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**FUSHENG PRECISION CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR THE NINE -MONTH PERIODS ENDED
SEPTEMBER 30, 2021 AND 2020**

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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.

Review Report of Independent Accountants Translated from Chinese

To Fusheng Precision Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Fusheng Precision Co., Ltd. (the “Company”) and its subsidiaries as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2021 and 2020 and consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Unqualified Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at September 30, 2021 and 2020, and their consolidated financial performance for the three-month and nine-month periods ended September 30, 2021 and 2020, and their consolidated cash flows for the nine-month periods ended September 30, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Lin, Su-Wen
Tu, Jia-Ling
Ernst & Young, Taiwan
November 11, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

English Translation of Consolidated Financial Statement Originally Issued in Chinese
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2021, December 31, 2020 and September 30, 2020 (September 30, 2021 and 2020 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	As of		
		September 30, 2021	December 31, 2020	September 30, 2020
Current assets				
Cash and cash equivalents	4,6(1)	\$1,453,614	\$1,573,175	\$2,886,083
Financial assets at fair value through profit or loss - current	4,6(2)	282,613	233,623	239,815
Financial assets measured at amortized cost - current	4,6(3),6(18),8	287,275	29,700	15,000
Notes receivable, net	4,5,6(4),6(18)	5,977	8,661	12,334
Accounts receivable, net	4,5,6(5),6(18),7	2,772,821	3,771,826	2,290,746
Other receivable		276,899	210,328	162,496
Current income tax assets		45	361	289
Inventories, net	4,5,6(6)	3,775,774	2,902,577	1,920,057
Prepayments	4	209,539	145,788	199,871
Other current assets		4,122	11,016	910
Total current assets		<u>9,068,679</u>	<u>8,887,055</u>	<u>7,727,601</u>
Non-current assets				
Financial assets at fair value through profit or loss - non-current	4,6(2)	1,804	1,801	1,753
Financial assets measured at amortized cost - non-current	4,6(3),6(18),8	130,773	259,757	268,778
Investments accounted for using equity method	4,6(7)	-	20,857	20,966
Property, plant and equipment	4,6(8),6(23),7,8	4,221,345	3,819,913	2,675,690
Right-of-use assets	4,6(19),7	303,833	382,633	372,515
Net investment property	4,6(9)	9,234	9,208	-
Intangible assets	4,6(10)	742,702	817,513	154,724
Deferred tax assets	4,5,6(23)	92,846	53,007	63,412
Prepayment for equipment	9	148,026	44,235	58,243
Refundable deposits	7	88,995	18,438	15,477
Other non-current assets - others		200,761	159,814	122,199
Total non-current assets		<u>5,940,319</u>	<u>5,587,176</u>	<u>3,753,757</u>
Total assets		<u>\$15,008,998</u>	<u>\$14,474,231</u>	<u>\$11,481,358</u>

(Continued)

English Translation of Consolidated Financial Statement Originally Issued in Chinese
FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2021, December 31, 2020 and September 30, 2020 (September 30, 2021 and 2020 are unaudited)
(Expressed in Thousands of New Taiwan Dollars)

Liability and Equity	Notes	As of		
		September 30, 2021	December 31, 2020	September 30, 2020
Current liabilities				
Short-term loans	4,6(11),8	\$2,131,169	\$2,227,367	\$1,493,974
Contract liabilities	4	250,657	28,538	13,804
Notes payable	4	2,460	317	2,250
Accounts payable	4,7	2,575,265	3,017,541	1,710,402
Other payables	6(12)	1,116,142	1,110,312	987,643
Current income tax liabilities	4,5,6(23)	382,248	405,728	418,439
Current provisions	4,6(15)	6,242	39,452	-
Lease liabilities - current	4,6(19),6(21),7	67,746	68,767	62,104
Long-term liabilities-current portion	4,6(13)	6,065	4,536	3,027
Other current liabilities		26,242	31,503	12,795
Total current liabilities		6,564,236	6,934,061	4,704,438
Non-current liabilities				
Long-term loans	4,6(13)	21,225	25,702	27,241
Non-current provisions	4,5,6(15)	56,675	56,321	111,213
Deferred tax liabilities	4,5,6(23)	83,024	88,678	1,442
Lease liabilities - non-current	4,6(19),6(21),7	155,363	218,275	212,631
Net defined benefit liabilities	4,5,6(14)	219,901	153,587	129,076
Guarantee deposits		6,172	5,862	6,326
Other non-current liabilities		7,351	1,073	9,146
Total non-current liabilities		549,711	549,498	497,075
Total liabilities		7,113,947	7,483,559	5,201,513
Equity	6(16)			
Common stock		1,310,300	1,310,300	1,310,300
Additional paid-in capital		1,664,358	1,664,358	1,664,358
Retained earnings				
Legal reserve		1,295,039	1,183,976	1,183,976
Special reserve		604,273	569,208	569,208
Unappropriated retained earnings		2,980,096	2,218,377	1,750,157
Total retained earnings		4,879,408	3,971,561	3,503,341
Other components of equity	4			
Exchange differences on translation of foreign operations		(669,283)	(604,273)	(566,318)
Total equity attributable to stockholders of the parent		7,184,783	6,341,946	5,911,681
Non-controlling interests	6(16)	710,268	648,726	368,164
Total equity		7,895,051	6,990,672	6,279,845
Total liabilities and equity		\$15,008,998	\$14,474,231	\$11,481,358

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
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month and nine-month periods ended September 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Accounting Items	Notes	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2021	2020	2021	2020
Operating revenues	4,6(17),7	\$5,108,821	\$3,086,970	\$16,912,126	\$9,273,955
Operating costs	6(6),6(10),6(14),6(19), 6(20)	(3,947,128)	(2,417,492)	(13,011,760)	(7,260,968)
Gross profit		<u>1,161,693</u>	<u>669,478</u>	<u>3,900,366</u>	<u>2,012,987</u>
Operating expenses	4,6(10),6(14),6(19), 6(20),7				
Sales and marketing expenses		(128,337)	(86,746)	(376,165)	(252,560)
General and administrative expenses		(288,334)	(169,470)	(828,223)	(500,911)
Research and development expenses		(122,672)	(131,866)	(406,664)	(353,444)
Expected credit (losses)gains	6(18)	(7,796)	140	(8,468)	1,457
		<u>(547,139)</u>	<u>(387,942)</u>	<u>(1,619,520)</u>	<u>(1,105,458)</u>
Net operating income		<u>614,554</u>	<u>281,536</u>	<u>2,280,846</u>	<u>907,529</u>
Non-operating income and expenses	4,6(9),6(19),6(21),7				
Interest income		4,626	4,651	10,333	20,983
Other income		126,727	35,161	214,018	92,494
Other gains and losses		(121,979)	(104,138)	(145,065)	(125,886)
Finance costs		(6,160)	(7,021)	(19,972)	(23,049)
Share of profit or loss of associates and joint ventures	4,6(7)	-	2	(1,447)	(1,331)
Total non-operating income and expenses		<u>3,214</u>	<u>(71,345)</u>	<u>57,867</u>	<u>(36,789)</u>
Income from continuing operations before income tax		617,768	210,191	2,338,713	870,740
Income tax expenses	4,5,6(23)	(151,440)	(54,203)	(470,939)	(188,293)
Net income from continuing operations		<u>466,328</u>	<u>155,988</u>	<u>1,867,774</u>	<u>682,447</u>
Other comprehensive income(loss)	6(22)				
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations		(4,990)	148,242	(76,398)	2,769
Total other comprehensive income, net of tax		<u>(4,990)</u>	<u>148,242</u>	<u>(76,398)</u>	<u>2,769</u>
Total comprehensive income		<u>\$461,338</u>	<u>\$304,230</u>	<u>\$1,791,376</u>	<u>\$685,216</u>
Net income attributable to:					
Stockholders of the parent		\$437,633	\$132,840	\$1,772,645	\$642,408
Non-controlling interests		28,695	23,148	95,129	40,039
		<u>\$466,328</u>	<u>\$155,988</u>	<u>\$1,867,774</u>	<u>\$682,447</u>
Comprehensive income attributable to:					
Stockholders of the parent		\$435,013	\$272,318	\$1,707,635	\$645,298
Non-controlling interests		26,325	31,912	83,741	39,918
		<u>\$461,338</u>	<u>\$304,230</u>	<u>\$1,791,376</u>	<u>\$685,216</u>
Earnings per share(NT\$):	6(24)				
Earnings per share - basic		<u>\$3.34</u>	<u>\$1.01</u>	<u>\$13.53</u>	<u>\$4.90</u>
Earnings per share - diluted		<u>\$3.33</u>	<u>\$1.01</u>	<u>\$13.50</u>	<u>\$4.90</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
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGE IN STOCKHOLDERS' EQUITY
For the nine-month periods ended September 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Total equity attributable to owners of parent								
	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	Total	Non-controlling interests	Total equity
Balance as of January 1, 2020	\$1,310,300	\$1,664,358	\$966,346	\$434,124	\$2,508,703	\$(569,208)	\$6,314,623	\$328,246	\$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 for the nine-month period ended September 30, 2020					642,408		642,408	40,039	682,447
Other comprehensive income, net of tax for the nine-month period ended September 30, 2020					-	2,890	2,890	(121)	2,769
Total comprehensive income	-	-	-	-	642,408	2,890	645,298	39,918	685,216
Balance as of September 30, 2020	<u>\$1,310,300</u>	<u>\$1,664,358</u>	<u>\$1,183,976</u>	<u>\$569,208</u>	<u>\$1,750,157</u>	<u>\$(566,318)</u>	<u>\$5,911,681</u>	<u>\$368,164</u>	<u>\$6,279,845</u>
Balance as of January 1, 2021	\$1,310,300	\$1,664,358	\$1,183,976	\$569,208	\$2,218,377	\$(604,273)	\$6,341,946	\$648,726	\$6,990,672
Appropriation and distribution of 2020 retained earnings									
Legal reserve			111,063		(111,063)		-		-
Special reserve				35,065	(35,065)		-		-
Cash dividends					(864,798)		(864,798)		(864,798)
Net income for the nine-month period ended September 30, 2021					1,772,645		1,772,645	95,129	1,867,774
Other comprehensive income, net of tax for the nine-month period ended September 30, 2021					-	(65,010)	(65,010)	(11,388)	(76,398)
Total comprehensive income	-	-	-	-	1,772,645	(65,010)	1,707,635	83,741	1,791,376
Changes in non-controlling interests								(22,199)	(22,199)
Balance as of September 30, 2021	<u>\$1,310,300</u>	<u>\$1,664,358</u>	<u>\$1,295,039</u>	<u>\$604,273</u>	<u>\$2,980,096</u>	<u>\$(669,283)</u>	<u>\$7,184,783</u>	<u>\$710,268</u>	<u>\$7,895,051</u>

