$181,748 |
| Unlisted stocks  | -         | -       | 1,400   | 1,400     |
| US dollar aggressive funds                             | -         | -       | 389     | 389       |

### Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

### Reconciliation for Recurring fair value measurements in Level 3 of the fair value hierarchy for movements during the period is as follows:

|  | Assets<br>At fair value<br>through profit or<br>loss |
|--|--|
| Beginning balances as of January 1, 2020         | \$1,789  |
| Acquisition for the year ended December 31, 2020 | 56,157   |
| Amount recognized in profit                      | 12   |
| Ending balances as of December 31, 2020          | <u>\$57,958</u>                                      |
| Beginning balances as of January 1, 2019         | \$1,744  |
| Amount recognized in profit                      | 45   |
| Ending balances as of December 31, 2019          | <u>\$1,789</u>                                       |



Total gains and losses recognized in profit or loss for the years ended December 31, 2020 and 2019 in the table above contained gains and losses related to assets on hand as of December 31, 2020 and 2019 in the amount of \$12 thousand and \$45 thousand, respectively.

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:

- (a) No quantitative information of significant unobservable inputs and sensitivity analysis were available as the fair values of structured investment products and financial products were measured by the unadjusted quotes from transaction counterparties.
- (b) The fair value of unlisted securities is estimated using the market approach valuation techniques based on parameters such as the market transaction prices of comparable companies whose business and industry are similar to the investee's and considering the liquidity discount factor.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's Management 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 of December 31, 2020 |                                      |                          |                 |
|-------------------------|--------------------------------------|--------------------------|-----------------|
|                         | Foreign<br>currencies<br>(thousands) | Foreign<br>exchange rate | NTD (thousands) |
| <u>Financial assets</u> |                                      |                          |                 |
| Monetary items:         |                                      |                          |                 |
| USD                     | \$155,407                            | 28.15                    | \$4,374,707     |
| JPY                     | 56,746                               | 0.2728                   | 15,480          |
| Non-monetary items:     |                                      |                          |                 |
| USD                     | 1,404                                | 28.15                    | 39,523          |

| As of December 31, 2020      |                                      |                          |                 |
|------------------------------|--------------------------------------|--------------------------|-----------------|
|                              | Foreign<br>currencies<br>(thousands) | Foreign<br>exchange rate | NTD (thousands) |
| <u>Financial liabilities</u> |                                      |                          |                 |
| Monetary items               |                                      |                          |                 |
| USD                          | 145,189                              | 28.15                    | 4,087,070       |
| JPY                          | 56,232                               | 0.2728                   | 15,340          |
| HKD                          | 5,186                                | 3.63                     | 18,825          |
| Non-monetary items:          |                                      |                          |                 |
| USD                          | 933                                  | 28.15                    | 26,264          |
| As of December 31, 2019      |                                      |                          |                 |
|                              | Foreign<br>currencies<br>(thousands) | Foreign<br>exchange rate | NTD (thousands) |
| <u>Financial assets</u>      |                                      |                          |                 |
| Monetary items:              |                                      |                          |                 |
| USD                          | \$157,302                            | 29.99                    | \$4,717,487     |
| JPY                          | 48,293                               | 0.276                    | 13,305          |
| EURO                         | 511                                  | 33.60                    | 17,170          |
| RMB                          | 2,428                                | 4.30                     | 10,440          |
| Non-monetary items:          |                                      |                          |                 |
| USD                          | 1,181                                | 29.99                    | 35,418          |
| <u>Financial liabilities</u> |                                      |                          |                 |
| Monetary items               |                                      |                          |                 |
| USD                          | 22,095                               | 29.99                    | 662,629         |
| HKD                          | 12,901                               | 3.85                     | 49,669          |
| Non-monetary items:          |                                      |                          |                 |
| USD                          | 538                                  | 29.99                    | 16,135          |

The above information is disclosed based on book value of foreign currency. The exchange rate is determined with reference to the spot selling exchange rate announced by Citibank.

Since there were various functional currencies used within the subsidiaries of the Group, the Group was unable to disclose foreign exchange gains (losses) towards each foreign currency with significant impact. The realized and unrealized foreign exchange (losses) gains was \$(306,173) thousand and \$17,370 thousand for the years ended December 31, 2020 and 2019, 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.

- (11) Because of the outbreak of COVID-19, Countrys implement community isolation to prevent the spread of the epidemic. It has made the Group's operations in the first quarter of 2020 were affected by uncontrollable factors such as reduced production days, shortage of raw materials in the supply chain, and stagnation of market demand. As a result, the operating income of the current period has dropped significantly compared to the same period last year, and some operating costs and expenses are fixed cost expenditures, which cannot be reduced in proportion to the same period. And the gross profit and net operating income of the current period declined compared with the same period last year. The Group will continue to closely monitor the risks and uncertainties that may arise from the epidemic situation, take appropriate measures at any time and adjust its operating activities flexibly, in order to respond to the possible operational and financial impact of the Group from the epidemic situation.

13. Other disclosure

(1) Information at significant transactions

- A. Financing provided to others: Please refer to Attachment 1.
- B. Endorsement/Guarantee provided to others: Please refer to Attachment 2.
- C. Securities held at the end of the period: Please refer to Attachment 3.
- D. Individual securities acquired or disposed of with accumulated amount exceeding \$300 million or 20 percent of the capital stock or more: None.
- E. Acquisition of real estate with amount exceeding \$300 million or 20 percent of the capital stock or more: None.
- F. Disposal of real estate with amount exceeding \$300 million or 20 percent of the capital stock or more: None.
- G. Related party transactions for purchases and sales amounts exceeding \$100 million or 20 percent of the capital stock or more: Please refer to Attachment 4.
- H. Receivables from related parties with amounts exceeding \$100 million or 20 percent of capital stock or more: Please refer to Attachment 5.
- I. Financial instruments and derivative transactions: None.
- J. Others: Business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and accounts of any significant transactions between term: Please refer to Attachment 6.

(2) Information on investees

Of the investee company directly or indirectly has significant influence or control over, their investee companies' information: Please refer to Attachment 7.

(3) Information on investments in mainland China (written off as a result of consolidated statements):

A. The investee company name, main businesses, paid-in capital, type of the investment, capital inflow and outflow, ownership, investment gains and loss, ending balance of investment, repatriation of investment income and the mainland investment limit scenario: Please refer to Attachment 8.

