

**Sun Race Sturmey-Archer Corporation  
And Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2021 and 2020 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Sun Race Sturmey-Archer Corporation

### Introduction

We have reviewed the accompanying consolidated balance sheets of Sun Race Sturmey-Archer Corporation and its subsidiaries (collectively, the "Group") as of September 30, 2021 and 2020, the related consolidated statements of comprehensive income for the three months and nine months periods ended September 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the nine months periods ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies "(collectively referred to as the "consolidated financial statements")". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the following paragraph, 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$358,061 thousand and NT\$292,688 thousand, respectively, representing 14.43% and 17.16%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$75,542 thousand and NT\$31,587 thousand, respectively, representing 5.98% and 5.24%, respectively, of the consolidated total liabilities; for the three month and nine month periods ended September 30, 2021 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$3,729 thousand, NT\$5,745 thousand, NT\$5,629 thousand and NT\$(1,339) thousand, respectively, representing 5.90%, 10.91%, 2.93% and (0.90)%, respectively, of the consolidated total comprehensive income. The disclosure of information related to the aforementioned non-significant subsidiaries in Note 34 is based on these subsidiaries' unreviewed financial statements for the same reporting periods as those of the Group.

## Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2021 and 2020, and its consolidated financial performance for the three months and nine months periods ended September 30, 2021 and 2020 and its consolidated cash flows for the nine months periods ended September 30, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Shiann-Chang Lin and Hsin-Yuan Wang.

Benison Associated CPA’s Firm  
Taipei, Taiwan  
Republic of China

November 5, 2021

## Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ review report and consolidated financial statements shall prevail*

SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

| ASSETS                                                                       | September 30, 2021<br>(Reviewed) |            | December 31, 2020<br>(Audited) |            | September 30, 2020<br>(Reviewed) |            |
|------------------------------------------------------------------------------|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|
|                                                                              | Amount                           | %          | Amount                         | %          | Amount                           | %          |
| <b>CURRENT ASSETS</b>                                                        |                                  |            |                                |            |                                  |            |
| Cash and cash equivalents (Note 6 )                                          | 527,425                          | 21         | 439,657                        | 24         | 355,386                          | 21         |
| Financial assets at fair value through<br>profit or loss - current (Note 7 ) | -                                | -          | 110                            | -          | 247                              | -          |
| Notes receivable from unrelated parties (Note 8 )                            | 24,731                           | 1          | 38,725                         | 2          | 27,107                           | 2          |
| Accounts receivable from unrelated parties<br>(Note 8 )                      | 110,039                          | 4          | 87,512                         | 5          | 100,163                          | 6          |
| Accounts receivable from related parties<br>(Note 8 and 28)                  | 187,573                          | 8          | 279                            | -          | 30,129                           | 2          |
| Other receivables                                                            | 17,468                           | 1          | 7,953                          | -          | 5,837                            | -          |
| Inventories (Note 9 )                                                        | 906,216                          | 37         | 612,194                        | 33         | 548,098                          | 32         |
| Prepayments (Note 10 )                                                       | 34,702                           | 1          | 38,088                         | 2          | 24,480                           | 1          |
| Other financial assets - current (Note 11 )                                  | 55,590                           | 2          | -                              | -          | -                                | -          |
| Other current assets                                                         | -                                | -          | 15                             | -          | -                                | -          |
| Total current assets                                                         | 1,863,744                        | 75         | 1,224,533                      | 66         | 1,091,447                        | 64         |
| <b>NON-CURRENT ASSETS</b>                                                    |                                  |            |                                |            |                                  |            |
| Property, plant and equipment (Note 13 )                                     | 527,015                          | 21         | 534,031                        | 29         | 527,254                          | 31         |
| Right-of-use assets (Note 14 )                                               | 34,045                           | 2          | 33,824                         | 2          | 34,082                           | 2          |
| Intangible assets (Note 15 )                                                 | 1,878                            | -          | 2,320                          | -          | 2,467                            | -          |
| Deferred tax assets                                                          | 40,370                           | 2          | 36,745                         | 2          | 39,177                           | 3          |
| Prepayments for equipment                                                    | 9,101                            | -          | 10,981                         | 1          | 6,302                            | -          |
| Refundable deposits                                                          | 4,409                            | -          | 5,083                          | -          | 5,059                            | -          |
| Total non-current assets                                                     | 616,818                          | 25         | 622,984                        | 34         | 614,341                          | 36         |
| <b>TOTAL</b>                                                                 | <b>\$ 2,480,562</b>              | <b>100</b> | <b>\$ 1,847,517</b>            | <b>100</b> | <b>\$ 1,705,788</b>              | <b>100</b> |

(Continued)

| LIABILITIES AND EQUITY                                                                | September 30, 2021<br>(Reviewed) |            | December 31, 2020<br>(Audited) |            | September 30, 2020<br>(Reviewed) |            |
|---------------------------------------------------------------------------------------|----------------------------------|------------|--------------------------------|------------|----------------------------------|------------|
|                                                                                       | Amount                           | %          | Amount                         | %          | Amount                           | %          |
| <b>CURRENT LIABILITIES</b>                                                            |                                  |            |                                |            |                                  |            |
| Short-term borrowings (Note 16 )                                                      | \$ 111,601                       | 4          | \$ 60,783                      | 3          | \$ 67,368                        | 4          |
| Contract liabilities - current (Note 22 )                                             | 144,930                          | 6          | 100,913                        | 6          | 55,456                           | 3          |
| Notes payable to unrelated parties                                                    | 194,135                          | 8          | 193,100                        | 10         | 135,622                          | 8          |
| Accounts payable to unrelated parties                                                 | 215,951                          | 9          | 140,829                        | 8          | 136,926                          | 8          |
| Accounts payable to related parties (Note 28 )                                        | 15,079                           | 1          | 21,694                         | 1          | 12,798                           | 1          |
| Other payables                                                                        | 169,342                          | 7          | 57,211                         | 3          | 39,388                           | 2          |
| Other payables to related parties (Note 28)                                           | 929                              | -          | 2,066                          | -          | 864                              | -          |
| Current tax liabilities                                                               | 54,142                           | 2          | 50,129                         | 3          | 46,239                           | 3          |
| Provisions for liabilities - current (Note 18 )                                       | 4,094                            | -          | 7,306                          | -          | 3,629                            | -          |
| Current lease liabilities (Note 14 )                                                  | 2,878                            | -          | 1,848                          | -          | 2,159                            | -          |
| Current portion of long-term borrowings (Note 17 )                                    | -                                | -          | 30,000                         | 2          | 30,000                           | 2          |
| Other current liabilities (Note 19 )                                                  | 104,297                          | 4          | 42                             | -          | 112                              | -          |
| Total current liabilities                                                             | 1,017,378                        | 41         | 665,921                        | 36         | 530,561                          | 31         |
| <b>NON-CURRENT LIABILITIES</b>                                                        |                                  |            |                                |            |                                  |            |
| Long-term borrowings (Note 17 )                                                       | 235,000                          | 10         | 30,000                         | 2          | 50,000                           | 3          |
| Deferred tax liabilities                                                              | -                                | -          | 22                             | -          | 49                               | -          |
| Non-current lease liabilities (Note 14 )                                              | 923                              | -          | 1,054                          | -          | 1,348                            | -          |
| Net defined benefit liability (Note 20 )                                              | 10,685                           | -          | 17,827                         | 1          | 20,606                           | 1          |
| Total non-current liabilities                                                         | 246,608                          | 10         | 48,903                         | 3          | 72,003                           | 4          |
| Total liabilities                                                                     | 1,263,986                        | 51         | 714,824                        | 39         | 602,564                          | 35         |
| <b>EQUITY ATTRIBUTABLE TO OWNERS<br/>OF THE COMPANY</b>                               |                                  |            |                                |            |                                  |            |
| Share capital (Note 21 )                                                              |                                  |            |                                |            |                                  |            |
| Ordinary shares                                                                       | 600,000                          | 24         | 600,000                        | 32         | 600,000                          | 35         |
| Total share capital                                                                   | 600,000                          | 24         | 600,000                        | 32         | 600,000                          | 35         |
| Capital surplus (Note 21 )                                                            |                                  |            |                                |            |                                  |            |
| Capital surplus - issuance of ordinary shares                                         | 44,865                           | 2          | 44,865                         | 2          | 44,865                           | 3          |
| Capital surplus - employee share options                                              | 2,728                            | -          | 2,728                          | -          | 2,728                            | -          |
| Total Capital surplus                                                                 | 47,593                           | 2          | 47,593                         | 2          | 47,593                           | 3          |
| Retained earnings (Note 21 )                                                          |                                  |            |                                |            |                                  |            |
| Legal reserve                                                                         | 73,045                           | 3          | 55,024                         | 3          | 55,024                           | 3          |
| Special reserve                                                                       | 17,470                           | 1          | 16,245                         | 1          | 16,245                           | 1          |
| Unappropriated earnings                                                               | 497,140                          | 20         | 431,301                        | 24         | 403,517                          | 24         |
| Total retained earnings                                                               | 587,655                          | 24         | 502,570                        | 28         | 474,786                          | 28         |
| Other equity (Note 21 )                                                               |                                  |            |                                |            |                                  |            |
| Exchange differences on translating the<br>financial statements of foreign operations | (18,672)                         | (1)        | (17,470)                       | (1)        | (19,155)                         | (1)        |
| Total other equity                                                                    | (18,672)                         | (1)        | (17,470)                       | (1)        | (19,155)                         | (1)        |
| Total equity attributable to owners of the Company                                    | 1,216,576                        | 49         | 1,132,693                      | 61         | 1,103,224                        | 65         |
| <b>TOTAL</b>                                                                          | <b>\$ 2,480,562</b>              | <b>100</b> | <b>\$ 1,847,517</b>            | <b>100</b> | <b>\$ 1,705,788</b>              | <b>100</b> |

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

(With Benison review report dated November 5, 2021)

(Concluded)

SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

|                                                                                         | For the three-month<br>period ended<br>September 30, 2021 |      | For the three-month<br>period ended<br>September 30, 2020 |      | For the nine-month<br>period ended<br>September 30, 2021 |      | For the nine-month<br>period ended<br>September 30, 2020 |      |
|-----------------------------------------------------------------------------------------|-----------------------------------------------------------|------|-----------------------------------------------------------|------|----------------------------------------------------------|------|----------------------------------------------------------|------|
|                                                                                         | Amount                                                    | %    | Amount                                                    | %    | Amount                                                   | %    | Amount                                                   | %    |
| OPERATING REVENUE (Note 22 and 28)                                                      | \$ 480,651                                                | 100  | \$ 371,660                                                | 100  | \$ 1,307,476                                             | 100  | \$ 884,671                                               | 100  |
| OPERATING COSTS(Notes 9、23 and 28)                                                      | (347,922)                                                 | (72) | (277,547)                                                 | (75) | (929,604)                                                | (71) | (692,591)                                                | (78) |
| GROSS PROFIT                                                                            | 132,729                                                   | 28   | 94,113                                                    | 25   | 377,872                                                  | 29   | 192,080                                                  | 22   |
| OPERATING EXPENSES(Note 23 and 28 )                                                     |                                                           |      |                                                           |      |                                                          |      |                                                          |      |
| Selling and marketing expenses                                                          | (19,513)                                                  | (4)  | (8,820)                                                   | (2)  | (45,705)                                                 | (4)  | (24,200)                                                 | (3)  |
| General and administrative expenses                                                     | (22,773)                                                  | (5)  | (21,134)                                                  | (6)  | (68,807)                                                 | (5)  | (58,537)                                                 | (7)  |
| Research and development expenses                                                       | (6,460)                                                   | (1)  | (5,322)                                                   | (1)  | (17,359)                                                 | (1)  | (15,564)                                                 | (2)  |
| Total operating expenses                                                                | (48,746)                                                  | (10) | (35,276)                                                  | (9)  | (131,871)                                                | (10) | (98,301)                                                 | (12) |
| PROFIT FROM OPERATIONS                                                                  | 83,983                                                    | 18   | 58,837                                                    | 16   | 246,001                                                  | 19   | 93,779                                                   | 10   |
| NON-OPERATING INCOME AND EXPENSES                                                       |                                                           |      |                                                           |      |                                                          |      |                                                          |      |
| Interest income                                                                         | 58                                                        | -    | 164                                                       | -    | 207                                                      | -    | 303                                                      | -    |
| Other income (Note 23 and 28)                                                           | 289                                                       | -    | 424                                                       | -    | 1,929                                                    | -    | 89,086                                                   | 10   |
| Other gains and losses (Note 23 )                                                       | (829)                                                     | -    | 3,475                                                     | 1    | (3,346)                                                  | -    | 9,371                                                    | 1    |
| Finance costs (Note 23 )                                                                | (841)                                                     | (1)  | (561)                                                     | -    | (1,637)                                                  | -    | (2,538)                                                  | -    |
| Total non-operating income and expenses                                                 | (1,323)                                                   | (1)  | 3,502                                                     | 1    | (2,847)                                                  | -    | 96,222                                                   | 11   |
| INCOME BEFORE INCOME TAX                                                                | 82,660                                                    | 17   | 62,339                                                    | 17   | 243,154                                                  | 19   | 190,001                                                  | 21   |
| INCOME TAX EXPENSE (Note 24 )                                                           | (18,819)                                                  | (4)  | (12,468)                                                  | (4)  | (50,069)                                                 | (4)  | (37,577)                                                 | (4)  |
| NET INCOME                                                                              | 63,841                                                    | 13   | 49,871                                                    | 13   | 193,085                                                  | 15   | 152,424                                                  | 17   |
| Items that may be reclassified subsequently<br>to profit or loss:                       |                                                           |      |                                                           |      |                                                          |      |                                                          |      |
| Exchange differences on translating the<br>financial statements of foreign operations   | (776)                                                     | -    | 3,473                                                     | 1    | (1,502)                                                  | -    | (3,637)                                                  | -    |
| Income tax relating to items that may be<br>reclassified subsequently to profit or loss | 155                                                       | -    | (695)                                                     | -    | 300                                                      | -    | 727                                                      | -    |
|                                                                                         | (621)                                                     | -    | 2,778                                                     | 1    | (1,202)                                                  | -    | (2,910)                                                  | -    |
| Other comprehensive income/(loss) for the<br>period, net of income tax                  | (621)                                                     | -    | 2,778                                                     | 1    | (1,202)                                                  | -    | (2,910)                                                  | -    |
| TOTAL COMPREHENSIVE INCOME/(LOSS)<br>FOR THE PERIOD                                     | \$ 63,220                                                 | 13   | \$ 52,649                                                 | 14   | \$ 191,883                                               | 15   | \$ 149,514                                               | 17   |
| EARNINGS PER SHARE (Note 25 )                                                           |                                                           |      |                                                           |      |                                                          |      |                                                          |      |
| Basic                                                                                   | \$ 1.07                                                   |      | \$ 0.83                                                   |      | \$ 3.22                                                  |      | \$ 2.54                                                  |      |
| Diluted                                                                                 | \$ 1.06                                                   |      | \$ 0.83                                                   |      | \$ 3.21                                                  |      | \$ 2.54                                                  |      |

(The accompanying notes are an integral part of the consolidated financial statements.)  
(With Benison review report dated November 5, 2021)

SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

|                                                                                            | Equity Attributable to Owners of the Company |                 |               |                 |                         |                                                                                    |              |              | Total | Total | Equity |
|--------------------------------------------------------------------------------------------|----------------------------------------------|-----------------|---------------|-----------------|-------------------------|------------------------------------------------------------------------------------|--------------|--------------|-------|-------|--------|
|                                                                                            | Retained Earnings                            |                 |               |                 |                         | Other Equity                                                                       |              |              |       |       |        |
|                                                                                            | Share Capital                                | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating the Financial Statements of Foreign Operations |              |              |       |       |        |
| BALANCE AT JANUARY 1, 2020                                                                 | \$ 600,000                                   | \$ 47,593       | \$ 47,012     | \$ 11,535       | \$ 311,815              | \$ (16,245)                                                                        | \$ 1,001,710 | \$ 1,001,710 |       |       |        |
| Appropriation of 2019 earnings                                                             |                                              |                 |               |                 |                         |                                                                                    |              |              |       |       |        |
| Legal reserve                                                                              | -                                            | -               | 8,012         | -               | (8,012)                 | -                                                                                  | -            | -            |       |       |        |
| Special reserve                                                                            | -                                            | -               | -             | 4,710           | (4,710)                 | -                                                                                  | -            | -            |       |       |        |
| Cash dividends distributed by the Company                                                  | -                                            | -               | -             | -               | (48,000)                | -                                                                                  | (48,000)     | (48,000)     |       |       |        |
| Net income for the nine months ended September 30,2020                                     | -                                            | -               | -             | -               | 152,424                 | -                                                                                  | 152,424      | 152,424      |       |       |        |
| Other comprehensive income for the nine months ended September 30, 2020, net of income tax | -                                            | -               | -             | -               | -                       | (2,910)                                                                            | (2,910)      | (2,910)      |       |       |        |
| BALANCE AT SEPTEMBER 30, 2020                                                              | \$ 600,000                                   | \$ 47,593       | \$ 55,024     | \$ 16,245       | \$ 403,517              | \$ (19,155)                                                                        | \$ 1,103,224 | \$ 1,103,224 |       |       |        |
| BALANCE AT JANUARY 1, 2021                                                                 | \$ 600,000                                   | \$ 47,593       | \$ 55,024     | \$ 16,245       | \$ 431,301              | \$ (17,470)                                                                        | \$ 1,132,693 | \$ 1,132,693 |       |       |        |
| Appropriation of 2020 earnings                                                             |                                              |                 |               |                 |                         |                                                                                    |              |              |       |       |        |
| Legal reserve                                                                              | -                                            | -               | 18,021        | -               | (18,021)                | -                                                                                  | -            | -            |       |       |        |
| Special reserve                                                                            | -                                            | -               | -             | 1,225           | (1,225)                 | -                                                                                  | -            | -            |       |       |        |
| Cash dividends distributed by the Company                                                  | -                                            | -               | -             | -               | (108,000)               | -                                                                                  | (108,000)    | (108,000)    |       |       |        |
| Net income for the nine months ended September 30,2021                                     | -                                            | -               | -             | -               | 193,085                 | -                                                                                  | 193,085      | 193,085      |       |       |        |
| Other comprehensive income for the nine months ended September 30, 2021, net of income tax | -                                            | -               | -             | -               | -                       | (1,202)                                                                            | (1,202)      | (1,202)      |       |       |        |
| BALANCE AT SEPTEMBER 30, 2021                                                              | \$ 600,000                                   | \$ 47,593       | \$ 73,045     | \$ 17,470       | \$ 497,140              | \$ (18,672)                                                                        | \$ 1,216,576 | \$ 1,216,576 |       |       |        |

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

(With Benison review report dated November 5, 2021)

SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

|                                                                                                                 | For the nine-month period<br>ended September 30, 2021 | For the nine-month period<br>ended September 30, 2020 |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                                                            |                                                       |                                                       |
| Income before income tax                                                                                        | 243,154                                               | 190,001                                               |
| Adjustments for:                                                                                                |                                                       |                                                       |
| Depreciation expenses                                                                                           | 43,341                                                | 30,887                                                |
| Amortization expenses                                                                                           | 442                                                   | 395                                                   |
| Expected credit loss recognized/(reversed) on trade receivables                                                 | -                                                     | 298                                                   |
| Net (gain)/loss on fair value changes of financial [assets/liabilities]<br>at fair value through profit or loss | (2,453)                                               | (247)                                                 |
| Finance costs                                                                                                   | 1,637                                                 | 2,538                                                 |
| Interest income                                                                                                 | (207)                                                 | (303)                                                 |
| (Gain)/loss on disposal of property, plant and equipment                                                        | (53)                                                  | (100)                                                 |
| Impairment loss on non financial assets                                                                         | 7,912                                                 | 38,983                                                |
| Unrealized foreign exchange loss (gain)                                                                         | 6,576                                                 | 1,921                                                 |
| Other adjustments to reconcile profit(loss)                                                                     | (20)                                                  | -                                                     |
| Changes in operating assets and liabilities                                                                     |                                                       |                                                       |
| (Increase)/decrease in notes receivable                                                                         | 13,994                                                | 3,817                                                 |
| (Increase)/decrease in accounts receivable                                                                      | (22,434)                                              | (21,209)                                              |
| (Increase)/decrease in accounts receivable from related parties                                                 | (192,018)                                             | 77,621                                                |
| (Increase)/decrease in other receivables                                                                        | (9,513)                                               | (826)                                                 |
| (Increase)/decrease in inventories                                                                              | (301,885)                                             | (52,230)                                              |
| (Increase)/decrease in prepayments                                                                              | 3,386                                                 | (2,970)                                               |
| (Increase)/decrease in other current assets                                                                     | 15                                                    | 130                                                   |
| (Increase)/decrease in other financial assets                                                                   | (55,590)                                              | -                                                     |
| Increase/(decrease) in contract liabilities                                                                     | 44,017                                                | (35,052)                                              |
| Increase/(decrease) in notes payable                                                                            | 1,035                                                 | 31,100                                                |
| Increase/(decrease) in accounts payable                                                                         | 75,132                                                | 75,616                                                |
| Increase/(decrease) in accounts payable from related parties                                                    | (6,615)                                               | 4,424                                                 |
| Increase/(decrease) in other payables                                                                           | 4,094                                                 | (13,743)                                              |
| Increase/(decrease) in other payables from related parties                                                      | (1,137)                                               | (584)                                                 |
| Increase/(decrease) in provisions                                                                               | (3,212)                                               | (2,997)                                               |
| Increase/(decrease) in other current liabilities                                                                | 104,255                                               | 70                                                    |
| Increase/(decrease) in net defined benefit liability                                                            | (7,142)                                               | (1,177)                                               |
| Cash generated from/(used in) operations                                                                        | (53,289)                                              | 326,363                                               |
| Interest received                                                                                               | 205                                                   | 303                                                   |
| Interest paid                                                                                                   | (1,596)                                               | (2,546)                                               |
| Income taxes refund(paid)                                                                                       | (49,403)                                              | (11,160)                                              |
| Net cash generated from/(used in) operating activities                                                          | (104,083)                                             | 312,960                                               |

(Continued)

|                                                                                               | For the nine-month period<br>ended September 30, 2021 | For the nine-month period<br>ended September 30, 2020 |
|-----------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                   |                                                       |                                                       |
| Acquisition of financial assets at fair value through profit or loss                          | (32,286)                                              | -                                                     |
| Proceeds from disposal of financial assets at fair value through profit or loss               | 34,849                                                | -                                                     |
| Acquisition for property, plant and equipment                                                 | (26,084)                                              | (20,547)                                              |
| Proceeds from disposal of property, plant and equipment                                       | 245                                                   | 276                                                   |
| Increase in refundable deposits                                                               | (1,779)                                               | (774)                                                 |
| Decrease in refundable deposits                                                               | 2,449                                                 | 2,275                                                 |
| Payments for intangible assets                                                                | -                                                     | (294)                                                 |
| Increase in prepayments for equipment                                                         | (6,453)                                               | (3,659)                                               |
| Net cash generated from/(used in) investing activities                                        | (29,059)                                              | (22,723)                                              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                   |                                                       |                                                       |
| Proceeds from short-term borrowings                                                           | 1,956,966                                             | 2,333,393                                             |
| Repayments of short-term borrowings                                                           | (1,906,148)                                           | (2,301,040)                                           |
| Proceeds from long-term borrowings                                                            | 455,000                                               | 325,000                                               |
| Repayments of long-term borrowings                                                            | (280,000)                                             | (465,000)                                             |
| Repayment of the principal portion of lease liabilities                                       | (2,086)                                               | (2,245)                                               |
| Cash Dividends                                                                                | -                                                     | (48,000)                                              |
| Net cash generated from/(used in) financing activities                                        | 223,732                                               | (157,892)                                             |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br/>OF CASH HELD IN FOREIGN CURRENCIES</b> |                                                       |                                                       |
|                                                                                               | (2,822)                                               | (3,024)                                               |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                   | <b>87,768</b>                                         | <b>129,321</b>                                        |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>                               | <b>439,657</b>                                        | <b>226,065</b>                                        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                     | <b>527,425</b>                                        | <b>355,386</b>                                        |

