

**Sun Race Sturmey-Archer Inc. And
Subsidiaries**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Sun Race Sturmey-Archer Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Sun Race Sturmey-Archer Inc. and its subsidiaries (collectively, the "Group") as of September 30, 2024 and 2023, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2024 and 2023, 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 the Standards on Review Engagements of the Republic of China 2410 "Review of Interim 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 6(7) 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, 2024 and 2023, the combined total assets of these non-significant subsidiaries were NT\$610,023 thousand and NT\$1,186,103 thousand, respectively, representing 24.37% and 43.36%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$224,461 thousand and NT\$266,794 thousand, respectively, representing 20.05% and 21.01%, respectively, of the consolidated total liabilities; for the three-month and nine-month periods ended September 30, 2024 and 2023, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$202 thousand, NT\$(14,242) thousand, NT\$(18,903) thousand and NT\$(23,463) thousand, respectively, representing (0.77)%, (121.46)%, 148.06% and (28.19)%, respectively, of the consolidated total comprehensive income. The disclosure of information related to the aforementioned non-significant subsidiaries in Note 13 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, 2024 and 2023, and its consolidated financial performance for the three months and nine months period ended September 30, 2024 and 2023 and its consolidated cash flows for the nine months periods ended September 30, 2024 and 2023, 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 Hsin-Yuan Wang and Yu-Ya Lin.

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

November 8, 2024

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 INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2024, DECEMBER 31, 2023, AND SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars)

	September 30, 2024		December 31, 2023		September 30, 2023	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6(1))	\$ 287,645	12	\$ 342,695	13	\$ 371,923	14
Financial assets at fair value through profit or loss - current (Note 6(2))	-	-	-	-	50	-
Notes receivable, net (Note 6(3))	1,064	-	3,024	-	1,153	-
Accounts receivable, net (Note 6(3))	42,618	2	33,641	1	67,527	2
Other receivables	1,598	-	5,191	-	3,374	-
Current tax assets	18,343	1	-	-	-	-
Inventories (Note 6(4))	1,178,028	47	1,311,125	49	1,332,833	49
Prepayments (Note 6(5))	35,505	1	36,669	1	41,593	2
Other financial assets - current (Note 6(6))	-	-	10,374	1	10,573	-
Total current assets	1,564,801	63	1,742,719	65	1,829,026	67
NON-CURRENT ASSETS						
Property, plant and equipment (Note 6(8))	821,587	33	825,869	31	801,503	30
Right-of-use assets (Note 6(9))	33,660	1	32,462	1	34,556	1
Intangible assets (Note 6(10))	4,954	-	2,264	-	2,564	-
Deferred tax assets	71,281	3	63,082	3	61,165	2
Prepayments for equipment (Note 7)	2,868	-	2,691	-	2,568	-
Refundable deposits	3,898	-	3,995	-	3,997	-
Total non-current assets	938,248	37	930,363	35	906,353	33
TOTAL	\$ 2,503,049	100	\$ 2,673,082	100	\$ 2,735,379	100

(Continued)