B. Transactions with the investee companies directly or indirectly through and third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses: Please refer to Attachment 9

(4) Information on major shareholders

| Shareholder                        | Share<br>Number of shares | Percentage of<br>ownership |
|------------------------------------|---------------------------|----------------------------|
| Grateful Social Welfare Foundation | 9,000,000                 | 6.86%                      |
| Valiant APO Holdings III Limited   | 6,754,260                 | 5.15%                      |

14. Segment information

(1) General information

For management purposes, the Group divides operating units based on different products and services, and divides them into the following two reporting operating departments:

A. Golf Business Segment: This segment is responsible for the manufacturing and sales of golf club head and shafts.

B. Sports Equipment Business Segment: This segment is responsible for the manufacture and sales of boots, helmets and protective gear for ice hockey, cross-country motorcycles, baseball, skiing and other related sports.

The aforementioned reportable operating department did not summarize more than one operating department.

(2) Segment Information

The management individually monitors the operating results of its business units to formulate decisions on resource allocation and performance evaluation. The performance of the department is evaluated based on pre-tax profit and loss. The reportable department's accounting policies are the same as the general accounting policies of the Group.

(3) Reconciliation for segment revenue, income(loss), assets, liabilities and others

As of December 31, 2020

|                        | Golf Business<br>Segment | Sports<br>Equipment<br>Business<br>Segment | Subtotal     | Other<br>Operating<br>Segments<br>(Note1) | Adjustment<br>and<br>Elimination | Consolidated |
|------------------------|--------------------------|--|--------------|---|----------------------------------|--------------|
| External customer      | \$13,376,080             | \$144,402                                  | \$13,520,482 | \$709,252                                 | \$-                              | \$14,229,734 |
| Inter-segment (Note 2) | -                        | -  | -            | 17,850                                    | (17,850)                         | -            |
| Total revenue          | \$13,376,080             | \$144,402                                  | \$13,520,482 | \$727,102                                 | \$(17,850)                       | \$14,229,734 |
| Segment profit         | \$1,277,167              | \$(18,213)                                 | \$1,258,954  | \$(46,073)                                | \$-                              | \$1,212,881  |
| Segment assets         | \$11,147,646             | \$2,460,888                                | \$13,608,534 | \$870,957                                 | \$(5,260)                        | \$14,474,231 |
| Segment liabilities    | \$5,506,438              | \$1,368,124                                | \$6,874,562  | \$614,257                                 | \$(5,260)                        | \$7,483,559  |

As of December 31, 2019

|                        | Golf Business<br>Segment | Sports<br>Equipment<br>Business<br>Segment | Subtotal     | Other<br>Operating<br>Segments<br>(Note1) | Adjustment<br>and<br>Elimination | Consolidated |
|------------------------|--------------------------|--|--------------|---|----------------------------------|--------------|
| External customer      | \$16,379,440             | \$-  | \$16,379,440 | \$821,413                                 | \$-                              | \$17,200,853 |
| Inter-segment (Note 2) | -                        | -  | -            | 19,458                                    | (19,458)                         | -            |
| Total revenue          | \$16,379,440             | \$-  | \$16,379,440 | \$840,871                                 | \$(19,458)                       | \$17,200,853 |
| Segment profit         | \$2,319,532              | \$-  | \$2,319,532  | \$(53,843)                                | \$-                              | \$2,265,689  |
| Segment assets         | \$10,946,557             | \$-  | \$10,946,557 | \$874,185                                 | \$-                              | \$11,820,742 |
| Segment liabilities    | \$4,451,290              | \$-  | \$4,451,290  | \$726,583                                 | \$-                              | \$5,177,873  |

Note1: Revenue from other operating segments are operating segments that do not meet the quantitative thresholds for reportable segments.

Note2: Inter-segment revenues are eliminated on consolidation and recorded under the “Adjustment and Elimination” column.

(4) The information of product and service information

| Product  | For the years ended December 31, |              |
|--|----------------------------------|--------------|
|  | 2020                             | 2019         |
| Golf club heads and shafts   | \$12,548,318                     | \$15,147,657 |
| Boots for ice hockey, motocross and other sports related equipment | 144,041                          | -            |
| Other  | 1,537,375                        | 2,053,196    |
| Total  | \$14,229,734                     | \$17,200,853 |

(5) Geographical information

A. Revenue from external customers:

|                           | For the years ended December 31, |                     |
|---------------------------|----------------------------------|---------------------|
|                           | 2020                             | 2019                |
| United States             | \$8,977,240                      | \$10,229,152        |
| Japan                     | 2,998,110                        | 4,496,260           |
| Others (not reaching 10%) | 2,254,384                        | 2,475,441           |
| Total                     | <u>\$14,229,734</u>              | <u>\$17,200,853</u> |

Revenue is categorized based on the customer's country.

B. Non-current assets:

|         | For the years ended December 31, |                    |
|---------|----------------------------------|--------------------|
|         | 2020                             | 2019               |
| Taiwan  | \$2,278,135                      | \$1,274,732        |
| China   | 1,079,083                        | 1,156,096          |
| Asia    | 1,744,415                        | 718,873            |
| America | 170,978                          | 205,945            |
| Total   | <u>\$5,272,611</u>               | <u>\$3,355,646</u> |

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets and other non-current assets, but exclude financial instruments and deferred tax assets.

(7) Information about major customers

|            | For the years ended December 31, |                     |
|------------|----------------------------------|---------------------|
|            | 2020                             | 2019                |
| Customer A | \$4,354,590                      | \$5,269,902         |
| Customer B | 2,963,710                        | 2,971,311           |
| Customer C | 1,451,340                        | 1,219,816           |
| Customer D | 1,345,416                        | 2,222,878           |
| Customer E | 1,263,750                        | 1,782,984           |
| Total      | <u>\$11,378,806</u>              | <u>\$13,466,891</u> |

ATTACHMENT 1 : Financings provided to others

(Unit : thousands of NTD)

| No.<br>(Note1) | Financing<br>Company        | Counterparty                       | Financial<br>Statement Account<br>(Note2) | Related<br>Party | Maximum<br>Balance for<br>the period<br>(Note3) | Ending<br>Balance<br>(Note8) | Actual<br>Amount<br>provided | Interest<br>Rate | Nature of<br>Financing<br>(Note4) | Transaction<br>Amounts<br>(Note5) | Reason for<br>Financing<br>(Note6) | Allowance<br>for<br>Bad Debt | Collateral                                 |          | Amount for<br>Individual<br>Counterparty<br>(Note 7) | Financial Amount<br>for Financing<br>Company<br>(Note 7) |
|----------------|-----------------------------|------------------------------------|---|------------------|---|------------------------------|------------------------------|------------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------|--|----------|--|--|
|                |                             |                                    |   |                  |   |                              |                              |                  |                                   |                                   |                                    |                              | Item                                       | Value    |  |  |
| 0              | Fusheng Precision Co., Ltd. | Ming Fa Cheng Enterprise Co., Ltd. | Other receivables                         | No               | \$50,000  | \$50,000                     | \$50,000                     | 2.5%             | 1                                 | \$74,479                          | -                                  | \$-                          | Cashier's check<br>provided by third party | \$50,000 | \$74,479   | \$2,536,778  |

Note 1 : The Company and its subsidiaries are coded as follows:

(1)The Company is coded "0".