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

FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine-month periods ended	
	2021	2020
Cash flows from operating activities:		
Net income before tax	\$2,338,713	\$870,740
Adjustments:		
Income and expense that not affecting cash flow:		
Depreciation	440,593	347,703
Amortization	32,847	8,878
Expected credit losses (gains)	8,468	(1,457)
Gains on financial assets or liabilities at fair value through profit or loss	980	4,667
Interest expenses	19,972	23,049
Interest income	(10,333)	(20,983)
Share of loss of associates and joint ventures	1,447	1,331
(Gains) Losses on disposal of property, plan and equipment	(2,577)	229
Gains on disposal of investments accounted for using equity method	(4,656)	-
Other	(731)	(762)
Changes in operating assets and liabilities:		
Decrease in notes receivable,net	2,684	810
Decrease in accounts receivable,net	990,623	776,282
(Increase)/Decrease in other receivables	(66,571)	34,065
(Increase)/Decrease in inventories,net	(873,197)	197,495
Increase in prepayments	(54,689)	(74,703)
Decrease in other current assets	6,894	2,348
Increase in contract liabilities	222,119	4,170
Increase in notes payable	2,143	2,250
Decrease in accounts payable	(442,276)	(560,868)
Increase/(Decrease) in other payables	5,656	(66,380)
Decrease in provisions	(33,229)	(40,722)
Decrease in other current liabilities	(5,261)	(2,186)
Increase/(Decrease) in net defined benefit liabilities	66,314	(7,227)
Cash generated from operations	2,645,933	1,498,729
Interest received	10,333	20,983
Interest paid	(13,923)	(14,326)
Income tax paid	(533,496)	(96,394)
Net cash provided by operating activities	2,108,847	1,408,992

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FUSHENG PRECISION CO., LTD. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	For the nine-month periods ended September 30,	
	2021	2020
Cash flows from investing activities:		
Acquisition of financial assets measured at amortized cost	(272,793)	(268,778)
Proceeds from disposal of financial assets measured at amortized cost	148,252	2,154
Acquisition of financial assets at fair value through profit or loss	(51,030)	(64,032)
Proceeds from disposal of investments accounted for using equity method	24,066	-
Adjusting initial price of the acquired subsidiary	28,900	-
Acquisition of property, plant and equipment	(752,144)	(425,657)
Proceeds from disposal of property, plant and equipment	21,357	36,138
(Increase)/Decrease in refundable deposits	(70,557)	80
Acquisition of intangible assets	(11,512)	(4,292)
(Increase)/Decrease in other non-current assets	(141,533)	3,741
Increase in prepayment for equipment	(103,791)	(18,030)
Net cash used in investing activities	(1,180,785)	(738,676)
Cash flows from financing activities:		
Increase in short-term loans	-	613,540
Decrease in short-term loans	(65,533)	-
Increase in long-term loans	-	30,912
Repayment of long-term loans	(2,545)	-
Increase in guarantee deposits	398	2,034
Cash payments for the principal portion of the lease liability	(56,433)	(52,216)
Increase in other non-current liabilities	6,278	8,999
Cash dividends paid	(864,798)	(1,048,240)
Changes in non-controlling interests	(17,099)	-
Net cash used in financing activities	(999,732)	(444,971)
Effects of exchange rate changes on cash and cash equivalents	(47,891)	(5,005)
Net (decrease)/increase in cash and cash equivalents	(119,561)	220,340
Cash and cash equivalents, at beginning of period	1,573,175	2,665,743
Cash and cash equivalents, at end of the period	\$1,453,614	\$2,886,083

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 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine-Month Periods Ended September 30, 2021 and 2020

(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 the Company 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 Nine-month periods ended September 30, 2021 and 2020 were authorized for issue by the Board of Directors on November 11, 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, 2021.

- (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.

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

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

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

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

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

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

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

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

(d) Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

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

Amendment to IFRS 9 Financial Instruments

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

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

Amendment to IAS 41

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The new standards and interpretations have no material impact on the Group.

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

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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
E	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
F	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

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

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

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

B. IFRS 17 “Insurance Contracts”

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

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. Disclosure Initiative – Accounting Policies – Amendments to IAS 1

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

E. Definition of Accounting Estimates – Amendments to IAS 8

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

F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

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

The abovementioned standards and interpretations issued by IASB 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. and E., 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 Nine-month periods ended September 30, 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34 *Interim Financial Reporting* as endorsed and became effective 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 statement

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

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

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

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

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

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

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%)		
			September 30, 2021	December 31, 2020	September 30, 2020
The Company	Sharpope Company Ltd.	Investment holding	100%	100%	100%
The Company	Vision International Co., Ltd.	Manufacture and sale of golf club head	100%	100%	100%
The Company	Gainsmart Group Ltd.	Investment holding	100%	100%	100%
The Company	World Gate Holdings Ltd.	Investment holding	100%	100%	100%
The Company	NFT Technology CO., Ltd.	Manufacture and sale of medical equipment and automotive parts	69.74%	69.74%	69.74%
The Company	Crosspace Co., Ltd.	Selling pure titanium tableware and kitchenware	100%	100%	100%
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% (Note)	85% (Note)	-
Sharpope Company Ltd.	Extensor World Trading Ltd. (Hong Kong)	International trade	100%	100%	100%
Gainsmart Group Ltd.	FS-North America, Inc.	Investment holding	100%	100%	100%
FS-North America, Inc.	FS-Precision Tech Co., LLC.	Manufacture and sale of medical equipment and automotive parts	100%	100%	100%
World Gate Holdings Ltd.	Zhong Shan Worldmark Sporting Goods Ltd.	Manufacture and sale of golf club head	100%	100%	100%
World Gate Holdings Ltd.	Zhong Shan LongXing Precision Machinery Co., Ltd.	Manufacture and sale of sports equipment, automotive parts, molds and other products	100%	100%	100%
World Gate Holdings Ltd.	Wealth Max Creation Limited.	Investment holding and international trade	52.5%	52.5%	52.5%
World Gate Holdings Ltd.	Zhong Shan Aubo Precision Technology Co., Ltd.	Researching and developing and manufacturing of hardware, plastics and printing of packaging	52.5%	52.5%	52.5%
Zhong Shan Aubo Precision Technology Co., Ltd.	Zhong Shan Aubo Metal Surface Treatment Co., Ltd.	Anodizing process	100%	100%	100%
Zhong Shan Aubo Precision Technology Co., Ltd.	AUBO (VIETNAM) PRECISION TECHNOLOGY COMPANY LIMITED	Manufacture hardware and plastics	100%	100%	100%

Name of the investors	Name of subsidiaries	Nature of Business	Percentage of ownership (%)		
			September 30, 2021	December 31, 2020	September 30, 2020
Zhong Shan Aubo Precision Technology Co., Ltd.	AUBO PRECISION (HONG KONG) CO., LIMITED	International trade	100%	100%	100%
Zhong Shan Worldmark Sporting Goods Ltd.	Zhong Shan Dingxing Vacuum Technology Co., Ltd.	Research, development and manufacturing of vacuum technology products, vacuum coating processing and sports equipment, metal products import and export business	100%	100%	100%
Minson Integration, Inc.	MENXON ENTERPRISES (THAILAND) COMPANY LIMITED	Manufacture and sale of ice hockey shoes and motocross boots	100% (Note)	100% (Note)	-
Minson Integration, Inc.	MINONE ENTERPRISES COMPANY LIMITED	Manufacture and sale of motocross boots, skates and sports protective gear	100% (Note)	100% (Note)	-
Minson Integration, Inc.	MINSON ENTERPRISES (THAILAND) COMPANY LIMITED	Manufacture and sale of motocross boots and protective gear and in-line skates	100% (Note)	100% (Note)	-
Minson Integration, Inc.	MINTECH ENTERPRISES COMPANY LIMITED	Manufacture , R&D and sale of plastic injection parts, sports helmets and various footwear, protective gear	100% (Note)	100% (Note)	-

(Note) 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 \$1,331,100 thousand, and set November 30, 2020 as the acquisition base date. Please refer to Note 6(25) for more details.

(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 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 pro rata 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	1~16 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) Investment property

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

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

Buildings	20 years
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Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

The Group transfers properties to or from investment properties according to the actual use of the properties.

The Group transfers to or from investment properties when there is a change in use for these assets. Properties are transferred to or from investment properties when the properties meet, or cease to meet, the definition of investment property and there is evidence of the change in use.

(14) Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

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

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

(15) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as 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 10 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 5 to 7 years.

Goodwill

Goodwill arising from business combinations is not amortized, and is tested for impairment annually or more frequently if events or change in circumstances suggest that the carrying amount may not be recoverable. If an event occurs or circumstances change which indicates that the goodwill is impaired, an impairment loss is recognized. Goodwill impairment losses cannot be reversed once recognized.

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 customer	Technology and Know-how	Goodwill	Computer software
Useful lives	Finite	Finite	Unsure	Finite
Amortization method used	Amortized on a straight- line basis over the estimated useful life	Amortized on a straight- line basis over the estimated useful life	Unamortized	Amortized on a straight- line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

(16) Impairment of non-financial assets

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

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

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.

(17) Provisions

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

Provision for decommissioning, restoration and rehabilitation costs

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

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.

(18) Revenue recognition

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

(19) 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 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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(20) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

- A. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- B. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint 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.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

(21) 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 countries 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) Impairment of non-financial assets — goodwill

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on 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 less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 6.

6. Contents of significant accounts

(1) Cash and cash equivalents

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$2,890	\$2,115	\$2,470
Checking and savings accounts	1,216,767	1,558,092	2,443,206
Time deposits	233,957	12,968	440,407
Total	<u>\$1,453,614</u>	<u>\$1,573,175</u>	<u>\$2,886,083</u>

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

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets mandatorily measured at fair value through profit or loss:			
Preferred stocks	\$176,484	\$177,466	\$177,117
Financial products	106,129	56,157	62,698
Unlisted stocks	1,400	1,400	1,400
US dollar aggressive funds	404	401	353
Total	<u>\$284,417</u>	<u>\$235,424</u>	<u>\$241,568</u>
Current	\$282,613	\$233,623	\$239,815
Non-current	1,804	1,801	1,753
Total	<u>\$284,417</u>	<u>\$235,424</u>	<u>\$241,568</u>

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

(3) Financial assets measured at amortized cost

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Time deposits	\$287,757	\$15,000	\$15,000
Restricted deposit	-	14,700	-
Repatriated Offshore Funds (Note)	130,291	259,757	268,778
Total	<u>\$418,048</u>	<u>\$289,457</u>	<u>\$283,778</u>
Current	\$287,275	\$29,700	\$15,000
Non-current	130,773	259,757	268,778
Total	<u>\$418,048</u>	<u>\$289,457</u>	<u>\$283,778</u>

Note: The Group applied to be applicable under the "The Management, Utilization, and Taxation of Repatriated Offshore Funds 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), according to The Management, Utilization, and Taxation of Repatriated Offshore Funds 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, and the related information of income tax recognition, please refer to Note 6(23) for more details. The Group actually withdrew US\$4,520 thousand (equivalent to \$132,775 thousand) for related substantial investments in the Nine-month periods ended September 30, 2021.

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		
	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivables arising from operating activities (total carrying amount)	\$5,977	\$8,661	\$12,334
Less: loss allowance	-	-	-
Total	<u>\$5,977</u>	<u>\$8,661</u>	<u>\$12,334</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		
	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable (total carrying amount)	\$2,787,392	\$3,777,110	\$2,294,389
Less: loss allowance	(14,770)	(6,489)	(4,503)
Subtotal	2,772,622	3,770,621	2,289,886
Accounts receivable—related parties (total carrying amount)	199	1,205	860
Less: loss allowance	-	-	-
Subtotal	199	1,205	860
Total	<u>\$2,772,821</u>	<u>\$3,771,826</u>	<u>\$2,290,746</u>

Accounts receivable were not pledged.

