

Chun Yu Works & Co., Ltd. and Subsidiaries
Consolidated Financial Report and
Independent Auditors' Review Report
Nine Months Ended September 30,2021 and 2020

For the convenience of readers and for information purpose only, the auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' review report and financial statements shall prevail.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To: Board of Directors and Shareholders of Chun Yu Works & Co., Ltd.

Introduction

We have reviewed the consolidated balance sheets of Chun Yu Works & Co., Ltd. and its subsidiaries (the "Group") as of September 30, 2021 and 2020 and the related consolidated statements of comprehensive income, of changes in equity and of cash flow statements for three months and nine months ended period September 30, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies. The management is responsible for the preparing and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards No. 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission. Our responsibility is to express a conclusion on the financial statements based on the result of reviews.

Scope

Except basis of qualified conclusion, 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". A review of consolidated financial statements consists of making of inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review work is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

As stated in note 4(3) to the consolidated financial statements, certain the non-significant subsidiaries' financial statements which are included in the consolidated financial statements mentioned above, and the relevant information disclosed in note 13 were not reviewed. These subsidiaries' total assets were NT\$2,159,203 thousand and NT\$1,585,947 thousand respectively, accounting for 17% and 15% of the total consolidated assets respectively; the total liabilities were NT\$415,079 thousand and NT\$505,479 thousand respectively, accounting for 5% and 8% of the total consolidated liabilities as of September 30, 2021 and 2020, respectively; the total comprehensive income were NT\$75,402 thousand、NT\$(13,354) thousand、NT\$191,586 thousand and NT\$(65,592) thousand respectively. accounting for 30%、(58%)、28% and 119% of the total consolidated comprehensive income for three months and nine months period ended

September 30, 2021 and 2020, respectively.

Qualified Conclusion

According to our reviews and the review report of other accountants (please refer to Miscellaneous), except that the financial statements of some of the non-significant subsidiaries and the relevant information disclosed in note 13 as mentioned in Basis of Qualified Conclusion, if reviewed by us, may lead to adjustments to the consolidated financial statements, it is not found that the consolidated financial statements above have not been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” approved and promulgated by the Financial Supervisory Commission which may lead to the inability to properly express the consolidated financial status of Chun Yu Group as of September 30, 2021 and 2020 and the consolidated financial performance for the three months and nine months period ended and consolidated cash flow for nine months period ended September 30, 2021 and 2020.

Miscellaneous

The financial statements of PT. Moon Lion Industries Indonesia nine months ended September 30, 2021 and 2020 and the relevant information disclosed in note 13 were not reviewed by us, but by other accountants. Therefore, the amounts listed in the financial statements of the subsidiary and the relevant information disclosed in note 13 of the review report issued by us on the consolidated financial statements above are based on the review reports of other accountants. Total assets on September 30, 2021 and 2020 were NT\$1,115,290 thousand and NT\$1,089,732 thousand respectively, both accounting for 9% and 10% of the total consolidated assets; net operating income were NT\$362,149 thousand、NT\$329,637 thousand、NT\$1,090,017 thousand and NT\$ 925,886 thousand respectively, accounting for 11%、16%、13% and 16% of the total consolidated comprehensive income for three months and nine months period ended September 30, 2021 and 2020, respectively.

Lin, Tzu-Shu

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

November 3, 2021

Chun Yu Works & Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

September 30, 2021, December 31, 2020 and September 30, 2020

(the consolidated balance sheets on September 30, 2021 and 2020 have been reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

Assets			September 30, 2021,		December 31, 2020		September 30, 2020	
			note	Amount	%	Amount	%	Amount
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 1,186,257	9	\$ 631,074	6	\$ 691,579	7
1110	Financial assets at fair value through profit or loss - current	6(2)	56,562	-	101,460	1	102,883	1
1136	Financial assets measured by amortized cost-current	6(1)	27,851	-	-	-	-	-
1150	Notes receivable, net	6(3) and 7	363,697	3	502,214	5	445,331	4
1170	Accounts receivable, net	6(3) and 7	2,651,416	21	1,661,339	15	1,467,807	14
1200	Other receivables		29,399	-	13,784	-	30,327	-
1220	Current income tax assets	6(27)	10,642	-	1,419	-	2,562	-
130X	Inventories	5, 6(4) and 6(8) and 8	3,754,185	30	3,317,446	31	3,271,565	31
1410	Prepayments		319,308	3	125,084	1	159,788	2
1476	Other financial assets – current	6(1) and 8	1,400	-	1,970	-	-	-
11XX	Total Current Assets		8,400,717	66	6,355,790	59	6,171,842	59
Non-current Assets								
1517	Financial assets at fair value through other comprehensive income - non-current	6(5) and 8	701,407	6	644,583	6	565,939	6
1535	Financial assets measured by amortized cost- non-current	6(1)	42,945	1	-	-	-	-
1600	Property, plant and equipment	6(6) and (10) and 8	3,064,865	24	3,146,059	29	3,167,439	30
1755	Right-of-use assets	6(7) and 8	166,747	1	189,033	2	132,605	1
1780	Intangible assets	6(8)	8,467	-	10,646	-	10,660	-
1840	Deferred income tax assets	6(27)	226,943	2	290,844	3	277,497	3
1915	Prepayments for business facilities	6(6) and (8)	33,795	-	13,404	-	10,269	-
1920	Guarantee deposits paid		17,107	-	24,470	-	28,125	-
1930	Long-term notes and accounts receivable	6(3) and (9)	24,498	-	51,060	1	54,270	1
1980	Other non-current financial assets	6(1) and 8	23,361	-	15,900	-	17,200	-
1990	Other non-current assets		10,889	-	3,684	-	2,366	-
15XX	Total Non-current Assets		4,321,024	34	4,389,683	41	4,266,370	41
1XXX	Total Assets		\$ 12,721,741	100	\$ 10,745,473	100	\$ 10,438,212	100

Chun Yu Works & Co., Ltd. and Subsidiaries
Consolidated Balance Sheet

September 30, 2021, December 31, 2020 and September 30, 2020

(the consolidated balance sheets on September 30, 2021 and 2020 have been reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

Liabilities and Equity		note	September 30, 2021		December 31, 2020		September 30, 2020	
			Amount	%	Amount	%	Amount	%
Current Liabilities								
2100	Short term borrowings	6(11) and 8	\$ 2,178,954	17	\$ 1,995,653	19	\$ 1,928,234	19
2110	Short-term notes and bills payable	6(12)	129,967	1	39,957	-	39,982	-
2130	Current contract liabilities	6(20) and 7	407,576	3	243,739	2	183,936	2
2150	Notes payable		1,423	-	4,241	-	9,035	-
2170	Accounts payable	7	939,687	7	687,916	6	591,914	6
2200	Other payables	7	510,497	4	409,649	4	362,777	4
2230	Current income tax liabilities	6(27)	58,366	1	46,531	1	36,228	-
2250	Provision for liabilities – current	6(13)	8,553	-	6,722	-	6,310	-
2280	Lease liabilities – current		23,357	-	27,294	-	21,850	-
2320	Long-term liabilities, current portion	6(14) and 8	262,530	2	261,492	3	326,419	3
21XX	Total Current Liabilities		<u>4,520,910</u>	<u>35</u>	<u>3,723,194</u>	<u>35</u>	<u>3,506,685</u>	<u>34</u>
Non-current Liabilities								
2540	Long-term borrowings	6(14) and 8	2,847,757	22	2,199,123	20	2,400,200	23
2570	Deferred income tax liabilities	6(27)	435,312	4	439,426	4	430,115	4
2580	Lease liabilities – non-current		58,257	1	71,056	1	38,124	-
2640	Net defined benefit liabilities – non-current	6(15)	176,574	1	180,653	2	158,043	2
2645	Guarantee deposits received		457	-	564	-	563	-
25XX	Total Non-current Liabilities		<u>3,518,357</u>	<u>28</u>	<u>2,890,822</u>	<u>27</u>	<u>3,027,045</u>	<u>29</u>
2XXX	Total Liabilities		<u>8,039,267</u>	<u>63</u>	<u>6,614,016</u>	<u>62</u>	<u>6,533,730</u>	<u>63</u>
Equity attributable to owners of the parent								
Share capital								
3110	Common stock	6(16)	2,877,740	23	2,877,740	27	2,877,740	28
3200	Capital surplus	6(16)						
		(17)	214,282	2	157,969	1	157,969	1
Retained earnings		6(18)						
3310	Legal reserve		197,949	2	179,531	2	179,531	2
3320	Special reserve		430,610	3	430,610	4	430,610	4
3350	Unappropriated retained earnings		695,845	5	290,127	3	220,438	2
3400	Other equity interest	6(5) and						
		(19)	(147,883)	(1)	(162,647)	(2)	(285,334)	(3)
3500	Treasury stock	6(16) and 8	(270,531)	(2)	(288,910)	(3)	(288,910)	(3)
31XX	Total equity attributable to owners of the parent		<u>3,998,012</u>	<u>32</u>	<u>3,484,420</u>	<u>32</u>	<u>3,292,044</u>	<u>31</u>
36XX	Non-controlling interests	4(3)	<u>684,462</u>	<u>5</u>	<u>647,037</u>	<u>6</u>	<u>612,438</u>	<u>6</u>
3XXX	Total Equity		<u>4,682,474</u>	<u>37</u>	<u>4,131,457</u>	<u>38</u>	<u>3,904,482</u>	<u>37</u>
Significant Contingent Liabilities and		9						
Unrecognized Contract Commitments		11						
3X2X	Total Liabilities and Equity		<u>\$ 12,721,741</u>	<u>100</u>	<u>\$ 10,745,473</u>	<u>100</u>	<u>\$ 10,438,212</u>	<u>100</u>

The attached notes are part of the consolidated financial statements; please refer together.

Chairman: Hui-Cheng Lin

Manager: Dong-Sen Tsai

Accounting Supervisor: Ping-Tian Fang

Chun Yu Works & Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
Nine months ended September 30, 2021 and 2020
(reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)
Unit: NT\$ thousand
(earnings per share is NT\$1)

Item	note	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	6(20) and 7	\$ 3,256,626	100	\$ 1,997,991	100	\$ 8,530,480	100	\$ 5,773,259	100
5000 Operating costs	6(4)(8)(15)(25)(26) and 7	(2,686,874)	(82)	(1,739,273)	(87)	(7,003,474)	(82)	(4,962,006)	(86)
5900 Net operating margin		<u>569,752</u>	<u>18</u>	<u>258,718</u>	<u>13</u>	<u>1,527,006</u>	<u>18</u>	<u>811,253</u>	<u>14</u>
Operating expenses	6(8)(15)(25)(26) 、 7 and 12								
6100 Selling expenses		(105,319)	(3)	(72,532)	(3)	(294,632)	(4)	(207,053)	(3)
6200 General and administrative expenses		(129,185)	(4)	(108,778)	(5)	(375,115)	(4)	(322,850)	(6)
6300 Research and development expenses		(18,154)	(1)	(14,338)	(1)	(65,875)	(1)	(47,607)	(1)
6450 Expected credit (losses) gains		<u>886</u>	<u>-</u>	(<u>12,640</u>)	(<u>1</u>)	<u>2,247</u>	<u>-</u>	(<u>17,719</u>)	<u>-</u>
6000 Total operating expenses		(<u>251,772</u>)	(<u>8</u>)	(<u>208,288</u>)	(<u>10</u>)	(<u>733,375</u>)	(<u>9</u>)	(<u>595,229</u>)	(<u>10</u>)
6900 Operating profit		<u>317,980</u>	<u>10</u>	<u>50,430</u>	<u>3</u>	<u>793,631</u>	<u>9</u>	<u>216,024</u>	<u>4</u>
Non-operating income and expenses									
7100 Interest income	6(3)(21)	4,644	-	2,855	-	11,327	-	7,761	-
7010 Other income	6(2)(5)(22)	33,781	1	34,816	2	71,105	1	94,258	2
7020 Other gains and losses	6(2)(23) and 12	(688)	-	(9,410)	(1)	48,054	1	(21,196)	-
7050 Financial cost	6(7)(24)	(23,467)	(1)	(24,249)	(1)	(68,368)	(1)	(83,526)	(2)
7000 Total non-operating income and expenses		<u>14,270</u>	<u>-</u>	<u>4,012</u>	<u>-</u>	<u>62,118</u>	<u>1</u>	(<u>2,703</u>)	<u>-</u>
7900 Profit before income tax		<u>332,250</u>	<u>10</u>	<u>54,442</u>	<u>3</u>	<u>855,749</u>	<u>10</u>	<u>213,321</u>	<u>4</u>
7950 Income tax expense	6(27)	(58,051)	(1)	(22,239)	(1)	(167,393)	(2)	(60,045)	(1)
8200 Profit for the year		<u>\$ 274,199</u>	<u>9</u>	<u>\$ 32,203</u>	<u>2</u>	<u>\$ 688,356</u>	<u>8</u>	<u>\$ 153,276</u>	<u>3</u>

The attached notes are part of the consolidated financial statements; please refer together.

Chairman: Hui-Cheng Lin

Manager: Dong-Sen Tsai Accounting Supervisor: Ping-Tian Fang

Chun Yu Works & Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
Nine months ended September 30, 2021 and 2020
(reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)
Unit: NT\$ thousand
(earnings per share is NT\$1)

		Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Item	note	Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income(loss)									
Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8311	Gains (losses) on remeasurements of defined benefit plans	\$ -	-	(\$ 474)	-	\$ -	-	(\$ 2,233)	-
8316	Unrealized loss on valuation of investments in equity instruments measured at fair value through other comprehensive income	(26,639)	(1)	(8,381)	(1)	56,965	1	(136,226)	(3)
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6,584	-	1,712	-	(53,011)	(1)	(70,649)	(1)
8399	Aggregated income tax relating to components of other comprehensive (loss) income	494	-	(2,098)	-	1,970	-	879	-
8300	Total other comprehensive loss for the year	(\$ 19,561)	(1)	(\$ 9,241)	(1)	\$ 5,924	-	(\$ 208,229)	(4)
8500	Total comprehensive income for the year	\$ 254,638	8	\$ 22,962	1	\$ 694,280	8	(\$ 54,953)	(1)
Profit attributable to:									
8610	Owners of the parent	\$ 239,271	8	\$ 27,405	2	\$ 596,800	7	\$ 116,095	2
8620	Non-controlling interests	34,928	1	4,798	-	91,556	1	37,181	1
		<u>\$ 274,199</u>	<u>9</u>	<u>\$ 32,203</u>	<u>2</u>	<u>\$ 688,356</u>	<u>8</u>	<u>\$ 153,276</u>	<u>3</u>
Total comprehensive income attributable to:									
8710	Owners of the parent	\$ 216,691	7	\$ 22,028	1	\$ 611,564	7	(\$ 75,285)	(1)
8720	Non-controlling interests	37,947	1	934	-	82,716	1	20,332	-
		<u>\$ 254,638</u>	<u>8</u>	<u>\$ 22,962</u>	<u>1</u>	<u>\$ 694,280</u>	<u>8</u>	<u>(\$ 54,953)</u>	<u>(1)</u>
Earnings per share (in dollars) 6(28)									
9750	Basic	\$ 0.90		\$ 0.10		\$ 2.26		\$ 0.44	
9850	Diluted	\$ 0.90		\$ 0.10		\$ 2.25		\$ 0.44	

The attached notes are part of the consolidated financial statements; please refer together.

Chairman: Hui-Cheng Lin

Manager: Dong-Sen Tsai Accounting Supervisor: Ping-Tian Fang

Chun Yu Works &es
Consolidated Statement of Changes in Equity
Nine months ended September 30, 2021 and 2020
(reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)

Unit: NT\$ thousand

Equity attributable to owners of the parent company											
	Retained earnings					Other equity					

The attached notes are part of the consolidated financial statements; please refer together.