(2)The subsidiaries are coded starting from "1" in the order.

Note 2 : If the economic substance of transactions are financing to others, regardless of which component they recognized as in the financial statements, certain transactions are included herein.

Note 3 : Maximum financing balance provided to others for the period.

Note 4 : Nature of financing is coded as follows:

(1)The financing occurred due to business transactions is coded "1".

(2)The financing occurred due to short-term financing is coded "2".

Note 5 : Total amount of the financing is disclosed herein if the financing was related to business transactions. The amount shall mean the transaction amount between the lending entity and the borrower within the most recent year.

Note 6 : The reasons and counterparties of the financing are addressed herein as the financing associated with short-term capital needs.

Note 7 : Financing to an individual entity is limited to the amount of the business transaction between the two parties. The transaction amount is the higher of purchase or sale amount between the two parties in the most recent year and is limited to 10% of the Company's net value.

The accumulated total financing provided to others is limited to 40% of the Company's net value.

Note 8 : If a listed company brings the financing proposal to the board of directors according to Paragraph 1, Article 1 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the company still needs to disclose the resolution amount of the board in the balance to disclose the risk, even if the funds are not appropriated yet. With the return of the funds afterward, the company should disclose the amount returned to reflect the adjusted risk. If a listed company authorizes the chairman of the board of directors to appropriate or use certain limits of the funds several times in the period of a year according to Paragraph 2, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, the company still needs to disclose the amount approved by the board.

ATTACHMENT 2 : Endorsement/Guarantee provided to others

(Unit : thousands of NTD/thousands of USD)

| NO.<br>(Note1) | Endorser/Guarantor          | Receiving Party                            |                         | Limited of<br>Endorsement/<br>Guarantee Amount<br>for receiving party<br>(Note3) | Maximum Balance<br>of the period<br>(Note4) | Ending Balance<br>(Note5)(Note8) | Actual Amount<br>provided<br>(Note6)(Note8) | Amount of<br>Endorsement/<br>Guarantee<br>collateralized | Percentage of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity per latest<br>Financial statements | Limit on the<br>Endorsement/<br>Guarantee Amount<br>(Note 3) | Parent Company<br>Endorsed<br>or Guaranteed<br>for<br>the Subsidiaries<br>(Note 7) | Subsidiaries<br>Endorsed or<br>Guaranteed for<br>the Parent<br>Company<br>(Note 7) | Endorsement or<br>Guarantee for<br>Entities in China<br>(Note 7) |
|----------------|-----------------------------|--|-------------------------|--|---|----------------------------------|---|--|---|--|--|--|--|
|                |                             | Company Name                               | Relationship<br>(Note2) |  |   |                                  |   |  |   |  |  |  |  |
| 0              | Fusheng Precision Co., Ltd. | World Gate Holdings Ltd.                   | 2                       | \$15,854,865   | \$1,688,400<br>(USD56,000)                  | \$1,576,400<br>(USD56,000)       | \$-   | N  | 24.86%  | \$15,854,865   | Y  | -  | -  |
| 0              | Fusheng Precision Co., Ltd. | Extensor World Trading Ltd.<br>(Cayman)    | 2                       | 15,854,865   | 603,000<br>(USD20,000)                      | -<br>(Note10)                    | -   | N  | -   | 15,854,865   | Y  | -  | -  |
| 0              | Fusheng Precision Co., Ltd. | FS-Precision Tech Co., LLC.                | 2                       | 15,854,865   | 753,750<br>(USD25,000)                      | 647,450<br>(USD23,000)           | 331,489<br>(USD 11,776)                     | N  | 10.21%  | 15,854,865   | Y  | -  | -  |
| 0              | Fusheng Precision Co., Ltd. | Vision International Co., Ltd.             | 2                       | 15,854,865   | 844,200<br>(USD28,000)                      | 422,250<br>(USD15,000)           | 107,815<br>(USD 3,830)                      | N  | 6.66%   | 15,854,865   | Y  | -  | -  |
| 0              | Fusheng Precision Co., Ltd. | Extensor World Trading Ltd.<br>(Hong Kong) | 2                       | 15,854,865   | 904,500<br>(USD30,000)                      | 844,500<br>(USD30,000)           | -   | N  | 13.32%  | 15,854,865   | Y  | -  | -  |
| 0              | Fusheng Precision Co., Ltd. | Minson Integration, Inc.                   | 2                       | 7,610,335  | 1,450,000                                   | 1,450,000                        | 400,000                                     | N  | 22.86%  | 15,854,865   | Y  | -  | -  |

Note 1 : The Company and its subsidiaries are coded as follows:

- (1)The Company is coded "0".
- (2)The subsidiaries are coded starting from "1" in numerical order.

Note 2 : The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- (1)An investee that has a business relationship with the Company
- (2)A subsidiary in which the Company holds directly over 50% of equity interest.
- (3)An investee in which the Company and its subsidiaries hold over 50% of equity interest.
- (4)An investee in which the Company holds directly or indirectly over 50% of equity interest.
- (5)A company which needs mutual insurance basing on the construction agreement.
- (6)A company in which the Company endorses or guarantees basing on the holding proportion of mutual investments.
- (7)The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3 : The maximum of endorsement guarantee to a single entity is capped at 120% of the Company's net value; 100% directly and indirectly owned subsidiaries are not subject to such limitation, however the maximum amount of guarantee shall not exceed 250% of the Company's net value. The total guarantee provided externally is limited to 250% of the Company's net value; the total accumulated external guarantee the Company and subsidiaries provided shall not exceed 250% of the Company's net value.