Accounts receivable are generally on 30-90 day terms. The total carrying amount of trade receivable as of September 30, 2021, December 31, 2020 and September 30, 2020 were \$2,793,568 thousand, \$3,786,976 thousand and \$2,307,583 thousand, respectively. Please refer to Note 6(18) for more details on loss allowance of accounts receivable for the Nine-month periods ended September 30, 2021 and 2020. Please refer to Note 12 for more details on credit risk management.

(6) Inventories

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Raw materials	\$1,018,059	\$636,369	\$347,622
Work in progress	1,405,163	993,803	877,193
Finished goods	637,351	632,409	362,039
Goods	18,021	6,008	5,145
Inventories in transit	697,180	633,988	328,058
Total	<u>\$3,775,774</u>	<u>\$2,902,577</u>	<u>\$1,920,057</u>

For the three-month periods ended September 30, 2021 and 2020, the Group recognized \$3,947,128 thousand and \$2,417,492 thousand, respectively, in operating cost, including the write-down of inventories (gain from price recovery of inventory) of \$33,388 thousand and \$(2,354) thousand, respectively. The reversal is due to disposal of slow-moving inventories.

For the Nine-month periods ended September 30, 2021 and 2020, the Group recognized \$13,011,760 thousand and \$7,260,968 thousand, respectively, in operating cost, including the write-down of inventories of \$50,026 thousand and \$34,247 thousand, respectively.

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					
	September 30, 2021		December 31, 2020		September 30, 2020	
	Carrying	Percentage of (%)	Carrying	Percentage of (%)	Carrying	Percentage of (%)
Investments in associates:						
Digital-Can Technology Co., Ltd.	\$-	-	\$20,857	9.93	\$20,966	9.93

The Group disposed of all shares of Digital-Can Technology Co., Ltd. in July, 2021. The net disposal proceeds amounted to \$24,066 thousand, with gain from disposal in the amount of \$4,656 thousand, which was recognized in other gains and losses. Please refer to Note 6(21)(3) for more details on the disposal. The aggregate carrying amount of the Group's interests in Digital-Can Technology Co., Ltd. amounted to \$0, \$20,857 thousand and \$20,966 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020. The aggregate financial information of the Group's investments is as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Profit or loss from continuing operations	\$-	\$2	\$(1,447)	\$(1,331)
Other comprehensive income (post-tax)	-	-	-	-
Total comprehensive income	\$-	\$2	\$(1,447)	\$(1,331)

The associates had no contingent liabilities or capital commitments as of September 30, 2021, December 31, 2020 and September 30, 2020, and were not pledge, too.

(8) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Others	Construction in progress and equipment awaiting inspection	Total
Cost:						
As of January 1, 2021	\$1,129,901	\$2,112,458	\$3,162,467	\$658,669	\$126,929	\$7,190,424
Additions	103,471	3,714	418,847	46,278	179,834	752,144
Disposals	-	-	(99,456)	(4,148)	-	(103,604)
Acquisitions through business combinations(adjustments)	50,420	-	-	-	-	50,420
Transfers	-	(48,344)	121,531	(48,252)	(26,802)	(1,867)
Exchange differences	(15,095)	(46,314)	(73,295)	(8,819)	(945)	(144,468)
As of September 30, 2021	<u>\$1,268,697</u>	<u>\$2,021,514</u>	<u>\$3,530,094</u>	<u>\$643,728</u>	<u>\$279,016</u>	<u>\$7,743,049</u>
As of January 1, 2020	\$552,444	\$1,533,644	\$2,452,789	\$484,908	\$77,746	\$5,101,531
Additions	-	23,568	168,828	17,315	215,946	425,657
Disposals	-	(5,076)	(103,407)	(26,785)	-	(135,268)
Transfers	-	-	17,436	19,243	(65,913)	(29,234)
Exchange differences	-	717	(6,282)	(2,597)	(411)	(8,573)
As of September 30, 2020	<u>\$552,444</u>	<u>\$1,552,853</u>	<u>\$2,529,364</u>	<u>\$492,084</u>	<u>\$227,368</u>	<u>\$5,354,113</u>
Depreciation and impairment:						
As of January 1, 2021	\$-	\$1,147,403	\$1,845,000	\$378,108	\$-	\$3,370,511
Depreciation	-	62,196	266,341	54,844	-	383,381
Disposals	-	-	(81,217)	(3,607)	-	(84,824)
Transfers	-	(64,657)	6,036	(6,492)	-	(65,113)
Exchange differences	-	(28,878)	(45,736)	(7,637)	-	(82,251)
As of September 30, 2021	<u>\$-</u>	<u>\$1,116,064</u>	<u>\$1,990,424</u>	<u>\$415,216</u>	<u>\$-</u>	<u>\$3,521,704</u>
As of January 1, 2020	\$-	\$881,517	\$1,330,992	\$276,915	\$-	\$2,489,424
Depreciation	-	42,454	206,856	41,674	-	290,984
Disposals	-	(5,076)	(69,162)	(24,663)	-	(98,901)
Transfers	-	-	-	-	-	-
Exchange differences	-	1,629	(2,317)	(2,396)	-	(3,084)
As of September 30, 2020	<u>\$-</u>	<u>\$920,524</u>	<u>\$1,466,369</u>	<u>\$291,530</u>	<u>\$-</u>	<u>\$2,678,423</u>
Net carrying amount as of:						
September 30, 2021	<u>\$1,268,697</u>	<u>\$905,450</u>	<u>\$1,539,670</u>	<u>\$228,512</u>	<u>\$279,016</u>	<u>\$4,221,345</u>
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>
September 30, 2020	<u>\$552,444</u>	<u>\$632,329</u>	<u>\$1,062,995</u>	<u>\$200,554</u>	<u>\$227,368</u>	<u>\$2,675,690</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 by their useful lives.

There were no capitalized borrowing costs of construction in progress for the Nine-month periods ended September 30, 2021 and 2020.

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

	Building			
	nine-month periods ended			
	September 30,			
	2021	2020		
Cost:				
Beginning of period	\$92,078	\$-		
Exchange differences	258	-		
End of period	<u>\$92,336</u>	<u>\$-</u>		
Depreciation and impairment:				
Beginning of period	\$82,870	\$-		
Exchange differences	232	-		
End of period	<u>\$83,102</u>	<u>\$-</u>		
Net carrying amount	<u>\$9,234</u>	<u>\$-</u>		
	For the three-month		For the nine-month	
	periods ended September 30,		periods ended September 30,	
	2021	2020	2021	2020
Rental income from investment property	\$3,142	\$-	\$9,478	\$-
Less:				
Direct operating expenses from investment property generating rental income	-	-	-	-
Direct operating expenses from investment property not generating rental income	-	-	-	-
Total	<u>\$3,142</u>	<u>\$-</u>	<u>\$9,478</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 \$23,245 thousand, \$23,180 thousand and \$0 on September 30, 2021, December 31, 2020 and September 30, 2020, respectively. The Group evaluates the market price of similar real estate in the vicinity of the relevant assets.

(10) Intangible assets

	Relationship of customer	Technology and Know-how	Goodwill	Computer software	Total
Cost:					
As of January 1, 2021	\$136,000	\$125,000	\$549,968	\$58,849	\$869,817
Addition	-	-	-	11,512	11,512
Acquisitions through business combinations (adjustments)	-	(22,000)	(29,815)	-	(51,815)
Transfers	-	-	-	(1,365)	(1,365)
Exchange differences	-	-	(59)	(361)	(420)
As of September 30, 2021	<u>\$136,000</u>	<u>\$103,000</u>	<u>\$520,094</u>	<u>\$68,635</u>	<u>\$827,729</u>
As of January 1, 2020	\$28,000	\$19,000	\$107,476	\$47,461	\$201,937
Addition	-	-	-	4,292	4,292
Exchange differences	-	-	(107)	(251)	(358)
As of September 30, 2020	<u>\$28,000</u>	<u>\$19,000</u>	<u>\$107,369</u>	<u>\$51,502</u>	<u>\$205,871</u>
Amortization and impairment:					
As of January 1, 2021	\$10,000	\$6,785	\$-	\$35,519	\$52,304
Amortization	12,000	12,036	-	8,811	32,847
Exchange differences	-	-	-	(124)	(124)
As of September 30, 2021	<u>\$22,000</u>	<u>\$18,821</u>	<u>\$-</u>	<u>\$44,206</u>	<u>\$85,027</u>
As of January 1, 2020	\$6,000	\$4,071	\$-	\$32,319	\$42,390
Amortization	3,000	2,036	-	3,842	8,878
Exchange differences	-	-	-	(121)	(121)
As of September 30, 2020	<u>\$9,000</u>	<u>\$6,107</u>	<u>\$-</u>	<u>\$36,040</u>	<u>\$51,147</u>
Net carrying amount as of:					
September 30, 2021	<u>\$114,000</u>	<u>\$84,179</u>	<u>\$520,094</u>	<u>\$24,429</u>	<u>\$742,702</u>
December 31, 2020	<u>\$126,000</u>	<u>\$118,215</u>	<u>\$549,968</u>	<u>\$23,330</u>	<u>\$817,513</u>
September 30, 2020	<u>\$19,000</u>	<u>\$12,893</u>	<u>\$107,369</u>	<u>\$15,462</u>	<u>\$154,724</u>

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Operating costs	<u>\$852</u>	<u>\$528</u>	<u>\$2,757</u>	<u>\$1,592</u>
Operating expenses	<u>\$9,303</u>	<u>\$2,485</u>	<u>\$30,090</u>	<u>\$7,286</u>

(11) Short-term loans

	Interest Rates (%)	As of		
		September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans	0.5% ~ 4.5%	\$2,124,122	\$1,951,531	\$1,493,974
Secured bank loans	1.45%	7,047	275,836	-
Total		<u>\$2,131,169</u>	<u>\$2,227,367</u>	<u>\$1,493,974</u>

The Group's unused short-term lines of credits amount are \$8,785,583 thousand, \$8,545,958 thousand and \$7,361,528 thousand, as of September 30, 2021, December 31, 2020 and September 30, 2020, 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		
	September 30, 2021	December 31, 2020	September 30, 2020
Salaries payable	\$652,627	\$748,507	\$598,204
Accrued expenses	296,818	262,782	310,085
Bonuses payable	47,482	43,199	33,579
Interest payable	475	301	144
Other payable—other	118,718	55,523	45,631
Other payable—related parties	22	-	-
Total	<u>\$1,116,142</u>	<u>\$1,110,312</u>	<u>\$987,643</u>

(13) Long-term loans

Details of long-term loans as of September 30, 2021 are as follows:

Lenders	As of September 30, 2021	Interest Rate (%)	Maturity date and terms of repayment
Bank of China secured bank loans	\$27,290	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>27,290</u>		
Less: current portion	<u>(6,065)</u>		
Total	<u>\$21,225</u>		

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

Lenders	As of December 31, 2020	Interest Rate (%)	Maturity date and terms of repayment
Bank of China secured 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	30,238		
Less: current portion	(4,536)		
Total	<u>\$25,702</u>		

Details of long-term loans as of September 30, 2020 are as follows:

Lenders	As of September 30, 2020	Interest Rate (%)	Maturity date and terms of repayment
Bank of China secured bank loans	\$30,268	4.15%	The terms of repayment is from May 29, 2020 to May 28, 2023, repayment of 5% of the principal and interest are paid quarterly from May 29, 2021.
Subtotal	30,268		
Less: current portion	(3,027)		
Total	<u>\$27,241</u>		

(14) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month and Nine-month periods ended September 30, 2021 were \$64,048 thousand, \$33,590 thousand, respectively, and for the three-month and Nine-month periods ended September 30, 2020 were \$158,266 thousand and \$83,397 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month and Nine-month periods ended September 30, 2021 were \$5,760 thousand, \$998 thousand, respectively, and for the three-month and Nine-month periods ended September 30, 2020 were \$9,251 thousand and \$2,967 thousand, respectively.