	September 30, 2024		December 31, 2023		September 30, 2023	
LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES						
Short-term borrowings (Note 6(11))	\$ 135,883	5	\$ 75,559	3	\$ 79,289	3
Contract liabilities - current (Note 6(17))	89,579	4	90,306	4	89,427	3
Notes payable, net	41,530	2	36,508	1	61,246	2
Accounts payable, net	33,214	1	35,048	1	21,960	1
Accounts payable to related parties (Note 7)	-	-	1,432	-	254	-
Other payables	67,234	3	97,279	4	94,345	4
Other payables to related parties (Note 7)	460	-	2	-	884	-
Current tax liabilities	-	-	36,046	1	40,921	2
Provisions for liabilities - current (Note 6(14))	3,088	-	7,466	-	2,680	-
Current lease liabilities (Note 6(9))	3,159	-	2,817	-	3,822	-
Current portion of long-term borrowings (Note 6(13))	11,486	-	11,066	1	11,036	-
Other current liabilities	493	-	471	-	449	-
Total current liabilities	386,126	15	394,000	15	406,313	15
NON-CURRENT LIABILITIES						
Bonds payable (Note 6(12))	478,258	19	470,010	18	467,293	17
Long-term borrowings (Note 6(13))	241,055	10	404,190	15	381,559	14
Deferred tax liabilities	8,730	-	3,252	-	7,317	1
Non-current lease liabilities (Note 6(9))	853	-	754	-	1,120	-
Net defined benefit liabilities	3,420	-	4,719	-	6,192	-
Guarantee received	1,217	-	-	-	-	-
Total non-current liabilities	733,533	29	882,925	33	863,481	32
Total liabilities	1,119,659	44	1,276,925	48	1,269,794	47
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital (Note 6(16))						
Ordinary shares	600,000	24	600,000	22	600,000	22
Total share capital	600,000	24	600,000	22	600,000	22
Capital surplus (Note 6(16))						
Capital surplus - issuance of ordinary shares	44,865	2	44,865	2	44,865	1
Capital surplus - employee share options	2,728	-	2,728	-	2,728	-
Capital surplus - share options	47,527	2	47,527	2	47,527	2
Total Capital surplus	95,120	4	95,120	4	95,120	3
Retained earnings (Note 6(16))						
Legal reserve	143,407	6	145,757	5	138,840	5
Special reserve	1,162	-	2,957	-	5,280	-
Unappropriated earnings	528,932	21	553,485	21	622,620	23
Total retained earnings	673,501	27	702,199	26	766,740	28
Other equity (Note 6(16))						
Exchange differences on translating the financial statements of foreign operations	14,769	1	(1,162)	-	3,725	-
Total other equity	14,769	1	(1,162)	-	3,725	-
Total equity	1,383,390	56	1,396,157	52	1,465,585	53
TOTAL	\$ 2,503,049	100	\$ 2,673,082	100	\$ 2,735,379	100

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

(With Benison review report dated November 8, 2024)

(Concluded)

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30, 2024		For the Three Months Ended September 30, 2023		For the Nine Months Ended September 30, 2024		For the Nine Months Ended September 30, 2023	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 6(17))	\$ 160,240	100	\$ 231,520	100	\$ 543,898	100	\$ 852,325	100
OPERATING COSTS(Notes 6(4) 、(21) 、(22) and 7)	(147,212)	(92)	(163,161)	(70)	(425,084)	(78)	(598,758)	(70)
GROSS PROFIT	13,028	8	68,359	30	118,814	22	253,567	30
OPERATING EXPENSES(Note 6(21) 、(22) and 7)								
Selling and marketing expenses	(18,556)	(12)	(22,913)	(10)	(56,081)	(10)	(69,581)	(8)
General and administrative expenses	(30,959)	(19)	(32,304)	(14)	(98,572)	(18)	(106,585)	(12)
Research and development expenses	(5,405)	(3)	(3,984)	(2)	(14,603)	(3)	(13,668)	(2)
Total operating expenses	(54,920)	(34)	(59,201)	(26)	(169,256)	(31)	(189,834)	(22)
PROFIT/(LOSS) FROM OPERATIONS	(41,892)	(26)	9,158	4	(50,442)	(9)	63,733	8
NON-OPERATING INCOME AND EXPENSES								
Interest income	621	-	895	-	2,826	-	4,146	-
Other income (Note 6(18) and 7)	1,802	1	822	-	4,327	1	31,532	4
Other gains and losses (Note 6(19))	3,667	2	(1,419)	-	22,580	4	14,925	2
Finance costs (Note 6(20))	(5,373)	(3)	(5,290)	(2)	(16,396)	(3)	(13,794)	(2)
Total non-operating income and expenses	717	-	(4,992)	(2)	13,337	2	36,809	4
INCOME/(LOSS) BEFORE INCOME TAX	(41,175)	(26)	4,166	2	(37,105)	(7)	100,542	12
INCOME TAX (EXPENSE)/BENEFIT (Note 6(24))	10,828	7	878	(1)	8,407	2	(26,326)	(3)
NET INCOME/(LOSS)	(30,347)	(19)	5,044	1	(28,698)	(5)	74,216	9
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	5,068	3	8,352	4	19,914	4	11,256	1
Income tax relating to items that may be reclassified subsequently to profit or loss	(1,014)	-	(1,670)	(1)	(3,983)	(1)	(2,251)	-
	4,054	3	6,682	3	15,931	3	9,005	1
Other comprehensive income/(loss) for the period, net of income tax	4,054	3	6,682	3	15,931	3	9,005	1
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	\$ (26,293)	(16)	\$ 11,726	4	\$ (12,767)	(2)	\$ 83,221	10
EARNINGS/(LOSS) PER SHARE (Note 6(25))								
Basic	\$ (0.51)		\$ 0.09		\$ (0.48)		\$ 1.24	
Diluted	\$ (0.51)		\$ 0.09		\$ (0.48)		\$ 1.24	