Note 4 : The maximum amount of the Company and its subsidiaries' endorsement or guarantee to others

Note 5 : It should be filled in the amount which approved by the Board of Directors. However, it should be filled in the amount which utilized by the chairman, whom authorized by the Board of Directors in accordance with Subparagraph 8, Article 12 of Guidelines for Lending of Capital, Endorsements and Guarantees by Public Companies

Note 6 : Fill in the actual amount drawn from the balance.

Note 7 : Fill in "Y" if it belongs to "Parent Company Endorsed or Guaranteed for the Subsidiaries", "Subsidiaries Endorsed or Guaranteed for the Parent Company", or "Endorsement or Guarantee for Entities in China".

Note 8 : Foreign currency were exchanged by exchange rate as at balance sheet date.

Note 9 : The group has Tariff guarantee NT\$3,000 thousand as at December 31, 2020. It is 0.05% on last financial statement net value.

Note 10 : A subsidiary of the group, Extensor World Trading Ltd.(Cayman), has completed liquidation on June, 2020.



ATTACHMENT 3 : Securities held as of December 31, 2020 (excluding subsidiary, associates and jointly controlled)

(Unit : thousands of NTD/thousands of foreign currency)

| Company                                    | Type and Name of the securities<br>(Note1)             | Relationship<br>(Note2) | Financial Statement Account  | As of December 31, 2020     |                            |                            |            | Remark<br>(Note 4) |
|--|--|-------------------------|--|-----------------------------|----------------------------|----------------------------|------------|--------------------|
|  |  |                         |  | Shares/Unit                 | Carrying Value<br>(Note 3) | Percentage of<br>Ownership | Fair Value |                    |
| Fusheng Precision Co., Ltd.                | Preferred Shares B - Fubon Financial Holding Co., Ltd. | -                       | Financial assets at fair value through profit and losses—current     | 1,666 thousands shares      | \$104,125                  | -                          | \$104,125  |                    |
| Fusheng Precision Co., Ltd.                | Preferred Stock B - Cathay Financial Holding Co., Ltd. | -                       | Financial assets at fair value through profit and losses—current     | 1,166 thousands shares      | 73,341                     | -                          | 73,341     |                    |
| ZhongShan AuBo Precision Technology Co.Ltd | RMB Wealth Management Products                         | -                       | Financial assets at fair value through profit and losses—current     | RMB13,000 thousands Dollars | 56,157                     | -                          | 56,157     |                    |
| NFT Technology CO., Ltd.                   | US dollar aggressive funds                             | -                       | Financial assets at fair value through profit and losses—non-current | USD 20,000                  | 401                        | -                          | 401        |                    |
| NFT Technology CO., Ltd.                   | Sunny Bank stock                                       | -                       | Financial assets at fair value through profit and losses—non-current | 273 thousands shares        | 1,400                      | -                          | 1,400      |                    |

Note 1 : The securities herein shall refer to stocks, bonds, beneficiary certificates and other marketable securities derived from the above items in the scope of IFRS 9-Financial Instruments.

Note 2 : Securities issued by non-related parties are not required to fill in this column.

Note 3 : For items measured at fair value, the carrying value is the balance of the book value adjusted by fair value valuation deducting accumulated impairment. For items not measured at fair value, the carrying value is the book value balance of the historical cost or amortized cost after deducting accumulated impairment.

Note 4 : Securities with restrictions because of being provided for security, as pledge or under other covenants should state the number of shares or dollar amount provided for security or pledge and the restriction terms.

(Unit : thousands of NTD)

| Company Name                             | Related Party                            | Relationship        | Transactions Details |                |   |               | Details Different from Non-arm's Length Transactions |                           | Notes and Accounts Receivable (Payable) |  | Remark |
|--|--|---------------------|----------------------|----------------|---|---------------|--|---------------------------|---|--|--------|
|  |  |                     | Purchases /Sales     | Amount (Note2) | Percentage of Total Sales or Purchases(%) | Payment Terms | Unit Price   | Payment Terms             | Balance (Note 2)                        | Percentage of Total Receivable (Payable) |        |
| Fusheng Precision Co., Ltd.              | Extensor World Trading Ltd. (Hong Kong)  | Parent - subsidiary | Sales                | \$(460,475)    | 3.48%                                     | T/T 60 days   | No significant difference                            | No significant difference | Accounts receivable \$5,300             | 0.18%                                    |        |
| Fusheng Precision Co., Ltd.              | Extensor World Trading Ltd. (Hong Kong)  | Parent - subsidiary | Purchases            | 7,345,459      | 65.28%                                    | T/T 60 days   | No significant difference                            | No significant difference | Accounts payable (2,516,548)            | (74.76)%                                 |        |
| Fusheng Precision Co., Ltd.              | Vision International Co., Ltd.           | Parent - subsidiary | Purchases            | 2,978,801      | 26.47%                                    | T/T 90 days   | No significant difference                            | No significant difference | Accounts payable (422,429)              | (12.55)%                                 |        |
| Extensor World Trading Ltd. (Hong Kong)  | Fusheng Precision Co., Ltd.              | Parent - subsidiary | Sales                | (7,324,459)    | (97.58)%                                  | T/T 60 days   | No significant difference                            | No significant difference | Accounts receivable 2,516,548           | 96.20%                                   |        |
| Extensor World Trading Ltd. (Hong Kong)  | Fusheng Precision Co., Ltd.              | Parent - subsidiary | Purchases            | 460,475        | 6.62%                                     | T/T 60 days   | No significant difference                            | No significant difference | Accounts payable (5,300)                | (0.17)%                                  |        |
| Extensor World Trading Ltd. (Hong Kong)  | Zhong Shan Worldmark Sporting Goods Ltd. | Affiliate Company   | Purchases            | 5,586,796      | 80.34%                                    | T/T 90 days   | No significant difference                            | No significant difference | Accounts payable (2,606,738)            | 84.77%                                   |        |
| Extensor World Trading Ltd. (Hong Kong)  | Wealth Max Creation Limited              | Affiliate Company   | Purchases            | 285,192        | 4.10%                                     | T/T 75 days   | No significant difference                            | No significant difference | Accounts payable (126,942)              | (4.13)%                                  |        |
| Extensor World Trading Ltd. (Hong Kong)  | Vision International Co., Ltd.           | Affiliate Company   | Sales                | (181,247)      | (2.41)%                                   | T/T 120 days  | No significant difference                            | No significant difference | Accounts receivable 100,272             | 3.83%                                    |        |
| Extensor World Trading Ltd. (Hong Kong)  | Vision International Co., Ltd.           | Affiliate Company   | Purchases            | 153,927        | 2.21%                                     | T/T 30 days   | No significant difference                            | No significant difference | Accounts payable (24,187)               | (0.79)%                                  |        |
| Vision International Co., Ltd.           | Fusheng Precision Co., Ltd.              | Parent - subsidiary | Sales                | (2,978,801)    | (90.71)%                                  | T/T 90 days   | No significant difference                            | No significant difference | Accounts receivable 422,429             | 83.06%                                   |        |
| Vision International Co., Ltd.           | Wealth Max Creation Limited              | Affiliate Company   | Purchases            | 127,865        | 4.14%                                     | T/T 75 days   | No significant difference                            | No significant difference | Accounts payable (53,916)               | (5.80)%                                  |        |
| Vision International Co., Ltd.           | Extensor World Trading Ltd. (Hong Kong)  | Affiliate Company   | Sales                | (153,927)      | (4.69)%                                   | T/T 30 days   | No significant difference                            | No significant difference | Accounts receivable 24,187              | 4.76%                                    |        |
| Vision International Co., Ltd.           | Extensor World Trading Ltd. (Hong Kong)  | Affiliate Company   | Purchases            | 181,247        | 5.87%                                     | T/T 120 days  | No significant difference                            | No significant difference | Accounts payable (100,272)              | (10.78)%                                 |        |
| Zhong Shan Worldmark Sporting Goods Ltd. | Extensor World Trading Ltd. (Hong Kong)  | Affiliate Company   | Sales                | (5,586,796)    | (99.93)%                                  | T/T 90 days   | No significant difference                            | No significant difference | Accounts receivable 2,606,738           | 99.81%                                   |        |
| Wealth Max Creation Limited              | Extensor World Trading Ltd. (Hong Kong)  | Affiliate Company   | Sales                | (285,192)      | (35.26)%                                  | T/T 75 days   | No significant difference                            | No significant difference | Accounts receivable 126,942             | 45.74%                                   |        |
| Wealth Max Creation Limited              | Vision International Co., Ltd.           | Affiliate Company   | Sales                | (127,865)      | (15.81)%                                  | T/T 75 days   | No significant difference                            | No significant difference | Accounts receivable 53,916              | 19.43%                                   |        |