(The accompanying notes are an integral part of the consolidated financial statements.)  
(With Benison review report dated November 5, 2021)

(Concluded)

# SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Sun Race SturmeY-Archer Corporation (the “Company”) was incorporated in the Republic of China (ROC) on May 26, 1972. The company mainly engaged in manufacturing, processing and trading various bicycle parts and mechanical hardware.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since March 2000.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 5, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

| New IFRSs                                                                           | Effective Date<br>Announced by IASB |
|-------------------------------------------------------------------------------------|-------------------------------------|
| “Annual Improvements to IFRS Standards 2018–2020”                                   | January 1, 2022 (Note 1)            |
| Amendments to IFRS 3 “Reference to the Conceptual Framework”                        | January 1, 2022 (Note 2)            |
| Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 (Note 3)            |
| Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”              | January 1, 2022 (Note 4)            |

Note 1: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

The Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

| <b>New IFRSs</b>                                                                                                         | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB                             |
| IFRS 17 "Insurance Contracts"                                                                                            | January 1, 2023                                      |
| Amendments to IFRS 17                                                                                                    | January 1, 2023                                      |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"                                            | January 1, 2023                                      |
| Amendments to IAS 1 "Disclosure of Accounting Policies"                                                                  | January 1, 2023 (Note 2)                             |
| Amendments to IAS 8 "Definition of Accounting Estimates"                                                                 | January 1, 2023 (Note 3)                             |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"                  | January 1, 2023 (Note 4)                             |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

The Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12、Tables 3 and 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

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

2) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

3) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Please refer to the consolidated financial statements for the year ended December 31, 2020.

## 6. CASH AND CASH EQUIVALENTS

|                                       | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Cash on hand                          | \$ 746                    | \$ 846                   | \$ 871                    |
| Checking accounts and demand deposits | 402,919                   | 308,073                  | 306,716                   |
| Time deposits                         | 123,760                   | 130,738                  | 47,799                    |
|                                       | <u>\$ 527,425</u>         | <u>\$ 439,657</u>        | <u>\$ 355,386</u>         |

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                                                         | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|-------------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|
| Financial assets at fair value through profit or loss (FVTPL) - current |                           |                          |                           |
| Financial assets mandatorily classified as at FVTPL                     |                           |                          |                           |
| Derivative financial assets (not under hedge accounting)                |                           |                          |                           |
| Foreign exchange forward contracts                                      | \$ -                      | \$ 110                   | \$ 247                    |
|                                                                         | <u>\$ -</u>               | <u>\$ 110</u>            | <u>\$ 247</u>             |

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

|                           | <u>Carrying Amount</u> | <u>Maturity Date</u> | <u>Notional Amount (In Thousands)</u> |
|---------------------------|------------------------|----------------------|---------------------------------------|
| <u>December 31, 2020</u>  |                        |                      |                                       |
| Sell EUR/Buy NT\$         | \$ 110                 | January 2021         | EUR 200                               |
|                           | <u>\$ 110</u>          |                      |                                       |
| <u>September 30, 2020</u> |                        |                      |                                       |
| Sell EUR/Buy NT\$         | \$ (37)                | November 2020        | EUR 100                               |
| Sell EUR/Buy NT\$         | (25)                   | November 2020        | EUR 100                               |
| Sell EUR/Buy NT\$         | (39)                   | December 2020        | EUR 100                               |
| Sell EUR/Buy NT\$         | (26)                   | December 2020        | EUR 100                               |
| Sell EUR/Buy NT\$         | (14)                   | November 2020        | EUR 100                               |
| Sell EUR/Buy NT\$         | (16)                   | December 2020        | EUR 100                               |
| Sell EUR/Buy NT\$         | 12                     | November 2020        | EUR 100                               |
| Sell EUR/Buy NT\$         | 10                     | December 2020        | EUR 100                               |
| Sell EUR/Buy NT\$         | 179                    | December 2020        | EUR 200                               |
| Sell EUR/Buy NT\$         | 203                    | January 2021         | EUR 200                               |
|                           | <u>\$ 247</u>          |                      |                                       |

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

## 8. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

|                                          | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|------------------------------------------|---------------------------|--------------------------|---------------------------|
| <u>Notes receivable</u>                  |                           |                          |                           |
| At amortized cost                        |                           |                          |                           |
| Gross carrying amount                    | \$ 24,731                 | \$ 38,725                | \$ 27,107                 |
| Less: Allowance for impairment loss      | -                         | -                        | -                         |
|                                          | <u>\$ 24,731</u>          | <u>\$ 38,725</u>         | <u>\$ 27,107</u>          |
| Notes receivable - operating             | <u>\$ 24,731</u>          | <u>\$ 38,725</u>         | <u>\$ 27,107</u>          |
| <u>Accounts receivable</u>               |                           |                          |                           |
| At amortized cost                        |                           |                          |                           |
| Gross carrying amount                    | \$ 110,348                | \$ 87,821                | \$ 100,472                |
| Less: Allowance for impairment loss      | (309)                     | (309)                    | (309)                     |
|                                          | <u>\$ 110,039</u>         | <u>\$ 87,512</u>         | <u>\$ 100,163</u>         |
|                                          | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
| <u>Accounts receivable-related party</u> |                           |                          |                           |
| (Note 28)                                |                           |                          |                           |
| At amortized cost                        |                           |                          |                           |
| Gross carrying amount                    | \$ 187,573                | \$ 279                   | \$ 30,129                 |
| Less: Allowance for impairment loss      | -                         | -                        | -                         |
|                                          | <u>\$ 187,573</u>         | <u>\$ 279</u>            | <u>\$ 30,129</u>          |

### a. Accounts receivable

#### At amortized cost

The average credit period of sales of goods was 30~150 days. No interest was charged. The policy adopted by merger (merged company) is to trade with objects that crediting rating meets with the requirements of the company, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from the financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

September 30, 2021

|                                | <b>Not Past Due</b> | <b>Less than 30 Days</b> | <b>31 to 60 Days</b> | <b>61 to 90 Days</b> | <b>Over 90 Days</b> | <b>Total</b>      |
|--------------------------------|---------------------|--------------------------|----------------------|----------------------|---------------------|-------------------|
| Expected credit loss rate      | -%                  | -%                       | -%                   | -%                   | 99%                 |                   |
| Gross carrying amount          | \$ 292,089          | \$ 5,520                 | \$ -                 | \$ -                 | \$ 312              | \$ 297,921        |
| Loss allowance (Lifetime ECLs) | <u>-</u>            | <u>-</u>                 | <u>-</u>             | <u>-</u>             | <u>(309)</u>        | <u>(309)</u>      |
| Amortized cost                 | <u>\$ 292,089</u>   | <u>\$ 5,520</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 3</u>         | <u>\$ 297,612</u> |

December 31, 2020

|                                | <b>Not Past Due</b> | <b>Less than 30 Days</b> | <b>31 to 60 Days</b> | <b>61 to 90 Days</b> | <b>Over 90 Days</b> | <b>Total</b>     |
|--------------------------------|---------------------|--------------------------|----------------------|----------------------|---------------------|------------------|
| Expected credit loss rate      | -%                  | -%                       | -%                   | -%                   | 100%                |                  |
| Gross carrying amount          | \$ 77,304           | \$ 10,487                | \$ -                 | \$ -                 | \$ 309              | \$ 88,100        |
| Loss allowance (Lifetime ECLs) | <u>-</u>            | <u>-</u>                 | <u>-</u>             | <u>-</u>             | <u>(309)</u>        | <u>(309)</u>     |
| Amortized cost                 | <u>\$ 77,304</u>    | <u>\$ 10,487</u>         | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>         | <u>\$ 87,791</u> |

September 30, 2020

|                                | <b>Not Past Due</b> | <b>Less than 30 Days</b> | <b>31 to 60 Days</b> | <b>61 to 90 Days</b> | <b>Over 90 Days</b> | <b>Total</b>      |
|--------------------------------|---------------------|--------------------------|----------------------|----------------------|---------------------|-------------------|
| Expected credit loss rate      | -%                  | -%                       | -%                   | -%                   | 99%                 |                   |
| Gross carrying amount          | \$ 128,493          | \$ 1,796                 | \$ -                 | \$ -                 | \$ 312              | \$ 130,601        |
| Loss allowance (Lifetime ECLs) | <u>-</u>            | <u>-</u>                 | <u>-</u>             | <u>-</u>             | <u>(309)</u>        | <u>(309)</u>      |
| Amortized cost                 | <u>\$ 128,493</u>   | <u>\$ 1,796</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 3</u>         | <u>\$ 130,292</u> |

The movements of the loss allowance of accounts receivable were as follows:

|                         | <b>For the Nine Months Ended<br/>September 30</b> |               |
|-------------------------|---------------------------------------------------|---------------|
|                         | <b>2021</b>                                       | <b>2020</b>   |
| Balance at January 1    | \$ 309                                            | \$ -          |
| Recognition (reversal)  | <u>-</u>                                          | <u>309</u>    |
| Balance at September 30 | <u>\$ 309</u>                                     | <u>\$ 309</u> |

## 9. INVENTORIES

|                     | <b>September 30, 2021</b> | <b>December 31, 2020</b> | <b>September 30, 2020</b> |
|---------------------|---------------------------|--------------------------|---------------------------|
| Finished goods      | \$ 210,521                | \$ 119,762               | \$ 107,619                |
| Semi-finished goods | 433,213                   | 323,432                  | 308,584                   |
| Work in process     | 126,715                   | 113,198                  | 74,667                    |
| Raw materials       | 135,767                   | 55,802                   | 57,228                    |
|                     | <u>\$ 906,216</u>         | <u>\$ 612,194</u>        | <u>\$ 548,098</u>         |

The nature of the cost of goods sold is as follows:

|                                  | <b>For the Three Months Ended<br/>September 30</b> |                | <b>For the Nine Months Ended<br/>September 30</b> |                |
|----------------------------------|----------------------------------------------------|----------------|---------------------------------------------------|----------------|
|                                  | <b>2021</b>                                        | <b>2020</b>    | <b>2021</b>                                       | <b>2020</b>    |
| Cost of inventories sold         | \$ 338,566                                         | \$ 275,097     | \$ 921,692                                        | \$ 653,608     |
| Inventory write-downs (reversed) | 9,356                                              | 2,450          | 7,912                                             | 38,983         |
|                                  | <u>347,922</u>                                     | <u>277,547</u> | <u>929,604</u>                                    | <u>692,591</u> |

## 10. PREPAYMENTS

|                          | <b>September 30, 2021</b> | <b>December 31, 2020</b> | <b>September 30, 2020</b> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| Prepaid expenses         | \$ 4,425                  | \$ 5,306                 | \$ 3,965                  |
| Prepaid rents - current  | 138                       | 180                      | 224                       |
| Prepayments to suppliers | 18,907                    | 13,018                   | 1,489                     |
| Net input VAT            | 11,232                    | 19,584                   | 17,736                    |
| Others                   | -                         | -                        | 1,066                     |
|                          | <u>\$ 34,702</u>          | <u>\$ 38,088</u>         | <u>\$ 24,480</u>          |

## 11. OTHER FINANCIAL ASSETS - CURRENT

|                       | <b>September 30, 2021</b> | <b>December 31, 2020</b> | <b>September 30, 2020</b> |
|-----------------------|---------------------------|--------------------------|---------------------------|
| Pledged time deposits | <u>\$ 55,590</u>          | <u>\$ -</u>              | <u>\$ -</u>               |

The other financial assets as collateral for bank borrowings are set out in Note 29.