Chairman: Hui-Cheng Lin

Manager: Dong-Sen Tsai

Accounting Supervisor: Ping-Tian Fang

		For the Nine Months Ended September 30	
	note	2021	2020
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 855,749	\$ 213,321
Adjustment			
Adjustments to reconcile profit (loss)			
Net loss (gain) on financial assets and liabilities at fair value through profit or loss		(10,564)	34,782
Expected credit losses (gains)	12	(2,247)	17,719
Allowance for (reversal of) inventory market price decline	6(4)	(6,318)	15,830
Depreciation expense	6(6)(7)		
	(25)	214,303	228,551
(Gain) loss on disposal of property, plant and equipment	6(23)	698	(1,931)
Gain from lease modification	6(7)(23)	(93)	-
Amortization	6(8)(25)	3,577	3,154
Interest income	6(21)	(11,327)	(7,761)
Dividend income	6(22)	(22,035)	(34,270)
Interest expense	6(24)	68,368	83,526
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		55,462	93,342
Notes receivable		141,758	(75,345)
Accounts receivable		(990,634)	204,370
Other receivables		(15,615)	13,717
Inventories		(470,267)	85,152
Prepayments		(194,224)	(53,127)
Long-term notes and accounts receivable		26,562	6,350
Changes in operating liabilities			
Current contract liabilities		163,837	24,677
Notes payable		1,382	2,794
Accounts payable		251,771	(105,458)
Other payables		82,562	(45,467)
Provision for liabilities – current		1,831	(2,034)
Net defined benefit liabilities – non-current		(4,079)	(8,027)
Cash inflow from operations		140,457	693,865
Interest received		11,327	7,761
Dividend received		22,035	34,270
Income tax refund		-	5,309
Interest paid		(68,711)	(85,162)
Income tax paid		(103,024)	(78,535)
Net cash inflow from business activities		2,084	577,508

		For the Nine Months Ended September 30	
	note	2021	2020
<u>Cash flow from investment activities</u>			
Financial assets measured by amortized cost (increase)		(\$ 70,796)	\$ -
Other financial assets-current decrease		570	
Refund of shares through the liquidation of financial assets measured at fair value through other comprehensive gains and losses	6(5)	141	
Cash paid for purchase of property, plant and equipment	6(29)	(63,745)	(92,966)
Proceeds from disposal of property, plant and equipment		1,293	10,876
Acquisition of intangible assets	6(8)	(1,346)	(3,224)
Increase in prepayments for business facilities		(32,396)	(9,954)
Decrease (increase) in guarantee deposits paid		7,363	447
Other financial assets – (increase) decrease of non-current		(7,461)	6,300
Decrease in other non-current assets		(7,205)	4,422
Net cash flows used in investing activities		(173,582)	(84,099)
<u>Cash flow from financing activities</u>			
Increase in short-term borrowings	6(30)	183,301	13,081
Increase in short-term notes and bills payable	6(30)	90,000	30,000
Payments of lease liabilities	6(30)	(18,988)	(16,961)
Increase in long-term borrowings	6(30)	4,979,311	4,545,983
Decrease in long-term borrowings	6(30)	(4,329,639)	(4,515,120)
Decrease in guarantee deposits received	6(30)	(107)	106
Payments of cash dividends	6(29)	(158,366)	(316,733)
Disposal of treasury stocks	6(16)	60,394	-
Decrease in non-controlling interest		(45,291)	(58,953)
Net cash flows (used in) from financing activities		760,615	(318,597)
Effect of foreign exchange rate changes on cash and cash equivalents		(33,934)	(34,686)
Increase in current cash and cash equivalents		555,183	140,126
Cash and cash equivalents at beginning of year	6(1)	631,074	551,453
Cash and cash equivalents at end	6(1)	\$ 1,186,257	\$ 691,579

The attached notes are part of the consolidated financial statements; please refer together.

Chairman: Hui-Cheng Lin

Manager: Dong-Sen Tsai

Accounting Supervisor: Ping-Tian Fang

Chun Yu Works & Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
Nine Months Ended September 30, 2021 and 2020

(reviewed only, not audited in accordance with the Generally Accepted Auditing Standards)

Unit: NT\$ thousand
(unless specified)

I. Company History

- (1) Chun Yu Works & Co., Ltd. (hereinafter referred to as the “Company”) was approved to be established in March 1965 in accordance with the provisions of the Company Act of the Republic of China and other relevant laws and regulations. The main business items are the manufacturing and heat treatment of various screws, nuts and polished steel bars, and design and contracting of various pollution prevention machinery and equipment. For the main business items of the Company’s subsidiaries, please refer to note 4(3) Description of the basis of the merger.
- (2) The Company’s stock has been listed and traded on the Taiwan Stock Exchange since October 1991.

II. Date and Procedure of Adoption of the Financial Report

These consolidated financial statements were authorized for issuance by the Board of Directors on November 3, 2021.

III. Application of New and Revised Standards and Interpretations

- (1) Impact of Newly Issued and Amended International Financial Reporting Standards Recognized by the Financial Supervisory Commission (hereinafter referred to as the “FSC”) and Already Adopted

The following is a summary of the newly Issued/amended/revised standards and interpretations of International Financial Reporting Standards recognized by the FSC which are applicable in 2021:

<u>Newly Issued/Amended/Revised Standards and Interpretations</u>	<u>Effective date of the Release by the International Accounting Standards Board</u>
Amendment to IFRS 4 “Temporary Exemption from Application of IFRS 9 Extension”	January 1, 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4, and the second phase of amendment to “Interest Rate Indicator Changes” of IFRS 16	January 1, 2021
Amendment to IFRS No. 16 “New Coronavirus Pneumonia-Related Rent Reduction After June 30, 2021”	April 1, 110 (note)

Note: The FSC allows it to be applied in advance on January 1, 2021.

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

- (2) Impact of Newly Issued and Amended International Financial Reporting Standards Recognized by the FSC But Not Yet Adopted

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>Newly Issued/Amended/Revised Standards and Interpretations</u>	<u>Effective date of the Release by the</u>
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	International Accounting Standards Board
Amendment to IFRS No. 3 “Index to Conceptual Framework”	January 1, 2022
Amendment to IAS No. 16 “Property, Plant and Equipment: Price Before Reaching the Intended State of Use”	January 1, 2022
Amendments to IAS 37 “Loss Contracts – Costs of Performance of Contracts”	January 1, 2022

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

(3) Impact of International Financial Reporting Standards Already Issued But Not Yet Recognized by the FSC

The following is a summary of the newly Issued/amended/revised standards and interpretations of International Financial Reporting Standards already issued but not yet recognized by the FSC:

Newly Issued/Amended/Revised Standards and Interpretations	Effective date of the Release by the International Accounting Standards Board
Amendments to IFRS No. 10 and IAS No. 28 “Sales of or Investment in Assets Between Investors and Their Affiliates or Joint Ventures”	Pending the decision of the International Accounting Standards Board
IFRS No. 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS No. 17 “Insurance Contracts”	January 1, 2023
Amendment to IAS No. 1 “Classification of Current or Non-current Liabilities”	January 1, 2023
Amendment IAS No. 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS No. 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS No. 12 “Deferred Income Taxes Related to Assets and Liabilities Generated by a Single Transaction”	January 1, 2023

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

IV. Summary of Significant Accounting Policies

The main accounting policies used in the preparation of this consolidated financial report are explained below. Unless otherwise stated, these policies apply consistently throughout all reporting periods.

(1) Declaration of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” approved and issued by the FSC.

(2) Basis of Preparation

1. The consolidated financial report is prepared based on historical cost, except the following significant items:

- (1) Financial assets measured at fair value through income statement.
- (2) Financial assets measured at fair value through other comprehensive income.

- (3) Defined welfare liabilities recognized as the net amount of pension fund assets minus the present value of defined welfare obligations.
2. The preparation of the consolidated financial report that complies with the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements (hereinafter referred to as “IFRSs”) recognized by the FSC requires the use of some important accounting estimates. The accounting policy process also requires the management to use its judgments, items involving high judgment or complexity, or items involving major assumptions and estimates in the consolidated financial report. Please refer to note 5 for explanations of the major accounting judgments, estimates, assumptions and main sources of uncertainties.
- (3) Consolidation Basis

1. Principles for preparing the consolidated financial report

- (1) The Group includes all subsidiaries as individual entities for the preparation of the consolidated financial report. Subsidiaries refer to individual entities controlled by the Group (including structured individuals). The Group controls the individual entities when the Group is exposed to variable remunerations from the participation of such individual entities or has rights to such variable remunerations, and has the ability to influence the power of the individual entities when such remunerations are made. Subsidiaries are included in the consolidated financial report from the day when the Group obtains their control, and the consolidation is terminated on the day when such control is lost.
 - (2) Transactions, balances, and unrealized gains and losses between companies within the Group have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Group.
 - (3) Each component of income and other comprehensive income are attributable to the owners of the parent company and non-controlling interests; the total comprehensive income is also attributable to the owners of the parent company and non-controlling interests, even if it results in a loss of non-controlling interests.
 - (4) If the change in the shareholding of a subsidiary does not result in the loss of control (transaction with non-controlling interests), it is treated as an equity transaction, that is, as a transaction with the owner. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity.
 - (5) When the Group loses control of the subsidiary, the remaining investment in the former subsidiary is remeasured at fair value and used as the fair value of the originally recognized financial asset or the cost of the originally recognized investment in an affiliate or joint venture. The difference between the fair value and the book amount is recognized as the current profit and loss. For all amounts previously recognized in other comprehensive income related to the subsidiary, the accounting treatment is the same as if the Group directly disposes of related assets or liabilities; that is, when disposing of related assets or liabilities, the profits or losses previously recognized as other comprehensive income will be reclassified as profit or loss, and when the control of the subsidiary is lost, the gain or loss will be reclassified from equity to profit or loss.
2. Subsidiaries included in this consolidated financial report

Investment company name	Subsidiary name	Business nature	Percentage of equity held			Descrip tion
			September 30, 2021	December 31, 2020	September 30, 2020	
Chun Yu Works & Co., Ltd.	Chun Bang Precision Co., Ltd.	Mold manufacturing and trading	100.00	100.00	100.00	(note 1) (note 2)
Chun Yu Works & Co., Ltd.	American Chun Yu Works & Co., Ltd.	Import and export of metal products	100.00	100.00	100.00	(note 1)
Chun Yu Works & Co., Ltd.	Chun Yu Investment	Professional investment	100.00	100.00	100.00	(note 1)

Chun Yu Works & Co., Ltd.	Co., Ltd. Chun Yu Bio-tech	Powder metallurgy	100.00	100.00	100.00	(note 1)
Chun Yu Works & Co., Ltd.	Scholar Holdings Ltd.	Reinvestment and import and export	100.00	100.00	100.00	
Chun Yu Works & Co., Ltd.	Sunny City International Limited	Reinvestment and import and export	100.00	100.00	100.00	(note 1)
Chun Yu Works & Co., Ltd.	PT. Moon lion Industries Indonesia	Manufacturing and trading of screws and nuts	71.85	71.85	71.85	(note 1)
Chun Yu Works & Co., Ltd.	Chun Zu Machinery Industry	Machinery manufacturing and trading	47.82	47.82	47.82	(note 3) (note 4)
Scholar Holdings Ltd.	Chun Yu (Dongguan) Hardware Products Co., Ltd.	Manufacturing and trading of screws and nuts	100.00	100.00	100.00	
Sunny City International Limited	Shanghai Youju Hardware Products Co., Ltd.	Trading of screws and nuts	100.00	100.00	100.00	(note 1)
Shanghai Youju Hardware Products Company	Shanghai Tongsheng Trading Co., Ltd.	Trading of screws and nuts	100.00	100.00	100.00	(note 1)
Chun Zu Machinery Industry	Laiwang City Development Co., Ltd.	Professional investment	100.00	100.00	100.00	
Laiwang City Development Co., Ltd.	Shanghai Chun Zu Machinery Industry	Machinery manufacturing and trading	100.00	100.00	100.00	

(Note 1) For these companies, except for the relevant information of PT. Moon lion Industries Indonesia disclosed in the financial statements for the third quarter of 2021 and 2020 and note 13 which were reviewed by other accountants, the relevant information of the remaining companies disclosed in the financial statements for the third quarter of 2021 and 2020 and note 13 has not been reviewed by us.

(Note 2) It was formerly known as Chun Bang Trading Co., Ltd., and renamed Chun Bang Precision Co., Ltd. on May 20, 2020.

(Note 3) It is the comprehensive shareholding of the Group.

(Note 4) The Company has a substantive control over the company and its subsidiaries because the Company's designated person is elected as the chairman of the company, and the nomination of the president of the company needs to be reported to the Company's board of directors for approval.

3. Subsidiaries not included in the consolidated financial statements: None.

4. Different adjustments and treatment methods of subsidiary accounting period: None.

5. Major restrictions: None.

6. Subsidiaries with significant non-controlling interests by the Group:

The total non-controlling interests of the Group as of September 30, 2021, December 31, 2020, and September 30, 2020 were NT\$684,462、NT\$647,037 and NT\$612,438, respectively. Information on non-controlling interests and subsidiaries that are significant to the Group as follows:

Subsidiary name	Main place of business	Non-controlling interest	
		September 30, 2021	December 31, 2020
		Amount	Percentage of shareholding
Chun Zu Machinery Industry	Taiwan	<u>\$ 480,591</u>	52.18%

Subsidiary name	Main place of business	Non-controlling interest	
		September 30, 2020	Percentage of shareholding
		Amount	Percentage of shareholding
Chun Zu Machinery Industry	Taiwan	<u>\$ 459,097</u>	52.18%

Summary financial information of subsidiaries:

Chun Zu Machinery Industry and Subsidiaries			
	September 30, 2021,	December 31, 2020	September 30, 2020
Current Assets	\$ 1,439,932	\$ 1,321,183	\$ 1,293,152
Non-current Assets	613,888	650,266	663,720
Current Liabilities	(891,468)	(804,891)	(833,266)
Non-current Liabilities	(173,313)	(174,613)	(171,239)
Total net assets	<u>\$ 989,039</u>	<u>\$ 991,945</u>	<u>\$ 952,367</u>

Consolidated Statement of Comprehensive Income	Three months ended September 30, 2021	Three months ended September 30, 2020
Income	\$ 397,842	\$ 294,311
Profit (loss) for the year	\$ 22,718	(\$ 8,158)
Other comprehensive income (net)	(1,970)	8,392
Total comprehensive income for the year	<u>\$ 20,748</u>	<u>\$ 234</u>
Total comprehensive income attributable to non-controlling interests	\$ 10,490	(\$ 2,656)
Dividends paid to non-controlling interests	<u>\$ -</u>	<u>\$ -</u>

Consolidated Statement of Comprehensive Income	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Income	\$ 1,079,511	\$ 923,108
Profit for the year	\$ 50,269	\$ 29,108
Other comprehensive income (net)	(7,957)	(3,519)
Total comprehensive income for the year	<u>\$ 42,312</u>	<u>\$ 25,589</u>
Total comprehensive income attributable to non-controlling interests	\$ 23,241	\$ 4,376
Dividends paid to non-controlling interests	<u>\$ 23,594</u>	<u>\$ 53,480</u>

Consolidated Cash Flow Statement	Nine months ended September 30, 2021	Nine months ended September 30, 2020
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Net cash inflow (outflow) from business activities	\$	426,125	(\$	49,523)
Net cash outflow from investment activities	(	69,378)	(	20,067)
Net cash inflow (outflow) from financing activities	(	198,212)		84,754
Impact of exchange rate changes on cash and cash equivalents	(	7,032)	(	2,304)
Increase in current cash and cash equivalents		151,503		12,860
Beginning cash and cash equivalent balance		164,700		145,439
Ending cash and cash equivalent balance	\$	316,203	\$	158,299

(4) Foreign currency conversion

The items listed in the financial report of each individual entity of the Group are measured in the currency of the main economic environment in which the entity operates (the functional currency). This consolidated financial report is presented in the Company's functional currency "New Taiwan dollar" as the expression currency.

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of these transactions is recognized as the current profit and loss.
- (2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.
- (3) The balance of foreign currency non-monetary assets and liabilities is measured at fair value through income statement, and is evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment is recognized as the current profit and loss; those measured at fair value through other comprehensive income are evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment is recognized in other comprehensive income; those not measured at fair value are measured based on the historical exchange rate on the initial transaction date.
- (4) All exchange gains and losses are reported in the "Other Gains and Losses" of the comprehensive consolidated income statement.

2. Conversion of foreign operating organizations

- (1) For all the Group's individual affiliated companies whose functional currency is different from the expression currency, their business results and financial status shall be converted into the expression currency in the following ways:
 - A. The assets and liabilities expressed on each balance sheet are converted at the closing exchange rate on the balance sheet date;
 - B. The income and expenses expressed in each comprehensive income statement are converted at the average exchange rate of the current period; and
 - C. All exchange differences arising from conversion are recognized as other comprehensive income.
- (2) When a foreign operating organization that is partially disposed of or sold is a subsidiary, the accumulated conversion difference recognized as other comprehensive income is reattributed to the foreign operating organization's non-controlling interests on a pro-rata basis. However, even if the Group still retains part of the equity of the former subsidiary, but has lost control of the foreign operating organization under the subsidiary, it shall be treated as a disposal of all the equity of the foreign operating organization.

- (5) Classification criteria for distinguishing between current and non-current assets and liabilities
1. Assets that meet any of the following conditions are classified as current assets:
 - (1) The asset is expected to be realized in the normal business cycle, or intended to be sold or consumed.
 - (2) The asset is held mainly for trading purposes.
 - (3) The asset is expected to be realized within 12 months after the balance sheet date.
 - (4) The asset is cash or cash equivalents, except for those to be swapped or used to settle liabilities at least 12 months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.
 2. Liabilities that meet any of the following conditions are classified as current liabilities:
 - (1) The liability is expected to be settled in the normal business cycle.
 - (2) The asset is held mainly for trading purposes.
 - (3) The liability is expected to be settled within 12 months after the balance sheet date.
 - (4) The settlement period of the liability cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liability, which states that it may be settled by the issuance of equity instruments based on the choice of the counterparty, do not affect its classification.

The Group classifies all liabilities that do not meet the conditions above as non-current.
- (6) Cash equivalents
1. Cash equivalents refer to short-term and highly liquid investments that can be converted into fixed cash amounts at any time and the risk of value changes is very small.
 2. Time deposits that meet the aforementioned definition and whose purpose is to satisfy short-term cash commitments in operations are classified as cash equivalents.
- (7) Financial assets measured at fair value through income statement
1. These refer to financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
 2. The Group adopts transaction day accounting for financial assets measured at fair value through income statement which meet the requirements of customary transactions.
 3. The Group measures the related transaction costs at fair value at the time of initial recognition, and recognize them in profit or loss; they are subsequently measured at fair value and the gains or losses are recognized in profit or loss.
 4. The Group recognizes dividend income in profit and loss when the right to receive dividends is established, the economic benefits related to dividends are likely to flow in, and the amount of dividends can be reliably measured.
- (8) Financial assets amortized cost
1. Financial assets at amortized cost are those that meet all of the following criteria:
 - (1) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (2) The assets' contractual cash flows represent solely payments of principal and interest.
 2. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.
- (9) Accounts and notes receivable
1. These refer to accounts and notes of which the right to the amount of consideration can be unconditionally received due to the transfer of goods or services as agreed in the contract.