Note 1: The above ratios are calculated based on the Company's individual financial statements.

Note 2: It has been written off as a result of consolidated statements.

ATTACHMENT 5 : Receivables from related parties with amounts exceeding \$100 million or 20 percent of capital stock as of December 31, 2020

(Unit : thousands of NTD)

| Company                                  | Counterparty                            | Relationship        | Ending Balance(Note) | Turnover | Overdue Receivables |            | Amount Received in Subsequent Period | Allowance for Bad Debts |
|--|---|---------------------|----------------------|----------|---------------------|------------|--------------------------------------|-------------------------|
|  |   |                     |                      |          | Amount              | Collection |                                      |                         |
| Extensor World Trading Ltd. (Hong Kong)  | Fusheng Precision Co., Ltd.             | Parent - subsidiary | \$2,516,548          | 4.94     | \$-                 | -          | \$619,300                            | \$-                     |
| Extensor World Trading Ltd. (Hong Kong)  | Vision International Co., Ltd.          | Affiliate Company   | 100,272              | 3.62     | -                   | -          | -                                    | -                       |
| Vision International Co., Ltd.           | Fusheng Precision Co., Ltd.             | Parent - subsidiary | 422,429              | 7.95     | -                   | -          | 422,429                              | -                       |
| Zhong Shan Worldmark Sporting Goods Ltd. | Extensor World Trading Ltd. (Hong Kong) | Affiliate Company   | 2,606,738            | 4.25     | -                   | -          | 2,606,738                            | -                       |
| Wealth Max Creation Limited              | Extensor World Trading Ltd. (Hong Kong) | Affiliate Company   | 126,942              | 2.89     | -                   | -          | 898                                  | -                       |

Note: It has been written off as a result of consolidated statements.

ATTACHMENT 6 : Significant intercompany transactions for the year ended December 31, 2020

(Unit : thousands of NTD)