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

| Investor          | Investee                                                       | Nature of Activities                                                                      | Proportion of Ownership (%) |                   |                    | Remark |
|-------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------|-------------------|--------------------|--------|
|                   |                                                                |                                                                                           | September 30, 2021          | December 31, 2020 | September 30, 2020 |        |
| The company       | BUSINESS ALLIANCE LIMITED (BUSINESS ALLIANCE)                  | Investment activities                                                                     | 100%                        | 100%              | 100%               | 1      |
| BUSINESS ALLIANCE | BUSINESS FIRST LIMITED (BUSINESS FIRST)                        | Investment activities                                                                     | 100%                        | 100%              | 100%               | 1      |
| BUSINESS FIRST    | SUN RACE STURMEY-ARCHER (NANTONG) CO., LTD. (SUN RACE NANTONG) | Production and sales of precision plastic film and bicycle transmission system components | 100%                        | 100%              | 100%               | 1      |

Remarks:

1) The immaterial subsidiaries' financial statements for the nine-month periods ended September 30, 2021 and 2020 have not been reviewed by independent auditors.

### 13. PROPERTY, PLANT AND EQUIPMENT

|                                      | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|--------------------------------------|--------------------|-------------------|--------------------|
| Assets used by the Group             | \$ 527,015         | \$ 534,031        | \$ 525,613         |
| Assets leased under operating leases | -                  | -                 | 1,641              |
|                                      | <u>\$ 527,015</u>  | <u>\$ 534,031</u> | <u>\$ 527,254</u>  |

#### a. Assets used by the Group

|                                                          | Land              | Buildings         | Equipment         | Molding equipment | Other equipment  | Total             |
|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| <u>Cost :</u>                                            |                   |                   |                   |                   |                  |                   |
| Balance at January 1, 2021                               | \$ 169,101        | \$ 347,712        | \$ 134,361        | \$ 235,269        | \$ 58,499        | \$ 944,942        |
| Additions                                                | -                 | -                 | 18,539            | 6,162             | 1,383            | 26,084            |
| Disposals                                                | -                 | -                 | (11,573)          | -                 | -                | (11,573)          |
| Reclassifications                                        | -                 | -                 | 8,333             | -                 | -                | 8,333             |
| Effects of foreign currency exchange differences         | -                 | (334)             | (16)              | (15)              | (197)            | (562)             |
| Balance at September 30, 2021                            | <u>\$ 169,101</u> | <u>\$ 347,378</u> | <u>\$ 149,644</u> | <u>\$ 241,416</u> | <u>\$ 59,685</u> | <u>\$ 967,224</u> |
| <u>Accumulated depreciation and impairment :</u>         |                   |                   |                   |                   |                  |                   |
| Balance at January 1, 2021                               | \$ -              | \$ 106,646        | \$ 93,298         | \$ 189,309        | \$ 21,658        | \$ 410,911        |
| Depreciation expenses                                    | -                 | 6,076             | 12,874            | 15,439            | 6,338            | 40,727            |
| Disposals                                                | -                 | -                 | (11,381)          | -                 | -                | (11,381)          |
| Reclassifications                                        | -                 | -                 | -                 | -                 | -                | -                 |
| Effects of foreign currency exchange differences         | -                 | (6)               | (1)               | (7)               | (34)             | (48)              |
| Balance at September 30, 2021                            | <u>\$ -</u>       | <u>\$ 112,716</u> | <u>\$ 94,790</u>  | <u>\$ 204,741</u> | <u>\$ 27,962</u> | <u>\$ 440,209</u> |
| Carrying amount at September 30, 2021                    | <u>\$ 169,101</u> | <u>\$ 234,662</u> | <u>\$ 54,854</u>  | <u>\$ 36,675</u>  | <u>\$ 31,723</u> | <u>\$ 527,015</u> |
| Carrying amount at December 31, 2020 and January 1, 2021 | <u>\$ 169,101</u> | <u>\$ 241,066</u> | <u>\$ 41,063</u>  | <u>\$ 45,960</u>  | <u>\$ 36,841</u> | <u>\$ 534,031</u> |

|                                                          | Land              | Buildings         | Equipment         | Molding equipment | Other equipment   | Total             |
|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Cost :</u>                                            |                   |                   |                   |                   |                   |                   |
| Balance at January 1, 2020                               | \$ 169,101        | \$ 287,427        | \$ 117,875        | \$ 217,459        | \$ 114,414        | \$ 906,276        |
| Additions                                                | -                 | -                 | 4,650             | 12,801            | 3,096             | 20,547            |
| Disposals                                                | -                 | -                 | (875)             | -                 | -                 | (875)             |
| Transfers (to) from assets leased under operating leases | -                 | -                 | (130)             | -                 | -                 | (130)             |
| Reclassifications                                        | -                 | -                 | 502               | 415               | -                 | 917               |
| Effects of foreign currency exchange differences         | -                 | -                 | (18)              | (23)              | (988)             | (1,029)           |
| Balance at September 30, 2020                            | <u>\$ 169,101</u> | <u>\$ 287,427</u> | <u>\$ 122,004</u> | <u>\$ 230,652</u> | <u>\$ 116,522</u> | <u>\$ 925,706</u> |
| <u>Accumulated depreciation and impairment :</u>         |                   |                   |                   |                   |                   |                   |
| Balance at January 1, 2020                               | \$ -              | \$ 101,401        | \$ 84,083         | \$ 171,015        | \$ 16,477         | \$ 372,976        |
| Depreciation expenses                                    | -                 | 3,934             | 7,089             | 13,273            | 3,559             | 27,855            |
| Disposals                                                | -                 | -                 | (699)             | -                 | -                 | (699)             |
| Transfers (to) from assets leased under operating leases | -                 | -                 | (19)              | -                 | -                 | (19)              |
| Effects of foreign currency exchange differences         | -                 | -                 | (1)               | (6)               | (13)              | (20)              |
| Balance at September 30, 2020                            | <u>\$ -</u>       | <u>\$ 105,335</u> | <u>\$ 90,453</u>  | <u>\$ 184,282</u> | <u>\$ 20,023</u>  | <u>\$ 400,093</u> |
| Carrying amount at September 30, 2020                    | <u>\$ 169,101</u> | <u>\$ 182,092</u> | <u>\$ 31,551</u>  | <u>\$ 46,370</u>  | <u>\$ 96,499</u>  | <u>\$ 525,613</u> |

No impairment loss was recognized for the nine months ended September 30, 2021 and 2020.

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

|                   |             |
|-------------------|-------------|
| Buildings         | 20-55 years |
| Equipment         | 3-10 years  |
| Molding equipment | 2-10 years  |
| Other equipment   | 3-10 years  |

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 29.

b. Assets leased under operating leases

|                                                  | <b>Equipment</b> |
|--------------------------------------------------|------------------|
| <u>Cost :</u>                                    |                  |
| Balance at January 1, 2020                       | \$ 21,302        |
| Additions                                        | -                |
| Disposals                                        | -                |
| Reclassifications                                | 130              |
| Balance at September 30, 2020                    | <u>\$ 21,432</u> |
| <u>Accumulated depreciation and impairment :</u> |                  |
| Balance at January 1, 2020                       | \$ 19,496        |
| Depreciation expenses                            | 276              |
| Disposals                                        | -                |
| Reclassifications                                | 19               |
| Balance at September 30, 2020                    | <u>\$ 19,791</u> |
| Carrying amount at September 30, 2020            | <u>\$ 1,641</u>  |

Operating leases relate to leases of equipment lease terms is 1 year. The lessees do not have purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of operating lease payments receivable for the buildings is as follows:

|        | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|--------|---------------------------|--------------------------|---------------------------|
| Year 1 | \$ -                      | \$ -                     | \$ 150                    |
| Year 2 | -                         | -                        | -                         |
| Year 3 | -                         | -                        | -                         |
| Year 4 | -                         | -                        | -                         |
| Year 5 | -                         | -                        | -                         |
|        | <u>\$ -</u>               | <u>\$ -</u>              | <u>\$ 150</u>             |

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

|           |            |
|-----------|------------|
| Equipment | 3-10 years |
|-----------|------------|

#### 14. LEASE ARRANGEMENTS

a. Right-of-use assets

|                          | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| <u>Carrying amounts</u>  |                           |                          |                           |
| Transportation equipment | \$ 3,772                  | \$ 2,869                 | \$ 3,474                  |
| Land                     | 30,273                    | 30,955                   | 30,608                    |
|                          | <u>\$ 34,045</u>          | <u>\$ 33,824</u>         | <u>\$ 34,082</u>          |

|                                                | <b>For the Three Months Ended<br/>September 30</b> |               | <b>For the Nine Months Ended<br/>September 30</b> |                 |
|------------------------------------------------|----------------------------------------------------|---------------|---------------------------------------------------|-----------------|
|                                                | <b>2021</b>                                        | <b>2020</b>   | <b>2021</b>                                       | <b>2020</b>     |
| Additions to right-of-use assets               | \$ 555                                             | \$ 719        | \$ 3,063                                          | \$ 719          |
| Depreciation charge for<br>right-of-use assets |                                                    |               |                                                   |                 |
| Transportation equipment                       | \$ 744                                             | \$ 667        | \$ 2,103                                          | \$ 2,249        |
| Land                                           | 169                                                | 173           | 511                                               | 507             |
|                                                | <u>\$ 913</u>                                      | <u>\$ 840</u> | <u>\$ 2,614</u>                                   | <u>\$ 2,756</u> |

b. Lease liabilities

|                         | <b>September 30, 2021</b> | <b>December 31, 2020</b> | <b>September 30, 2020</b> |
|-------------------------|---------------------------|--------------------------|---------------------------|
| <u>Carrying amounts</u> |                           |                          |                           |
| Current                 | \$ 2,878                  | \$ 1,848                 | \$ 2,159                  |
| Non-current             | \$ 923                    | \$ 1,054                 | \$ 1,348                  |

Range of discount rate for lease liabilities was as follows:

|                          | <b>September 30, 2021</b> | <b>December 31, 2020</b> | <b>September 30, 2020</b> |
|--------------------------|---------------------------|--------------------------|---------------------------|
| Transportation equipment | 0.96%~2.04%               | 0.96%~2.07%              | 0.96%~2.07%               |

c. Material lease-in activities and terms

The Group leases certain transportation equipment with lease terms of 1 to 3 years. These arrangements do not contain renewal or purchase options.