2. The Group measures them at fair value at the time of initial recognition, and subsequently adopts the effective interest method to recognize interest income and impairment losses during the outstanding period according to the amortization procedure, and recognizes the gains or losses in profit or loss.

(10) Inventories

Inventories are measured at the lower of the cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. The item-by-item comparison method is adopted when determining the lower of the cost and net realizable value. The net realizable value refers to the balance of the estimated selling price in the normal course of business minus the estimated cost and related variable sales expenses that have to be invested before completion.

(11) Financial assets measured at fair value through other comprehensive income

1. These refer to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income, or debt instrument investments that meet the following conditions at the same time:
 - (1) The financial assets are held under the business model for the purpose of collecting contractual cash flow and selling.
 - (2) The contract terms of the financial asset generate cash flow on a specific date, which is entirely the interest on the payment of the principal and the amount of principal outstanding.
2. The Group adopts transaction day accounting for financial assets measured at fair value through other comprehensive income which meet the requirements of customary transactions.
3. The Group measures them at fair value plus transaction costs at the time of initial recognition, and subsequently measures them at fair value:

For changes in the fair value of equity instruments which are recognized in other comprehensive income, when excluded, the accumulated gains or losses previously recognized in other comprehensive income shall not be subsequently reclassified as profit or loss and transferred to retained earnings. When the right to receive dividends is established, economic benefits related to dividends are likely to flow in, and the amount of dividends can be reliably measured; the Group will then recognize the dividend income as profit or loss.

(12) Impairment of financial assets

On each balance sheet date, the Group will review all reasonable and supportable information (including forward-looking ones) for debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost; for those with no significant increase in credit risk since initial recognition, the allowance for loss is measured by the amount of 12-month expected credit losses; for those with a significant increase in credit risk since initial recognition, the allowance for loss is measured by the amount of expected credit losses in the duration; for accounts receivable or contract assets that do not include significant financial components, the allowance for loss is measured according to the amount of expected credit loss in the duration.

(13) Exclusion of financial assets

The Group will exclude financial assets when any of the following conditions is met:

1. The contractual right to receive cash flows from financial assets lapses.
2. The contractual right to receive the cash flow of financial assets is transferred, and almost all the risks and rewards of the ownership of the financial assets have been transferred.

3. The contractual right to receive the cash flow of financial assets is transferred, but the control over the financial assets is not retained.

(14) Property, plant and equipment

1. Property, plant and equipment are recorded on the basis of acquisition cost, and the relevant interest during the purchase and construction period is capitalized.
2. Subsequent costs are included in the book amount of the asset or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the Group and the cost of the item can be reliably measured. The booked amount of reclassified items shall be excluded. All other maintenance costs are recognized as current profit and loss when incurred.
3. The cost model is adopted for subsequent measurement of property, plant and equipment. Except for land that is not depreciated, the other items are depreciate by the straight-line method based on the estimated service life. If the components of property, plant and equipment are significant, they shall be separately depreciated.
4. The Group reviews the residual value, service life and depreciation method of each asset at the end of each fiscal year. If the expected residual value and service life are different from the previous estimates, or if the expected consumption pattern of the future economic benefits contained in the asset has undergone significant changes, it shall be dealt with in accordance with IAS No. 8 “Accounting Policies and Changes and Errors of Accounting Estimates.” The service life of each asset is as follows:

<u>Assets name</u>	<u>Durability</u>
Houses and construction:	
Main buildings of plants	3 years to 51 years
Other	4 years to 36 years
Machines and equipment	2 years to 22 years
Utility equipment	5 years to 20 years
Transportation equipment	2 years to 9 years
Office equipment	2 years to 13 years
Other devices	2 years to 15 years

(15) Lessee’s lease transaction – right-of-use assets/lease liability

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When the lease contract is a short-term lease or of a low-value target asset, the lease payment shall be recognized as an expense during the lease period by the straight-line method. `
2. Lease liabilities are recognized at the present value of the lease payments that have not been made on the lease start date at the discounted interest rate of the Group’s incremental borrowings. The lease payments include:
 - (1) Fixed payments, excluding any lease incentives that can be collected;
 - (2) For the fines to be paid for the termination of the lease, if the lease period reflects the option that the lessee will exercise for termination of the lease.

The interest method is adopted subsequently, and interest expenses are provided during the lease period by the amortized cost method. When the lease term or lease payment changes due to non-contract related revision, the lease liability will be reevaluated and the right-of-use asset will be adjusted by the remeasurement.
3. Right-of-use assets are recognized at cost on the lease start date, and the cost includes:
 - (1) The original measured amount of lease liabilities;
 - (2) Any lease payments paid on or before the start date;
 - (3) Any original direct costs incurred.

The cost method is adopted subsequently, and the depreciation expense is provided when

the service life of the right-of-use asset lapses or the lease term expires, whichever is earlier. When the lease liability is reevaluated, the right-of-use asset will be adjusted by any remeasurement of the lease liability.

(16) Intangible assets

It refers to computer software which is recognized at the acquisition cost and amortized based on the estimated service life of 3 to 10 years by the straight-line method.

(17) Impairment of non-financial assets

The Group estimates the recoverable amount of assets with signs of impairment on the balance sheet date, and an impairment loss is recognized when the recoverable amount is lower than its book value. The recoverable amount refers to the fair value of an asset minus the cost of disposal or its value of use, whichever is higher. When there is no impairment or reduction in the assets recognized in the previous year, the impairment loss will be reversed, but the book value of the asset increased by the reversal of the impairment loss shall not exceed the book amount of the asset minus the depreciation or amortization if the impairment loss is not recognized.

(18) Borrowings

1. These refer to the long-term and short-term money borrowed from banks. The Group measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is adopted to recognize interest expenses during the outstanding period as profit and loss according to the amortization procedure.
2. For the expenses paid when the loan quota is established, if it is possible to draw down part or all of the quota, the expenses shall be recognized as the transaction cost of the borrowing, and shall be deferred to the time the drawdown is incurred to be recognized as an adjustment to the effective interest rate; when it is not possible to draw down part or all of the quota, then the expenses shall be recognized as a Prepayments and amortized in the period relevant to the quota.

(19) Accounts and notes payable

1. These refer to debts arising from the purchase of raw materials, commodities or labor services on credit and notes payable arising from business and non-business.
2. The short-term accounts and notes payable that are unpaid interest are not affected by discounting. Therefore, the Group uses the original invoice amount to measure them.

(20) Exclusion of financial liabilities

The Group excludes financial liabilities when the obligations specified in the contract are fulfilled, cancelled or expired.

(21) Offset of financial assets and liabilities

When there is a legally enforceable right to offset the recognized amounts of financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and pay off liabilities at the same time, the financial assets and financial liabilities can offset each other and be expressed as a net amount in the balance sheet.

(22) Debt provision

The liability provision (warranty estimate) is a current statutory or constructive obligation due to past events, and it is likely that economically effective resources will be required to pay off the obligation, and the amount of the obligation can be recognized when it can be reliably estimated. The liability reserve is measured by the best estimated present value of the expenditure required to settle the obligation on the balance sheet date. The discount rate is the pre-tax discount rate that reflects the current market's assessment of the time value of

money and the specific risks of the liability. The amortization is recognized as an interest expense. Future operating losses shall not be recognized as liability provisions.

(23) Employee benefits

1. Short-term employee benefits

These are measured by the expected non-discounted amount of cash paid, and recognized as expenses when the relevant service is provided.

2. Pension

(1) Defined allocation plans

For defined allocation plans, the amount of the retirement fund that should be allocated is recognized as the current pension cost on the basis of accrual. The Prepayments is recognized as an asset within the scope of refundable cash or reduced future payments.

(2) Defined welfare plans

A. The net obligation under the defined benefit plan is calculated by discounting the amount of future welfare earned by the employee in the current or past services, and the current value of the defined welfare obligation on the balance sheet date minus the fair value of the planned assets. The net obligation of defined welfare is calculated annually by actuaries using the projected unit welfare method, and the discount rate is determined by referring to the market yield rate of high-quality corporate bonds on the balance sheet date whose currency and period are consistent with those of the defined welfare plan; for countries without a deep market of high-quality corporate bonds, the market yield rate of government bonds (on the balance sheet date) is used.

B. The remeasurement amount generated by the defined welfare plan is recognized in the period of occurrence as other comprehensive income, and expressed in retained earnings.

C. The related expenses of the up-front service cost are immediately recognized as profit and loss.

D. The pension cost in the interim period is calculated on the basis of the pension cost rate determined by actuarial calculation at the end of the previous fiscal year, and from the beginning to the end of the current period. If there are major market changes and major reductions, settlements or other major secondary matters after the end of the date, adjustments will be made and relevant information will be disclosed in accordance with the aforementioned policies.

3. Resignation benefits

Resignation benefits are benefits provided when the employee's employment is terminated before the normal retirement date or when the employee decides to accept the company's welfare invitation in exchange for termination of employment. The Group recognizes them as expenses when it is no longer able to withdraw the offer of resignation benefits or when the relevant restructuring costs are recognized, whichever is earlier. Benefits not expected to be paid in full in 12 months after the balance sheet date should be discounted.

4. Employees' remuneration and directors' remuneration

The employees' remuneration and directors' remuneration are recognized as expenses and liabilities when there are legal or constructive obligations involved and the amounts can be reasonably estimated. If there is a difference between the actual distribution amount in the subsequent resolution and the estimated amount, it shall be treated as a change in accounting estimates. In addition, if the employees' remuneration is paid in stocks, the basis for calculating the number of shares is the closing price on the day before the board meeting's resolution.

(24) Income tax

1. Income tax expenses include current and deferred income taxes. Except for income tax related to items included in other comprehensive income or directly included in equity, income taxes are recognized in profit and loss.
2. The Group calculates the current income tax based on the tax rate that has been legislated or substantively legislated as of the balance sheet date in the country where it operates and generates taxable income. The management regularly evaluates the status of income tax declarations with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. The Unappropriated retained earnings of the Company and its domestic subsidiaries are subject to the income tax imposed in accordance with the Income Tax Act. In the subsequent year following the generation of the earnings, the income tax expense for Unappropriated retained earnings will be recognized based on the actual earnings distributed after the shareholders' meeting approves the earnings distribution proposal.
3. The balance sheet method is adopted for deferred income tax, and is recognized based on the temporary difference between the tax base of assets and liabilities and their book amounts in the consolidated balance sheet. The deferred income tax will not be recognized if it originates from the original recognition of assets or liabilities of the transaction (excluding business mergers), and does not affect accounting profits or taxable income (or losses) at the time of the transaction. If the temporary difference is caused by investing in a subsidiary company, the Group may control the timing of the reversion of the temporary difference, and the temporary difference will not be recognized if it is likely that it will not be reversed in the foreseeable future. For deferred income tax, the applicable tax rate and tax law are those that have been legislated or substantively legislated on the balance sheet date, and are expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.
4. Deferred tax assets are recognized within the scope where temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred tax assets are reevaluated on each balance sheet date.
5. The current income tax assets and current income tax liabilities can offset each other when the Company has a legal enforcement right to offset the recognized current income tax assets and liabilities, and intends to pay off on a net basis or to realize assets and liabilities at the same time. The deferred income tax assets and liabilities can offset each other when there is statutory enforcement power to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer who is taxed by the same tax authority, or generated by different taxpayers but each entity intends to pay off on a net basis or to realize assets and liabilities at the same time.
6. The income tax expenses in the interim period are calculated based on the estimated annual average effective tax rate applied to the pre-tax profits and losses of the interim period, and relevant information shall be disclosed in accordance with the aforementioned policies.

(25) Share capital

1. Ordinary shares are classified as equity. The incremental cost directly attributable to the issuance of new shares or stock options is included in equity as a deduction from the price after deducting the income tax.
2. When the Company buys back its issued shares, the consideration paid, including any directly attributable incremental costs, is recognized based on its net amount after tax as a deduction of shareholders' equity. When the shares bought back are subsequently

reissued, the difference between the consideration received and the book value after deducting any directly attributable incremental costs and the impact of income tax is recognized as an adjustment to shareholders' equity.

(26) Dividend distribution

Dividends distributed to shareholders of the Company shall be recognized in the financial report when the Company's general shareholders' meeting decides to distribute dividends; dividends distributed in stocks shall be recognized as stock dividends to be distributed, and shall be transferred to ordinary share capital on the ex-date of issuance of new shares. Subsequent cash dividends from earnings after 2019 are recognized as liabilities in the financial report after the board meeting's resolution.

(27) Income recognition

Product sales

1. Sales revenue is recognized when the control of the product is transferred to the customer; that is, when the product is delivered to the customer, the customer has the discretion to the product, and the Group has no outstanding performance obligations which may affect the customer's acceptance of the product.
2. Sales revenue is recognized as the contract price minus estimated sales taxes, sales returns and discounts. The amount of income recognized is limited to the part where it is highly likely that there will be no significant reversal in the future, and the estimate is updated on each balance sheet date. The payment terms for sales transactions are that the general sales payment period is 2 months, and the sales of machinery and equipment are handled in accordance with the contract; part of installment sales are 1 to 3 years, and parts and accessories are 3 to 4 months.
3. Accounts receivable are recognized when the goods are delivered to the customer, because the Group has an unconditional right to the contract price from that point in time, and the consideration can be collected from the customer after that point in time.

(28) Government subsidy

Government subsidies are recognized at fair value when it is reasonably certain that the Company will comply with the conditions attached to the government subsidy and will receive the subsidy for sure. If the nature of the government subsidy is to compensate the expenses incurred by the Group, the government subsidy shall be recognized as the current income on a systematic basis during the period of the relevant expenses.

(29) Operation Department

The information of the Group's Operation Department is reported in a consistent manner with the internal management report provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources to the Operation Department and evaluating its performance.

V. Major sources of uncertainty in significant accounting judgments, estimates and assumptions

When the Group prepared this consolidated financial report, the management used its judgment to determine the accounting policies to be adopted, and made accounting estimates and assumptions based on reasonable expectations of future events based on the conditions on the balance sheet date. The significant accounting estimates and assumptions made may differ from the actual results, and will be continuously evaluated and adjusted based on historical experience and other factors. These estimates and assumptions have the risk of causing significant adjustments to the book values of assets and liabilities in the next fiscal year. Please provide the following explanations of the uncertainties of major accounting judgments, estimates and assumptions:

will be continuously evaluated and adjusted based on historical experience and other factors. These

estimates and assumptions have the risk of causing significant adjustments to the book values of assets and liabilities in the next fiscal year. Please provide the following explanations of the uncertainties of major accounting judgments, estimates and assumptions:

(1) Important judgments used in accounting policies

no.

(2) Important accounting estimates and assumptions

Inventory evaluation

(1) Since inventory must be priced at the lower of cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to factors such as market demand and technological changes, the Group assesses the amount of inventory on the balance sheet date due to normal wear and tear, obsolescence or no market sales value, and offsets the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

(2) On September 30, 2021, the book value of the Group's inventory was NT\$3,754,185.

I. Explanation of important accounting items

(1) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash:			
Cash in stock	\$ 2,507	\$ 2,573	\$ 1,976
Checking deposit	174,697	1,637	1,483
Demand deposit	1,003,281	620,968	682,100
	<u>1,180,485</u>	<u>625,178</u>	<u>685,559</u>
Cash equivalent:			
Time deposit	5,772	5,896	6,020
	<u>\$ 1,186,257</u>	<u>\$ 631,074</u>	<u>\$ 691,579</u>

1. The credit quality of the financial institutions with which the Group interacts is good, and the Group interacts with a number of financial institutions to diversify credit risks; therefore, the probability of default is very low.
2. The Group's classified time deposits maturing in excess of three months and within one year as financial assets at amortized cost-current in amount of 27,861. Maturing in excess of one year as financial assets at amortized cost-current in amount of 42,945. There was no such transaction for the year ended December 31, 2020 and September 30, 2020
3. The Group's demand deposits for the purpose of the special provision account established by the Group on September 30, 2021, December 31, 2020, and J September 30, 2020 was restricted due to long-term borrowings have the balance of NT\$24,761, NT\$17,870 and NT\$15,200, respectively (listed under "Other financial assets – current" and "Other non-current financial assets"). Please refer to note 8 "Explanation of pledged assets."

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

Item	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets measured at fair value			
compulsorily through income statement			
Listed and OTC stocks	\$ 30,202	\$ 88,664	\$ 88,664

Beneficiary certificates	8,000	5,000	16,000
	38,202	93,664	104,664
Reevaluation adjustment	18,360	7,796	(1,781)
	<u>\$ 56,562</u>	<u>\$ 101,460</u>	<u>\$ 102,883</u>

1. The Group's financial assets measured at fair value through income statement accounted for a net loss of NT\$(2,040)、NT\$(860)、NT\$58,071 and NT\$(5,944) for three months and nine months ended September 30, 2021 and 2020, respectively (listed under "Other gains and losses").
2. The Group did not pledge any financial assets measured at fair value through income statement on September 30, 2021, December 31, 2020 or September 30, 2020.
3. For information on the credit risk of financial assets measured by fair value through income statement, please refer to note 12(2) "Explanation of financial instruments."