(15) Provisions

	Decommissioning, restoration and rehabilitation	Other long-term provision	Total
As of January 1, 2021	\$9,115	\$86,658	\$95,773
Utilized	-	(33,229)	(33,229)
Discount rate adjustment and unwinding of discount from the passage of time	221	-	221
Exchange differences	-	152	152
As of September 30, 2021	<u>\$9,336</u>	<u>\$53,581</u>	<u>\$62,917</u>
As of January 1, 2020	\$8,804	\$143,090	\$151,894
Utilized	-	(40,722)	(40,722)
Discount rate adjustment and unwinding of discount from the passage of time	231	-	231
Exchange differences	-	(190)	(190)
As of September 30, 2020	<u>\$9,035</u>	<u>\$102,178</u>	<u>\$111,213</u>
Current—September 30, 2021	\$-	\$6,242	\$6,242
Non-current—September 30, 2021	9,336	47,339	56,675
As of September 30, 2021	<u>\$9,336</u>	<u>\$53,581</u>	<u>\$62,917</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—September 30, 2020	\$-	\$-	\$-
Non-current—September 30, 2020	9,035	102,178	111,213
As of September 30, 2020	<u>\$9,035</u>	<u>\$102,178</u>	<u>\$111,213</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 September 30, 2021, December 31, 2020 and September 30, 2020. The Company's issued capital were both \$1,310,300 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020, each at a par value of \$10. Each share has one voting right and a right to receive dividends.

B. Capital surplus

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Additional paid-in capital	\$1,515,684	\$1,515,684	\$1,515,684
Difference between consideration given/ received and carrying amount of interests in subsidiaries acquired/disposed of	75,872	75,872	75,872
Expired employee stock warrants	72,802	72,802	72,802
Total	<u>\$1,664,358</u>	<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.

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

On 31 March 2021, the FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the 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. 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 the Nine-month periods ended September 30, 2021 and 2020. 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 are \$35,065 thousand, and \$135,084 thousand as of the Nine-month periods ended September 30, 2021 and 2020, respectively. The Company did not reverse special reserve to retained earnings for the period ended September 30, 2021 and 2020 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 the stockholders' meeting on August 11, 2021 and 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 nine-month periods ended September 30,	
	2021	2020
Beginning balance	\$648,726	\$328,246
Net gains attributable to non-controlling interests	95,129	40,039
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(11,388)	(121)
Others	(22,199)	-
Ending balance	<u>\$710,268</u>	<u>\$368,164</u>

(17) Operating revenue

A. Disaggregation of revenue

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Revenue from contracts with customers				
Sale of goods	\$4,929,988	\$3,044,190	\$16,402,173	\$9,174,805
Other revenue	178,833	42,780	509,953	99,150
Total	<u>\$5,108,821</u>	<u>\$3,086,970</u>	<u>\$16,912,126</u>	<u>\$9,273,955</u>

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

(18) Expected credit (losses)/gains

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Operating expenses – Expected credit (losses)/gains				
Accounts receivables	<u><u>\$ (7,796)</u></u>	<u><u>\$ 140</u></u>	<u><u>\$ (8,468)</u></u>	<u><u>\$ 1,457</u></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 September 30, 2021, December 31, 2020 and September 30, 2020 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 September 30, 2021

	Not yet due	Overdue			
	(Note)	Under 60 days	61~180 days	Over 181 days	Total
Gross carrying amount					\$2,793,568
Loss ratio					0.5287%
Lifetime expected credit losses					(14,770)
Net carrying amount	<u><u>\$2,389,454</u></u>	<u><u>\$343,118</u></u>	<u><u>\$45,413</u></u>	<u><u>\$813</u></u>	<u><u>\$2,778,798</u></u>

As of December 31, 2020

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

As of September 30, 2020

	Not yet due (Note)	Overdue			Total
		Under 60 days	61~180 days	Over 181 days	
Gross carrying amount					\$2,307,583
Loss ratio					0.1951%
Lifetime expected credit losses					(4,503)
Net carrying amount	\$2,158,098	\$143,746	\$1,236	\$-	\$2,303,080

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

The movement in the provision for impairment of notes receivables and accounts receivable during the nine-month periods ended September 30, 2021 and 2020 is as follows:

	Notes receivables	Accounts receivable
As of January 1, 2021	\$-	\$6,489
Addition for the current period	-	8,468
Bad debts	-	(100)
Exchange differences	-	(87)
As of September 30, 2021	\$-	\$14,770
As of January 1, 2020	\$-	\$6,257
Reversal for the current period	-	(1,457)
Bad debts	-	(219)
Exchange differences	-	(78)
As of September 30, 2020	\$-	\$4,503

(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		
	September 30, 2021	December 31, 2020	September 30, 2020
Land	\$97,379	\$100,015	\$102,048
Buildings	206,454	282,618	270,467
Total	\$303,833	\$382,633	\$372,515

During the nine-month periods ended September 30, 2021, and 2020, the Group's additions to right-of-use assets amounted to \$1,005 thousand, \$25,467 thousand, respectively.

ii. Lease liabilities

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Lease liabilities	\$223,109	\$287,042	\$274,735
Current	\$67,746	\$68,767	\$62,104
Non-current	155,363	218,275	212,631
Total	\$223,109	\$287,042	\$274,735

Please refer to Note 6(21) for the interest on lease liabilities recognized during the three-month and nine-month periods ended September 30, 2021 and 2020 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities on September 30, 2021, December 31, 2020, and September 30, 2020.

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

Depreciation charge for right-of-use assets

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Land	\$1,180	\$1,047	\$3,555	\$2,805
Buildings	16,485	17,623	53,657	53,914
Total	\$17,665	\$18,670	\$57,212	\$56,719

(c) Income and costs relating to leasing activities

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
The expenses relating to leases of low-value assets (Including the expenses relating to short-term leases of low-value assets)	\$11,880	\$2,296	\$27,777	\$7,228

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 for it as a variable lease payment. The Group has applied the practical expedient to the classification of the lease related to both \$0 for the three-month and nine-month periods ended September 30, 2021 and \$0, \$731 thousand for the three-month and nine-month periods ended September 30, 2020, respectively. Please refer to Note 6 (21) for more details.

(d) Cash outflow relating to leasing activities

During the three-month and nine-month periods ended September 30, 2021, the Group's total cash outflows for leases amounting to \$29,964 thousand and \$84,210 thousand, respectively, and during the three-month and nine-month periods ended September 30, 2020, the Group's total cash outflows for leases amounting to \$19,730 thousand and \$59,444 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 three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Lease income for operating leases				
Income relating to fixed lease payments	\$3,142	\$-	\$9,478	\$-

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 of September 30, 2021, December 31, 2021 and September 30, 2020 are as follow:

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Not later than one year	\$12,637	\$12,450	\$-
Later than one year and not later than five years	12,637	21,788	-
Later than five years	-	-	-
Total	\$25,274	\$34,238	\$-

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

	For the three-month periods ended September 30,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$809,819	\$420,267	\$1,230,086	\$652,245	\$171,494	\$823,739
Labor and health insurance	10,415	9,461	19,876	11,865	7,266	19,131
Pension	45,110	24,698	69,808	28,833	5,755	34,588
Remuneration to directors	-	375	375	-	375	375
Other employee benefits expense	238,212	46,325	284,537	82,981	6,213	89,194
Depreciation	133,756	26,511	160,267	87,272	28,154	115,426
Amortization	852	9,303	10,155	528	2,485	3,013

	For the nine-month periods ended September 30,					
	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	\$2,615,664	\$926,374	\$3,542,038	\$1,697,006	\$530,938	\$2,227,944
Labor and health insurance	29,811	26,988	56,799	38,079	22,429	60,508
Pension	123,705	43,812	167,517	70,156	16,208	86,364
Remuneration to directors	-	1,125	1,125	-	1,125	1,125
Other employee benefits expense	706,310	92,174	798,484	216,365	22,581	238,946
Depreciation	362,652	77,941	440,593	264,862	82,841	347,703
Amortization	2,757	30,090	32,847	1,592	7,286	8,878

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 nine-month period ended September 30, 2021, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the nine-month period ended September 30, 2021 to be 2% of profit of the current nine-month periods and 0.05 % of profit of the current nine-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the three-month and nine-month periods ended September 30, 2021 amount to \$11,568 thousand and \$375 thousand, \$42,135 thousand and \$1,125 thousand, respectively and recognized as salaries expense.

Based on profit of the nine-month period ended September 30, 2020, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the nine-month period ended September 30, 2020 to be 3.58% of profit of the current nine-month periods and 0.12% of profit of the current nine-month period, respectively, recognized as employee benefits expense. As such, employees' compensation and remuneration to directors for the three-month and nine-month periods ended September 30, 2020 amount to \$9,790 thousand and \$375 thousand, \$32,384 thousand and \$1,125 thousand, respectively and recognized as salaries expense.

A resolution was passed at a Board of Directors meeting held on March 24, 2021 to distribute \$41,422 thousand and \$1,500 thousand in cash as employees' compensation and remuneration to directors of 2020, 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, 2020.

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 three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Interest income				
Financial assets measured at amortized cost	\$4,315	\$4,339	\$9,396	\$20,046
Financing provided to others (Note)	311	312	937	937
Total	<u>\$4,626</u>	<u>\$4,651</u>	<u>\$10,333</u>	<u>\$20,983</u>

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

B. Other income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Rent income	\$4,577	\$1,974	\$13,902	\$6,127
Dividend income	6,137	6,135	6,137	6,135
Other income - others	3,432	27,052	71,163	79,501
Other income – subsidy from customer	110,941	-	110,941	-
Other income - government grants	1,640	-	11,875	-
Other gains - rent concessions	-	-	-	731
Total	<u>\$126,727</u>	<u>\$35,161</u>	<u>\$214,018</u>	<u>\$92,494</u>

C. Other gains and losses

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Gains/(losses) on disposal of property, plant and equipment	\$(194)	\$1,677	\$2,577	\$(229)
Gains on disposal of investments	4,656	-	4,656	-
Losses on financial assets at fair value through profit or loss	(2,121)	(5,557)	(980)	(4,667)
Foreign exchange losses, net	(1,117)	(99,917)	(21,675)	(114,149)
Gains on lease modification	731	31	731	31
Miscellaneous				
Disbursements (Note)	(123,934)	(372)	(130,374)	(6,872)
Total	<u>\$(121,979)</u>	<u>\$(104,138)</u>	<u>\$(145,065)</u>	<u>\$(125,886)</u>

Note: The subsidiary of the Group, Vision International Co., Ltd. (Vision), is located in Binh Duong Province of Vietnam. Due to the Covid-19 outbreak, the Group recognized non-operating depreciation expense and other related expense totaling \$109,189 thousand as the related loss on work stoppage and listed them under miscellaneous disbursements.