(The accompanying notes are an integral part of the consolidated financial statements.)
(With Benison review report dated November 8, 2024)

(Concluded)

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH ENDED SEPTEMBER 30, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company								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				
Total										
BALANCE AT JANUARY 1, 2023	\$ 600,000	\$ 47,593	\$ 120,347	\$ 13,148	\$ 655,029	\$ (5,280)	\$ 1,430,837	\$ 1,430,837		
Appropriation of earnings										
Legal reserve	-	-	18,493	-	(18,493)	-	-	-		
Special reserve	-	-	-	(7,868)	7,868	-	-	-		
Cash dividends distributed by the Company	-	-	-	-	(96,000)	-	(96,000)	(96,000)		
Recognition of equity component of convertible bonds issued	-	47,527	-	-	-	-	47,527	47,527		
Net income for the nine months ended SEPTEMBER 30,2023	-	-	-	-	74,216	-	74,216	74,216		
Other comprehensive income for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	9,005	9,005	9,005		
BALANCE AT SEPTEMBER 30, 2023	\$ 600,000	\$ 95,120	\$ 138,840	\$ 5,280	\$ 622,620	\$ 3,725	\$ 1,465,585	\$ 1,465,585		
BALANCE AT JANUARY 1, 2024	\$ 600,000	\$ 95,120	\$ 145,757	\$ 2,957	\$ 553,485	\$ (1,162)	\$ 1,396,157	\$ 1,396,157		
Appropriation of earnings										
Legal reserve	-	-	(2,350)	-	2,350	-	-	-		
Special reserve	-	-	-	(1,795)	1,795	-	-	-		
Net income for the nine months ended SEPTEMBER 30,2024	-	-	-	-	(28,698)	-	(28,698)	(28,698)		
Other comprehensive income for the nine months ended September 30, 2024, net of income tax	-	-	-	-	-	15,931	15,931	15,931		
BALANCE AT SEPTEMBER 30, 2024	\$ 600,000	\$ 95,120	\$ 143,407	\$ 1,162	\$ 528,932	\$ 14,769	\$ 1,383,390	\$ 1,383,390		

(The accompanying notes are an integral part of the consolidated financial statements.)
(With Benison review report dated November 8, 2024)

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH ENDED SEPTEMBER 30, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	FOR THE NINE-MONTH ENDED SEPTEMBER 30, 2024	FOR THE NINE-MONTH ENDED SEPTEMBER 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income/(Loss) before income tax	\$ (37,105)	\$ 100,542
Adjustments for:		
Depreciation expenses	61,332	59,488
Amortization expenses	964	684
Expected credit loss recognized (gain)	-	(432)
Net (gain)/loss on fair value changes of financial [assets/liabilities] at fair value through profit or loss	-	50
Interest expense	16,396	13,794
Finance income	(2,826)	(4,146)
(Gain)/loss on disposal of property, plant and equipment	(10)	(125)
(Reversal of) impairment loss on non financial assets	22,879	9,538
Net (gain)/loss on foreign currency exchange	(24,268)	(22,880)
Changes in operating assets and liabilities		
(Increase)/decrease in notes receivable	1,960	38,763
(Increase)/decrease in accounts receivable	(9,434)	40,499
(Increase)/decrease in other receivables	3,490	6,235
(Increase)/decrease in inventories	109,109	61,976
(Increase)/decrease in prepayments	1,164	2,559
(Increase)/decrease in other financial assets	10,374	35,425
Increase/(decrease) in contract liabilities	(727)	(131,223)
Increase/(decrease) in notes payable	5,022	(129,258)
Increase/(decrease) in accounts payable	(1,814)	(108,468)
Increase/(decrease) in accounts payable to related parties	(1,432)	(5,594)
Increase/(decrease) in other payables	(30,040)	(48,852)
Increase/(decrease) in other payables to related parties	458	(1,225)
Increase/(decrease) in provisions	(4,381)	(5,038)
Increase/(decrease) in receipts in advance	3	-
Increase/(decrease) in other current liabilities	19	58
Increase/(decrease) in net defined benefit liability	(1,299)	(1,329)
Cash generated from/(used in) operations	119,834	(88,959)
Interest received	2,929	4,244
Interest paid	(8,153)	(12,966)
Income tax refund (paid)	(52,761)	(108,478)
Net cash generated from/(used in) operating activities	61,849	(206,159)