(3) Net notes and accounts receivable

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable	\$ 286,558	\$ 422,345	\$ 354,163
Notes receivable on instalments	83,219	89,183	110,736
	<u>369,777</u>	<u>511,528</u>	<u>464,899</u>
Less: Unrealized interest income	(5,814)	(5,807)	(5,586)
Allowance for loss	(266)	(3,507)	(13,982)
	<u>\$ 363,697</u>	<u>\$ 502,214</u>	<u>\$ 445,331</u>
Accounts receivable	\$ 2,657,307	\$ 1,655,557	\$ 1,433,965
Accounts receivable on instalments	24,408	35,890	65,170
	<u>2,681,715</u>	<u>1,691,447</u>	<u>1,499,135</u>
Less: Unrealized interest income	(629)	(970)	(1,705)
Allowance for loss	(29,670)	(29,138)	(29,623)
	<u>\$ 2,651,416</u>	<u>\$ 1,661,339</u>	<u>\$ 1,467,807</u>

1. The aging analysis of notes and accounts receivable is as follows:

	September 30, 2021		December 31, 2020	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not overdue	\$ 369,777	\$ 2,476,874	\$ 505,108	\$ 1,495,521
Overdue for less than 30 days	-	161,554	3,421	122,592
Overdue for 31-90 days	-	19,929	2,999	41,049
Overdue for 91-180 days	-	2,839	-	9,407
Overdue for more than 181 days	-	20,519	-	22,878
	<u>\$ 369,777</u>	<u>\$ 2,681,715</u>	<u>\$ 511,528</u>	<u>\$ 1,691,447</u>

	September 30, 2020	
	Notes receivable	Accounts receivable
Not overdue	\$ 464,899	\$ 1,277,769
Overdue for less than 30 days	-	127,408
Overdue for 31-90 days	-	58,110
Overdue for 91-180 days	-	11,067
Overdue for more than 181 days	-	24,781
	<u>\$ 464,899</u>	<u>\$ 1,499,135</u>

The above is an aging analysis based on the number of overdue days.

- The balances of notes and accounts receivable on September 30, 2021, December 31, 2020 and September 30, 2020 were all generated from customer contracts. In addition, the receivable balance of customer contracts on January 1, 2020 is NT\$2,090,854.
- The interest income (including notes receivable on installments, accounts receivable on installments and long-term notes and accounts receivable) recognized in profit and loss for three months and nine months ended September 30, 2021 and 2020 were NT\$4,555 、 NT\$2,195 、 NT\$10,077 and NT\$6,114 respectively (listed under “interest income”).
- The Group did not hold collateral as guarantee for accounts receivable as of June 30, 2021, December 31, 2020 and June 30, 2020.
- Regardless of the collateral or other credit enhancements held, the maximum amounts of credit risk exposure of the Group’s notes or accounts receivable on September 30, 2021, December 31, 2020 and September 30, 2020 can be best represented by their book values.
- For information on credit risk of relevant notes and accounts receivable, please refer to note 12(2) “Explanation of financial instruments.”
- The Group did not pledge notes and accounts receivable as guarantee on September 30, 2021, December 31, 2020 and September 30, 2020.

(4) Inventories

September 30, 2021			
	Cost	Allowance for loss from inventory depreciation	Book value
Raw material	\$ 936,489	(\$ 27,449)	\$ 909,040
Materials	356,021	(14,053)	341,968
Work in progress	1,199,914	(28,926)	1,170,988
Finished products	1,413,746	(81,557)	1,332,189
	<u>\$ 3,906,170</u>	<u>(\$ 151,985)</u>	<u>\$ 3,754,185</u>
December 31, 2020			
	Cost	Allowance for loss from inventory depreciation	Book value
Raw material	\$ 571,048	(\$ 26,512)	\$ 544,536
Materials	344,723	(12,881)	331,842
Work in progress	1,092,223	(31,378)	1,060,845
Finished products	1,467,754	(87,531)	1,380,223
	<u>\$ 3,475,748</u>	<u>(\$ 158,302)</u>	<u>\$ 3,317,446</u>
September 30, 2020			
	Cost	Allowance for loss from inventory depreciation	Book value
Raw material	\$ 619,257	(\$ 25,171)	\$ 594,086
Materials	342,054	(9,451)	332,603
Work in progress	1,084,073	(34,697)	1,049,372
Finished products	1,382,691	(87,191)	1,295,500
	<u>\$ 3,428,075</u>	<u>(\$ 156,510)</u>	<u>\$ 3,271,565</u>

The Group's current inventory costs recognized as expense impairments:

	Three months ended September 30, 2021	Three months ended September 30, 2020
Cost of inventory sold	\$ 2,709,642	\$ 1,746,110
Inventory depreciation loss	(2,724)	4,413
Inventory loss	563	216
Income from sale of scrapped inventories	(20,607)	(11,466)
	<u>\$ 2,686,874</u>	<u>\$ 1,739,273</u>
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cost of inventory sold	\$ 7,060,155	\$ 4,978,874
Inventory depreciation loss (appreciation gain) (note)	(6,318)	15,830
Inventory loss	1,220	1,032
Income from sale of scrapped inventories	(51,583)	(33,730)
	<u>\$ 7,003,474</u>	<u>\$ 4,962,006</u>

(Note) The Group sold and scrapped inventories for three and nine months ended September 30, 2021 for which depreciation losses had been provided in previous years, and resulted in a gain of inventory depreciation recovery which was recognized as a deduction of cost of goods sold.

For the Group's inventories pledged as guarantee on September 30, 2021, December 31, 2020 and September 30, 2020, please refer to note 8 "Explanation of pledged assets."

(5) Financial assets at fair value through other comprehensive income - non-current

Item	September 30, 2021	December 31, 2020	September 30, 2020
Equity instruments			
Listed and OTC stocks	\$ 621,309	\$ 621,309	\$ 621,309
Unlisted, non-OTC and non-emerging market stocks	772	913	3,594
	622,081	622,222	624,903
Reevaluation adjustment	79,326	22,361	(58,964)
	<u>\$ 701,407</u>	<u>\$ 644,583</u>	<u>\$ 565,939</u>

1. The Group chose to classify equity investments that receive stable dividends as financial assets measured at fair value through other comprehensive income. The fair values of these investments on September 30, 2021, December 31, 2020 and September 30, 2020 were NT\$701,407, NT\$644,583 and NT\$565,939, respectively.
2. The Group's stock investments (Shangyang Venture Capital (Stocks) Co., Ltd.) listed financial assets at fair value through other comprehensive income were liquidated and distributed for nine months ended September 30, 2021. The investment cost was offset by \$141 based on the distribution amount and recognize dividends.

3. The details of the Group's financial assets measured at fair value through other comprehensive income which are recognized in profit and loss and comprehensive income are as follows:

	Three months ended September 30,2021	Three months ended September 30,2020
Equity instruments measured at fair value through other comprehensive income		
Changes in fair value recognized in other comprehensive income (listed under "Other equity interest")	(\$ 26,639)	(\$ 8,381)
Dividend income recognised in profit or loss (shown as 'Other income')	\$ 18,931	\$ 31,356
	Nine months ended September 30,2021	Nine months ended September 30,2020
Equity instruments measured at fair value through other comprehensive income		
Changes in fair value recognized in other comprehensive income (listed under "Other equity interest")	\$ 56,965	(\$ 136,226)
Dividend income recognised in profit or loss (shown as 'Other income')	\$ 19,824	\$ 31,467

4. Regardless of the collateral or other credit enhancements held, the maximum amounts of credit risk exposure of the Group's financial assets measured at fair value through other comprehensive income on September 30, 2021, December 31, 2020 and September 30, 2020 can be best represented by their book values.
5. For information on financial assets at fair value through other comprehensive income - non-current credit risk information, please refer to note 12(2) "Explanation of financial instruments."
6. Regarding the Group's Financial assets at fair value through other comprehensive income - non-current pledges as guarantee, please refer to note 8 "Explanation of pledged assets."

(6) Property, plant and equipment

	Land	Houses and construction	Machines and equipment	Utility equipment	Transportation equipment	Office equipment	Other devices	Equipment pending inspection and construction in progress	Total
<u>January 1, 2021</u>									
Cost	1,575,982	\$ 1,923,586	\$ 4,491,495	\$ 95,270	\$ 98,464	\$ 117,927	\$ 638,638	\$ 9,930	\$ 8,951,292
Cumulative depreciation	-	(1,378,319)	(3,690,654)	(69,963)	(73,137)	(100,357)	(492,761)	-	(5,805,191)
Cumulative impairment	-	-	(42)	-	-	-	-	-	(42)
	<u>1,575,982</u>	<u>\$ 545,267</u>	<u>\$ 800,799</u>	<u>\$ 25,307</u>	<u>\$ 25,327</u>	<u>\$ 17,570</u>	<u>\$ 145,877</u>	<u>\$ 9,930</u>	<u>\$ 3,146,059</u>
<u>Nine months ended September 30, 2021</u>									
January 1	1,575,982	\$ 545,267	\$ 800,799	\$ 25,307	\$ 25,327	\$ 17,570	\$ 145,877	\$ 9,930	\$ 3,146,059
Addition	-	3,564	814	735	5,192	2,185	16,931	48,763	78,184
Acceptance and transfer in	-	-	7,426	-	514	705	2,274	(10,919)	-
Transfer in from inventories	-	-	39,845	-	-	-	-	-	39,845
Transfer in from prepaid equipment expenses	-	-	6,426	-	151	31	427	4,840	11,875
Depreciation expenses	-	(33,207)	(111,193)	(2,861)	(6,905)	(5,510)	(31,341)	-	(191,017)
Disposal – cost	-	(190)	(20,359)	(71)	(3,625)	(2,205)	(1,406)	-	(27,856)
- cumulative depreciation	-	172	18,697	71	3,109	2,166	1,388	-	25,865
Net exchange difference	(2,385)	(3,831)	(9,722)	-	(124)	(107)	(1,863)	(58)	(18,090)
September 30	<u>1,573,597</u>	<u>\$ 511,775</u>	<u>\$ 732,995</u>	<u>\$ 23,181</u>	<u>\$ 23,639</u>	<u>\$ 14,835</u>	<u>\$ 132,287</u>	<u>\$ 52,556</u>	<u>\$ 3,064,865</u>
<u>September 30, 2021,</u>									
Cost	1,573,597	\$ 1,914,301	\$ 4,395,234	\$ 95,934	\$ 101,258	\$ 118,327	\$ 649,668	\$ 52,556	\$ 8,864,875
Cumulative depreciation	-	(1,402,526)	(3,626,197)	(72,753)	(77,620)	(103,491)	(517,381)	-	(5,799,968)
Cumulative impairment	-	-	(42)	-	-	-	-	-	(42)
	<u>1,573,597</u>	<u>\$ 511,775</u>	<u>\$ 732,995</u>	<u>\$ 23,181</u>	<u>\$ 23,638</u>	<u>\$ 14,836</u>	<u>\$ 132,287</u>	<u>\$ 52,556</u>	<u>\$ 3,064,865</u>
	<u>Land</u>	<u>Houses and construction</u>	<u>Machines and equipment</u>	<u>Utility equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other devices</u>	<u>Equipment pending</u>	<u>Total</u>

									inspection and construction in progress	
<u>January 1, 2020,</u>										
Cost	1,583,137	\$ 1,866,432	\$ 4,258,634	\$ 87,132	\$ 101,740	\$ 115,166	\$ 630,610	\$ 49,696	\$ 8,692,547	
Cumulative depreciation	-	(1,326,761)	(3,445,510)	(66,494)	(71,170)	(99,037)	(450,608)	-	(5,459,580)	
Cumulative impairment	-	-	(439)	-	-	-	-	-	(439)	
	<u>1,583,137</u>	<u>\$ 539,671</u>	<u>\$ 812,685</u>	<u>\$ 20,638</u>	<u>\$ 30,570</u>	<u>\$ 16,129</u>	<u>\$ 180,002</u>	<u>\$ 49,696</u>	<u>\$ 3,232,528</u>	
<u>Nine months ended September 30, 2020</u>										
January 1	1,583,137	\$ 539,671	\$ 812,685	\$ 20,638	\$ 30,570	\$ 16,129	\$ 180,002	\$ 49,696	\$ 3,232,528	
Addition	-	7,861	48,985	-	1,842	3,106	6,559	22,354	90,707	
Acceptance and transfer in	-	29,534	8,125	7,712	-	1,340	1,667	(48,378)	-	
Transfer in from inventories	-	-	55,673	-	-	-	-	28,822	84,495	
Transfer in from prepaid equipment expenses	-	-	5,990	-	1,218	1,963	1,420	2,240	12,831	
Depreciation expenses	-	(33,804)	(122,958)	(2,558)	(6,714)	(3,973)	(37,998)	-	(208,005)	
Disposal – cost	-	(404)	(73,147)	(25)	(3,494)	(2,790)	(7,980)	-	(87,840)	
— cumulative depreciation	-	397	64,758	25	2,796	2,628	7,894	-	78,498	
— cumulative impairment			397						397	
Net exchange difference	(9,540)	(5,300)	(19,875)	1	(205)	(180)	(1,051)	(22)	(36,172)	
September 30	<u>1,573,597</u>	<u>\$ 537,955</u>	<u>\$ 780,633</u>	<u>\$ 25,793</u>	<u>\$ 26,013</u>	<u>\$ 18,223</u>	<u>\$ 150,513</u>	<u>\$ 54,712</u>	<u>\$ 3,167,439</u>	
<u>September 30, 2020</u>										
Cost	1,573,597	\$ 1,898,425	\$ 4,428,696	\$ 94,820	\$ 99,113	\$ 117,981	\$ 624,763	\$ 54,712	\$ 8,892,107	
Cumulative depreciation	-	(1,360,470)	(3,648,021)	(69,027)	(73,100)	(99,758)	(474,250)	-	(5,724,626)	
Cumulative impairment	-	-	(42)	-	-	-	-	-	(42)	
	<u>1,573,597</u>	<u>\$ 537,955</u>	<u>\$ 780,633</u>	<u>\$ 25,793</u>	<u>\$ 26,013</u>	<u>\$ 18,223</u>	<u>\$ 150,513</u>	<u>\$ 54,712</u>	<u>\$ 3,167,439</u>	

1. The property, plant and equipment of the Group as of September 30, 2021, December 31, 2020 and September 30, 2020 were assets for self-use.
2. From January to September 2021 and 2020, there was no interest capitalization of property, plant and equipment.
3. For the impairment of property, plant and equipment, please refer to note 6(10) "Explanation of impairment of non-financial assets."
4. For information on guarantees provided by the Group with property, plant and equipment on September 30, 2021, December 31, 2020 and September 30, 2020, please refer to note 8 "Explanation of pledged assets."

(7) Lease transaction – lessee

1. The underlying assets leased by the Group include land (including the land in Dayong Section of Gangshan District, Kaohsiung and the set right-of-use of land of Songmushan Management District, Dalang Town, Dongguan City and Baihe Town, Shanghai signed with the People's Republic of China), buildings and cars for business purpose, and the lease contract period usually ranges from 1 to 50 years. The lease contract is negotiated individually and contains various terms and conditions, without other restrictions imposed.
2. Information on the book value of right-of-use assets and the recognized depreciation expenses is as follows:

	September 30, 2021	December 31, 2020	September 30, 2020
	Book value	Book value	Book value
Land	\$ 104,298	\$ 109,963	\$ 91,213
Houses and construction	61,618	77,536	40,392
Transportation equipment	831	1,534	1,000
	<u>\$ 166,747</u>	<u>\$ 189,033</u>	<u>\$ 132,605</u>
		Three months ended September 30, 2021	Three months ended September 30, 2020
		Depreciation expense	Depreciation expense
Land		\$ 1,374	\$ 1,186
Houses and construction		6,083	5,266
Transportation equipment		235	320
		<u>\$ 7,692</u>	<u>\$ 6,772</u>
		Nine months ended September 30, 2021	Nine months ended September 30, 2020
		Depreciation expense	Depreciation expense
Land		\$ 4,148	\$ 3,563
Houses and construction		18,435	16,021
Transportation equipment		703	962
		<u>\$ 23,286</u>	<u>\$ 20,546</u>

3. The increase of the Group's right-of-use assets for three months and Nine months ended September 30, 2021 and 2020 was NT\$2,022 、NT\$1,849 、NT\$3,139 and NT\$2,765, respectively.

4. Information about profit and loss items related to lease contracts is as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020
<u>Items that affect current profit and loss</u>		
Interest expenses on lease liabilities	\$ 493	\$ 535
Expenses for short-term leases	3,997	2,490
Gain from lease modification	93	-
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
<u>Items that affect current profit and loss</u>		
Interest expenses on lease liabilities	\$ 1,743	\$ 1,762
Expenses for short-term leases	13,366	6,085
Gain from lease modification	93	

5. The Group's total lease related cash outflows for nine months ended September 30, 2021 and 2020 were NT\$34,097 and NT\$24,808, respectively.

6. For the Group's right-of-use assets pledged as of September 30, 2021, December 31, 2020, and September 30, 2020, please refer to note 8 "Explanation of pledged assets."