The Group also leases land with lease terms of 50 years in China. Payment is made at the time of signing the contract. The Group does not have bargain purchase options to acquire the leasehold land at the end of the lease terms.

d. Other lease information

|                                                                         | <b>For the Three Months Ended<br/>September 30</b> |               | <b>For the Nine Months Ended<br/>September 30</b> |                 |
|-------------------------------------------------------------------------|----------------------------------------------------|---------------|---------------------------------------------------|-----------------|
|                                                                         | <b>2021</b>                                        | <b>2020</b>   | <b>2021</b>                                       | <b>2020</b>     |
| Expenses relating to short-term<br>leases and low-value asset<br>leases | \$ 271                                             | \$ 124        | \$ 451                                            | \$ 263          |
| Total cash outflow for leases                                           | <u>\$ 996</u>                                      | <u>\$ 786</u> | <u>\$ 2,616</u>                                   | <u>\$ 2,601</u> |

The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INTANGIBLE ASSETS

|                                                          | Computer software |
|----------------------------------------------------------|-------------------|
| <u>Cost :</u>                                            |                   |
| Balance at January 1, 2021                               | \$ 8,876          |
| Additions                                                | -                 |
| Others                                                   | -                 |
| Balance at September 30, 2021                            | <u>\$ 8,876</u>   |
| <u>Accumulated Amortization and Impairment :</u>         |                   |
| Balance at January 1, 2021                               | \$ 6,556          |
| Amortization                                             | 442               |
| Effects of foreign currency exchange differences         | -                 |
| Balance at September 30, 2021                            | <u>\$ 6,998</u>   |
| Carrying amount at September 30, 2021                    | <u>\$ 1,878</u>   |
| Carrying amount at December 31, 2020 and January 1, 2021 | <u>\$ 2,320</u>   |

|                                                  | Computer software |
|--------------------------------------------------|-------------------|
| <u>Cost :</u>                                    |                   |
| Balance at January 1, 2020                       | \$ 8,581          |
| Additions                                        | 294               |
| Others                                           | -                 |
| Balance at September 30, 2020                    | <u>\$ 8,875</u>   |
| <u>Accumulated Amortization and Impairment :</u> |                   |
| Balance at January 1, 2020                       | \$ 6,013          |
| Amortization                                     | 395               |
| Effects of foreign currency exchange differences | -                 |
| Balance at September 30, 2020                    | <u>\$ 6,408</u>   |
| Carrying amount at September 30, 2020            | <u>\$ 2,467</u>   |

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

|                   |            |
|-------------------|------------|
| Computer software | 3-10 years |
|-------------------|------------|

## 16. SHORT-TERM BORROWINGS

|                                     | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|-------------------------------------|--------------------|-------------------|--------------------|
| <u>Unsecured borrowings</u>         |                    |                   |                    |
| Bank loans (1)                      | \$ 63,601          | \$ 60,783         | \$ 67,368          |
| <u>Secured borrowings (Note 29)</u> |                    |                   |                    |
| Bank loans (1)                      | 48,000             | -                 | -                  |
|                                     | <u>\$ 111,601</u>  | <u>\$ 60,783</u>  | <u>\$ 67,368</u>   |

- 1) The range of weighted average effective interest rates on bank loans was 1.07%-1.45%, 0.36%-1.45% and 0.36%~1.45% per annum at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

## 17. LONG-TERM BORROWINGS

|                                     | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|-------------------------------------|---------------------------|--------------------------|---------------------------|
| <u>Secured borrowings (Note 29)</u> |                           |                          |                           |
| Bank loans (1)                      | \$ 235,000                | \$ 30,000                | \$ 80,000                 |
| <u>Unsecured borrowings</u>         |                           |                          |                           |
| Bank loans (1)                      | -                         | 30,000                   | -                         |
| Less: Current portions              | -                         | (30,000)                 | (30,000)                  |
|                                     | <u>\$ 235,000</u>         | <u>\$ 30,000</u>         | <u>\$ 50,000</u>          |

- 1) As of September 30, 2021, December 31, 2020 and September 30, 2020, the range of weighted average effective interest rates of the bank borrowings was 1.93%, 0.54%~1.93% and 0.54%~1.93% per annum, respectively. The borrowing rate is floating rate.

In January 2021, the borrowing of \$30,000 thousand on December 31, 2020, was paid in advance. For the nine months ended September 30, 2021, the Group acquired new bank borrowings facilities in the amounts of \$455,000 thousand, which was paid off advance \$220,000 thousand, the borrowings balance as of September 30, 2021 is \$235,000 thousand, and will be repayable on October 27, 2022. The borrowing rate is floating rate.

In January 2020, the borrowing of \$190,000 thousand on December 31, 2019, was paid in advance. For the nine months ended September 30, 2020, the Group acquired new bank borrowings facilities in the amounts of \$325,000 thousand, which was paid off advance \$275,000 thousand, the borrowings balance as of September 30, 2020 is \$50,000 thousand, and paid off in advance in October 2020. The borrowing rate is floating rate.

In June 2020, the application for short-term borrowings of \$30,000 thousand was approved by the Ministry of Economic Affairs and reclassified to long-term borrowings, which paid off in April, 2021. The borrowing rate is floating rate.

## 18. PROVISIONS

|                       | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|-----------------------|---------------------------|--------------------------|---------------------------|
| <u>Current</u>        |                           |                          |                           |
| Employee benefits (a) | \$ 4,094                  | \$ 7,306                 | \$ 3,629                  |

- a. An employee benefits liability reserve is estimates of employees' vested long-term service leave rights.

## 19. OTHER CURRENT LIABILITIES

|                             | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|-----------------------------|---------------------------|--------------------------|---------------------------|
| <u>Current</u>              |                           |                          |                           |
| Deposits received (Note 28) | \$ 103,591                | \$ -                     | \$ -                      |
| Others                      | 706                       | 42                       | 112                       |
|                             | <u>\$ 104,297</u>         | <u>\$ 42</u>             | <u>\$ 112</u>             |

## 20. RETIREMENT BENEFIT PLANS

For the three months ended and nine months ended September 30, 2021 and 2020, the pension expenses of defined benefit plans were \$15 thousand, \$64 thousand, \$46 thousand and \$192 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively.

## 21. EQUITY

### a. Share capital

#### 1) Ordinary shares

|                                                             | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|-------------------------------------------------------------|---------------------------|--------------------------|---------------------------|
| Shares authorized (in thousands of shares)                  | 79,000                    | 79,000                   | 79,000                    |
| Shares authorized, par value \$10 (in thousands of dollars) | <u>\$ 790,000</u>         | <u>\$ 790,000</u>        | <u>\$ 790,000</u>         |
| Shares issued and fully paid (in thousands of shares)       | 60,000                    | 60,000                   | 60,000                    |
| Shares issued and fully paid (in thousands of dollars)      | <u>\$ 600,000</u>         | <u>\$ 600,000</u>        | <u>\$ 600,000</u>         |

### b. Capital surplus

|                                                                                                            | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|
| <u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u> |                           |                          |                           |
| Issuance of ordinary shares                                                                                | \$ 44,865                 | \$ 44,865                | \$ 44,865                 |
| <u>May not be used for any purpose</u>                                                                     |                           |                          |                           |
| Employee share options                                                                                     | 2,728                     | 2,728                    | 2,728                     |
|                                                                                                            | <u>\$ 47,593</u>          | <u>\$ 47,593</u>         | <u>\$ 47,593</u>          |

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

### c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, which the Company adopts the residual dividend policy, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, however when the legal reserve amounts to the authorized capital, this shall not apply, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends to shareholders would not less than 3% of the current year's distributable surplus, cash dividends would not less than 1%. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 23.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC on March 31, 2021. When distributing profits, the Company sets aside special reserves in the amount equivalent to the net amount of contra other equity items for the current period, using the balance of net income after tax plus the items included in undistributed retained earnings except those included in net income for the current period. If the balance is insufficient to meet the requirement of special reserves, the remainder shall be set aside using the undistributed retained earnings for the previous period.

The Company shall set aside special reserves that shall not be distributed in the net amount of contra other equity items, using either of the following two methods:

- A. Set aside special reserves using the undistributed retained earnings for the previous period; or
- B. Set aside special reserves using the undistributed retained earnings for the previous period and the balance of net income after tax plus the items included in undistributed retained earnings except those included in net income for the current period when the undistributed retained earnings for the previous period are insufficient, in which case the Company shall state the applied method clearly in the dividend policies of the Articles of the Company.

When the net amount of contra other equity items is subsequently reversed, the reversed amount can be used to reverse the special reserves, allowing the Company to distribute the profits.

The appropriations of earnings for 2020 and 2019 that were approved in the Board of shareholders' meetings on July 23, 2021 and June 15, 2020, respectively, were as follows:

|                            | <b>Appropriation of Earnings</b> |             |
|----------------------------|----------------------------------|-------------|
|                            | <b>For the Year Ended</b>        |             |
|                            | <b>December 31</b>               |             |
|                            | <b>2020</b>                      | <b>2019</b> |
| Legal reserve              | \$ 18,021                        | \$ 8,012    |
| Special reserve            | 1,225                            | 4,710       |
| Cash dividends             | 108,000                          | 48,000      |
| Dividends Per Share (NT\$) | 1.80                             | 0.80        |

d. Other equity items

Exchange differences on translating the financial statements of foreign operations

|                                                                                    | <b>For the Nine Months Ended</b> |                    |
|------------------------------------------------------------------------------------|----------------------------------|--------------------|
|                                                                                    | <b>September 30</b>              |                    |
|                                                                                    | <b>2021</b>                      | <b>2020</b>        |
| Balance at January 1                                                               | \$ (17,470)                      | \$ (16,245)        |
| Recognized for the period                                                          |                                  |                    |
| Exchange differences on translating the financial statements of foreign operations | (1,502)                          | (3,637)            |
| Effect of tax                                                                      | 300                              | 727                |
| Balance at September 30                                                            | <u>\$ (18,672)</u>               | <u>\$ (19,155)</u> |

## 22. REVENUE

|                                          | For the Three Months Ended<br>September 30 |            | For the Nine Months Ended<br>September 30 |            |
|------------------------------------------|--------------------------------------------|------------|-------------------------------------------|------------|
|                                          | 2021                                       | 2020       | 2021                                      | 2020       |
| Revenue from contracts with customers    |                                            |            |                                           |            |
| Revenue from the sale of goods (Note 28) | \$ 480,651                                 | \$ 371,660 | \$ 1,307,476                              | \$ 884,671 |

### a. Contract balances

|                      | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|----------------------|--------------------|-------------------|--------------------|
| Contract liabilities |                    |                   |                    |
| Sale of goods        | \$ 144,930         | \$ 100,913        | \$ 55,456          |

The contract liabilities from the beginning of the year were recognized as other income from January 1 to September 30, 2021 and 2020, with an amount of \$0 thousand and \$75,162 thousand. Please refer to Note 23, and the inventory write-downs has been reasonably assessed.

## 23. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

### a. Other income

|                  | For the Three Months Ended<br>September 30 |        | For the Nine Months Ended<br>September 30 |           |
|------------------|--------------------------------------------|--------|-------------------------------------------|-----------|
|                  | 2021                                       | 2020   | 2021                                      | 2020      |
| Rental income    | \$ 233                                     | \$ 382 | \$ 696                                    | \$ 1,140  |
| Others (Note 22) | 56                                         | 42     | 1,233                                     | 87,946    |
|                  | \$ 289                                     | \$ 424 | \$ 1,929                                  | \$ 89,086 |

### b. Other gains and losses

|                                                          | For the Three Months Ended<br>September 30 |          | For the Nine Months Ended<br>September 30 |          |
|----------------------------------------------------------|--------------------------------------------|----------|-------------------------------------------|----------|
|                                                          | 2021                                       | 2020     | 2021                                      | 2020     |
| Financial assets mandatorily classified as at FVTPL      | \$ 1,916                                   | \$ (123) | \$ 2,453                                  | \$ 247   |
| Net foreign exchange gains/(losses)                      | (2,797)                                    | 3,590    | (5,872)                                   | 9,325    |
| Gain/(loss) on disposal of property, plant and equipment | 52                                         | 100      | 53                                        | 100      |
| Others                                                   | -                                          | (92)     | 20                                        | (301)    |
|                                                          | \$ (829)                                   | \$ 3,475 | \$ (3,346)                                | \$ 9,371 |

c. Finance costs

|                               | For the Three Months Ended<br>September 30 |               | For the Nine Months Ended<br>September 30 |                 |
|-------------------------------|--------------------------------------------|---------------|-------------------------------------------|-----------------|
|                               | 2021                                       | 2020          | 2021                                      | 2020            |
| Interest on bank loans        | \$ 826                                     | \$ 543        | \$ 1,595                                  | \$ 2,475        |
| Interest on lease liabilities | 15                                         | 18            | 42                                        | 63              |
|                               | <u>\$ 841</u>                              | <u>\$ 561</u> | <u>\$ 1,637</u>                           | <u>\$ 2,538</u> |