| No.<br>(Note1) | Related Party                            | Counter Party                            | Relationship with the Company | Transaction Details      |                   |             |  |
|----------------|--|--|-------------------------------|--------------------------|-------------------|-------------|--|
|                |  |  |                               | Account                  | Amount<br>(Note3) | Terms       | Percentage of consolidated total<br>operating revenues or total<br>assets(Note2) |
| 0              | Fusheng Precision Co., Ltd.              | Vision International Co., Ltd.           | Parent company to subsidiary  | Accounts payable         | \$422,429         | T/T 90 days | 3%   |
| 0              | Fusheng Precision Co., Ltd.              | Vision International Co., Ltd.           | Parent company to subsidiary  | Sales                    | 53,591            | T/T 30 days | -%   |
| 0              | Fusheng Precision Co., Ltd.              | Vision International Co., Ltd.           | Parent company to subsidiary  | Purchases                | 2,978,801         | T/T 90 days | 21%  |
| 0              | Fusheng Precision Co., Ltd.              | Vision International Co., Ltd.           | Parent company to subsidiary  | Accounts receivable      | 13,315            | T/T 30 days | -%   |
| 0              | Fusheng Precision Co., Ltd.              | Extensor World Trading Ltd.(Hong Kong)   | Parent company to subsidiary  | Sales                    | 460,475           | T/T 60 days | 3%   |
| 0              | Fusheng Precision Co., Ltd.              | Extensor World Trading Ltd.(Hong Kong)   | Parent company to subsidiary  | Accounts receivable      | 5,300             | T/T 60 days | -%   |
| 0              | Fusheng Precision Co., Ltd.              | Extensor World Trading Ltd.(Hong Kong)   | Parent company to subsidiary  | Purchases                | 7,345,459         | T/T 60 days | 52%  |
| 0              | Fusheng Precision Co., Ltd.              | Extensor World Trading Ltd.(Hong Kong)   | Parent company to subsidiary  | Accounts payable         | 2,516,548         | T/T 60 days | 17%  |
| 0              | Fusheng Precision Co., Ltd.              | Extensor World Trading Ltd. (Hong Kong)  | Parent company to subsidiary  | Other receivables        | 12,918            | T/T 60 days | -%   |
| 0              | Fusheng Precision Co., Ltd.              | Extensor World Trading Ltd. (Hong Kong)  | Parent company to subsidiary  | Other revenue            | 71,862            | T/T 60 days | 1%   |
| 0              | Fusheng Precision Co., Ltd.              | FS-North America, Inc.                   | Parent company to subsidiary  | Operating expense        | 17,015            | T/T         | -%   |
| 1              | Vision International Co., Ltd.           | Extensor World Trading Ltd. (Hong Kong)  | Subsidiary to subsidiary      | Accounts payable         | 100,272           | T/T 60 days | 1%   |
| 1              | Vision International Co., Ltd.           | Extensor World Trading Ltd. (Hong Kong)  | Subsidiary to subsidiary      | Accounts receivable      | 24,187            | T/T 60 days | -%   |
| 1              | Vision International Co., Ltd.           | Extensor World Trading Ltd. (Hong Kong)  | Subsidiary to subsidiary      | Sales                    | 153,927           | T/T 60 days | 1%   |
| 1              | Vision International Co., Ltd.           | Extensor World Trading Ltd. (Hong Kong)  | Subsidiary to subsidiary      | Purchases                | 181,247           | T/T 60 days | 1%   |
| 1              | Vision International Co., Ltd.           | Wealth Max Creation Limited              | Subsidiary to subsidiary      | Accounts payable         | 53,916            | T/T 75 days | -%   |
| 1              | Vision International Co., Ltd.           | Wealth Max Creation Limited              | Subsidiary to subsidiary      | Purchases                | 127,865           | T/T 75 days | 1%   |
| 2              | Extensor World Trading Ltd. (Hong Kong)  | Wealth Max Creation Limited              | Subsidiary to subsidiary      | Accounts payable         | 126,942           | T/T 75 days | 1%   |
| 2              | Extensor World Trading Ltd. (Hong Kong)  | Wealth Max Creation Limited              | Subsidiary to subsidiary      | Purchases                | 285,192           | T/T 75 days | 2%   |
| 2              | Extensor World Trading Ltd. (Hong Kong)  | Zhong Shan Worldmark Sporting Goods Ltd. | Subsidiary to subsidiary      | Accounts payable         | 2,606,738         | T/T 90 days | 18%  |
| 2              | Extensor World Trading Ltd. (Hong Kong)  | Zhong Shan Worldmark Sporting Goods Ltd. | Subsidiary to subsidiary      | Purchases                | 5,586,796         | T/T 90 days | 39%  |
| 3              | Zhong Shan Worldmark Sporting Goods Ltd. | Extensor World Trading Ltd. (Hong Kong)  | Subsidiary to subsidiary      | Mechanical and equipment | 10,759            | T/T120days  | -%   |

Note1 : The Company and its subsidiaries are coded as follows:

1.The Company is coded "0".

2.Subsidiaries are coded consecutively starting from "1" in the order presented in the table above.

Note 2: The percentage is determined by the ratio of the transaction amount to the consolidated revenues or the total assets. Items on the balance sheet are calculated by the ending balance to total consolidated assets; items on the income statement are calculated by their cumulative balance to the total consolidated income.

Note 3: The above important transactions have been written off as a result of consolidated statements.

Note 4: The disclosure of significant intercompany transactions in this attachment is determined by the company based on the materiality.