D. Finance costs

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Interest on borrowings from bank	\$(4,513)	\$(4,326)	\$(14,318)	\$(14,701)
Interest on lease liabilities	(1,647)	(2,695)	(5,654)	(8,348)
Total	<u>\$(6,160)</u>	<u>\$(7,021)</u>	<u>\$(19,972)</u>	<u>\$(23,049)</u>

(22) Components of other comprehensive income

For three-month period ended September 30, 2021

	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income, net of tax	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of foreign operations	<u>\$(4,990)</u>	<u>\$-</u>	<u>\$(4,990)</u>	<u>\$(4,990)</u>

For three-month period ended September 30, 2020

	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income, net of tax	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:				
Exchange differences resulting from translating the financial statements of foreign operations	<u>\$148,242</u>	<u>\$-</u>	<u>\$148,242</u>	<u>\$148,242</u>

For the nine-month period ended September 30, 2021

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	<u>\$ (76,398)</u>	<u>\$ -</u>	<u>\$ (76,398)</u>	<u>\$ -</u>	<u>\$ (76,398)</u>

For the nine-month period ended September 30, 2020

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive	Other comprehensive income, net of tax
To be reclassified to profit or loss in subsequent periods:					
Exchange differences resulting from translating the financial statements of foreign operations	<u>\$ 2,769</u>	<u>\$ -</u>	<u>\$ 2,769</u>	<u>\$ -</u>	<u>\$ 2,769</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 three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Current income tax expense (income):				
Current income tax charge	\$160,854	\$25,162	\$496,672	\$195,472
Adjustments in respect of current income tax of prior periods	27	15	(9,193)	(44,171)
Repatriated offshore funds tax amount withheld (Note)	-	23,500	-	23,500
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	(9,441)	5,526	(16,540)	13,492
Total income tax expense	<u>\$151,440</u>	<u>\$54,203</u>	<u>\$470,939</u>	<u>\$188,293</u>

Note: Based on “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”, the Group paid 8% income tax on the amount of USD 800 thousand (NTD 23,500 thousand).

The assessment of income tax returns

As of September 30, 2021, 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 both amounted to \$18,724 thousand as of September 30, 2021, December 31, 2020 and September 30, 2020. 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 three-month periods ended September 30,</u>		<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
A. Basic earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousands)	<u>\$437,633</u>	<u>\$132,840</u>	<u>\$1,772,645</u>	<u>\$642,408</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>131,030</u>	<u>131,030</u>	<u>131,030</u>	<u>131,030</u>
Basic earnings per share (NT\$)	<u>\$3.34</u>	<u>\$1.01</u>	<u>\$13.53</u>	<u>\$4.90</u>

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
B. Diluted earnings per share				
Profit attributable to ordinary equity holders of the Company (in thousands)	<u>\$437,633</u>	<u>\$132,840</u>	<u>\$1,772,645</u>	<u>\$642,408</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	131,030	131,030	131,030	131,030
Effect of dilution:				
Employee compensation—stock (in thousands)	<u>234</u>	<u>56</u>	<u>288</u>	<u>185</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>131,264</u>	<u>131,086</u>	<u>131,318</u>	<u>131,215</u>
Diluted earnings per share (NT\$)	<u>\$3.33</u>	<u>\$1.01</u>	<u>\$13.50</u>	<u>\$4.90</u>

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

(25) Business combinations

Acquisition of Minson Integration, Inc. and its subsidiaries

In 2020, the Company intended to acquire the sporting goods division of Min Shun Enterprise Co., Ltd., the sporting goods and equipment division of Min Yang Co., Ltd. (hereinafter referred to as the "Acquired Business"), and the equity of four Thai companies. (namely: MINTECH ENTERPRISES COMPANY LIMITED, MINSON ENTERPRISES (THAILAND) COMPANY LIMITED, MINONE ENTERPRISES COMPANY LIMITED and MENXON ENTERPRISES (THAILAND) COMPANY LIMITED) (hereinafter referred to as the "Acquired Companies ") (The "Acquired Business" and "Acquired Companies" are collectively referred to as "Acquisition Target"). According to the agreement between the Company and the seller of said Acquisition Target, the seller shall establish Minson Integration, Inc. and sell the Acquired Business to Minsheng Integration, Inc., will purchase the Acquired Companies from the seller. Later the Company will take part in the cash capital increase of Minson Integration, Inc. and purchase the shares of Minson Integration, Inc. owned by the seller. As a result, the Company's ownership in Minson Integration, Inc. would reached 85% when the merger and acquisition is completed.

The Company set November 30, 2020 as the acquisition date, and measured the identifiable assets acquired and liabilities assumed based on the fair value on that day.

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 the Acquired Target on the acquisition date are as follows:

	Fair value recognized on 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
Deferred tax assets	2,070
Property, plant and equipment	1,147,042
Intangible assets	197,050
Identifiable net assets	<u>2,851,351</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	(147,552)
Total assumed liabilities	<u>(1,698,288)</u>
Total identifiable net assets at fair value	<u><u>\$1,153,063</u></u>

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

	Amount
Cash consideration (after adjusting initial price \$28,900 thousand)	\$1,331,100
Add: non-controlling interests(after adjusting initial price \$5,100 thousand)	234,900
Less: identifiable net assets at fair value	(1,153,063)
Goodwill	<u><u>\$412,937</u></u>

Cash flows on acquisition:

	Amount
Net cash acquired with the subsidiary	\$777,371
Cash paid (after adjusting initial price \$28,900 thousand)	(1,331,100)
Net cash outflow	<u><u>\$(553,729)</u></u>

The initial cash consideration paid by the Group was \$1,360,000 thousand in 2020, which was based on what is 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 has being agreed by both parties (which was NTD\$350,000 thousand) (Hereinafter referred to as "working capital adjustment"). The amount is the basis to determine 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 remains unchanged. However, if it exceeds plus or minus 3%, the initial price will fully reflect the increase/decrease of the working capital adjustment. Said working capital 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 share payments).

The initial price mentioned above was adjusted on April 30, 2021 as agreed by both the buyer and the seller. The adjusted price was \$34,000 thousand. The Group received a refund of \$28,900 thousand according to 85% shareholding of the year, of which \$5,100 thousand received with 15% shareholding percentage was recorded under changes in non-controlling interests. The Group paid \$1,331,100 thousand for the net cash consideration due to the business combination.

Goodwill is expected to result from the comprehensive effect of the acquisition.

When the Group was planning to acquire Minson Integration, Inc. and its subsidiaries, the equity value analysis information used to determine the acquisition price was based on the company's financial forecast from the second half of 2020 to 2025. Therefore, whether there is a significant difference between the expected benefits after the acquisition and the actual operation is explained by the achievement of the related operating income during the financial forecast period. After the acquisition, the actual operating income of the fourth quarter of 2020 and the first three quarters of 2021 reached 100% and 112% of the expected operating income, respectively.

7. Related party transactions

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

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
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
Worldmark Service Ltd.	Substantive related party
Well Base International Limited	Substantive related party
Min Yang Co., Ltd.	Substantive related party
Fu Sheng (Vietnam) Industrial Co., Ltd	Substantive related party
FS-Elliott Co. LLC	Substantive related party
California Air Compressor Company	Substantive related party

(1) Sales

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Fu Sheng Industrial CO., Ltd.	\$189	\$102	\$226	\$1,600
Others	-	-	86	-
Total	\$189	\$102	\$312	\$1,600

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 on September 30, 2021 and 2020 was unsecured, non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

(2) Accounts receivable

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Fu Sheng Industrial CO., Ltd.	\$199	\$1,205	\$861
Total	\$199	\$1,205	\$861

(3) Accounts payable

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
California Air Compressor Company	\$5,921	\$-	\$216
Others	574	925	26
Total	\$6,495	\$925	\$242

(4) Refundable deposits

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Fu Sheng (Vietnam) Industrial Co., Ltd	\$68,760	\$-	\$-
Total	\$68,760	\$-	\$-

(5) Lease-related parties

A. Rent Income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Worldmark Service Ltd.	\$-	\$567	\$-	\$1,728
Fusheng Curtis Direct	446	143	1,270	876
Others	-	114	-	346
Total	<u>\$446</u>	<u>\$824</u>	<u>\$1,270</u>	<u>\$2,950</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. Rent Expense

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$1,651	\$-	\$1,651	\$-
Total	<u>\$1,651</u>	<u>\$-</u>	<u>\$1,651</u>	<u>\$-</u>

The rent expense is generated from leasing the plant 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		
	September 30, 2021	December 31, 2020	September 30, 2020
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$-	\$25,369	\$27,469
Min Yang Co., Ltd.	10,571	-	-
Total	<u>\$10,571</u>	<u>\$25,369</u>	<u>\$27,469</u>

D. Lease liabilities

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$-	\$14,522	\$15,335
Min Yang Co., Ltd.	10,610	-	-
Total	<u>\$10,610</u>	<u>\$14,522</u>	<u>\$15,335</u>

E. Interest Expense

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$-	\$208	\$332	\$600
Min Yang Co., Ltd.	26	-	90	-
Total	<u>\$26</u>	<u>\$208</u>	<u>\$422</u>	<u>\$600</u>

F. Depreciation

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	\$-	\$2,176	\$4,144	\$6,222
Min Yang Co., Ltd.	1,163	-	3,524	-
Total	<u>\$1,163</u>	<u>\$2,176</u>	<u>\$7,668</u>	<u>\$6,222</u>

(6) Other income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Worldmark Service Ltd.	\$537	\$-	\$1,620	\$-
Others	107	2	326	2
Total	<u>\$644</u>	<u>\$2</u>	<u>\$1,946</u>	<u>\$2</u>

Other income consists mainly of management service income, which is the fixed service income received monthly as a result of the Group's administration services provided to related parties.

(7) Property transaction

A. Purchase of Property, plant and equipment

Related party	Item of asset	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2021	2020	2021	2020
Zhong Shan Fu Sheng Electromechanical Co., Ltd.	Construction in progress	\$18,940	\$-	\$139,932	\$-
Fu Sheng Industrial CO., Ltd. etc.	Machinery and equipment	1,148	313	10,061	3,153
Total		<u>\$20,088</u>	<u>\$313</u>	<u>\$149,993</u>	<u>\$3,153</u>

The above purchase price was negotiated by the buyer and the seller. For the description of the construction in progress transaction with the related party - Zhong Shan Fu Sheng Electromechanical Co., Ltd., please refer to Note 9.

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.

(8) Key management personnel compensation

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Short-term employee benefits	\$16,148	\$17,913	\$48,159	\$53,936

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
	September 30, 2021	December 31, 2020	September 30, 2020	
Financial assets measured at amortized cost	\$15,000	\$15,000	\$15,000	Gas guarantee
Financial assets measured at amortized cost	-	14,700	-	Performance bond
Property, plant and equipment—Land	28,203	64,984	-	Short-term loans
Property, plant and equipment—Buildings	85,679	114,116	-	Short-term loans
Total	\$128,882	\$208,800	\$15,000	

9. Commitments and contingencies

(1) As of September 30, 2021, the Group has the following unused letters of credit:

Currency	Amount (in dollar)
JPY	\$83,433,000
USD	\$2,500,000

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

(3) Financial institution commitments:

Financial institution	Purpose of guarantee	Amount
Bank Sinopac Co. Ltd.	Customs Duty Guarantee	\$3,000
Bangkok Bank Public Company Limited	Electricity Usage Guarantee	4,651
		<u>\$7,651</u>

(4) Significant unpaid commitments:

Contract	Contract amount	Payment amount	Unpaid amount
Machinery and equipment,etc.	<u>\$166,705</u>	<u>\$90,861</u>	<u>\$75,844</u>

(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 RMB 48,629 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 September 30, 2021, the aforementioned transaction has not yet been transferred.