(Continued)

	FOR THE NINE-MONTH ENDED SEPTEMBER 30, 2024	FOR THE NINE-MONTH ENDED SEPTEMBER 30, 2023
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(36,692)	(113,379)
Proceeds from disposal of property, plant and equipment	10	198
Increase in refundable deposits	-	(611)
Decrease in refundable deposits	100	1,773
Acquisition of intangible assets	(3,025)	(1,694)
Increase in prepayments for equipment	(2,151)	(1,133)
Net cash generated from/(used in) investing activities	(41,758)	(114,846)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	1,059,215	5,046,281
Repayments of short-term loans	(1,000,434)	(5,261,612)
Proceeds from issuance of convertible bonds	-	513,817
Proceeds from long-term borrowings	440,000	838,300
Repayments of long-term borrowings	(608,457)	(787,681)
Increase in guarantee deposits received	1,195	-
Guarantee deposits received	(3,623)	(4,115)
Repayment of the principal portion of lease liabilities	-	(96,000)
Net cash generated from/(used in) financing activities	(112,104)	248,990
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	36,963	30,665
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(55,050)	(41,350)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	342,695	413,273
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	\$ 287,645	\$ 371,923

(The accompanying notes are an integral part of the consolidated financial statements.)
(With Benison review report dated November 8, 2024)

(Concluded)

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Sun Race SturmeY-Archer Inc. (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 8, 2024.

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

(1) 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.

(2) The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

(3) The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

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

The Group is continuously assessing other impacts of the above amended standards and interpretations 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

(1) 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.

(2) Basis of preparation

- 1) 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.
- 2) 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:
 - a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
 - b. 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
 - c. Level 3 inputs are unobservable inputs for an asset or liability.

(3) Basis of consolidation

- 1) 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.

- 2) Please refer to Note 6(7)、Tables 3 and 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

(4) Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2023.

- 1) Classification of current and non-current assets and liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if the entity classifies the option as an equity instrument.

2) 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.

3) 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.

4) 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, 2023.

6. EXPLANATION OF SIGNIFICANT ACCOUNTS

(1) CASH AND CASH EQUIVALENTS

	September 30, 2024	December 31, 2023	September 30, 2023
Cash on hand	\$ 771	\$ 832	\$ 953
Demand deposits and checking accounts	236,906	275,209	327,385
Time deposits (investments with original maturities of 3 months or less)	49,968	66,654	43,585
Total	<u>\$ 287,645</u>	<u>\$ 342,695</u>	<u>\$ 371,923</u>

(2) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2024	December 31, 2023	September 30, 2023
Financial assets at fair value through profit or loss (FVTPL)			
Derivative (not under hedge accounting)			
Conversion of convertible bonds (Note 6(12))	\$ -	\$ -	\$ 50
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>

(3)NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount	\$ 1,064	\$ 3,024	\$ 1,153
Less: Allowance for impairment loss	-	-	-
Total	<u>\$ 1,064</u>	<u>\$ 3,024</u>	<u>\$ 1,153</u>
Notes receivable - operating	<u>\$ 1,064</u>	<u>\$ 3,024</u>	<u>\$ 1,153</u>
<u>Accounts receivable from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 46,457	\$ 37,350	\$ 71,227
Less: Allowance for impairment loss	(3,839)	(3,709)	(3,700)
Total	<u>\$ 42,618</u>	<u>\$ 33,641</u>	<u>\$ 67,527</u>

1) Accounts receivable

The average credit period of sales of goods was 30~180 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, 2024

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	8.67%	-	-	-	100%	
Gross carrying amount	\$ 40,694	\$ 5,454	\$ -	\$ -	\$ 309	\$ 46,457
Loss allowance (Lifetime ECLs)	(3,530)	-	-	-	(309)	(3,839)
Amortized cost	<u>\$ 37,164</u>	<u>\$ 5,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,618</u>

December 31, 2023

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	9.26%	-	-	-	100%	
Gross carrying amount	\$ 36,713	\$ 270	\$ 58	\$ -	\$ 309	\$ 37,350
Loss allowance (Lifetime ECLs)	(3,400)	-	-	-	(309)	(3,709)
Amortized cost	<u>\$ 33,313</u>	<u>\$ 270</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,641</u>