(8) Intangible assets

	Computer software	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
<u>January 1</u>		
Original cost	\$ 30,881	\$ 27,244
Cumulative amortization	(20,235)	(16,618)
	<u>\$ 10,646</u>	<u>\$ 10,626</u>
<u>January to March</u>		
January 1	\$ 10,646	\$ 10,626
Addition – from a separate acquisition	1,346	3,224
Transfers from prepayments for business facilities	130	-
Amortization fee	(3,577)	(3,154)
Resale – cost	(723)	(827)
- Cumulative amortization	723	827
Net exchange difference	(78)	(36)
June 30	<u>\$ 8,467</u>	<u>\$ 10,660</u>
<u>June 30</u>		
Original cost	\$ 31,423	\$ 29,580
Cumulative amortization	(22,956)	(18,920)

<u>\$</u>	<u>8,467</u>	<u>\$</u>	<u>10,660</u>
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1. There was no interest capitalization for three months and nine months ended September 30, 2021 and 2020.
2. The details of the amortization expenses of intangible assets are as follows:

	Three months ended September 30,2021	Three months ended September 30,2020
Operating costs	\$ 151	\$ 69
Selling expenses	108	47
General and administrative expenses	393	650
Research and development expenses	504	344
	<u>\$ 1,156</u>	<u>\$ 1,110</u>

	Nine months ended September 30,2021	Nine months ended September 30,2020
Operating costs	\$ 380	\$ 117
Selling expenses	325	141
General and administrative expenses	1,286	1,883
Research and development expenses	1,586	1,013
	<u>\$ 3,577</u>	<u>\$ 3,154</u>

3. The Group did not pledge intangible assets as guarantee on September 30, 2021, December 31, 2020 and September 30, 2020.

(9) Long-term notes and accounts receivable

	September 30, 2021	December 31, 2020	September 30, 2020
Long-term notes receivable	\$ 23,658	\$ 49,179	\$ 46,660
Long-term installment accounts receivable	4,439	8,171	14,900
	<u>28,097</u>	<u>57,350</u>	<u>61,560</u>
Less: Unrealized interest income	(3,599)	(6,290)	(7,290)
	<u>\$ 24,498</u>	<u>\$ 51,060</u>	<u>\$ 54,270</u>

1. The Group's long-term accounts receivable meet the credit standards set according to the industry characteristics, business scale and profitability of the counterparty.
2. There were no overdue long-term notes receivable and long-term instalment accounts receivable of the Group as of September 30, 2021, December 31, 2020, and September 30, 1991.
3. The balances of long-term notes and accounts receivable on September 30, 2021, December 31, 2020 and September 30, 2020 were all generated by customer contracts. In addition, the balance of long-term notes and accounts receivable related to customer contracts on January 1, 2020 is NT\$66,525.
4. Regardless of the collateral or other credit enhancements held, the maximum amounts of credit risk exposure of the Group's long-term notes receivable and long-term instalment accounts receivable on September 30, 2021, December 31, 2020 and September 30, 2020 can be best represented by their book values.
5. For the interest income recognized in profit and loss for three months and nine months ended September 30, 2021 and 2020, please refer to note 6(3) "Explanation of the net amount of notes and accounts receivable."
6. The Group did not hold collateral as guarantee for long-term accounts receivable as of September 30, 2021, December 31, 2020 and September 30, 2020.
7. The Group did not pledge long-term notes and accounts receivable as guarantee on September 30, 2021, December 31, 2020 and September 30, 2020.
8. For the credit risk information of long-term notes and accounts receivable, please refer to note 12(2) "Explanation of financial instruments."

(10) Impairment of non-financial assets

1. The Group did not recognize any impairment loss for nine months ended September 30, 2021 and 2020.
2. As of September 30, 2021, December 31, 2020 and September 30, 2020, the cumulative impairment loss of property, plant and equipment after recognition and disposal and reversal was NT\$42, respectively.

(11) Short term borrowings

Nature of borrowing	September 30, 2021	Interest rate range	Guarantees
Bank loans			
Unsecured loans	\$ 1,655,448	0.70%~1.71%	None
Secured loans	523,506	1.65%~10.75%	note
	<u>\$ 2,178,954</u>		
Nature of borrowing	December 31, 2020	Interest rate range	Guarantees
Bank loans			
Unsecured loans	\$ 1,307,398	0.77%~1.71%	None
Secured loans	688,255	2.00%~10.75%	note
	<u>\$ 1,995,653</u>		
Nature of borrowing	September 30, 2020	Interest rate range	Guarantees
Bank loans			
Unsecured loans	\$ 1,275,129	0.77%~1.71%	None
Secured loans	653,105	2.00%~10.75%	note
	<u>\$ 1,928,234</u>		

(Note) For the collateral for the above-mentioned short-term loans, please refer to note 8 “Explanation of pledged assets.”

For the interest expenses recognized in the profit and loss for three months and nine months ended September 30, 2021 and 2020, please refer to Note VI. (24) Explanation of Financial Costs.

(12) Short-term notes and bills payable

	September 30, 2021	December 31, 2020	September 30, 2020	Mortgage or guarantee
Payable	130,000	40,000	40,000	None
commercial	\$	\$	\$	
promissory note				
Less:	(33)	(43)	(18)	
unamortized				
discount	<u>\$ 129,967</u>	<u>\$ 39,957</u>	<u>\$ 39,982</u>	
Issuing interest	1.00%~1.04%	1.04%	1.04%	
rate range				

1. The above-mentioned commercial promissory notes payable are issued under the guarantee of the bill company for short-term capital turnover.
2. For the interest expenses recognized in the profit and loss for three months and nine months ended September 30, 2021 and 2020, please refer to Note VI. (24) Explanation of Financial Costs.

(13) Provision for liabilities – current

	Warranty preparation	
	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Opening Balance	\$ 6,722	\$ 8,344

New liability provision		7,882	595
Liability provision used	(	5,138)	(1,528)
Unused amount of reversal	(	913)	(1,101)
Ending balance	\$	<u>8,553</u>	<u>\$ 6,310</u>

The Group's warranty liability provision is mainly related to the sales of mechanical products, and the warranty liability provision is estimated based on the historical warranty information of the product.

(14) Long term borrowings

Nature of borrowing	Loan period	Interest rate range	Collateral	June 30, 2021
Long-term bank loans				
Guaranteed bank loans	106.9.22– 114.3.30	0.96%–10.73%	Please refer to note 8 “Explanation of pledged assets.”	\$ 3,110,287
Less: long-term loans due within one year or one business cycle				(262,530)
				<u>\$ 2,847,757</u>

Nature of borrowing	Loan period	Interest rate range	Collateral	December 31, 2020
Long-term bank loans				
Guaranteed bank loans	106.9.22– 114.3.30	1.10%–10.73%	Please refer to note 8 “Explanation of pledged assets.”	2,726,619
Less: long-term loans due within one year or one business cycle				(326,419)
				<u>\$ 2,400,200</u>

Nature of borrowing	Loan period	Interest rate range	Collateral	September 30, 2020
Long-term bank loans				
Guaranteed bank loans	106.9.22– 114.3.30	1.10%–10.73%	Please refer to note 8 “Explanation of pledged assets.”	\$ 2,460,615
Less: long-term loans due within one year or one business cycle				(261,492)
				<u>\$ 2,199,123</u>

For the interest expenses recognized in the profit and loss for three months and nine months ended September 30, 2021 and 2020, please refer to Note VI. (24) Explanation of Financial Costs.

(15) Pension

- In accordance with the provisions of the “Labor Standards Act” of the Republic of China, the Company and its domestic subsidiaries have established retirement measures with defined benefits applicable to various service years of all regular employees before the implementation of the “Labor Pension Act” of the Republic of China on July 1, 2005, as well as the subsequent years of service of employees who choose to continue to apply the Labor Standards Act after the implementation of the “Labor Pension Act” of the Republic

of China. For employees who meet the requirements for retirement, the pension payment is calculated based on the years of service and the average salary of the 6 months before retirement. Two base points are given for each year of service under 15 years (inclusive), and for each year of service over 15 years, one base point is given for one full year, but the cumulative maximum is limited to 45 base points. The Company allocates 4% of the total salary to a retirement fund on a monthly basis and deposits it in a special account at the Bank of Taiwan in the name of the Labor Retirement Reserve Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve fund in the preceding paragraph. If the balance is insufficient to pay the pension amount of the forecasted eligible employees in the next year in accordance with the foregoing calculation, the Company will allocate the difference in one go before the end of the month. The relevant information about the above-mentioned defined welfare pension measures and the fact that the defined welfare pension measures apply to the subsidiary PT. Moonlion Industries Indonesia is disclosed as follows:

- (1) Retirement costs recognized by the Group in accordance with the above-mentioned pension measures for three months and nine months ended September 30, 2021 and 2020 were NT\$2,609 、 NT\$3,868 、 NT\$7,897 and NT\$12,154, respectively.
 - (2) The estimated contribution of the Group to the retirement plan in the next year is NT\$3,713.
2. Since July 1, 2005, the Company and its domestic subsidiaries have established defined retirement measures in accordance with the “Labor Pension Act” of the Republic of China applicable to employees of the ROC nationality. The employees of the Company and its domestic subsidiaries who choose to apply the labor pension system stipulated in the “Labor Pension Act” of the Republic of China, 6% of their salaries is allocated to the individual accounts of the employees at the Labor Insurance Bureau. The payment is based on the employee’s individual retirement pension account and the amount of accumulated income, and is received by the employee in the form of monthly pension or lump-sum pension. In accordance with the pension insurance system prescribed by the government of the People’s Republic of China, the subsidiaries of the Group allocate pension insurance funds (note) at a certain rate of the total salary of local employees every month, and the retirement pension of each employee is managed and arranged by the local government. Subsidiaries have no further obligations except for monthly allocations. The cost of pensions recognized in accordance with the above-mentioned pension measures for three months and nine months ended September 30, 2021 and 2020 were NT\$16,600 、 NT\$4,994 、 NT\$42,169 and NT\$18,450, respectively.

(Note) Affected by the severe COVID-19 epidemic, the local governments of some subsidiaries have preferentially exempted pension insurance from February to December of 2020.

(16) Share capital

1. The adjustment of the number of the Company’s ordinary shares outstanding at the beginning and end of the period is as follows: (Unit: thousand shares)

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Beginning and ending share numbers	<u>287,774</u>	<u>287,774</u>

2. Treasury stocks

- (1) The reasons for the Company’s share buyback and the changes in its quantity are as follows: (Unit: thousand shares)

Nine months ended September 30, 2021

Reason for buyback	Number of shares at the beginning of the period	Increase in the period	Decrease in the period	Number of shares at the end of the period
Shares of parent company held by subsidiaries which are transferred from long-term investment to treasury stocks	23,830	-	(1,516)	22,314

Nine months ended September 30, 2020

Reason for buyback	Number of shares at the beginning of the period	Increase in the period	Decrease in the period	Number of shares at the end of the period
Shares of parent company held by subsidiaries which are transferred from long-term investment to treasury stocks	23,830	-	-	23,830

- (2) The subsidiary sold 1,516 thousand shares of the company in July, 2021. The selling price and book value (cost) were \$60,394 and \$18,379 respectively, and the recognized gain of disposition was \$42,015 (listed "Capital Reserve-Treasury Stock Transaction" The book value (cost) at the end of the period on September 30, 2021, December 31, 2020, and September 30, 2020 were \$270,531, \$288,910, and \$288,910, respectively; the fair values were \$673,896, \$518,312, and \$387,245, respectively. The parent company's shares held by subsidiaries are treated as treasury stocks; they still enjoy the right to dividend distribution, and are included in the "capital reserve – treasury stock trading" item. The cash dividends paid to subsidiaries for nine months ended September 30, 2021 and 2020 were NT\$14,298 and NT\$28,596, respectively.
- (3) The reasons and the number of shares bought back on September 30, 2021, December 31, 2020 and September 30, 2020 remained unchanged, and the details are as follows:

Name of share holding company	Reason for buyback	September 30, 2021	
		Number of shares (thousand shares)	Book value
Chun Yu Investment Co., Ltd.	Shares of parent company held by subsidiaries which are transferred from long-term investment to treasury stocks	22,314	\$ 270,531
Name of share holding	Reason for buyback	December 30, 2020	
		Number of	Book

company		shares (thousand shares)	value
Chun Yu Investment Co., Ltd.	Shares of parent company held by subsidiaries which are transferred from long-term investment to treasury stocks	23,830	\$ 288,910
		<u>September 30, 2020</u>	
Name of share holding company	Reason for buyback	Number of shares (thousand shares)	Book value
Chun Yu Investment Co., Ltd.	Shares of parent company held by subsidiaries which are transferred from long-term investment to treasury stocks	23,830	\$ 288,910

3. As of September 30, 2021, the total rated capital of the Company was NT\$3,920,696, and the total paid-in capital was NT\$2,877,740, divided into 287,774 thousand shares, with an amount of NT\$10 each and issued in installments. The payment for the issued shares of the Company has been received in full.

(17) Capital surplus

1. In accordance with the provisions of the Company Act of the Republic of China, the excess proceeds of shares issued above par value and the capital reserve from donations can be used to make up for losses. When the Company has no cumulative loss, they shall be distributed in the form of new shares or cash based on the shareholders' original shareholding ratios. In addition, in accordance with the relevant provisions of the Securities and Exchange Act of the Republic of China, when the capital reserve above is allocated for capitalization, the total amount shall not exceed 10% of the paid-in capital each year. The Company shall not use the capital reserve to compensate the capital loss unless the reserve of earnings is insufficient to compensate the capital loss. The changes in the capital reserves for nine months ended September 30, 2021 and 2020 are as follows:

Nine months ended September 30, 2021	Acquisition or disposal of the difference between the equity price of the subsidiary company and the book value	Treasury stock trading	Total
Opening Balance	\$ 26,901	\$ 131,068	\$ 157,969
The Company's dividends received by subsidiaries	-	14,298	14,298
Disposal of treasury stocks	-	42,015	42,015
Ending balance	\$ 26,901	\$ 187,381	\$ 214,282

Nine months ended September 30,2020	Acquisition or disposal of the difference between the equity price of the subsidiary company and the book value	Treasury stock trading	Total
Opening Balance	\$ 26,901	\$ 102,472	\$ 129,373
The Company's dividends received by subsidiaries	-	28,596	28,596
Ending balance	\$ 26,901	\$ 131,068	\$ 157,969

2. Regarding capital reserve – treasury stock trading, please refer to note 6(16) “Explanation of share capital.”

(18) Retained earnings

1. The legal reserve shall not be used except for compensating the Company's losses and distribution of new shares or cash in proportion to the shareholders' original shareholdings. However, if the legal reserve is for the distribution of new shares or cash, the reserve shall be limited to the part exceeding 25% of the paid-in capital.
2. According to the provisions of the Company's articles of association, the Company may, in accordance with the provisions of the Company Act, distribute earnings or make up for losses after the end of each semi-accounting year. When distributing earnings, it is necessary to estimate and retain taxes payable, make up for losses in accordance with the law, and set aside the legal reserve. However, this is not applicable when the legal reserve has reached the paid-in capital amount. If the earnings are distributed in cash, it shall be processed based on the resolution of the board meeting; if new shares are issued, it shall be processed by the resolution of the shareholders' meeting in accordance with regulations.

In addition to paying all taxes and making up previous years' losses in accordance with the law, 10% of the balance of the earnings shall first be appropriated as the legal reserve, and other special earnings reserves shall be reversed or appropriated in accordance with regulations; the balance plus the annual cumulative Unappropriated retained earnings is the cumulative distributable earnings, and an earnings distribution proposal shall be proposed by the board meeting and submitted to the shareholders' meeting for resolution. The Company authorizes the board of directors to distribute dividends and bonuses, and all or part of the capital reserve or legal reserve in cash based on a majority resolution made in a board meeting attended by more than two-thirds of the directors; the resolution shall be reported to the shareholders' meeting, and not subject to the resolution by the shareholders' meeting. The Company's dividend policy shall be based on its earnings, while considering factors such as capital requirements for current and future development and shareholders' interests, and in principle the dividend ratio shall not be less than 50%. However, if due to industrial environment changes or the requirement of the Company's operating plan, the board of directors may submit a proposal of adjustment to the shareholders' meeting for resolution.

3. Special earnings reserve:

- (1) When the Company distributes earnings, the debit balance of Other equity interest items on the balance sheet date of the current year shall be allocated to the special earnings reserve before the earnings can be distributed. When the debit balance of Other equity interest items is subsequently reversed, the reversal amount may be included in distributable earnings.
- (2) When the Company first adopted IFRSs, the special earnings reserve appropriated in accordance with the letter referenced Jin-Guan-Cheng-Fa No. 1010012865 dated

April 6, 2012 was NT\$430,610. When the Company subsequently uses, disposes of or reclassifies related assets, the proportion of the special earnings reserve originally appropriated shall be reversed.