(6) In order to comply with local laws and regulations in Zhongshan City, Guangdong Province, China, when the plot ratio of the land is less than 25%, the land cannot be transferred. Therefore, Zhongshan Aobo Precision Technology Co., Ltd., a subsidiary of the Company, appointed a related party -Zhongshan Fusheng Electromechanical Co., Ltd. to engage a contractor to build industrial plants on the premises with the total contract price of RMB 33,300 thousand, and paid related administrative expenses. As of September 30, 2021, the project has not been completed. A payment of RMB 32,303 thousand has been made, equivalent to approximately \$139,932 thousand.

10. Losses due to major disasters: None.

11. Significant subsequent events:

Minson Integration, Inc., the subsidiary of the Group in order to attract and retain talents that the Company needs, and motivate employees to enhance team cohesiveness, issued the right of employee stock for 400,000 units upon board resolution. Every unit is entitled to subscribe one common share of the Company. A total of 400,000 new common shares were issued to exercise the subscription rights. The employee stock options were granted to employees of Minson Integration, Inc. meeting certain conditions. The duration of employee stock option is from the issuance date to December 8, 2023 or to the day that has agreed in the subscription agreement, whichever is shorter. The minimum subscription price is set at the par value of the company's share at that time and does not carry a price adjustment mechanism. The chairman is authorized to determine the issue price based on current status.

12. Others

(1) Categories of financial instruments

Financial assets

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at fair value through profit or loss:			
Designated at fair value through profit or loss	\$284,417	\$235,424	\$241,568
Subtotal	284,417	235,424	241,568
Financial assets measured at amortized cost:			
Cash and cash equivalents (excluding cash on hand)	1,450,724	1,571,060	2,883,613
Financial assets measured at amortized cost	418,048	289,457	283,778
Notes and accounts receivable, net (including related parties)	2,778,798	3,780,487	2,303,080
Other receivables (including related parties)	276,899	210,328	162,496
Refundable deposits	88,995	18,438	15,477
Subtotal	5,013,464	5,869,770	5,648,444
Total	<u>\$5,297,881</u>	<u>\$6,105,194</u>	<u>\$5,890,012</u>

Financial liabilities

	As of		
	September 30, 2021	December 31, 2020	September 30, 2020
Financial liabilities at amortized cost:			
Short-term loans	\$2,131,169	\$2,227,367	\$1,493,974
Accounts payables (including related parties)	2,577,725	3,017,858	1,712,652
Lease liabilities	223,109	287,042	274,735
Other payables (including related parties)	1,116,142	1,110,312	987,643
Guarantee deposits	6,172	5,862	6,326
Long-term loans(including current portion with maturity less 1 year)	27,290	30,238	30,268
Other non-current liability	7,351	1,073	9,146
Total	<u>\$6,088,958</u>	<u>\$6,679,752</u>	<u>\$4,514,744</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 nine-month periods ended September 30, 2021 and 2020 is decrease/increase by \$26,441 thousand and \$26,913 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 nine-month periods ended September 30, 2021 and 2020 to decrease/increase by \$2,158 thousand and \$1,087 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 nine-month periods ended September 30, 2021 and 2020 by \$1,765 thousand and \$1,771 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 September 30, 2021, December 31, 2020 and September 30, 2020, amounts receivables from top ten customers represent 81%, 81% and 90% of the total account 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 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of September 30, 2021					
Short-term loans (including interest payable)	\$2,141,952	\$-	\$-	\$-	\$2,141,952
Accounts payables (including related parties)	2,577,725	-	-	-	2,577,725
Lease liabilities	73,136	114,276	42,022	5,591	235,025
Other payables (including related parties)	1,116,142	-	-	-	1,116,142
Guarantee deposits	6,172	-	-	-	6,172
Long-term loans(including interest payable)	6,980	21,815	-	-	28,795
Other non-current liability	7,351	-	-	-	7,351
Total	<u>\$5,929,458</u>	<u>\$136,091</u>	<u>\$42,022</u>	<u>\$5,591</u>	<u>\$6,113,162</u>
As of December 31, 2020					
Short-term loans (including interest payable)	\$2,242,954	\$-	\$-	\$-	\$2,242,954
Accounts payables (including related parties)	3,017,858	-	-	-	3,017,858
Lease liabilities	76,226	136,630	76,591	16,307	305,754
Other payables (including related parties)	1,110,312	-	-	-	1,110,312
Guarantee deposits	5,862	-	-	-	5,862
Long-term loans(including 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>

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
As of September 30, 2020					
Short-term loans (including interest payable)	\$1,504,171	\$-	\$-	\$-	\$1,504,171
Accounts payables (including related parties)	1,712,652	-	-	-	1,712,652
Lease liabilities	70,010	121,438	84,697	22,065	298,210
Other payables (including related parties)	987,643	-	-	-	987,643
Guarantee deposits	6,326	-	-	-	6,326
Long-term loans (including interest payable)	7,633	39,056	-	-	46,689
Other non-current liability	9,146	-	-	-	9,146
Total	<u>\$4,297,581</u>	<u>\$160,494</u>	<u>\$84,697</u>	<u>\$22,065</u>	<u>\$4,564,837</u>

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the nine-month period ended September 30, 2021:

	Short-term loans	Long-term loans	Guarantee deposits	Lease liabilities	Other non-current liability	Total liabilities from financing activities
As of January 1, 2021	\$2,227,367	\$30,238	\$5,862	\$287,042	\$1,073	\$2,551,582
Cash flows	(65,533)	(2,545)	398	(56,433)	6,278	(117,835)
Non-cash change	-	-	-	(6,237)	-	(6,237)
Exchange differences	(30,665)	(403)	(88)	(1,263)	-	(32,419)
As of September 30, 2021	<u>\$2,131,169</u>	<u>\$27,290</u>	<u>\$6,172</u>	<u>\$223,109</u>	<u>\$7,351</u>	<u>\$2,395,091</u>

Reconciliation of liabilities for the nine-month period ended September 30, 2020:

	Short-term loans	Long-term loans	Guarantee deposits	Lease liabilities	Other non-current liability	Total liabilities from financing activities
As of January 1, 2020	\$894,177	\$-	\$4,412	\$298,363	\$147	\$1,197,099
Cash flows	613,540	30,912	2,034	(52,216)	8,999	603,269
Non-cash change	-	-	-	32,181	-	32,181
Exchange differences	(13,743)	(644)	(120)	(3,593)	-	(18,100)
As of September 30, 2020	<u>\$1,493,974</u>	<u>\$30,268</u>	<u>\$6,326</u>	<u>\$274,735</u>	<u>\$9,146</u>	<u>\$1,814,449</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:

- (a) 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.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the 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 September 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Financial assets at fair value through profit or loss:				
Preferred stocks	\$176,484	\$-	\$-	\$176,484
Financial products	-	-	106,129	106,129
Unlisted stocks	-	-	1,400	1,400
US dollar aggressive funds	-	-	404	404

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 September 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at fair value through profit or loss:				
Preferred stocks	\$177,117	\$-	\$-	\$177,117
Financial products	-	-	62,698	62,698
Unlisted stocks	-	-	1,400	1,400
US dollar aggressive funds	-	-	353	353

Transfers between Level 1 and Level 2 during the period

During the nine-month periods ended September 30, 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

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

	Assets
	At fair value through profit or loss
Beginning balances as of January 1, 2021	\$57,958
Acquisition for the nine-month period ended September 30, 2021	49,972
Amount recognized in gain	3
Ending balances as of September 30, 2021	<u>\$107,933</u>
Beginning balances as of January 1, 2020	\$1,789
Acquisition for the nine-month period ended September 30, 2020	62,698
Amount recognized in loss	(36)
Ending balances as of September 30, 2020	<u>\$64,451</u>

Total gains and losses recognized in profit or loss for the nine-month periods ended September 30, 2021 and 2020 in the table above contain losses related to assets on hand as of September 30, 2021 and 2020 in the amount of \$3 thousand and \$(36) 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 September 30, 2021

	Foreign currencies (thousands)	Foreign exchange rate	NTD (thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$107,192	27.84	\$2,984,225
JPY	117,849	0.2501	29,474
HKD	4,788	3.58	17,141
EURO	360	32.25	11,610
RMB	29,433	4.32	127,151
Non-monetary items:			
USD	45,192	27.84	1,258,145
EURO	1,029	32.25	33,185

Financial liabilities

Monetary items			
USD	12,218	27.84	340,149
JPY	115,331	0.2501	28,844
HKD	2,021	3.58	7,235

Financial liabilities

Monetary items			
USD	30,669	27.84	853,825

As of December 31, 2020

	Foreign currencies (thousands)	Foreign 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
<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 September 30, 2020			
	Foreign currencies	Foreign	NTD
	(thousands)	exchange rate	(thousands)
<u>Financial assets</u>			
Monetary items:			
USD	\$116,983	29.17	\$3,412,394
EURO	296	34.57	10,233
Non-monetary items:			
USD	3,764	29.17	109,796
<u>Financial liabilities</u>			
Monetary items			
USD	24,721	29.17	721,112
JPY	51,337	0.2785	14,297

The above information is disclosed based on book value of foreign currency. The exchange rate was determined with reference to the spot selling exchange rate announced by Anue on September 30, 2021 and Citibank on September 30, 2020 and December 31, 2020.

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 was \$(1,117) thousand and \$(21,675) thousand for the three-month and nine-month periods ended September 30, 2021, respectively, and was \$(99,917) thousand and \$(114,149) thousand for the three-month and nine-month periods ended September 30, 2020, 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) Since the outbreak of COVID-19 in January 2020, various countries have implemented community quarantine measures to prevent the spread of the epidemic, and the Group's operations in 2020 was affected by uncontrollable factors, such as the reduction in the number of production days, the shortage of raw material supply in the supply chain, and market demand stagnation, which caused a significant decrease in operating income in the first two quarters of 2020, while some operating costs and expenses were fixed expenditures which cannot be reduced proportionately, resulting in a decline in current gross profit and operating income. However, in the first quarter of 2021, the impact of the epidemic gradually slowed down, and the European and American countries have begun to administer vaccines. The overall international consumer market demand has increased, resulting in a simultaneous increase in the Group's operations hence an increase in operating income over the same period last year. Gross profit and operating income have also increased compared with the same period last year.

Moreover, although the epidemic in occidental countries have died down because of vaccination, Asia has faced attacks of virus variant due to low vaccination rates since the second quarter in 2021. Vision International Co., Ltd. (hereinafter referred to as "Vision"), a subsidiary of the Group, has cooperated with the epidemic prevention policy called "3 in One Spot, and 1 Route 2 Locations" announced by the local government in Binh Duong Province of Vietnam since July 19, 2021. To cooperate with the above policy, Vision proactively conducted Covid-19 mass testing of employees, and then found confirmed cases. After discussion with the relevant government officials, as from July 23, 2021 to September 30, 2021, Vision has received the resumption registration approval and recovered normal operation step by step on October 1, 2021. The Group will continue to closely monitor the risks and uncertainties that may arise from the epidemic, takes appropriate measures at any time and adjusts its operating activities flexibly. During the shutdown period, the company will ship products continuously and adjust different areas' capacities flexibility depending on demands. This incident has limited impact on the financial and business activities of the Group.