| Investor company                             | Investee company (Note1,2)                            | Address   | Main business and products   | Initial Investment        |                           | Investment as of December 31, 2020 |                         |                    | Net income(loss) of investee company | Investment income (loss) recognized (Note 3) | Remark    |
|--|---|---|--|---------------------------|---------------------------|------------------------------------|-------------------------|--------------------|--------------------------------------|--|-----------|
|  |   |   |  | Ending balance            | Beginning balance         | Number of shares                   | Percentage of ownership | Book value (Note3) |                                      |  |           |
| Fusheng Precision Co., Ltd.                  | World Gate Holdings Ltd.                              | Unit 908, 9/F, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong.              | Investment holding   | \$349,750<br>(HKD 93,000) | \$349,750<br>(HKD 93,000) | 93,000,000                         | 100.00%                 | \$3,656,298        | \$361,453                            | \$317,685                                    | Note 4    |
| Fusheng Precision Co., Ltd.                  | Sharpope Company Ltd.                                 | Tropic Isle Building, P.O. Box 438, Road Town, Tortola, British Virgin Island.                | Investment holding   | 1,538<br>(USD 50)         | 1,538<br>(USD 50)         | 50,000                             | 100.00%                 | 617,708            | (4,957)                              | 28,368                                       | Note 4    |
| Fusheng Precision Co., Ltd.                  | Vision International Co., Ltd.                        | 19 Friendship Avenue, Singapore Industrial Zone, Shun An County, Binh Duong Province, Vietnam | Manufacture and sale of golf club head   | 375,418<br>(USD 11,000)   | 375,418<br>(USD 11,000)   | 11,000,000                         | 100.00%                 | 513,722            | 58,743                               | 58,743                                       | Note 4    |
| Fusheng Precision Co., Ltd.                  | Gainsmart Group Ltd.                                  | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Island.      | Investment holding   | 599,096<br>(USD 18,000)   | 599,096<br>(USD 18,000)   | 18,000,000                         | 100.00%                 | (58,946)           | (8,362)                              | (8,362)                                      | Note 4    |
| Fusheng Precision Co., Ltd.                  | NFT Technology CO., Ltd.                              | No. 88, Weisui W. Rd., Gangshan Dist., Kaohsiung  | Manufacture and sale of medical equipment and automotive parts   | 226,000                   | 226,000                   | 13,600,000                         | 69.74%                  | 216,561            | (20,224)                             | (14,104)                                     | Note 4    |
| Fusheng Precision Co., Ltd.                  | Crosspace Co.,Ltd.                                    | 3F, No. 172, Sec. 2 Nanjing E Rd., Zhongshan Dist. Taipei City                                | Selling pure titanium tableware and kitchenware  | 1,000                     | 1,000                     | 100,000                            | 100.00%                 | 1,190              | (611)                                | (611)  | Note 4    |
| Fusheng Precision Co., Ltd.                  | Digital-Can Tech. Co., Ltd.                           | 2F-1, No. 88, Zhouzi St., Neihu Dist., Taipei City  | Metal, plastic 3D printing and 3D printing equipment trading   | 25,200                    | 25,200                    | 1,260,000                          | 9.93%                   | 20,857             | (14,503)                             | (1,440)                                      | Note 4    |
| Fusheng Precision Co., Ltd.                  | Minson Integration, Inc.                              | No.3, Aly. 18, Ln. 222, Dunhua N. Rd., Songshan Dist., Taipei City                            | R&D and sales of shoes, helmets and protective gear for ice hockey, cross-country motorcycles, baseball, skiing and other sports | 1,360,000                 | -                         | 19,125,000                         | 85.00%                  | 1,343,202          | (18,213)                             | (15,481)                                     | Note 4    |
| World Gate Holdings Ltd.                     | Wealth Max Creation Limited                           | Unit 908, 9/F, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, HongKong.               | Investment holding and international trade   | 57,163<br>(HKD15,000)     | 57,163<br>(HKD15,000)     | 5,250                              | 52.50%                  | 39,370             | 37,903                               | 19,899                                       | Note 4    |
| Sharpope Company Ltd.                        | Extensor World Trading Ltd. (Hong Kong)               | Unit 908, 9/F, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong.              | International trade  | 294,166<br>(USD 10,000)   | 0<br>(USD 1)              | 10,000,000                         | 100.00%                 | 301,246            | 13,454                               | 13,454                                       | Note 4, 5 |
| Gainsmart Group Ltd.                         | FS-North America, Inc.                                | Ste. 1B, 9 E. Lockerman Street, Dover, Kent 19901,Delaware, USA.                              | Investment holding   | 522,548<br>(USD 15,700)   | 522,548<br>(USD 15,700)   | 10,000                             | 100.00%                 | (58,948)           | (8,360)                              | (8,360)                                      | Note 4    |
| FS-North America, Inc.                       | FS-Precision Tech Co., LLC.                           | 3025 East Victoria Street,Rancho Dominguez, CA 90221, USA.                                    | Manufacture and sale of medical equipment and automotive parts   | 522,548<br>(USD 15,700)   | 522,548<br>(USD 15,700)   | -                                  | 100.00%                 | (61,179)           | (8,103)                              | (8,103)                                      | Note 4    |
| Zhong Shan Aubo Precision Technology Co.Ltd. | AUBO (VIET NAM ) PRECISION TECHNOLOGY COMPANY LIMITED | CN16, No. 12D, N2 Road, Shenlang Third Industrial Zone, Fuxinfang, Tuen Long, Vietnam         | Manufacture precision hardware products, plastic products  | 92,155<br>(USD3,000)      | 92,155<br>(USD3,000)      | 300,000                            | 100.00%                 | 79,007             | (6,069)                              | (6,069)                                      | Note 4    |
| Zhong Shan Aubo Precision Technology Co.Ltd. | AUBO PRECISION (HONG KONG) CO.,LIMITED                | Unit 908, 9/F, Lippo Sun Plaza, 28 Canton Road, TST, KLN, HongKong.                           | International trade  | 376<br>(USD100)           | -                         | 10,000                             | 100.00%                 | 363                | -                                    | -  | Note 4, 6 |
| Minson Integration, Inc.                     | MINTECH ENTERPRISES COMPANY LIMITED                   | No.692,Moo 4, Tambol Praksa,Amphur Muang Samutprakarn,Samutprakarn.                           | Manufacture , R&D and sale of plastic injection parts, sports helmets and various footwear, protective gear                      | 400,000                   | -                         | 19,999,998                         | 100.00%                 | 405,185            | 1,327                                | 1,327  | Note 4    |
| Minson Integration, Inc.                     | MINONE ENTERPRISES COMPANY LIMITED                    | No.675,Moo 4, Tambol Praksa,Amphur Muang Samutprakarn,Samutprakarn.                           | Manufacture and sale of motocross boots, skates and sports protective gear   | 90,000                    | -                         | 1,199,998                          | 100.00%                 | 90,133             | (5,962)                              | (5,962)                                      | Note 4    |
| Minson Integration, Inc.                     | MINSON ENTERPRISES (THAILAND) COMPANY LIMITED         | No.667,Moo 4, Tambol Praksa,Amphur Muang Samutprakarn,Samutprakarn.                           | Manufacture and sale of motocross boots and protective gear and in-line skates   | 280,000                   | -                         | 11,999,998                         | 100.00%                 | 270,830            | (8,798)                              | (8,798)                                      | Note 4    |
| Minson Integration, Inc.                     | MENXON ENTERPRISES (THAILAND) COMPANY LIMITED         | No.666,Moo 4, Tambol Praksa,Amphur Muang Samutprakarn,Samutprakarn.                           | Manufacture and sale of ice hockey shoes and motocross boots   | 230,000                   | -                         | 9,999,998                          | 100.00%                 | 242,028            | (6,926)                              | (6,926)                                      | Note 4    |

Note 1 : If a publicly-issued company has a foreign holding company and uses consolidated statements as its main financial statement in accordance with local laws and regulations, the disclosure of information about foreign invested companies may only disclose relevant information to the holding company.

Note 2: Those who are not in the situation described in Note 1 should fill in according to the following regulations:

(1)The columns of "Investee company", "Address", "Main business and products", "Initial Investment", and "Investment as of December 31, 2020" should fill in information of the reinvestment of the listed company, reinvestment of every direct or indirect reinvestment of the investee, and disclose the relationship of the investees with the Company in the Remark column.

(2)The column of "Net income(loss) of investee company" should fill in the current profit and loss of the investees.

(3)The columns of "Investment income (loss) recognized" only require profit/loss of the direct investees and all investees accounted for under the equity method.

When filling in the above items, make sure the profit/loss of direct investee subsidiaries include the profit or loss of their reinvestments that are required to be recognized.

Note 3 : It includes the unrealized gross profit of the current and downstream sales.

Note 4 : It has been written off as a result of consolidated statements.

Note 5 : Sharpope Company Ltd.'s board of directors approved on August 12, 2020 the proposed deal to invest cash in the amount of US\$9,999,999(US\$1 per share) to its subsidiary, Extensor World Trading Ltd.(Hong Kong), as working capital, and the capital has increased from US\$1 to US\$10,000,000 upon completion of investment.