d. Depreciation and amortization

|                                         | For the Three Months Ended<br>September 30 |                  | For the Nine Months Ended<br>September 30 |                  |
|-----------------------------------------|--------------------------------------------|------------------|-------------------------------------------|------------------|
|                                         | 2021                                       | 2020             | 2021                                      | 2020             |
| Property, plant and equipment           | \$ 13,687                                  | \$ 10,780        | \$ 40,727                                 | \$ 28,131        |
| Right-of-use asset                      | 913                                        | 840              | 2,614                                     | 2,756            |
| Intangible asset                        | 147                                        | 139              | 442                                       | 395              |
|                                         | <u>\$ 14,747</u>                           | <u>\$ 11,759</u> | <u>\$ 43,783</u>                          | <u>\$ 31,282</u> |
| An analysis of depreciation by function |                                            |                  |                                           |                  |
| Operating costs                         | \$ 11,504                                  | \$ 8,915         | \$ 34,172                                 | \$ 25,235        |
| Operating expenses                      | 3,096                                      | 2,705            | 9,169                                     | 5,652            |
|                                         | <u>\$ 14,600</u>                           | <u>\$ 11,620</u> | <u>\$ 43,341</u>                          | <u>\$ 30,887</u> |
| An analysis of amortization by function |                                            |                  |                                           |                  |
| Operating costs                         | \$ -                                       | \$ -             | \$ -                                      | \$ -             |
| Operating expenses                      | 147                                        | 139              | 442                                       | 395              |
|                                         | <u>\$ 147</u>                              | <u>\$ 139</u>    | <u>\$ 442</u>                             | <u>\$ 395</u>    |

e. Employee benefits expense

|                                                      | For the Three Months Ended<br>September 30 |                  | For the Nine Months Ended<br>September 30 |                   |
|------------------------------------------------------|--------------------------------------------|------------------|-------------------------------------------|-------------------|
|                                                      | 2021                                       | 2020             | 2021                                      | 2020              |
| Short-term benefits                                  | \$ 40,441                                  | \$ 35,744        | \$ 119,593                                | \$ 100,224        |
| Post-employment benefits                             |                                            |                  |                                           |                   |
| Defined contribution plan                            | 1,237                                      | 1,037            | 3,663                                     | 3,037             |
| Defined benefit plans                                | 15                                         | 64               | 46                                        | 192               |
|                                                      | <u>1,252</u>                               | <u>1,101</u>     | <u>3,709</u>                              | <u>3,229</u>      |
| Termination benefits                                 | -                                          | -                | -                                         | -                 |
| Total employee benefits expense                      | <u>\$ 41,693</u>                           | <u>\$ 36,845</u> | <u>\$ 123,302</u>                         | <u>\$ 103,453</u> |
| An analysis of employee benefits expense by function |                                            |                  |                                           |                   |
| Operating costs                                      | \$ 22,456                                  | \$ 19,815        | \$ 66,171                                 | \$ 52,189         |
| Operating expenses                                   | 19,237                                     | 17,030           | 57,131                                    | 51,264            |
|                                                      | <u>\$ 41,693</u>                           | <u>\$ 36,845</u> | <u>\$ 123,302</u>                         | <u>\$ 103,453</u> |

f. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles, the Company accrued employees' compensation and remuneration of directors at rates of 0.2~3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended and nine months ended September 30, 2021 and 2020, the employees' compensation and the remuneration of directors and supervisors are as follows (The Company established an audit committee to replace the supervisor after the Board of shareholders' meetings on July 23, 2021.):

Accrual rate

|                                           | <b>For the Nine Months Ended<br/>September 30</b> |             |
|-------------------------------------------|---------------------------------------------------|-------------|
|                                           | <b>2021</b>                                       | <b>2020</b> |
| Employees' compensation                   | 0.97%                                             | 0.96%       |
| Remuneration of directors and supervisors | 0.97%                                             | 0.96%       |

Amount

|                                           | <b>For the Three Months Ended<br/>September 30</b> |             | <b>For the Nine Months Ended<br/>September 30</b> |             |
|-------------------------------------------|----------------------------------------------------|-------------|---------------------------------------------------|-------------|
|                                           | <b>2021</b>                                        | <b>2020</b> | <b>2021</b>                                       | <b>2020</b> |
| Employees' compensation                   | \$ 851                                             | \$ 607      | \$ 2,405                                          | \$ 1,860    |
| Remuneration of directors and supervisors | 851                                                | 607         | 2,405                                             | 1,860       |

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2020 and 2019 that were resolved by the board of directors on March 23, 2021 and March 17, 2020, respectively, are as shown below:

|                                           | <b>For the Year Ended December 31</b> |                     |               |                     |
|-------------------------------------------|---------------------------------------|---------------------|---------------|---------------------|
|                                           | <b>2020</b>                           |                     | <b>2019</b>   |                     |
|                                           | <b>Amount</b>                         | <b>Accrual rate</b> | <b>Amount</b> | <b>Accrual rate</b> |
| Employees' compensation                   | \$ 2,200                              | 0.97%               | \$ 1,000      | 0.96%               |
| Remuneration of directors and supervisors | 2,200                                 | 0.97%               | 1,000         | 0.96%               |

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

|                                                                           | <b>For the Three Months Ended<br/>September 30</b> |                  | <b>For the Nine Months Ended<br/>September 30</b> |                  |
|---------------------------------------------------------------------------|----------------------------------------------------|------------------|---------------------------------------------------|------------------|
|                                                                           | <b>2021</b>                                        | <b>2020</b>      | <b>2021</b>                                       | <b>2020</b>      |
| Current tax                                                               |                                                    |                  |                                                   |                  |
| In respect of the current period                                          | \$ 21,099                                          | \$ 12,828        | \$ 54,142                                         | \$ 46,248        |
| Adjustments for prior year                                                | -                                                  | -                | (726)                                             | (1,383)          |
| Deferred tax                                                              |                                                    |                  |                                                   |                  |
| In respect of the current period                                          | (2,280)                                            | (360)            | (3,347)                                           | (7,288)          |
| Adjustments to deferred tax attributable to changes in tax rates and laws | -                                                  | -                | -                                                 | -                |
| Income tax expense (benefit) recognized in profit or loss                 | <u>\$ 18,819</u>                                   | <u>\$ 12,468</u> | <u>\$ 50,069</u>                                  | <u>\$ 37,577</u> |

### b. Income tax recognized in other comprehensive income

|                                                                             | <b>For the Three Months Ended<br/>September 30</b> |               | <b>For the Nine Months Ended<br/>September 30</b> |                 |
|-----------------------------------------------------------------------------|----------------------------------------------------|---------------|---------------------------------------------------|-----------------|
|                                                                             | <b>2021</b>                                        | <b>2020</b>   | <b>2021</b>                                       | <b>2020</b>     |
| <u>Deferred income tax expense (benefit)</u>                                |                                                    |               |                                                   |                 |
| In respect of the current period                                            |                                                    |               |                                                   |                 |
| Translation of foreign operations                                           | \$ (155)                                           | \$ 695        | \$ (300)                                          | \$ (727)        |
| Remeasurement of defined benefit plans                                      | -                                                  | -             | -                                                 | -               |
| Total income tax expense (benefit) recognized in other comprehensive income | <u>\$ (155)</u>                                    | <u>\$ 695</u> | <u>\$ (300)</u>                                   | <u>\$ (727)</u> |

### c. Income tax assessments

The Company provided for the income tax assessed by the tax authorities until 2019.

## 25. EARNINGS PER SHARE

Net Profit for the period is as follows:

|            | For the Three Months Ended<br>September 30 |           | For the Nine Months Ended<br>September 30 |            |
|------------|--------------------------------------------|-----------|-------------------------------------------|------------|
|            | 2021                                       | 2020      | 2021                                      | 2020       |
| Net profit | \$ 63,841                                  | \$ 49,871 | \$ 193,085                                | \$ 152,424 |

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

|                                                                                                  | For the Three Months Ended<br>September 30 |        | For the Nine Months Ended<br>September 30 |        |
|--------------------------------------------------------------------------------------------------|--------------------------------------------|--------|-------------------------------------------|--------|
|                                                                                                  | 2021                                       | 2020   | 2021                                      | 2020   |
| Weighted average number of ordinary shares used in the computation of basic earnings per share   | 60,000                                     | 60,000 | 60,000                                    | 60,000 |
| Effect of potentially dilutive ordinary shares                                                   |                                            |        |                                           |        |
| Employees' compensation or bonuses issued to employees                                           | 17                                         | 12     | 62                                        | 55     |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 60,017                                     | 60,012 | 60,062                                    | 60,055 |

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 26. CAPITAL MANAGEMENT

In order to ensure the company's sustainable operation, the merged company plans the future working capital needs (including research and development expenses and debt repayment, etc.) based on the factors such as characteristics of the current operating industry and the future development situation and changes in the external environment. It not only gives back to shareholders but also takes care of stakeholders' interest. Also, it can maintain the optimal capital structure to enhance shareholder's value.

## 27. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

September 30, 2021

|                             | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|---------|---------|---------|-------|
| Financial assets at FVTPL   |         |         |         |       |
| Derivative financial assets | \$ -    | \$ -    | \$ -    | \$ -  |

December 31, 2020

|                             | Level 1 | Level 2 | Level 3 | Total  |
|-----------------------------|---------|---------|---------|--------|
| Financial assets at FVTPL   |         |         |         |        |
| Derivative financial assets | \$ -    | \$ 110  | \$ -    | \$ 110 |

September 30, 2020

|                             | Level 1 | Level 2 | Level 3 | Total  |
|-----------------------------|---------|---------|---------|--------|
| Financial assets at FVTPL   |         |         |         |        |
| Derivative financial assets | \$ -    | \$ 247  | \$ -    | \$ 247 |

#### 2) Valuation techniques and inputs applied for Level 2 fair value measurement

| Financial Instrument                             | Valuation Technique and Inputs                                                                                                                                                                                                                   |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Derivatives - foreign exchange forward contracts | Discounted cash flow.<br>Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |

### b. Categories of financial instruments

|                                                                                                                                                                                                                    | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|
| <u>Financial assets</u>                                                                                                                                                                                            |                           |                          |                           |
| Financial assets at amortized cost                                                                                                                                                                                 | \$ 927,235                | \$ 579,209               | \$ 523,681                |
| (1)                                                                                                                                                                                                                |                           |                          |                           |
| Mandatorily classified as at FVTPL                                                                                                                                                                                 | -                         | 110                      | 247                       |
| <u>Financial liabilities</u>                                                                                                                                                                                       |                           |                          |                           |
| Amortized cost (2)                                                                                                                                                                                                 | 942,037                   | 535,683                  | 472,966                   |
| 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and accounts receivable, other receivables, refundable deposits and other financial assets. |                           |                          |                           |

- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, short-term bills payable, trade and other payables.

c. Financial risk management objectives and policies

The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The use of financial activity is governed by the Group's policies approved by the board of directors. During the implementation of financial plans, the Group must comply with the procedures for overall financial risk management and segregation of duties.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts, but it does not meet the requirements for accounting hedging.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 33.

Sensitivity analysis

The Group is mainly exposed to the Currency USD and Currency EUR.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. A positive number below indicates a decrease in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

|                | <b>Currency USD Impact</b>       |             | <b>Currency EUR Impact</b>       |             |
|----------------|----------------------------------|-------------|----------------------------------|-------------|
|                | <b>For the Nine Months Ended</b> |             | <b>For the Nine Months Ended</b> |             |
|                | <b>September 30</b>              |             | <b>September 30</b>              |             |
|                | <b>2021</b>                      | <b>2020</b> | <b>2021</b>                      | <b>2020</b> |
| Profit or loss | \$ 2,716                         | \$ 578      | \$ 2,776                         | \$ 535      |

This was mainly attributable to the exposure on outstanding receivables and payables in foreign currency that were not hedged at the end of the reporting period.

b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

|                               | <u>September 30, 2021</u> | <u>December 31, 2020</u> | <u>September 30, 2020</u> |
|-------------------------------|---------------------------|--------------------------|---------------------------|
| Fair value interest rate risk |                           |                          |                           |
| Financial assets              | \$ 179,350                | \$ 130,738               | \$ 47,799                 |
| Financial liabilities         | -                         | -                        | -                         |
| Cash flow interest rate risk  |                           |                          |                           |
| Financial assets              | 334,699                   | 247,151                  | 268,795                   |
| Financial liabilities         | 346,601                   | 120,783                  | 147,368                   |

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2021 and 2020 would increase/decrease by \$89 thousand and \$911 thousand, respectively, which was mainly a result of variable-rate bank deposits and borrowings.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be mainly from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The sales department manages customer credit risk in accordance with the company's customer credit risk policies, procedures and controls. The credit risk assessment of all customers is based on comprehensive consideration of such factors as the customer's financial status, ratings of credit rating agencies, past historical transaction experience, current economic environment, and internal rating standards of the Group, etc. In addition, the Group also uses certain credit enhancement tools (such as advances on sales, etc.) to reduce the credit risk of specific customers at appropriate times.