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 Number of shares	Percentage of 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

For the three-month period ended September 30, 2021

	Golf Business	Sports Equipment		Other		
	Segment	Business Segment	Subtotal	Operating Segments (Note1)	Adjustment and Elimination	Consolidated
External customer	\$4,408,206	\$474,472	\$4,882,678	\$226,143	\$-	\$5,108,821
Inter-segment (Note 2)	1,171	-	1,171	5,957	(7,128)	-
Total revenue	<u>\$4,409,377</u>	<u>\$474,472</u>	<u>\$4,883,849</u>	<u>\$232,100</u>	<u>\$(7,128)</u>	<u>\$5,108,821</u>
Segment profit (loss)	<u>\$431,941</u>	<u>\$(11,381)</u>	<u>\$420,560</u>	<u>\$45,768</u>	<u>\$-</u>	<u>\$466,328</u>

For the three-month period ended September 30, 2020

	Golf Business	Sports Equipment		Other		
	Segment	Business Segment	Subtotal	Operating Segments (Note1)	Adjustment and Elimination	Consolidated
External customer	\$2,913,254	\$-	\$2,913,254	\$173,716	\$-	\$3,086,970
Inter-segment (Note 2)	-	-	-	-	-	-
Total revenue	<u>\$2,913,254</u>	<u>\$-</u>	<u>\$2,913,254</u>	<u>\$173,716</u>	<u>\$-</u>	<u>\$3,086,970</u>
Segment profit (loss)	<u>\$163,211</u>	<u>\$-</u>	<u>\$163,211</u>	<u>\$(7,223)</u>	<u>\$-</u>	<u>\$155,988</u>

For the nine-month period ended September 30, 2021

	Golf Business	Sports Equipment		Other		
	Segment	Business Segment	Subtotal	Operating Segments (Note1)	Adjustment and Elimination	Consolidated
External customer	\$14,629,795	\$1,653,099	\$16,282,894	\$629,232	\$-	\$16,912,126
Inter-segment (Note 2)	4,022	-	4,022	17,695	(21,717)	-
Total revenue	<u>\$14,633,817</u>	<u>\$1,653,099</u>	<u>\$16,286,916</u>	<u>\$646,927</u>	<u>\$(21,717)</u>	<u>\$16,912,126</u>
Segment profit	<u>\$1,771,711</u>	<u>\$48,731</u>	<u>\$1,820,442</u>	<u>\$47,332</u>	<u>\$-</u>	<u>\$1,867,774</u>
Segment assets	<u>\$11,401,789</u>	<u>\$2,719,633</u>	<u>\$14,121,422</u>	<u>\$891,589</u>	<u>\$(4,013)</u>	<u>\$15,008,998</u>
Segment liabilities	<u>\$5,329,159</u>	<u>\$1,190,600</u>	<u>\$6,519,759</u>	<u>\$598,201</u>	<u>\$(4,013)</u>	<u>\$7,113,947</u>

For the nine-month period ended September 30, 2020

	Golf Business	Sports Equipment		Other		
	Segment	Business Segment	Subtotal	Operating	Adjustment and	Consolidated
				Segments (Note1)	Elimination	
External customer	\$8,743,904	\$-	\$8,743,904	\$530,051	\$-	\$9,273,955
Inter-segment (Note 2)	-	-	-	-	-	-
Total revenue	\$8,743,904	\$-	\$8,743,904	\$530,051	\$-	\$9,273,955
Segment profit	\$708,171	\$-	\$708,171	\$(25,724)	\$-	\$682,447
Segment assets	\$10,718,275	\$-	\$10,718,275	\$763,083	\$-	\$11,481,358
Segment liabilities	\$4,561,987	\$-	\$4,561,987	\$639,526	\$-	\$5,201,513

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.

(Unit : thousands of NTD)

No. (Note1)	Financing Company	Counterparty	Financial Statement Account (Note2)	Related Party	Maximum Balance for the period (Note3)	Ending Balance (Note8)	Actual Amount provided	Interest Rate	Nature of Financing (Note4)	Transaction Amounts (Note5)	Reason for Financing (Note6)	Allowance for Bad Debt	Collateral		Amount for Individual Counterparty (Note 7)	Financial Amount for Financing Company (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 provided by third party	\$50,000	\$74,479	\$2,873,913
1	Minson Integration, Inc.	MINONE ENTERPRISES COMPANY LIMITED	Other receivables due from related parties	Yes	200,000	200,000	125,280	0.8%	2	-	Acquisition of equipment and operating turnover	-	-	-	611,777	611,777
1	Minson Integration, Inc.	MINONE ENTERPRISES COMPANY LIMITED	Other receivables due from related parties	Yes	200,000	200,000	83,520	0.8%	2	-	Acquisition of land	-	-	-	611,777	611,777
2	MINTECH ENTERPRISES COMPANY LIMITED	MINSON ENTERPRISES (THAILAND) COMPANY LIMITED	Other receivables due from related parties	Yes	41,450	41,450	38,549	1.9%	2	-	Operating turnover	-	-	-	263,860	263,860
2	MINTECH ENTERPRISES COMPANY LIMITED	MENXON ENTERPRISES (THAILAND) COMPANY LIMITED	Other receivables due from related parties	Yes	8,290	8,290	3,316	1.9%	2	-	Operating turnover	-	-	-	263,860	263,860
3	MENXON ENTERPRISES (THAILAND) COMPANY LIMITED	MINONE ENTERPRISES COMPANY LIMITED	Other receivables due from related parties	Yes	16,580	16,580	8,705	1.9%	2	-	Operating turnover	-	-	-	126,860	126,860

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 balance of the Company and its subsidiaries' financing to others for the nine-month periods ended September 30, 2021.

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 : (1) 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.

- (2) Minson Integration, Inc.: The short-term financing shall not exceed 10% of the loan and the net value of the company, and those subsidiaries of the Company that directly or indirectly hold more than 99% the voting rights shall not be subject to the preceding limit.

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

- (3) MINTECH ENTERPRISES COMPANY LIMITED: The short-term financing shall not exceed 100% of the net value of the Company, and be limited to the parent company and other subsidiaries of the Group.

- (4) MENXON ENTERPRISES (THAILAND) COMPANY LIMITED: The short-term financing shall not exceed 100% of the net value of the Company, and be limited to the parent company and other subsidiaries of the Group.

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.

(Unit : thousands of NTD/thousands of USD)

NO. (Note1)	Endorser/Guarantor	Receiving Party		Limited of Endorsement/Guarantee Amount for receiving party (Note3)	Maximum Balance of the period (Note4)	Ending Balance (Note5)(Note8)	Actual Amount provided (Note6)(Note8)	Amount of Endorsement/ Guarantee collateralized	Percentage of Accumulated Endorsement/Guarantee to Net Equity per latest Financial statements	Limit on the Endorsement/Guarantee Amount (Note 3)	Parent Company Endorsed or Guaranteed for the Subsidiaries (Note 7)	Subsidiaries Endorsed or Guaranteed for the Parent Company (Note 7)	Endorsement or Guarantee for Entities in China (Note 7)
		Company Name	Relationship (Note2)										
0	Fusheng Precision Co., Ltd.	World Gate Holdings Ltd.	2	\$17,961,958	\$1,597,680 (USD56,000)	\$723,840 (USD26,000)	\$-	N	10.07%	\$17,961,958	Y	-	-
0	Fusheng Precision Co., Ltd.	FS-Precision Tech Co., LLC.	2	17,961,958	656,190 (USD23,000)	417,600 (USD15,000)	292,320 (USD10,500)	N	5.81%	17,961,958	Y	-	-
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	2	17,961,958	14,265 (USD500)	13,920 (USD500)	-	N	0.19%	17,961,958	Y	-	-
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	2	17,961,958	855,900 (USD30,000)	835,200 (USD30,000)	-	N	11.62%	17,961,958	Y	-	-
0	Fusheng Precision Co., Ltd.	Minson Integration, Inc.	2	8,621,740	1,450,000	1,450,000	700,000	N	20.18%	17,961,958	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 for the six-month periods ended September 30, 2021.

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.

ATTACHMENT 3 : Securities held as of September 30, 2021 (excluding subsidiary, associates and jointly controlled)

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

Company	Type and Name of the securities (Note1)	Relationship (Note2)	Financial Statement Account	As of September 30, 2021				Remark (Note 4)
				Shares/Unit	Carrying Value(Note 3)	Percentage of 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	\$103,958	-	\$103,958	
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	72,526	-	72,526	
Zhong Shan Aubo Precision Technology Co., Ltd.	RMB Finance Products	-	Financial assets at fair value through profit and losses — current	RMB 22,000 thousands Dollars	95,300	-	95,300	
Zhong Shan Aubo Metal Surface Treatment Co., Ltd.	RMB Finance Products	-	Financial assets at fair value through profit and losses — current	RMB 2,500 thousands Dollars	10,829	-	10,829	
NFT Technology CO., Ltd.	US dollar aggressive funds	-	Financial assets at fair value through profit and losses — non-current	USD 20,000	404	-	404	
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 (Note2)	Percentage of Total Receivable (Payable)		
Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent - subsidiary	Sales	\$(144,846)	1.03%	T/T 60 days	No significant difference	No significant difference	Accounts receivable	\$31,966	1.46%	
Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent - subsidiary	Purchases	7,600,610	62.65%	T/T 60 days	No significant difference	No significant difference	Accounts payable	(2,379,259)	(81.78)%	
Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent - subsidiary	Purchases	2,849,594	23.49%	T/T 30 days	No significant difference	No significant difference	Accounts payable	(11,273)	(0.39)%	
Extensor World Trading Ltd. (Hong Kong)	Fusheng Precision Co., Ltd.	Parent - subsidiary	Sales	(7,600,610)	(95.42)%	T/T 60 days	No significant difference	No significant difference	Accounts receivable	2,379,259	95.13%	
Extensor World Trading Ltd. (Hong Kong)	Fusheng Precision Co., Ltd.	Parent - subsidiary	Purchases	144,846	1.92%	T/T 60 days	No significant difference	No significant difference	Accounts payable	(31,966)	(1.22)%	
Extensor World Trading Ltd. (Hong Kong)	Zhong Shan Worldmark Sporting Goods Ltd.	Affiliate Company	Purchases	5,927,081	78.72%	T/T 90 days	No significant difference	No significant difference	Accounts payable	(2,209,486)	(84.51)%	
Extensor World Trading Ltd. (Hong Kong)	Vision International Co., Ltd.	Affiliate Company	Sales	(360,833)	(4.53)%	T/T 120 days	No significant difference	No significant difference	Accounts receivable	121,749	4.87%	
Extensor World Trading Ltd.(Hong Kong)	Vision International Co., Ltd.	Affiliate Company	Purchases	163,153	2.17%	T/T 30 days	No significant difference	No significant difference	Accounts payable	(1,220)	(0.05)%	
Extensor World Trading Ltd.(Hong Kong)	AUBO PRECISION (HONG KONG) CO., LIMITED	Affiliate Company	Purchases	341,451	4.54%	T/T 45 days	No significant difference	No significant difference	Accounts payable	(102,638)	(3.93)%	
Vision International Co., Ltd.	Fusheng Precision Co., Ltd.	Parent - subsidiary	Sales	(2,849,594)	(90.72)%	T/T 30 days	No significant difference	No significant difference	Accounts receivable	11,273	39.11%	
Vision International Co., Ltd.	Extensor World Trading Ltd.(Hong Kong)	Affiliate Company	Sales	(163,153)	(5.19)%	T/T 30 days	No significant difference	No significant difference	Accounts receivable	1,220	4.23%	
Vision International Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Affiliate Company	Purchases	360,833	11.83%	T/T 120 days	No significant difference	No significant difference	Accounts payable	(121,749)	(28.16)%	
Vision International Co., Ltd.	AUBO PRECISION (HONG KONG) CO., LIMITED	Affiliate Company	Purchases	108,083	3.54%	T/T 45 days	No significant difference	No significant difference	Accounts payable	(10,769)	(2.49)%	
Zhong Shan Worldmark Sporting Goods Ltd.	Extensor World Trading Ltd. (Hong Kong)	Affiliate Company	Sales	(5,927,081)	(99.62)%	T/T 90 days	No significant difference	No significant difference	Accounts receivable	2,209,486	98.46%	
AUBO PRECISION (HONG KONG) CO., LIMITED	Extensor World Trading Ltd.(Hong Kong)	Affiliate Company	Sales	(341,451)	(42.92)%	T/T 45 days	No significant difference	No significant difference	Accounts receivable	102,638	51.47%	
AUBO PRECISION (HONG KONG) CO., LIMITED	Vision International Co., Ltd.	Affiliate Company	Sales	(108,083)	(13.60)%	T/T 45 days	No significant difference	No significant difference	Accounts receivable	10,769	5.41%	