Note 6 : The company was established through Zhong Shan Aubo Precision Technology Co., Ltd. with HK\$100,000.

(Unit : thousands of NTD/thousands of foreign currency)

| Investee company                                  | Main business and products  | Total amount of paid-in capital | Method of investment (Note1) | Accumulated outflow of investment from Taiwan as of January 1, 2020 | Investment Flows |        | Accumulated outflow of investment from Taiwan as of December 31, 2020 | Net income (loss) of investee company | Percentage of ownership | Investment income (loss) recognized (Note9) | Carrying value as of December 31, 2020 (Note9) | Accumulated inward remittance of earnings as of outflow December 31, 2020 | Remark |
|---|---|---------------------------------|------------------------------|---|------------------|--------|---|---------------------------------------|-------------------------|---|--|---|--------|
|   |   |                                 |                              |   | Outflow          | Inflow |   |                                       |                         |   |  |   |        |
| Zhong Shan Worldmark Sporting Goods Ltd.          | Manufacture and sale of golf club head  | USD 40,900                      | (2)                          | USD 54,000<br>(Note4)   | \$-              | \$-    | USD 54,000<br>(Note4)   | \$256,684<br>RMB 60,311               | 100.00%                 | \$256,684<br>RMB 60,311<br>(Note2)(2)B      | \$3,250,116<br>RMB 752,394<br>(Note2)(2)B      | \$-   |        |
| Zhong Shan LongXing Precision Machinery Co., Ltd. | Manufacture and sale of sports equipment, automotive parts, molds and other products  | USD 2,000                       | (2)                          | USD 2,000   | -                | -      | USD 2,000   | 6,035<br>RMB 1,418                    | 100.00%                 | 6,035<br>RMB 1,418<br>(Note2)(2)B           | 105,669<br>RMB 24,462<br>(Note2)(2)B           | -   |        |
| Zhong Shan DingXing Vacuum Technology Co., Ltd.   | Researching and developing and manufacturing of vacuum technology products, vacuum coating processing and sports equipment, metal products import and export business | RMB 15,200                      | (3)<br>(Note6)               | -   | -                | -      | -   | 3,953<br>RMB 929                      | 100.00%                 | 3,953<br>RMB 929<br>(Note2)(2)B             | 67,050<br>RMB 15,522<br>(Note2)(2)B            | -   |        |
| Zhong Shan Aubo Precision Technology Co., Ltd.    | Researching and developing and manufacturing hardware, plastics and printing of packaging   | RMB 60,000                      | (2)                          | USD 5,500<br>(Note7)  | -                | -      | USD 5,500<br>(Note7)  | 155,896<br>RMB 36,630                 | 52.50%                  | 81,846<br>RMB 19,231<br>(Note2)(2)B         | 163,704<br>RMB 37,897<br>(Note2)(2)B           | -   |        |
| Zhong Shan Aubo Metal Surface Treatment Co., Ltd. | Anodizing process   | RMB 500                         | (3)<br>(Note8)               | -   | -                | -      | -   | 1,468<br>RMB 345                      | 52.50%                  | 770<br>RMB 181<br>(Note2)(2)B               | 6,536<br>RMB 1,513<br>(Note2)(2)B              | -   |        |

|  |   |   |
|--|---|---|
| Accumulated Investment in Mainland China as of December 31, 2020<br>(Note1)(Note3) | Investment Amounts Authorized by Investment Commission, MOEA<br>(Note3) | Limit on Investment Amount to Mainland China<br>(Note5) |
| \$1,731,225<br>(USD 61,500)  | \$1,731,225<br>(USD 61,500)   | \$4,194,403   |

Note 1 : The methods for engaging in investment in Mainland China include the following:

- (1) Direct investment in Mainland China companies.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Other methods.

Note 2 : In the column of profit or loss on investment:

- (1) The investment still in preparation and not generating profit or loss yet should be noted.
- (2) The gain or loss on investment were determined based on the following:
  - A. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.
  - B. The financial statements certified by the CPA of the parent company in Taiwan.
  - C. Others.

Note 3 : The amount of this attachment are expressed in New Taiwan Dollars. The exchange rate on the financial reporting date used for translating the amount of investment in foreign currency.

Note 4 : It is the indirect investment repatriation amount through the reinvestment company World Gate Holdings Ltd.

Note 5 : Maximum investment in Mainland China: 60% of net or consolidated net value, whichever is higher.

Note 6 : It is directly invested by Zhong Shan Worldmark Sporting Goods Ltd.

Note 7 : The actual remittance amount was HK \$ 15,000 thousand, equivalent to approximately US \$ 2,000 thousand.

Note 8 : It is directly invested by Zhong Shan Aubo Precision Technology Co., Ltd.

Note 9 : It has been written off as a result of consolidated statements.

ATTACHMENT 9 : Transactions with the investee companies directly or indirectly through a third country following the occurrence of significant transactions, prices, payment terms and unrealized gains and losses were as below:

(1) Sale/Purchase:

(Unit: thousands of NTD)

| Company Name                | Related Party                            | Transaction Details |             |   |                  | Details Different from Non-arm's Length Transactions |                  | Notes and Accounts Receivable(Payable) |   | Remark         |
|-----------------------------|--|---------------------|-------------|---|------------------|--|------------------|--|---|----------------|
|                             |  | Purchases/<br>Sales | Amount      | Percentage of Total<br>Sales or Purchases | Payment<br>Terms | Unit price   | Payment<br>Terms | Balance                                | Percentage of Total<br>Receivable (Payable) |                |
| Fusheng Precision Co., Ltd. | Zhong Shan Worldmark Sporting Goods Ltd. | Sales               | \$(460,475) | 3.48%                                     | T/T 60 days      | Not applicable                                       |                  | \$5,300                                | 0.18%                                       | Note 1, Note 2 |
| Fusheng Precision Co., Ltd. | Zhong Shan Worldmark Sporting Goods Ltd. | Purchases           | 7,345,459   | 65.28%                                    | T/T 60 days      | Not applicable                                       |                  | (2,516,548)                            | 74.76%                                      | Note 1, Note 2 |

Note1 : The above ratios are calculated based on the company's individual financial statements.

Note2 : The above important transactions have been written off as a result of consolidated statements.

(2) Ending balance and purpose of endorsement guarantees or collateral : None.

(3) Ending balance, maximum limit, interest rate range and current interest amount of financing : None.

(4) Other investments that have significant impact on the current profit or financial condition : None.