4. The cash dividend recognized by the Company as distributed to the owner in 2021 and 2020 was NT\$172,664 (NT\$0.6 per share), NT\$345,329 (NT\$1.2 per share)

(19) Other equity interest

	Nine months ended September 30,2021		
	Foreign currency conversion	Unrealized evaluation gains and losses	Total
January 1 to September 30,	(\$ 185,009)	\$ 22,362	(\$ 162,647)
Evaluation adjustment – foreign currency conversion	(42,201)	-	(42,201)
Evaluation adjustment – unrealized evaluation gains and losses	-	56,965	56,965
September 30, 2021,	<u>(\$ 227,210)</u>	<u>\$ 79,327</u>	<u>(\$ 147,883)</u>

	Nine months ended September 30,2020		
	Foreign currency conversion	Unrealized evaluation gains and losses	Total
January 1 to September 30,	(\$ 172,821)	\$ 77,263	(\$ 95,558)
Evaluation adjustment – foreign currency conversion	(53,550)	-	(53,550)
Evaluation adjustment – unrealized evaluation gains and losses	-	(136,226)	(136,226)
September 30, 2020	<u>(\$ 226,371)</u>	<u>(\$ 58,963)</u>	<u>(\$ 285,334)</u>

(20) Operating revenue

	Three months ended September 30,2021	Three months ended September 30,2020
Income from customer contracts	\$ 3,256,626	\$ 1,997,991
	Nine months ended September 30,2021	Nine months ended September 30,2020
Income from customer contracts	\$ 8,530,480	\$ 5,773,259

1. Details of customer contractual income

The Group's income is derived from the provision of goods transferred at a certain point in time. The income can be divided into the following main product lines:

	Three months ended September 30,2021		
Main product line	Screw Department	Machinery Department	Total
Screws and nuts	\$ 1,424,697	\$ -	\$ 1,424,697
Wire	1,133,348	-	1,133,348
Machinery equipment	-	354,066	354,066
Other	325,086	19,429	344,515
	<u>\$ 2,883,131</u>	<u>\$ 373,495</u>	<u>\$ 3,256,626</u>

	Nine months ended September 30,2020		
Main product line	Screw Department	Machinery Department	Total
Screws and nuts	\$ 1,179,111	\$ -	\$ 1,179,111
Wire	543,611	-	543,611
Machinery equipment	-	229,030	229,30
Other	28,200	18,039	46,239
	<u>\$ 1,750,922</u>	<u>\$ 247,069</u>	<u>\$ 1,997,991</u>

	Nine months ended September 30,2021		
Main product line	Screw Department	Machinery Department	Total
Screws and nuts	\$ 4,067,628	\$ -	\$ 4,067,628
Wire	2,891,016	-	2,891,016
Machinery equipment	-	974,376	974,376
Other	544,874	52,586	597,460
	<u>\$ 7,503,518</u>	<u>\$ 1,026,962</u>	<u>\$ 8,530,480</u>

	Nine months ended September 30,2020		
Main product line	Screw Department	Machinery Department	Total
Screws and nuts	\$ 3,354,138	\$ -	\$ 3,354,138
Wire	1,531,143	-	1,531,143
Machinery equipment	-	708,587	708,587
Other	93,527	85,864	179,391
	<u>\$ 4,978,808</u>	<u>\$ 794,451</u>	<u>\$ 5,773,259</u>

2. Contractual liabilities

(1) The balances of contract liabilities related to customer contractual income recognized

by the Group on September 30, 2021, December 31, 2020 and September 30, 2020 were NT\$407,576, NT\$243,739 and NT\$183,936, respectively.

- (2) The contractual liabilities of the Group as of January 1, 2021 and 2020 were NT\$243,739 and NT\$159,259, respectively, and the revenue recognized for nine months ended September 30, 2021 and 2020 were NT\$178,059 and NT\$89,308, respectively.

(21) Interest income

	Three months ended September 30,2021	Three months ended September 30,2020
Interest on bank deposits	\$ 87	\$ 437
Other interests	4,557	2,418
	<u>\$ 4,644</u>	<u>\$ 2,855</u>

	Nine months ended September 30,2021	Nine months ended September 30,2020
Interest on bank deposits	\$ 1,241	\$ 1,204
Other interests	10,086	6,557
	<u>\$ 11,327</u>	<u>\$ 7,761</u>

(22) Other income

	Three months ended September 30,2021	Three months ended September 30,2020
Rental income	\$ 3,122	\$ 478
Other income	18,930	31,395
Government grants	4,322	1,224
Other income	7,407	1,719
	<u>\$ 33,781</u>	<u>\$ 34,816</u>

	Nine months ended September 30,2021	Nine months ended September 30,2020
Rental income	\$ 3,814	\$ 1,430
Other income	22,035	34,270
Government grants	23,244	47,784
Other income	22,012	10,774
	<u>\$ 71,105</u>	<u>\$ 94,258</u>

The Group recognized government grant income of \$7,103 and \$44,611 for the year ended December 31, 2021 and nine months ended September 30, 2020 for salary and working capital subsidies from the Ministry of Economic Affairs under the ‘Relief and Revitalization Measures for Industries and Enterprises Experiencing Operational Difficulties Due To the Impact of Severe Pneumonia with Novel Pathogens (COVID-19)’. The Group must comply with the application rules of aforementioned government subsidies. In the following circumstances, the Ministry of Economic Affairs of the Republic of China may revoke or abolish the subsidies and retrieve the funds:

- A. Any action that would meet the rights of employees, such as reduction of working hours (unpaid leave), layoffs or pay cuts.
- B. Any dissolution, or termination of the operation.
- C. More than one receipt for the same salary and working capital subsidies.
- D. A landowner on the list of industrial idle land announced in accordance with the Article 46-1 of Statute for Industrial Innovation.
- E. Not applying for factory registration in accordance with the Factory Management Act.
- F. Any severe violation of laws relating to environmental protection, labor and food safety and sanitation in the past three years.
- G. Any severe violation of other relevant laws and regulations.
- H. Not cooperating with audits requested from the handling units and execution units.

(23) Other gains and losses

	Three months ended September 30, 2021	Three months ended September 30, 2020
Gains on financial assets at fair value through profit or loss	(\$ 2,039)	(\$ 899)
Gains (losses) on disposal of property, plant and equipment	(90)	(98)
Net foreign exchange losses	2,862	(7,747)
Profit from lease modifications	93	-
Miscellaneous disbursements	(1,514)	(666)
	<u>(\$ 688)</u>	<u>(\$ 9,410)</u>

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Gains on financial assets at fair value through profit or loss	\$ 55,860	(\$ 8,747)
Gains (losses) on disposal of property, plant and equipment	(698)	1,931
Net foreign exchange losses	(8,705)	(12,041)
Profit from lease modifications	93	-
Miscellaneous disbursements	1,504	(2,339)
	<u>\$ 48,054</u>	<u>(\$ 21,196)</u>

(24) Finance cost

	Three months ended September 30,2021	Three months ended September 30,2020
Interest expenses:		
Bank borrowings	\$ 22,974	\$ 23,714
Interest on lease liabilities	493	535
	<u>\$ 23,467</u>	<u>\$ 24,249</u>
	Nine months ended September 30,2021	Nine months ended September 30,2020
Interest expenses:		
Bank borrowings	\$ 66,625	\$ 81,764
Interest on lease liabilities	1,743	1,762
	<u>\$ 68,368</u>	<u>\$ 83,526</u>

(25) Expenses by nature

	Three months ended September 30,2021		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expense	\$ 277,934	\$ 86,070	\$ 364,004
Depreciation	53,477	14,528	68,005
Amortization	151	1,005	1,156
	<u>\$ 331,562</u>	<u>\$ 101,603</u>	<u>\$ 433,165</u>
	Three months ended September 30,2020		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expense	\$ 207,768	\$ 96,693	\$ 304,461
Depreciation	60,855	14,647	75,502
Amortization	69	1,041	1,110
	<u>\$ 268,692</u>	<u>\$ 112,381</u>	<u>\$ 381,073</u>
	Nine months ended September 30,2021		
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expense	\$ 727,053	\$ 304,997	\$ 1,032,050
Depreciation	169,270	45,033	214,303
Amortization	380	3,197	3,577
	<u>\$ 896,703</u>	<u>\$ 353,227</u>	<u>\$ 1,249,930</u>

Nine months ended September 30,2020			
	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expense	\$ 580,846	\$ 280,784	\$ 861,630
Depreciation	184,811	43,740	228,551
Amortization	117	3,037	3,154
	<u>\$ 765,774</u>	<u>\$ 327,561</u>	<u>\$ 1,093,335</u>
(26) <u>Employee benefit expense</u>			
Three months ended September 30,2021			
	Attributable to operating costs	Attributable to operating expenses	Total
Wages and Salaries	\$ 247,132	\$ 72,037	\$ 319,169
Labor and health insurance fees	10,902	4,986	15,888
Pension costs	13,877	5,332	19,209
Other personnel expenses	6,023	3,715	9,738
	<u>\$ 277,934</u>	<u>\$ 86,070</u>	<u>\$ 364,004</u>
Three months ended September 30,2020			
	Attributable to operating costs	Attributable to operating expenses	Total
Wages and Salaries	\$ 176,055	\$ 82,238	\$ 258,293
Labor and health insurance fees	16,183	5,464	21,647
Pension costs	6,102	2,760	8,862
Other personnel expenses	9,428	6,231	15,659
	<u>\$ 207,768</u>	<u>\$ 96,693</u>	<u>\$ 304,461</u>
Nine months ended September 30,2021			
	Attributable to operating costs	Attributable to operating expenses	Total
Wages and Salaries	\$ 636,367	\$ 263,024	\$ 899,391
Labor and health insurance fees	38,199	15,783	53,982
Pension costs	34,961	15,105	50,066
Other personnel expenses	17,526	11,085	28,611
	<u>\$ 727,053</u>	<u>\$ 304,997</u>	<u>\$ 1,032,050</u>
Nine months ended September 30,2020			
	Attributable to operating costs	Attributable to operating expenses	Total
Wages and Salaries	\$ 484,891	\$ 236,626	\$ 721,517
Labor and health insurance fees	47,051	16,946	63,997
Pension costs	20,773	9,831	30,604
Other personnel expenses	28,131	17,381	45,512

<u>\$</u>	<u>580,846</u>	<u>\$</u>	<u>280,784</u>	<u>\$</u>	<u>861,630</u>
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1. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 2% for employees' compensation and shall not be higher than 2% for directors' remuneration. However, if the Company has accumulated deficit, the earnings shall be reserved to offset losses.
2. For the three months and nine months periods ended September 30, 2021 and 2020, employees' compensation was accrued at \$5,400, \$1,100, \$12,750 and \$2,400 respectively, while directors' remuneration was accrued at \$5,400, \$1,100, \$12,750 and \$2,400 respectively. The aforementioned amounts were recognized in salary expenses and were accrued based on the earnings of current year and the percentage prescribed by the Company's Articles of Incorporation. Employees' compensation and directors' remuneration for 2020 both amounting to \$4,074 as resolved at the meeting of Board of Directors were in agreement with those amounts recognized in the 2020 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

1. Components of income tax expenses:

(1) Components of income tax expenses:

	Three months ended September 30,2021	Three months ended September 30,2020
Current tax:		
Current tax on profits for the year	\$ 39,011	\$ 19,783
Tax on undistributed earnings	391	(149)
Prior year income tax under estimation	(344)	(1,354)
Total current tax	<u>39,058</u>	<u>18,280</u>
Deferred tax:		
Origination and reversal of temporary differences	18,993	3,963
Impact of change in tax rate	-	(4)
Total deferred tax	<u>18,993</u>	<u>3,959</u>
Income tax expense	\$ 58,051	\$ 22,239
	Nine months ended September 30,2021	Nine months ended September 30,2020
Current tax:		
Current tax on profits for the year	\$ 104,156	\$ 67,007
Tax on undistributed earnings	391	34
Prior year income tax under(over) estimation	1,089	(3,834)
Total current tax	<u>105,636</u>	<u>63,207</u>
Deferred tax:		
Origination and reversal of temporary differences	61,757	(6,895)
Impact of change in tax rate	-	3,733
Total deferred tax	<u>61,757</u>	<u>(3,162)</u>
Income tax expense	\$ 167,393	\$ 60,045

(2) The amount of income tax related to other comprehensive income:

	Three months ended September 30,2021	Three months ended September 30,2020
Currency translation differences	(\$ 494)	\$ 2,098
	Nine months ended September 30,2021	Nine months ended September 30,2020
Currency translation differences	(\$ 1,970)	(\$ 879)

2. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. The Company did not have any administrative remedy as of November 3, 2021.

(28) Earnings per share

Three months ended September 30,2021			
	Amount after tax	Weighted average number of shares outstanding (Shares in thousand)	Earnings per share (In dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 239,271	265,368	\$ 0.90
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 239,271	265,368	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	422	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 239,271	265,790	\$ 0.90
Three months ended September 30,2020			
	Amount after tax	Weighted average number of shares outstanding (Shares in thousand)	Earnings per share (In dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 27,405	263,944	\$ 0.10
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 27,405	263,944	
Assumed conversion of all dilutive potential ordinary shares	-	148	
Employees' compensation			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 27,405	264,092	\$ 0.10

Nine months ended September 30,2021			
	Amount after tax	Weighted average number of outstanding shares (Shares in thousand)	Earnings per share (In dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 596,800	264,424	\$ 2.26
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 596,800	264,424	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	475	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 596,800	264,899	\$ 2.25

Nine months ended September 30,2020			
	Amount after tax	Weighted average number of outstanding shares (Shares in thousand)	Earnings per share (In dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 116,095	263,944	\$ 0.44
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 116,095	263,944	
Assumed conversion of all dilutive potential ordinary shares Employees' compensation	-	278	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 116,095	264,222	\$ 0.44

(29) Supplementary cash flow information

1. Investment and financing activities with partial cash payments:

	Nine months ended September 30,2021	Nine months ended September 30,2020
(1) Purchase of property, plant and equipment	\$ 78,184	\$ 90,707
Add: Opening balance of payable on equipment (shown as "Notes payable")	4,200	-
Opening balance of payable on equipment (shown as "Other payables")	25,545	28,493
Less: Ending balance of payable on equipment (shown as "Other payables")	(44,184)	(26,234)
Cash paid for acquisition property, plant and equipment	\$ 63,745	\$ 92,966

	Nine months ended September 30,2021	Nine months ended September 30,2020
(2) Cash dividends declared	\$ 172,664	\$ 345,329
Less: Dividends received by subsidiaries for holding the parent company's shares	(14,298)	(28,596)
Cash dividends paid	\$ 158,366	\$ 316,733

2. Operating and investing activities with no cash flow effects:

	Nine months ended September 30,2021	Nine months ended September 30,2020
(1) Write-offs of uncollectible receivables	\$ 25	\$ 489
(2) Inventories transferred to property, plant and equipment	\$ 39,845	\$ 84,495
(3) Prepayments for business facilities transferred to property, plant and equipment	\$ 11,875	\$ 12,831
(4) Prepayments for business facilities transferred to intangible assets	\$ 130	\$ -

(30) Changes in liabilities from financing activities

	Short term borrowings	Short-term notes and bills payable	Lease liability	Long-term loans (including the part due within one year)	Guarantee deposits received	Total liabilities from financing activities
January 1,2021,	\$ 1,995,653	\$ 39,957	\$ 98,350	\$ 2,460,615	\$ 564	\$ 4,595,139
Changes in cash flow from financing activities	183,301	90,000	(18,988)	649,672	(107)	903,378
Changes in other non-cash items	-	10	3,139	-	-	3,149
Impact of changes in foreign exchange rate	-	-	(887)	-	-	(887)
September 30,2021	<u>\$ 2,178,954</u>	<u>\$ 129,967</u>	<u>\$ 81,614</u>	<u>\$ 3,110,287</u>	<u>\$ 457</u>	<u>\$ 5,501,279</u>

	Short term borrowings	Short-term notes and bills payable	Lease liability	Long-term loans (including the part due within one year)	Guarantee deposits received	Total liabilities from financing activities
January 1,2020,	\$ 1,915,153	\$ 9,997	\$ 75,602	\$ 2,695,756	\$ 457	\$ 4,696,965
Changes in cash flow from financing activities	13,081	30,000	(16,961)	30,863	106	57,089
Changes in other non-cash items	-	(15)	2,765	-	-	2,750
Impact of changes in foreign exchange rate	-	-	(1,432)	-	-	(1,432)
September 30,2020	<u>\$ 1,928,234</u>	<u>\$ 39,982</u>	<u>\$ 59,974</u>	<u>\$ 2,726,619</u>	<u>\$ 563</u>	<u>\$ 4,755,372</u>

VII. Related party transactions

(1) Names of related parties and relationship

Name of related party	Relationship with the Group
OFCO Industrial Corp.	Other related party
Gloria Material Technology Corp.	Other related party
Homkom Precision Industrial Corp.	Other related party
TSG Transportation Corp.	Other related party
China Ecotek Corp.	Other related party (note)
(Note) The Company served as supervisor in the board of directors of China Ecotek Corp. However, it was discharged after the election during the shareholders' meeting, consequently, it became a non-related party since the third quarter of 2020.	

(2) Significant related party transactions

1. Operating revenue

	Three months ended September 30,2021	Three months ended September 30,2020
Sale of goods:		
Other related parties	<u>\$ 182,110</u>	<u>\$ 67,695</u>
	<u>Nine months ended September 30,2021</u>	<u>Nine months ended September 30,2020</u>
Sale of goods:		
Other related parties	<u>\$ 417,985</u>	<u>\$ 205,186</u>
Goods are sold to related parties based on the terms that would be available to third parties		

and the average credit term is 2 months. The credit terms for machinery equipment sales are based on the terms specified in the contracts, some of which are sold on installment over a period of 1 ~ 3 years, and for spare parts sales are 3 ~ 4 months.