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 September 30, 2021

(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	\$2,379,259	3.11	\$-	-	\$779,520	\$-
Extensor World Trading Ltd. (Hong Kong)	Vision International Co., Ltd.	Affiliate Company	121,749	3.25	-	-	28,446	-
AUBO PRECISION (HONG KONG) CO., LIMITED	Extensor World Trading Ltd. (Hong Kong)	Affiliate Company	102,638	3.33	-	-	46,417	-
Zhong Shan Worldmark Sporting Goods Ltd.	Extensor World Trading Ltd. (Hong Kong)	Affiliate Company	2,209,486	2.46	-	-	835,200	-

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

ATTACHMENT 6 : Significant intercompany transactions for the nine-month periods ended September 30, 2021

(Unit : thousands of NTD)

No. (Note1)	Related Party	Counter Party	Relationship with the Company	Transaction Details			
				Account	Amount (Note3)	Terms	Percentage of consolidated total operating revenues or total assets(Note2)
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent company to subsidiary	Accounts payable	\$11,273	T/T 30 days	-%
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent company to subsidiary	Sales	36,447	T/T 120 days	-%
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent company to subsidiary	Purchases	2,849,594	T/T 30 days	17%
0	Fusheng Precision Co., Ltd.	Vision International Co., Ltd.	Parent company to subsidiary	Accounts receivable	17,254	T/T 120 days	-%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent company to subsidiary	Accounts payable	2,379,259	T/T 60 days	16%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent company to subsidiary	Sales	144,846	T/T 60 days	1%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent company to subsidiary	Purchases	7,600,610	T/T 60 days	45%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent company to subsidiary	Accounts receivable	31,966	T/T 60 days	-%
0	Fusheng Precision Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Parent company to subsidiary	Other revenue	51,103	T/T 60 days	-%
1	Vision International Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Subsidiary to subsidiary	Accounts payable	121,749	T/T 120 days	1%
1	Vision International Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Subsidiary to subsidiary	Sales	163,153	T/T 30 days	1%
1	Vision International Co., Ltd.	Extensor World Trading Ltd. (Hong Kong)	Subsidiary to subsidiary	Purchases	360,833	T/T 120 days	2%
1	Vision International Co., Ltd.	AUBO PRECISION (HONG KONG) CO., LIMITED	Subsidiary to subsidiary	Purchases	108,083	T/T 45 days	1%
1	Vision International Co., Ltd.	AUBO PRECISION (HONG KONG) CO., LIMITED	Subsidiary to subsidiary	Accounts payable	10,769	T/T 45 days	-%
2	Extensor World Trading Ltd. (Hong Kong)	Zhong Shan Worldmark Sporting Goods Ltd.	Subsidiary to subsidiary	Accounts payable	2,209,486	T/T 90 days	15%
2	Extensor World Trading Ltd. (Hong Kong)	Zhong Shan Worldmark Sporting Goods Ltd.	Subsidiary to subsidiary	Purchases	5,927,081	T/T 90 days	35%
2	Extensor World Trading Ltd. (Hong Kong)	AUBO PRECISION (HONG KONG) CO., LIMITED	Subsidiary to subsidiary	Purchases	341,451	T/T 45 days	2%
2	Extensor World Trading Ltd. (Hong Kong)	AUBO PRECISION (HONG KONG) CO., LIMITED	Subsidiary to subsidiary	Accounts payable	102,638	T/T 45 days	1%

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 September 30, 2021			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 (HKD 93,000)	\$349,750 (HKD 93,000)	93,000,000	100.00%	\$4,185,062	\$633,110	\$668,379	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 (USD 50)	1,538 (USD 50)	50,000	100.00%	744,941	171,787	131,485	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 (USD 11,000)	375,418 (USD 11,000)	11,000,000	100.00%	335,928	(170,604)	(170,604)	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 (USD 18,000)	599,096 (USD 18,000)	18,000,000	100.00%	22,791	81,525	81,525	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%	188,727	(39,910)	(27,834)	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%	693	(497)	(497)	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	- (Note 6)	25,200	- (Note 6)	0.00%	-	(14,567)	(1,447)	
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, motocross, baseball, skiing and other sports	1,331,100 (Note 5)	1,360,000	19,125,000	85.00%	1,300,026	58,698	49,893	Note 4
World Gate Holdings Ltd.	Wealth Max Creation Limited	Unit 908, 9/F, Lippo Sun Plaza, 28 Canton Road, Tsimshatsui, Kowloon, Hong Kong.	Investment holding and international trade	57,163 (HKD 15,000)	57,163 (HKD 15,000)	5,250	52.50%	20,107	143	75	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 (USD 10,000)	294,166 (USD 10,000)	10,000,000	100.00%	471,338	174,344	174,344	Note 4
Gainsmart Group Ltd.	FS-North America, Inc.	Ste. 1B, 9 E. Lockerman Street, Dover, Kent 19901, Delaware, USA.	Investment holding	522,548 (USD 15,700)	522,548 (USD 15,700)	10,000	100.00%	22,788	81,524	81,524	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 (USD 15,700)	522,548 (USD 15,700)	-	100.00%	18,577	79,508	79,508	Note 4
Zhong Shan Aubo Precision Technology Co., Ltd.	AUBO (VIET NAM) PRECISION TECHNOLOGY COMPANY LIMITE	CN16, No. 12D, N2 Road, Shenlang Third Industrial Zone, Fuxinfang, Tuen Long, Vietnam	Manufacture precision hardware products, plastic products	92,155 (USD 3,000)	92,155 (USD 3,000)	300,000	100.00%	76,429	(1,406)	(1,406)	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	363 (USD 100)	363 (USD 100)	100,000	100.00%	3,035	2,681	2,681	Note 4
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	400,000	19,999,998	100.00%	368,204	9,569	9,569	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	90,000	1,199,988	100.00%	56,603	(15,050)	(15,050)	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	280,000	11,999,998	100.00%	248,202	12,474	12,474	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	230,000	9,999,998	100.00%	203,576	10,731	10,731	Note 4

Note1 : 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.

Note2: 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 September 30, 2021" 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.

Note3 : It includes the unrealized gross profit of the current and downstream sales.

Note4 : It has been written off as a result of consolidated statements.

Note5 : This period received adjusted original acquisition price of \$28,900 thousand, therefore the original investment amount declined to \$1,331,100 thousand.

Note 6 : In this period, the Company disposed of 9.93% of its share ownership in the investment target of the Company, Digital-Can Tech. Co., Ltd., at \$24,066 thousand using the equity method.

ATTACHMENT 8 : Investment in Mainland China

(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, 2021	Investment Flows		Accumulated outflow of investment from Taiwan as of September 30, 2021	Net income (loss) of investee company	Percentage of ownership	Investment income (loss) recognized (Note9)	Carrying value as of September 30, 2021 (Note9)	Accumulated inward remittance of earnings as of outflow September 30, 2021	Remark
					Outflow	Inflow							
Zhong Shan Worldmark Sporting Goods Ltd.	Manufacture and sale of golf club head	USD40,900	(2)	USD54,000 (Note4)	\$-	\$-	USD 54,000 (Note4)	\$519,178 RMB 120,180	100.00%	\$519,178 RMB 120,180 (Note2)(2)B	\$3,779,816 RMB 872,574 (Note2)(2)B	\$-	
Zhong Shan LongXing Precision Machinery Co., Ltd.	Manufacture and sale of sports equipment, automotive parts, molds and other products	USD2,000	(2)	USD 2,000	-	-	USD 2,000	7,059 RMB 1,634	100.00%	7,059 RMB 1,634 (Note2)(2)B	113,043 RMB 26,096 (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) (Note6)	-	-	-	-	13,971 RMB 3,234	100.00%	13,971 RMB 3,234 (Note2)(2)B	81,247 RMB 18,756 (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 (Note7)	-	-	USD 5,500 (Note7)	207,019 RMB 47,921	52.50%	108,685 RMB 25,159 (Note2)(2)B	420,871 RMB 51,008 (Note2)(2)B	-	
Zhong Shan Aubo Metal Surface Treatment Co., Ltd.	Anodizing process	RMB 500	(3) (Note8)	-	-	-	-	5,590 RMB 1,294	52.50%	2,935 RMB 679 (Note2)(2)B	9,495 RMB 2,192 (Note2)(2)B	-	

Accumulated Investment in Mainland China as of September 30, 2021 (Note1)(Note3)	Investment Amounts Authorized by Investment Commission, MOEA (Note3)	Limit on Investment Amount to Mainland China (Note5)
\$1,712,160 (USD 61,500)	\$1,712,160 (USD 61,500)	\$4,737,031

Note1 : 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.

Note2 : 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 reviewed by an international certified public accounting firm in cooperation with an R.O.C. accounting firm.
 - B. The financial statements were reviewed by the auditors of the parent company in Taiwan.
 - C. Others.

Note3 : 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.

Note4 : It is the indirect investment repatriation amount through the reinvestment company World Gate Holdings Ltd.

Note5 : Maximum investment in Mainland China: 60% of net or consolidated net value, whichever is higher.

Note6 : It is directly invested by Zhong Shan Worldmark Sporting Goods Ltd.

Note7 : The actual remittance amount was HK \$15,000 thousand and RMB \$45,000 thousand, equivalent to approximately US \$5,500 thousand.

Note8 : It is directly invested by Zhong Shan Aubo Precision Technology Co., Ltd.

Note9 : 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/ Sales	Amount	Percentage of Total Sales or Purchases	Payment Terms	Unit price	Payment Terms	Balance	Percentage of Total Receivable (Payable)	
Fusheng Precision Co., Ltd.	Zhong Shan Worldmark Sporting Goods Ltd.	Sales	\$(144,846)	(1.03)%	T/T 60 days	Not applicable		\$31,966	1.46%	Note 1, Note 2
Fusheng Precision Co., Ltd.	Zhong Shan Worldmark Sporting Goods Ltd.	Purchases	7,600,610	62.65%	T/T 60 days	Not applicable		(2,379,259)	(81.78)%	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.