The Group's concentration of credit risk of 58%, 0% and 19% of total accounts receivable as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively, was attributable to the Group's largest customer STURMEY-ARCHER EUROPA B.V.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group had available unutilized bank loan facilities was \$457,000 thousand, \$935,000 thousand and \$915,000 thousand.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

##### September 30, 2021

|                                       | <b>On<br/>Demand or<br/>Less than<br/>1 Year</b> | <b>1-3 Years</b> | <b>3+ Years</b> |
|---------------------------------------|--------------------------------------------------|------------------|-----------------|
| Non-interest bearing                  | \$595,349                                        | \$ -             | \$ -            |
| Lease liabilities                     | 2,913                                            | 926              | -               |
| Variable interest rate<br>liabilities | <u>116,403</u>                                   | <u>235,373</u>   | <u>-</u>        |
|                                       | <u>\$714,665</u>                                 | <u>\$236,299</u> | <u>\$ -</u>     |

##### December 31, 2020

|                                       | <b>On<br/>Demand or<br/>Less than<br/>1 Year</b> | <b>1-3 Years</b> | <b>3+ Years</b> |
|---------------------------------------|--------------------------------------------------|------------------|-----------------|
| Non-interest bearing                  | \$414,854                                        | \$ -             | \$ -            |
| Lease liabilities                     | 1,885                                            | 1,065            | -               |
| Variable interest rate<br>liabilities | <u>91,626</u>                                    | <u>30,049</u>    | <u>-</u>        |
|                                       | <u>\$508,365</u>                                 | <u>\$31,114</u>  | <u>\$ -</u>     |

September 30, 2020

|                                           | On<br>Demand or<br>Less than<br>1 Year | 1-3 Years        | 3+ Years    |
|-------------------------------------------|----------------------------------------|------------------|-------------|
| Non-interest bearing<br>Lease liabilities | \$325,557<br>2,205                     | \$ -<br>1,364    | \$ -<br>-   |
| Variable interest rate<br>liabilities     | 98,673                                 | 50,079           | -           |
|                                           | <u>\$426,435</u>                       | <u>\$ 51,443</u> | <u>\$ -</u> |

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

### a. Related party name and category

| <u>Related Party Name</u>                     | <u>Related Party Category</u>                                                        |
|-----------------------------------------------|--------------------------------------------------------------------------------------|
| STURMEY-ARCHER EUROPA<br>B.V.(STURMEY-ARCHER) | Related party in substance                                                           |
| HANDY-SHIFT COMPANY<br>LIMITED(HANDY COMPANY) | The chairman of the company is a member of the<br>company's key management personnel |

### b. Sales of goods

| Line Item | Related Party Name | For the Three Months Ended<br>September 30 |           | For the Nine Months Ended<br>September 30 |            |
|-----------|--------------------|--------------------------------------------|-----------|-------------------------------------------|------------|
|           |                    | 2021                                       | 2020      | 2021                                      | 2020       |
| Sales     | STURMEY-ARCHER     | \$ 129,022                                 | \$ 72,867 | \$ 262,723                                | \$ 205,248 |

The sale of goods to related parties were made at the Group's usual list prices and the collection period was approximately 150 days.

### c. Purchases of goods

| Related Party Name | For the Three Months Ended<br>September 30 |          | For the Nine Months Ended<br>September 30 |           |
|--------------------|--------------------------------------------|----------|-------------------------------------------|-----------|
|                    | 2021                                       | 2020     | 2021                                      | 2020      |
| HANDY COMPANY      | \$ 7,019                                   | \$ 8,176 | \$ 37,995                                 | \$ 18,347 |

Purchases were made at market prices and the payment period was between 50~90 days.

d. Receivables from related parties

| <b>Line Item</b>    | <b>Related Party Name</b> | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>September 30,<br/>2020</b> |
|---------------------|---------------------------|-------------------------------|------------------------------|-------------------------------|
| Accounts receivable | STURMEY-ARCHER            | \$ 187,573                    | \$ 279                       | \$ 30,129                     |

For the nine months ended September 30, 2021 and 2020, no impairment losses were recognized for accounts receivable from related parties.

e. Payables to related parties

| <b>Line Item</b>  | <b>Related Party Name</b> | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>September 30,<br/>2020</b> |
|-------------------|---------------------------|-------------------------------|------------------------------|-------------------------------|
| Accounts payables | HANDY COMPANY             | \$ 15,079                     | \$ 21,694                    | \$ 12,798                     |
| Other payables    | HANDY COMPANY             | 929                           | 2,066                        | 864                           |
|                   |                           | <u>\$ 16,008</u>              | <u>\$ 23,760</u>             | <u>\$ 13,662</u>              |

f. Other current liabilities

| <b>Line Item</b>  | <b>Related Party Name</b> | <b>September 30,<br/>2021</b> | <b>December 31,<br/>2020</b> | <b>September 30,<br/>2020</b> |
|-------------------|---------------------------|-------------------------------|------------------------------|-------------------------------|
| Deposits received | STURMEY-ARCHER            | \$ 103,591                    | \$ -                         | \$ -                          |

g. Others

| <b>Line Item</b>   | <b>Related Party Name</b> | <b>For the Three Months Ended<br/>September 30</b> |                 | <b>For the Nine Months Ended<br/>September 30</b> |                  |
|--------------------|---------------------------|----------------------------------------------------|-----------------|---------------------------------------------------|------------------|
|                    |                           | <b>2021</b>                                        | <b>2020</b>     | <b>2021</b>                                       | <b>2020</b>      |
| Service expense    | HANDY COMPANY             | \$ 4,430                                           | \$ 2,377        | \$ 9,588                                          | \$ 6,999         |
| Cost of conversion | HANDY COMPANY             | -                                                  | 1,365           | 687                                               | 3,947            |
| Rent income        | HANDY COMPANY             | 225                                                | 375             | 675                                               | 1,125            |
|                    |                           | <u>\$ 4,655</u>                                    | <u>\$ 4,117</u> | <u>\$ 10,950</u>                                  | <u>\$ 12,071</u> |

The service expense is the salary and management fees incurred by HANDY COMPANY dispatching workers to the company to provide labor services.

The cost of conversion between the company and HANDY COMPANY is contracted in accordance with general market conditions.

The rent income of the company and HANDY COMPANY is contracted in accordance with general market conditions.

h. Compensation of key management personnel

|                              | <b>For the Three Months Ended<br/>September 30</b> |                 | <b>For the Nine Months Ended<br/>September 30</b> |                  |
|------------------------------|----------------------------------------------------|-----------------|---------------------------------------------------|------------------|
|                              | <b>2021</b>                                        | <b>2020</b>     | <b>2021</b>                                       | <b>2020</b>      |
| Short-term employee benefits | \$ 7,921                                           | \$ 5,981        | \$ 21,913                                         | \$ 18,092        |
| Post-employment benefits     | -                                                  | -               | -                                                 | -                |
|                              | <u>\$ 7,921</u>                                    | <u>\$ 5,981</u> | <u>\$ 21,913</u>                                  | <u>\$ 18,092</u> |

**29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets were provided as collateral for bank borrowings:

|                                 | <b>September 30, 2021</b> | <b>December 31, 2020</b> | <b>September 30, 2020</b> |
|---------------------------------|---------------------------|--------------------------|---------------------------|
| Pledged time deposits (Note 11) | \$ 55,590                 | \$ -                     | \$ -                      |
| Property, plant and equipment   |                           |                          |                           |
| Land                            | 169,101                   | 169,101                  | 169,101                   |
| Buildings                       | 176,846                   | 180,780                  | 182,092                   |
|                                 | <u>\$ 401,537</u>         | <u>\$ 349,881</u>        | <u>\$ 351,193</u>         |

**30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS**

a. Significant unrecognized commitments

1) Unrecognized commitments were as follows:

|                                              | <b>September 30, 2021</b> | <b>December 31, 2020</b> | <b>September 30, 2020</b> |
|----------------------------------------------|---------------------------|--------------------------|---------------------------|
| Acquisition of property, plant and equipment | \$ 15,319                 | \$ 22,119                | \$ 14,785                 |

2) As of September 30, 2021, guarantee notes payable for operation and borrowings amounted to approximately \$366,484 thousand.

3) As of September 30, 2021, unused letters of credit amounted to approximately \$28,694 thousand.

b. Contingencies

1) In December 2016, The Company and the equipment supplier filed a lawsuit because the equipment function did not meet the delivery conditions, and won the lawsuit in the second instance. Therefore, the company transferred the originally estimated amount of \$1,913 thousand payables to other income in the second quarter of 2019. However, the equipment supplier refused to accept the judgment of the second instance and appealed the third instance. The Supreme Court has ruled that the original judgment of the High Court was abandoned except for the provisional execution, referring the case back to Taiwan High Court for further trials. Up to the present, the case is still in the process of legal proceedings.

**31. SIGNIFICANT LOSSES FROM DISASTERS : None**

**32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD : None**

### 33. OTHER ITEMS

#### a. Significant assets and liabilities denominated in foreign currencies

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2021

|                              | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | \$ 9,814                    | 27.795(USD:NTD)      | \$ 272,772                 |
| USD                          | 77                          | 6.476(USD:RMB)       | 2,131                      |
| EUR                          | 8,638                       | 32.139(EUR:NTD)      | 277,624                    |
| RMB                          | 27,201                      | 4.278(RMB:NTD)       | 116,365                    |
| HKD                          | 2                           | 3.548(HKD:NTD)       | 8                          |
| <u>Financial liabilities</u> |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | 117                         | 27.895(USD:NTD)      | 3,256                      |
| RMB                          | 7,976                       | 4.322(RMB:NTD)       | 34,474                     |

December 31, 2020

|                              | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|------------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u>      |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | \$ 1,301                    | 28.045(USD:NTD)      | \$ 36,497                  |
| USD                          | 228                         | 6.497(USD:RMB)       | 6,401                      |
| EUR                          | 261                         | 34.399(EUR:NTD)      | 8,986                      |
| RMB                          | 14,055                      | 4.302(RMB:NTD)       | 60,463                     |
| HKD                          | 2                           | 3.596(HKD:NTD)       | 8                          |
| Non-monetary items           |                             |                      |                            |
| USD(Note 1)                  | 4                           | 28.045(USD:NTD)      | 110                        |
| <u>Financial liabilities</u> |                             |                      |                            |
| Monetary items               |                             |                      |                            |
| USD                          | 54                          | 28.145(USD:NTD)      | 1,536                      |
| RMB                          | 4,411                       | 4.346(RMB:NTD)       | 19,171                     |

Note 1: Financial assets at fair value through profit or loss - forward foreign exchange

September 30, 2020

|                         | <b>Foreign<br/>Currency</b> | <b>Exchange Rate</b> | <b>Carrying<br/>Amount</b> |
|-------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> |                             |                      |                            |
| Monetary items          |                             |                      |                            |
| USD                     | \$ 1,837                    | 28.925(USD:NTD)      | \$ 53,121                  |
| USD                     | 164                         | 6.814(USD:RMB)       | 4,747                      |
| EUR                     | 1,579                       | 33.857(EUR:NTD)      | 53,458                     |
| RMB                     | 11,898                      | 4.23(RMB:NTD)        | 50,330                     |
| HKD                     | 2                           | 3.711 (HKD:NTD)      | 8                          |
| Non-monetary items      |                             |                      |                            |
| USD(Note 1)             | 9                           | 28.925(USD:NTD)      | 247                        |