2. Purchases

	Three months ended September 30,2021	Three months ended September 30,2020
Purchase of goods:		
Other related parties	\$ 65	\$ 2,461
	Nine months ended September 30,2021	Nine months ended September 30,2020
Purchase of goods:		
Other related parties	\$ 9,584	\$ 8,467

Goods are purchased from related parties based on the prices and terms that would be available to third parties and the average payment terms are 1 ~ 2 months. However, both parties may negotiate to extend payment terms according to the funds available.

3. Other expenses

	Three months ended September 30,2021	Three months ended September 30,2020
Other related parties	\$ 16,036	\$ 6,818
	Nine months ended September 30,2021	Nine months ended September 30,2020
Other related parties	\$ 40,555	\$ 15,757

4. Receivables from related parties

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable			
Other related parties	\$ 1,209	\$ -	\$ -
Accounts receivable			
Other related parties	\$ 135,239	\$ 67,052	\$ 48,002

5. Contract liabilities- current

	September 30, 2021,	December 31, 2020	September 30, 2020
Other related parties	\$ 7,084	\$ 6,690	\$ -

6. Payables to related parties

	September 30, 2021	December 31, 2020	September30, 2020
Accounts payable			
Other related parties	\$ 68	\$ 4,036	\$ 2,825
Other payables			
Other related parties	\$ 19,881	\$ 9,426	\$ -

(3) Key management salary compensation

	Three months ended September 30,2021	Three months ended September 30,2020
Wages and salaries and other short-term benefits	<u>15,737</u>	<u>\$ 19,723</u>
	Nine months ended September 30,2021	Nine months ended September 30,2020
Wages and salaries and other short-term benefits	<u>47,038</u>	<u>\$ 48,202</u>

VIII. Pledged assets

The details of the guarantees provided with the Group's assets are as follows:

Asset name	September 30, 2021,	December 31, 2020	September 30, 2020	Guarantee purpose
Pledged demand deposits (note 1)	\$ 24,761	\$ 17,870	\$ 17,200	Performance bonds and guarantees with short-term loans and long-term loans
Inventories	79,200	81,200	79,200	Short-term loan and long-term loan guarantees
Listed stocks (note 2)	251,975	244,466	209,449	Long-term loan guarantee
Land (note 3)	842,138	836,662	834,277	Short-term loan and long-term loan guarantees
Buildings and structures, net (note 3)	182,765	194,316	199,927	Short-term loan and long-term loan guarantees
Machinery and equipment – net (note 3)	49,067	50,949	52,192	Short-term loan and long-term loan guarantees
Right-of-use assets	14,871	15,551	15,357	Short-term loan guarantee
The Company's stocks (note 4)	-	32,625	24,375	Long-term loan guarantee
	<u>\$ 1,444,777</u>	<u>\$ 1,473,639</u>	<u>\$ 1,431,977</u>	

(Note 1) Shown as 'Other current financial assets' and 'Other non-current financial assets'.

(Note 2) Shown as 'Non-current financial assets at fair value through other comprehensive income'.

(Note 3) Shown as 'Property, plant and equipment'.

(Note 4) The Company's stocks were pledged as collateral by its subsidiary, shown as 'Treasury stocks'.

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (1) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's capital expenditures contracted for at the balance sheet date but not yet incurred were \$13,039, \$8,075 and \$194, respectively.
- (2) As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's line of credit issued but not yet negotiated were \$639,304, \$136,968 and \$98,913, respectively.
- (3) Information on provision of endorsements and guarantees to others is provided in Note 13(1)B.
- (4) On October 5, 2019, the Company entered into a mid-term secured syndicated loan agreement with 10 banks including First Commercial Bank for a credit facility of \$1,790,000 (including

Tranche A facility amount of \$590,000, Tranche B facility amount of \$1,200,000 and Tranche C facility amount of \$720,000, among which the total amount drawdown under Tranche B and Tranche C shall not exceed the Tranche B facility amount). The term for each tranche is 5 years. The Company's commitments to banking syndicate during the terms of syndicated loan are as follows:

1. During the terms of the syndicated loan, the financial covenants stated in the Company's consolidated financial statements audited by independent auditors shall comply with the following financial covenants and will be assessed once a year:
 - (1) Current ratio: The ratio of current assets to current liabilities shall not be lower than 100%.
 - (2) Debt ratio: The ratio of total liabilities to tangible equity shall not be higher than 200%.
 - (3) Interest coverage ratio: The ratio of total amount of income before tax, interest expense, depreciation and amortization to interest expense shall not be lower than 200%.
 - (4) Tangible equity: The amount of net assets less intangible assets shall not be lower than \$3,000,000.
2. If the Company fails to comply with the aforementioned financial covenants, the Company is required to pay additional interest rate of 0.10% per annum over the interest rate applicable to this agreement during the period from the date of notification sent by the managing bank to the date that consolidated financial statements, which meet all requirements, are provided. The aforesaid failure to comply with financial covenants will not be regarded as an event of default if additional interest is paid.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group did not breach the commitments to the aforementioned financial ratios.

- (5) On December 15, 2017, the Company signed a medium-term secured syndication loan contract with seven financial institutions including First Commercial Bank on December 15, 2017, with a total credit line of NT\$3,000,000 (including a credit line of NT\$1,200,000 for item A and a credit line of NT\$1,800,000 for item B). The credit period is 5 years for each credit item, and the following items are committed to the credit bank syndicate during the credit period:
 1. During the terms of the syndicated loan, the financial covenants stated in the Company's consolidated financial statements audited by independent auditors shall comply with the following financial covenants and will be assessed once a year:
 - (1) Current ratio: The ratio of current assets to current liabilities shall not be lower than 100%.
 - (2) Debt ratio: The ratio of total liabilities to tangible equity shall not be higher than 200%.
 - (3) Interest coverage ratio: The ratio of total amount of income before tax, interest expense, depreciation and amortization to interest expense shall not be lower than 200%.
 - (4) Tangible equity: The amount of net assets less intangible assets shall not be lower than \$3,000,000.
 2. If the Company fails to comply with the aforementioned financial covenants, the Company is required to pay additional interest rate of 0.10% per annum over the interest rate applicable to this agreement during the period from the date of notification sent by the managing bank to the date that consolidated financial statements, which meet all requirements, are provided. The aforesaid failure to comply with financial covenants will not be regarded as an event of default if additional interest is paid.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group did not breach the commitments to the aforementioned financial ratios.

- (6) The Company is involved in a lawsuit filed by Mr. Li, Shi-Ren in 2012 relating to whether an employment relationship existed between both parties. Mr. Li, Shi-Ren claimed that he served in an investee of the Company for 26 years and 8 months and requested the Company to pay pension

for a total amount of USD 642 thousand. On February 27, 2014, the Taiwan Kaohsiung District Court rendered a decision that the Company is liable for the USD 642 thousand pension payment. The Company disagreed with the decision and appealed during the legal period. On April 29, 2016, the Taiwan High Court Kaohsiung Branch Court revoked the original decision rendered on February 27, 2014 and rendered a decision that the litigation expenses incurred thereby shall be borne by the appellant (Li, Shi-Ren). Subsequently, Li, Shi-Ren appealed to the Supreme Court. On August 2, 2018, the Supreme Court, after reviewing the case, revoked the decision except for the provisional execution and remanded the case to the Taiwan High Court Kaohsiung Branch Court. On April 15, 2020, following the first decision by the Supreme Court, the Taiwan High Court Kaohsiung Branch Court rendered a decision on the case no. 2018-Zhong-Lao-Shang-Geng-Yi-Zi-1, in which both of the appellant's (Li, Shi-Ren) appeal with the first instance court and motion for provisional execution are dismissed, and the appellant shall bear the relevant litigation expenses. Li, Shi-Ren continued to appeal, but the case is now pending with the Supreme Court.

X. Significant Disaster Loss

None.

XI. Significant Events after the Balance Sheet Date

1. In order to repay bank loans and enrich working capital, the company issued the first secured corporate bonds on October 15, 2021, with a total issuance of \$3,000,000 and a fixed annual interest rate of 0.65%. The annual principal repayment 7 years from the issuance date, and the declaration to the Taipei Exchange was taken effect.
2. On November 3, 2021, the Board of Directors proposed that total cash for the distribution of cash dividends from first half of 2021 earnings amounting to \$143,887 (NT\$0.5 per share).

XII. Other

(1) Capital management

The Group's capital management objectives are to ensure that the Group can continue to operate, maintain the best capital structure to reduce capital costs, and provide remuneration to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

(2) Financial instruments

1. Financial instruments by category

Details of the Group's financial instruments by category are provided in Note 6.

2. Financial risk management policies

- (1) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.
- (2) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity

3. Significant financial risks and degrees of financial risk

(1) Market risk

A. Exchange rate risk

- (A) The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the RMB, USD and IDR. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- (B) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. The Group treasury uses forward foreign exchange contracts to manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- (C) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB and IDR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	September 30, 2021		
	Foreign currency (In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 14,381	27.85	\$ 413,040
USD: RMB	4,363	6.4854	121,507
EUR: NTD	1,609	32.32	52,006
EUR: RMB	2,344	7.5247	75,757
RMB: NTD	5,363	4.2945	23,031
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	3,922	27.85	109,239
USD: RMB	3,425	6.4854	95,400
USF: IDR	3,517	14,066	97,945
EUR: NTD	1,478	32.32	47,759

(Foreign currency: functional currency)	December 31, 2020		
	Foreign currency (In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	11,338	28.48	\$ 322,901
USD: RMB	4,346	6.5249	123,797
EUR: NTD	237	35.02	8,315
EUR: RMB	116	8.025	4,058
RMB: NTD	8,716	4.366	38,055
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	7,916	28.48	225,454
USD: RMB	538	6.5249	15,325
USF: IDR	3,111	14,200	89,690
EUR: NTD	262	35.02	9,183

(Foreign currency: functional currency)	September 30, 2020		
	Foreign currency (In thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	13,194	29.10	\$ 383,958
USD: RMB	5,149	6.8101	149,781
EUR: NTD	291	34.15	9,935
RMB: NTD	8,630	4.2719	36,867
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	4,566	29.10	132,878
USD: RMB	618	6.8101	17,969
USF: IDR	3,517	14,880	130,613
EUR: NTD	521	34.15	17,797

The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1%, the Group's net income for nine months periods ended September 30, 2021 and 2020 would have decreased/increased by \$2,678 and \$2,452.

The total exchange gain(loss), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months periods ended September 30, 2021 and 2020, amounted to \$2,862, (\$7,747), (\$8,705) and (\$12,041) respectively.

B. Price risk

- (A) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- (B) The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for nine months periods ended September 30, 2021 and 2020 would have increased/decreased by \$565 or \$1,029, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by NT\$7,014 or NT\$5,659, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

C. Cash flow and fair value interest rate risk

- (A) The Group's main interest rate risk arises from some borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in NTD, USD, RMB and IDR
- (B) The Group's borrowings are measured at amortized cost. The borrowings are

periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

- (C) If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, profit, net of tax for nine months ended September 30, 2021 and 2020 would have decreased/increased by \$534 and \$647, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- B. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a certain rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- C. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
- If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- D. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- E. If the default rate of an investment target exceeds 10%, there has been a significant increase in credit risk on that instrument since initial recognition.
- F. The Group adopts the assumptions under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- G. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the modified approach using a provision matrix to estimate the expected credit loss and uses the historical and timely information to establish loss rate for assessing the default possibility of accounts receivable. Movements in relation to the Group applying the modified approach to provide loss allowance for notes and accounts receivable are as follows:

	Nine months ended September 30,2021		
	Notes receivable	Accounts receivable	Total
Balance at January 1	\$ 3,507	\$ 29,138	\$ 32,645
Expected credit loss	(3,231)	984	(2,247)
Write-offs	- (	25)	(25)
Effect of foreign exchange	(10)	(427)	(437)
Balance at September 30	<u>\$ 266</u>	<u>\$ 29,670</u>	<u>\$ 29,936</u>

	Nine months ended September 30,2020		
	Notes receivable	Accounts receivable	Total
Balance at January 1	\$ 95	\$ 26,633	\$ 26,728
Expected credit loss	13,887	3,832	17,719
Write-offs	- (	489)	(489)
Effect of foreign exchange	-	(353)	(353)
Balance at September 30	<u>\$ 13,982</u>	<u>\$ 29,623</u>	<u>\$ 43,605</u>

(3) Liquidity risk

- A. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- B. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

September 30, 2021	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities				
Short term borrowings	\$ 2,192,535	\$ -	\$ -	\$ -
Short-term notes and bills payable	130,000	-	-	-
Notes payable	1,423	-	-	-
Accounts payable	939,687	-	-	-
Other payables	510,497	-	-	-
Lease liability	24,920	11,646	25,540	24,865
Long-term borrowings (including current portion)	291,841	2,359,360	514,268	-
Guarantee deposits received	457	-	-	-

December 31, 2020	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities				
Short term borrowings	\$ 2,023,684	\$ -	\$ -	\$ -
Short-term notes and bills payable	40,000	-	-	-
Notes payable	4,241	-	-	-
Accounts payable	687,916	-	-	-
Other payables	409,649	-	-	-
Lease liability	27,587	23,133	23,526	30,913
Long-term borrowings (including current portion)	290,331	1,911,045	322,253	-
Guarantee deposits received	564	-	-	-
September 30, 2020	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years
Non-derivative financial liabilities				
Short term borrowings	\$ 1,949,937	\$ -	\$ -	\$ -
Short-term notes and bills payable	40,000	-	-	-
Notes payable	9,035	-	-	-
Accounts payable	591,914	-	-	-
Other payables	362,777	-	-	-
Lease liability	23,469	20,169	10,941	8,429
Long-term borrowings (including current portion)	352,979	1,681,109	741,900	-
Guarantee deposits received	563	-	-	-

- C. For non-derivative financial liabilities, the Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

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.

2. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current financial assets, guarantee deposits paid, long-term notes and accounts receivable, other non-current financial assets, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable,

other payables, lease liabilities, long-term borrowings (including current portion) and guarantee deposits received) are approximate to their fair values.

3. Financial and non-financial instruments measured at fair value are classified based on the nature, characteristics and risks of the assets and liabilities and the level of fair value. The relevant information is as follows:

<u>September 30, 2021</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 47,126	\$ -	\$ -	\$ 47,126
Beneficiary certificates	9,436	-	-	9,436
	<u>56,562</u>	<u>-</u>	<u>-</u>	<u>56,562</u>
Financial assets at fair value through other comprehensive income				
Equity securities	701,407	-	-	701,407
	<u>\$ 757,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757,969</u>

<u>December 31, 2020</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 95,215	\$ -	\$ -	\$ 95,215
Beneficiary certificates	6,245	-	-	6,245
	<u>101,460</u>	<u>-</u>	<u>-</u>	<u>101,460</u>
Financial assets at fair value through other comprehensive income				
Equity securities	644,583	-	-	644,583
	<u>\$ 746,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 746,043</u>
 <u>September 30, 2020</u>	 <u>Level I</u>	 <u>Level II</u>	 <u>Level III</u>	 <u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 86,365	\$ -	\$ -	\$ 86,365
Beneficiary certificates	16,518	-	-	16,518
	<u>102,883</u>	<u>-</u>	<u>-</u>	<u>102,883</u>
Financial assets at fair value through other comprehensive income				
Equity securities	565,939	-	-	565,939
	<u>\$ 668,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,822</u>

4. The methods and assumptions the Group used to measure fair value are as follows:

- (1) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

- (2) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e., yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).
5. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.
6. For nine months periods ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
7. For nine months periods ended September 30, 2021 and 2020, there was no transfer into

or out from Level 3

(4) Other

Due to the outbreak of the novel coronavirus pneumonia and the government's promotion of multiple epidemic prevention measures, the Group has cooperated with the "Guidelines for the Continued Operation of Enterprises in Response to Severe and Special Infectious Pneumonia Epidemics". The plant is operated in a way of diversion and warehousing, and there is no significant adverse effect on all operations.

XIII. Supplementary Disclosures

(According to the current regulatory requirements, the Company is only required to disclose the information for nine months ended September 30, 2021)

(1) Significant transactions information

1. Loans to others: Please refer to table 1.
2. Provision of endorsements and guarantees to others: Please refer to table 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

1. Basic information: Please refer to table 7.
2. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: Purchases and sales between the Company and investees in Mainland China are eliminated when preparing consolidated financial statements. Information on significant transactions, such as purchases and sales, receivables and payables, provision of endorsements and guarantees and financing, between the Company and investees in Mainland China is provided in Note 13(1)1, 2 and 10.

(4) Major Shareholder Information

Major shareholder information: Please refer to table 8.

XIV. Segment Information

(1) General information

1. Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group's reportable segments are as follows:
 - (1) Screw segment: Primarily engaging in the manufacture, process and trade of screws and nuts, etc.
 - (2) Machinery segment: Primarily engaging in the manufacture, assemble and trade of machine tools and chemical machinery, etc.
 - (3) Investment segment: Primarily engaging in the general investment.
2. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.
3. The Group's chief operating decision-maker assesses the performance based on the segment's net operating profit. The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4 in the consolidated financial statements.