Financial liabilities

|                |       |                 |        |
|----------------|-------|-----------------|--------|
| Monetary items |       |                 |        |
| USD            | 2     | 29.025(USD:NTD) | 73     |
| RMB            | 2,711 | 4.274(RMB:NTD)  | 11,585 |

Note 1: Financial assets at fair value through profit or loss - forward foreign exchange

The significant unrealized foreign exchange gains (losses) were as follows:

| <b>Foreign<br/>Currency</b> | <b>For the Nine Months Ended<br/>September 30, 2021</b> |                                                    | <b>For the Nine Months Ended<br/>September 30, 2020</b> |                                                    |
|-----------------------------|---------------------------------------------------------|----------------------------------------------------|---------------------------------------------------------|----------------------------------------------------|
|                             | <b>Exchange Rate</b>                                    | <b>Net Foreign<br/>Exchange Gains<br/>(Losses)</b> | <b>Exchange Rate</b>                                    | <b>Net Foreign<br/>Exchange Gains<br/>(Losses)</b> |
| EUR                         | 32.139(EUR:NTD)                                         | \$ (6,700)                                         | 33.857 (EUR:NTD)                                        | \$ (685)                                           |
| RMB                         | 4.278&4.322(RMB:NTD)                                    | (76)                                               | 4.23&4.274 (RMB:NTD)                                    | (407)                                              |
| USD                         | 27.795&27.895 (USD:NTD)                                 | 195                                                | 28.925&29.025 (USD:NTD)                                 | (691)                                              |
| USD                         | 6.4854(USD:RMB)                                         | 5                                                  | 6.81 (USD:RMB)                                          | (138)                                              |
|                             |                                                         | <u>\$ (6,576)</u>                                  |                                                         | <u>\$ (1,921)</u>                                  |

b. Other items

As of the first three quarters of 2021, the COVID-19 spread all over the world, causing some areas to implement quarantine and travel restrictions. The Group assessed that the overall business and financial aspects were not significantly affected, and there is no continuation doubts about operational capabilities and financing risks. However, as uncertainties over the pandemic remains, the Group will continue its observation on development of the epidemic.

### **34. SEPARATELY DISCLOSED ITEMS**

#### **a. Information about significant transactions and investees:**

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (None)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 1)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 5)
- 11) Information on investees (Table 3)

#### **b. Information on investments in mainland China**

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 4)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 5)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
  - c) The amount of property transactions and the amount of the resultant gains or losses (None)
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (None)

- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds (None)
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services (None)
- c. Information of major shareholder

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder.(Table 6)

### 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

Domestic department – Production of high-end bicycle parts.

Foreign department – Production of low-end bicycle parts.

#### a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

|                                  | Domestic            | Foreign           | Total               |
|----------------------------------|---------------------|-------------------|---------------------|
| <u>For the nine months ended</u> |                     |                   |                     |
| <u>September 30, 2021</u>        |                     |                   |                     |
| Revenue from external customers  | \$ 1,143,615        | \$ 163,861        | \$ 1,307,476        |
| Inter-segment revenue            | 209,706             | 123,143           | 332,849             |
| Segment revenue                  | <u>\$ 1,353,321</u> | <u>\$ 287,004</u> | 1,640,325           |
| Eliminations                     |                     |                   | (332,849)           |
| Consolidated revenue             |                     |                   | <u>\$ 1,307,476</u> |
| Segment income                   | <u>\$ 238,336</u>   | <u>\$ 4,818</u>   | <u>\$ 243,154</u>   |
|                                  | Domestic            | Foreign           | Total               |
| <u>For the nine months ended</u> |                     |                   |                     |
| <u>September 30, 2020</u>        |                     |                   |                     |
| Revenue from external customers  | \$ 780,333          | \$ 104,338        | \$ 884,671          |
| Inter-segment revenue            | 81,374              | 14,048            | 95,422              |
| Segment revenue                  | <u>\$ 861,707</u>   | <u>\$ 118,386</u> | 980,093             |
| Eliminations                     |                     |                   | (95,422)            |
| Consolidated revenue             |                     |                   | <u>\$ 884,671</u>   |
| Segment income                   | <u>\$ 195,838</u>   | <u>\$ (5,837)</u> | <u>\$ 190,001</u>   |

Inter-segment revenue was accounted for according to market prices.

Segment profit represents the profit before tax earned by each segment without income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

**TABLE 1****SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED September 30, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Seller      | Related Party  | Relationship               | Transaction Details |            |               |               | Abnormal Transaction |               | Notes/Accounts Receivable (Payable) |               | Note |
|-------------|----------------|----------------------------|---------------------|------------|---------------|---------------|----------------------|---------------|-------------------------------------|---------------|------|
|             |                |                            | Purchases/<br>Sales | Amount     | % of<br>Total | Payment Terms | Unit Price           | Payment Terms | Ending<br>Balance                   | % of<br>Total |      |
| The company | STURMEY-ARCHER | Related party in substance | Sales               | \$ 262,723 | 20.09%        | 150 days      | usual list prices    | 150 days      | \$ 187,573                          | 58.19%        | -    |

**TABLE 2****SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
September 30, 2021**

**(In Thousands of New Taiwan Dollars/USD)**

| Company Name | Related Party  | Relationship               | Ending Balance | Turnover<br>Rate | Overdue |               | Amount<br>Received in<br>Subsequent<br>Period(Note) | Allowance for<br>Impairment<br>Loss |
|--------------|----------------|----------------------------|----------------|------------------|---------|---------------|-----------------------------------------------------|-------------------------------------|
|              |                |                            |                |                  | Amount  | Actions Taken |                                                     |                                     |
| The company  | STURMEY-ARCHER | Related party in substance | \$ 187,573     | 3.73             | \$ -    | -             | \$ 35,305                                           | \$ -                                |

**Note :** The amount recovered as of November 5,2021.

**TABLE 3**

**SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE NINE MONTHS ENDED September 30, 2021**  
**(In Thousands of New Taiwan Dollars/USD)**

| Investor Company  | Investee Company  | Location | Main Businesses and Products | Original Investment Amount |                          | As of September 30, 2021 |     |                    | Net Income<br>(Loss) of the<br>Investee | Share of<br>Profit (Loss) | Note     |
|-------------------|-------------------|----------|------------------------------|----------------------------|--------------------------|--------------------------|-----|--------------------|-----------------------------------------|---------------------------|----------|
|                   |                   |          |                              | September 30,<br>2021      | December 31,<br>2020     | Number of<br>Shares      | %   | Carrying<br>Amount |                                         |                           |          |
| The company       | BUSINESS ALLIANCE | Samoa    | Investment activities        | \$ 283,488<br>(USD9,413)   | \$ 283,488<br>(USD9,413) | 9,413,000                | 100 | \$ 230,129         | \$ 4,939                                | \$ 4,817                  | Note 1.2 |
| BUSINESS ALLIANCE | BUSINESS FIRST    | Samoa    | Investment activities        | 242,097<br>(USD8,018)      | 242,097<br>(USD8,018)    | 8,018,000                | 100 | 207,032            | 5,868                                   | 5,868                     | Note 1   |

Note 1 : Amount was recognized based on not reviewed financial statements.

Note 2 : Amount was included the adjustment of the unrealized profit of upstream transactions.

**TABLE 4****SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**  
**FOR THE NINE MONTHS ENDED September 30, 2021**  
**(In Thousands of New Taiwan Dollars/USD)**

| Investee Company | Main Businesses and Products                                                              | Paid-in Capital       | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2021 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of September 30, 2021 | Accumulated Repatriation of Investment Income as of September 30, 2021 | Note |
|------------------|-------------------------------------------------------------------------------------------|-----------------------|----------------------|-----------------------------------------------------------------------------------|---------------------|--------|------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|------------------------|------------------------------------------|------------------------------------------------------------------------|------|
|                  |                                                                                           |                       |                      |                                                                                   | Outward             | Inward |                                                                                    |                                   |                                              |                        |                                          |                                                                        |      |
| SUN RACE NANTONG | Production and sales of precision plastic film and bicycle transmission system components | 241,531<br>(USD8,000) | Note 1               | 241,531<br>(USD8,000)                                                             | -                   | -      | 241,531<br>(USD8,000)                                                              | 5,907                             | 100                                          | 5,907<br>(Note2)       | 206,768                                  | -                                                                      |      |

| Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2021 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------|
| \$241,531(USD 8,000)                                                                      | \$250,605(USD 9,000)(Note 3)                                    | \$ 729,946                                                                             |

Note 1 : Through investing the subsidiary in the third area, which then invested in the investee in Mainland China.

Note 2 : Amount was recognized based on not reviewed financial statements.

Note 3 : Amount are retranslated at the rates prevailing on September 30.

SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE NINE MONTHS ENDED September 30, 2021  
(Amounts in Thousands of New Taiwan Dollars)

| No. | Investee Company                    | Counterparty      | Relationship | Transaction Details            |            |               |                            |
|-----|-------------------------------------|-------------------|--------------|--------------------------------|------------|---------------|----------------------------|
|     |                                     |                   |              | Financial Statement Accounts   | Amount     | Payment Terms | % of Total Sales or Assets |
| 0   | SUN RACE STURMEY-ARCHER CORPORATION | SUN RACE NANTONG  | 1            | Net revenue from sale of goods | \$ 208,753 | Note 3        | 15.97                      |
| 0   | SUN RACE STURMEY-ARCHER CORPORATION | BUSINESS ALLIANCE | 1            | Other revenue                  | 953        | Note 4        | 0.07                       |
| 0   | SUN RACE STURMEY-ARCHER CORPORATION | SUN RACE NANTONG  | 1            | Purchases                      | 123,062    | Note 4        | 9.41                       |
| 0   | SUN RACE STURMEY-ARCHER CORPORATION | SUN RACE NANTONG  | 1            | Manufacturing costs            | 81         | Note 4        | 0.01                       |
| 0   | SUN RACE STURMEY-ARCHER CORPORATION | SUN RACE NANTONG  | 1            | Accounts receivable            | 71,303     | Note 4        | 2.87                       |
| 0   | SUN RACE STURMEY-ARCHER CORPORATION | SUN RACE NANTONG  | 1            | Accounts payable               | 19,989     | Note 4        | 0.81                       |
| 0   | SUN RACE STURMEY-ARCHER CORPORATION | BUSINESS ALLIANCE | 1            | Other receivables              | 953        | Note 4        | 0.04                       |

Note 1: Business relationships between the parent and subsidiaries are numbered as follows:

- a. Parent: 0
- b. Subsidiaries are numbered from 1 in ascending order.

Note 2: Relationship between parties is numbered as follows:

- No.1 Parent to subsidiary.
- No.2 Subsidiary to parent.
- No.3 Subsidiary to subsidiary.

Note 3: The transaction terms were made lower than market prices and the payment period was approximately 90 days.

Note 4: The transaction terms were made at the Group’s usual list prices.

## SUN RACE STURMEY-ARCHER CORPORATION AND SUBSIDIARIES

**INFORMATION ON MAJOR SHAREHOLDERS**  
**FOR THE NINE MONTHS ENDED September 30, 2021**

| Shareholders                     | Shares                            |                      |
|----------------------------------|-----------------------------------|----------------------|
|                                  | Total Shares Owned (In Thousands) | Ownership Percentage |
| Rih-Chang Investment Corporation | 15,144                            | 25.24 %              |

Note 1 : Information on the above table is based on the calculation provided by the Taiwan Depository & Clearing Corporation for stockholders holding greater than 5% of ordinary shares and special shares who have completed the process of registration and book-entry delivery issued in dematerialized form (including treasury shares) on the last business day of the current quarter. There may be a discrepancy between the number of shares recorded on the Company's consolidated financial statements and its dematerialized securities due to the difference in basis of preparation and calculation.

Note 2 : According the above information, the delivery of shares to the trust by shareholders is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, shareholders who acquire more than 10% of shareholding have to disclose their insider ownerships, including their own shares held, delivery to the trust and shares that have the right to make decisions on trust property, etc. Information on insider ownership declaration is available at the Market Observation Post System website of the Taiwan Stock Exchange.