(2) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Nine months ended September 30, 2021			
	Screw Segment	Machinery Segment	Investment Segment	Total
Segment revenue	\$ 8,051,889	\$ 1,079,511	\$ -	\$ 9,131,400
Inter-segment revenue	(548,371)	(52,549)	-	(600,920)
Revenue from external customers, net	7,503,518	1,026,962	-	8,530,480
Segment income before tax	1,118,416	69,410	232,594	1,420,420
Segment assets	10,627,748	1,945,505	148,488	12,721,741
Segment liabilities	6,983,490	1,055,777	-	8,039,267

	Nine months ended September 30, 2020			
	Screw Segment	Machinery Segment	Investment Segment	Total
Segment revenue	\$ 5,444,761	\$ 923,375	\$ -	\$ 6,368,136
Inter-segment revenue	(465,953)	(128,924)	-	(594,877)
Revenue from external customers, net	4,978,808	794,451	-	5,773,259
Segment income before tax	340,291	41,278	(62,971)	318,598
Segment assets	8,550,773	1,777,531	109,908	10,438,212
Segment liabilities	5,582,794	886,438	64,498	6,533,730

(3) Reconciliation Information of Departmental Profit and Loss, Assets and Liabilities

1. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income or loss before tax to the income/(loss) before tax is provided as follows:

	Nine months ended September 30,2021	Nine months ended September 30,2020
Reportable operating segments income before tax	\$ 1,420,420	\$ 318,598
Elimination of inter-segment income(loss) profits before income tax	(564,671)	(105,277)
Profit before income tax	<u>\$ 855,749</u>	<u>\$ 213,321</u>

2. The amounts provided to the chief operating decision maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. Therefore, such reconciliation is not required.

Chun Yu Work & Co., Ltd. and Subsidiaries

Loans to others

Nine Months Ended September 30, 2021

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended 2021	Balance at September 30, 2021	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for uncollectible accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
0	Chun Yu Works & Co., Ltd.	Chun Yu (Dongguan) Metal ProductsCo., Ltd.	Other receivables - related parties	Y	\$ 307,041	\$ 300,615	\$ -	-	2	\$ -	Additional operating capital	\$ -	-	\$ -	\$ 1,599,205	\$ 1,599,205	-

(Note 1) The numbers filled in for the nature of loan are as follows:

- 1. Trading Partner
- 2. Short-term financing.

(Note 2) Limit on loans granted to a single party is as follows:

- 1. For business transaction: Limit is the higher of purchase or sales with the Company during the most recent year or the current year as of the date of financing.
- 2. For short-term financing:
Amount granted by the Company: Limit is 40% of the Company’s current net assets.

(Note 3) Ceiling on total loans granted is as follows:

Amount granted by the Company: Ceiling is 40% of the Company’s current net assets.

(Note 4) Foreign currencies are translated into New Taiwan dollars. Exchange rate of foreign currencies indicated as of report date were as follow: RMB:NTD 1:4.2945.

Chun Yu Work & Co., Ltd. and Subsidiaries Provision
of endorsements and guarantees to others
Nine Months Ended September 30, 2021

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 1)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2021	Outstanding endorsement/ guarantee amount at September 30, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
0	Chun Yu Works & Co., Ltd.	Chun Yu (Dongguan) Metal Products Co., Ltd.	2	2,398,807	199,745	194,950	-	-	4.88%	3,198,410	Y	N	N	(Note 2)
		Chun Yu (Dongguan) Metal Products Co., Ltd.	2	2,398,807	998,725	974,725	469,003	-	24.38%	3,198,410	Y	N	Y	(Note 2)
		Shanghai Uchee Hardware Products Ltd.	2	2,398,807	43,863	42,945	-	-	1.07%	3,198,410	Y	N	Y	(Note 2)

(Note 1) The numbers filled in for the relationship with the Company are as follows:

1. Having business relationship.
2. The Company direct and indirect owns over 50% ownership of the investee company.

(Note 2) The total amount of transactions of endorsement equals to 80% of the Company's net worth, the limit of endorsement for any single entity is 60% of the Company's net worth, and all of the related transactions are to be submitted to the stockholders' meeting for reference.

(Note 3) Foreign currencies are translated into New Taiwan dollars. Exchange rate of foreign currencies indicated as of report date were as follow: (USD:NTD 1:27.85,RMB:NTD 1:4.2945).

Chun Yu Work & Co., Ltd. and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
September 30, 2021

Table 3

Expressed in thousands of NTD

				As of September 30, 2021				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account (Note 1)	Number of shares (In thousands of shares or units)	Book value	Ownership (%)	Fair value	Footnote
Chun Yu Works & Co., Ltd.	Stocks - Gloria Material Technology Corporation	Other related party	1	\$ 1,876	\$ 46,994	0.41	\$ 46,994	-
	Stocks - Taiwan Styrene Monomer Corporation	—	2	11,678	235,896	2.21	235,896	-
	Stocks - China Ecotek Corporation	—	2	4,333	172,464	3.50	172,464	-
	Stocks - King Kong Iron Works, Ltd.	—	2	304	772	0.55	772	-
	Stocks - Pacific Electric Wire & Cable Co., Ltd.	—	2	14	-	-	-	-
	Beneficiary certificates - Yuanta Taiwan High-yield Leading Company Fund	—	1	500	6,420	-	6,420	-
	Beneficiary certificates - PGIM High-yield Bond Fund	—	1	300	3,016	-	3,016	-
Chun Bang Precision Co., Ltd.	Stocks - The First Insurance Co., Ltd.	—	1	10	132	-	132	-
	Stocks - Taiwan Styrene Monomer Corporation	—	2	6,440	130,088	1.22	130,088	-
Chun Yu Investment Corp.	Stocks - Taiwan Styrene Monomer Corporation	—	2	6,529	131,887	1.24	131,887	-
Chun Yu Bio-tech Corp.	Stocks - Taiwan Styrene Monomer Corporation	—	2	1,500	30,300	0.28	30,300	-

(Note 1) The code number explanation is as follows:

1. Financial assets at fair value through profit or loss - current.
2. Financial assets at fair value through other comprehensive profit or loss- non-current.

Chun Yu Work & Co., Ltd. and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Nine Months Ended September 30, 2021

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction termscompared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Chun Yu Works & Co., Ltd.	Ofco Industrial Corporation	Other related party	(Sales)	(\$ 365,493)	(9%)	1 month	-	3 ~ 5 months	\$ 107,002	6%	-
Chun Yu (Dongguan) Metal Products Co., Ltd.	Shanghai Uchee Hardware Products Ltd.	Subsidiary	(Sales)	(281,324)	(18%)	3 months	-	(Note 1)			-
Shanghai Uchee Hardware Products Ltd.	Chun Yu (Dongguan) Metal Products Co., Ltd.	Subsidiary	Purchases	281,324	54%	3 months	-	(Note 2)			-

(Note 1) The credit terms to third parties are 1 ~ 3 months after the sale.
(Note 2) The payment terms to third parties are 3 ~ 6 months after the acceptance.
(Note 3) Foreign currencies are translated into New Taiwan Dollars using the following exchanges: Ending balance of receivable and payable are translated using the exchange rates as of report date (USD:NTD 1:27.85, RMB:NTD 1:4.2945), and the transactions amounts are translated into New Taiwan dollars at the average exchange rate for nine month ended September 30, 2021 (USD:NTD 1:28.0671, RMB:NTD 1:4.3364).

Chun Yu Work & Co., Ltd. and Subsidiaries Significant
inter-company transactions during the reporting periods
Nine Months Ended September 30, 2021

Table 5

Expressed in thousands of NTD

				Transaction				
Number (Note2)	Company name	Counterparty	Relationship (Note 3)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenue or total assets (Note 4)	
0	Chun Yu Works & Co., Ltd.	Chun Yu Works (USA) Inc.	1	Sales	\$ 65,463	4 months	1%	
			1	Accounts receivable	32,735	-	-	
			1	Provision of endorsements and guarantees	194,950	-	2%	
		Chun Yu (Dongguan) Metal Products Co., Ltd.	1	Provision of endorsements and guarantees	974,750		8%-	
			Shanghai Uchee Hardware Products Ltd.	1	Provision of endorsements and guarantees	42,945	-	-
1	Chun Bang Precision Co., Ltd.	Chun Yu Works & Co., Ltd.	2	Sales	36,139	3 months	-	
			2	Accounts receivable	12,690	-	-	
2	Chun Zu Machinery Industry Co., Ltd.	Chun Yu Works & Co., Ltd.	2	Sales	18,813	3 months	-	
			3	Sales	29,634	3 months	-	
		Chun Yu (Dongguan) Metal Products Co., Ltd.	3	Accounts receivable	21,619	-	-	
			Pt Moon Lion Industries Indonesia	3	Sales	12,757	3 months	-
			Shanghai Chun Zu Machinery Industry Ltd.	3	Other receivable	10,526	-	-
		3		Other receivable	10,466	-	-	
		3	Shanghai Chun Zu Machinery Industry Ltd.	Chun Zu Machinery Industry Co., Ltd.	3	Sales	12,432	3 months
4	Chun Yu (Dongguan) Metal Products Co., Ltd.	Scholar Holdings Ltd.	3	Other receivable	21,103	-	-	
			3	Sales	281,324	5 months	3%	
		Shanghai Uchee Hardware Products Ltd.	3	Other receivables	34,296	-	-	
5	Shanghai Uchee Hardware Products Ltd.	Chun Yu (Dongguan) Metal Products Co., Ltd.	3	Sales	144,128	3 months	2%	

(Note 1) Transactions among the company and subsidiaries with amount over NT\$10 million and one side of them are disclosed.

(Note 2) The transaction information of the Company and the consolidated subsidiaries should be noted in column "Number". The number means:

1. Number 0 presents the Company.
2. The consolidated subsidiaries are in order from number 1.

(Note 3) The relationships among the transaction parties are as

follows:

1. The Company to the consolidated subsidiary.
2. The consolidated subsidiary to the Company.
3. The consolidated subsidiary to another consolidated subsidiary.

(Note 4) The percentage of transaction amount over consolidated total revenues or total assets is as follows: Assets and liabilities are calculated using the ending balance over the consolidated total assets at period end; Sales is calculated using the amount of the period over the consolidated total revenue of the period.

(Note 5) For the amounts denominated in foreign currencies, the balances of notes/accounts receivable (payable) are translated into New Taiwan dollars at the exchange rate (USD 1 : NTD 27.85; RMB 1 : NTD 4.2945).

prevailing at the financial reporting date, and the transactions amounts are translated into New Taiwan dollars at the average exchange rate for nine months ended September 30, 2021(USD 1 : NTD 28.0671; RMB 1 : NTD 4.3364).

Chun Yu Work & Co., Ltd. and Subsidiaries
Information on investees
Nine Months Ended September 30, 2021

Table 6

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss) of the investee for the year ended September 30, 2021	Investment income (loss) recognized by the Company for the year ended September 30, 2021	Footnote
				Balance as at September 30, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value			
Chun Yu Works & Co., Ltd.	Chun Bang Precision Co., Ltd.	Taiwan	Mold manufacturing and trading	\$ 125,344	\$ 20,344	15,000,000	100.00	\$ 212,066	\$ 2,208	\$ 525	A subsidiary
	Chun Yu Works (U.S.A.) Inc.	U.S.A.	Import and export of hardware products	114,728	114,728	3,800,000	100.00	290,359	48,871	49,371	A subsidiary
	Chun Yu Investment Corporation	Taiwan	Professional investment	267,652	267,652	56,306,791	100.00	148,488	232,594	2,317	A subsidiary
	Chun Yu Bio-tech Corporation	Taiwan	Powder metallurgy	90,260	60,220	10,000,000	100.00	136,720	21,973	21,960	A subsidiary
	Scholar Holdings Ltd.	British Virgin Islands	Reinvestment and import and export trade	2,581,891	2,581,891	33,183,211	100.00	993,482	50,388	53,393	A subsidiary
	Sunny City International Ltd	Samoa	Reinvestment and import and export trade	84,824	84,824	1,000,000	100.00	278,098	21,992	21,992	A subsidiary
	Pt Moon Lion Industries Indonesia	Indonesia	Manufacture and trade of screws and nuts	154,760	154,760	14,370,000	71.85	520,351	227,933	163,770	A subsidiary
	Chun Zu Machinery Industry Co., Ltd.	Taiwan	Manufacture and trade of machinery	52,598	52,598	28,821,939	47.81	429,354	50,269	24,586	A subsidiary
Chun Zu Machinery Industry Co., Ltd.	Lion City Management Ltd.	Virgin Islands	Professional investment	55,720	55,720	-	100.00	594,978	60,685	-	A subsidiary (Note 1)

(Note 1) According to the related regulations, it is not required to disclose income (loss) recognized by the Company.

(Note 2) Foreign currencies are translated into New Taiwan Dollars using the following exchanges: Ending balance of receivable and payable are translated using the exchange rates as of report date (USD:NTD 1:27.85, RMB:NTD 1:4.2945), and the transactions amounts are translated into New Taiwan dollars at the average exchange rate for Nine months ended September 30, 2021 (USD:NTD 1:28.0671, RMB:NTD 1:4.3364).

Table 7

Chun Yu Work & Co., Ltd. and Subsidiaries														
Information on investments in Mainland China														
Nine Months Ended September 30, 2021														
Expressed in thousands of NTD														
Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan						Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company For nine months ended September 30, 2021	Book value of investments in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	to Mainland China/ Amount remitted back to Taiwan for the year <u>ended September 30, 2021</u>		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for six month ended September 30,2021						
Chun Yu (Dongguan) Metal Products Co., Ltd.	Manufacture and trade of screws and nuts	\$ 1,795,796 (Note 1)	(Note 3)	\$ 1,342,175	\$ -	\$ -	\$ 1,342,175	\$ 50,530	100%	\$ 50,530	\$ 1,022,436	\$ -	(Note 9)	
Shanghai Uchee Hardware Products Ltd.	Trade of screws and nuts	27,850	(Note 4)	27,850	-	-	27,850	25,899	100%	25,899	242,020	14,315 (Note 7)	(Note 10)	
Chunyu Group Shanghai Tongsheng Trade Co., Ltd.	Trade of screws and nuts	7,408	(Note 5)	-	-	-	-	106	100%	106	(4,015)	-	(Note 10)	
Shanghai Chun Zu Machinery Industry Ltd.	Manufacture and trade of machinery	236,725 (Note 2)	(Note 6)	55,700	-	-	55,700	60,679	47.82%	29,017	279,667	317,684 (Note 8)	(Note 9)	
Company name		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 11)										
Chun Yu Works & Co., Ltd.		\$ 1,573,887	\$ 1,573,887	(Note 11)										
Chun Zu Machinery Industry Co., Ltd.		55,700	181,025	595,332										

(Note 1) The investment in Chun Yu (Dongguan) Metal Products Co., Ltd. amounted to US\$64,481 thousand, consisting of US\$48,193 thousand that has been reported to the Investment Commission and US\$16,288 thousand from an investment loan from Scholar Holdings Ltd.(Note 2) The paid-in capital of Shanghai Chun Zu Machinery Industry Ltd. amounted to UD\$8,500 thousand, consisting of UD\$4,000 thousand from remittance from Chun Zu Machinery Industry Co., Ltd. through its subsidiary, Lion City Management Ltd. and US\$4,500 thousand from capitalization of retained earnings of Shanghai Chun Zu Machinery Industry Ltd., which were reported to the Investment Commission. In addition, proceeds from capital reduction of Lion City Management Ltd. in 2008 amounting toUS\$2,000 thousand were reported to the Investment Commission.

(Note 3) Indirect investment in PRC through the existing company (Scholar Holdings Ltd.) located in the third area.

(Note 4) Indirect investment in PRC through the existing company (Sunny City International Ltd.) located in the third area.

(Note 5) Indirect investment in PRC through the existing company (Shanghai Uchee Hardware Products Ltd.) located in PRC.

(Note 6) Indirect investment in PRC through the existing company (Lion City Management Ltd.) located in the third area.

(Note 7) It is the cash dividends totaling US\$514 thousand distributed by Shanghai Uchee Hardware Products Ltd. to Sunny City International Ltd., which then remitted to the Company and Chun Bang Precision Co., Ltd.

(Note 8) It is the cash dividends amounting to US\$23,854 thousand distributed by Shanghai Chun Zu Machinery Industry Ltd. to Lion City Management Ltd., which then remitted to Chun Zu Machinery Industry Co., Ltd.

(Note 9) Investment gains or losses were recognized based on audited financial statements.

(Note 10) The profit and loss recognized in the current period is based on the evaluation and recognition of the financial statements prepared by each investee company during the same period that have not been reviewed by accountants.

(Note 11) The MOEA approved that the operation headquarter is not subjected to the restrictions on investment to Mainland China. (Note 12) The ceiling is calculated based on the 60% of the investor’s net assets or consolidated net assets (whichever is higher).

(Note 13) For the amounts denominated in foreign currencies, the paid-in capital, amount of remittance from Taiwan and book value as of September 30, 2021 are translated into New Taiwan dollars at the exchange rate (USD: NTD1: 27.85, RMB:NTD1: 4.2945) prevailing at the financial reporting date, and the net profit (loss) of the investee and investment income (loss) recognized by the Group for nine months ended September 30, 2021 are translated into New Taiwan dollars at the average exchange rate for the year ended September 30, 2021 (USD :NTD1: 28.0671, RMB:NTD1: 4.3364).

Chun Yu Works & Co., Ltd. and subsidiaries
Major shareholders information
September 30, 2021

Table 8 Unit: shares

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Bai Jia Yuan Construction Co., Ltd	80,209,000	27.87%
Jin Jhih Fu Assets Management Co., Ltd.	26,717,000	9.28%
Chun Yu Investment Co., Ltd.	22,314,450	7.75%

(Note) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements may be different from the actual number of shares issued in dematerialized form due to the different calculation basis.