September 30, 2023

	Not Past Due	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	5.44%	-	-	-	100%	
Gross carrying amount	\$ 62,400	\$ 8,518	\$ -	\$ -	\$ 309	\$ 71,227
Loss allowance (Lifetime ECLs)	(3,391)	-	-	-	(309)	(3,700)
Amortized cost	<u>\$ 59,009</u>	<u>\$ 8,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,527</u>

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

	For the Nine Months Ended September 30	
	2024	2023
Balance at January 1	\$ 3,709	\$ 4,014
Amount written off due to recovery	-	(432)
Net exchange differences	130	118
Balance at September 30	<u>\$ 3,839</u>	<u>\$ 3,700</u>

(4)INVENTORIES

	September 30, 2024	December 31, 2023	September 30, 2023
Merchandise	\$ 366,515	\$ 465,489	\$ 482,268
Finished goods	209,785	222,544	220,824
Semi-finished goods	513,489	528,406	515,237
Work in process	2,154	-	-
Raw materials	86,085	94,686	114,504
Total	<u>\$ 1,178,028</u>	<u>\$ 1,311,125</u>	<u>\$ 1,332,833</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Cost of inventories sold	\$ 134,516	\$ 169,712	\$ 402,205	\$ 589,220
Inventory write-downs(reversed)(a)	12,696	(6,551)	22,879	9,538
Total	<u>\$ 147,212</u>	<u>\$ 163,161</u>	<u>\$ 425,084</u>	<u>\$ 598,758</u>

- a. The reversal of inventory write-downs resulted from the specific inventories recovering of net realizable values.

(5)PREPAYMENTS

	September 30, 2024	December 31, 2023	September 30, 2023
Prepaid expenses	\$ 7,268	\$ 7,376	\$ 6,970
Prepaid rents - current	40	871	864
Prepayments to suppliers	16,149	15,756	12,717
Net input VAT	3,930	4,846	13,243
Other prepayments	8,118	7,820	7,799
Total	<u>\$ 35,505</u>	<u>\$ 36,669</u>	<u>\$ 41,593</u>

(6)OTHER FINANCIAL ASSETS – CURRENT

	September 30, 2024	December 31, 2023	September 30, 2023
Seizure of bank deposits	<u>\$ -</u>	<u>\$ 10,374</u>	<u>\$ 10,573</u>

For other financial assets set as seizure and guarantee, please refer to Note 8.

(7)SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2024	December 31, 2023	September 30, 2023	
The company	BUSINESS ALLIANCE LIMITED (BUSINESS ALLIANCE)	Investment activities	100.00%	100.00%	100.00%	1
The company	SUN RACE STURMEY-ARCHER DUTCH HOLDING B.V. (SRSADH)	Investment activities	100.00%	100.00%	100.00%	1
BUSINESS ALLIANCE	BUSINESS FIRST LIMITED (BUSINESS FIRST)	Investment activities	100.00%	100.00%	100.00%	1
BUSINESS FIRST	SUN RACE STURMEY-ARCHER (NANTONG) CO., LTD. (SUN RACE NANTONG)	Production, processing and sales of bicycle parts and the import, export and wholesale business of the above products	100.00%	100.00%	100.00%	1
SRSADH	SUN RACE STURMEY-ARCHER EUROPE B.V.(SRSAEU)	Wholesale of fittings and equipment for industrial use	100.00%	100.00%	100.00%	2
SRSADH	ENERGIEWEG MIJDRECHT ONTWIKKELING 1 B.V.(EMO1)	Management of real estate and development of building projects	100.00%	100.00%	100.00%	1
SRSADH	ENERGIEWEG MIJDRECHT ONTWIKKELING 2 B.V.(EMO2)	Management of real estate and development of building projects	100.00%	100.00%	100.00%	1

Remarks:

- 1) The immaterial subsidiaries' financial statements for the nine months ended September 30, 2024 and 2023 have not been reviewed by independent auditors.
- 2) It will be an important subsidiary from 2024, and its financial report will be reviewed by an accountant. It was an immaterial subsidiaries' subsidiary before 2023.

(8)PROPERTY, PLANT AND EQUIPMENT

	September 30, 2024	December 31, 2023	September 30, 2023
Assets used by the Group	<u>\$ 821,587</u>	<u>\$ 825,869</u>	<u>\$ 801,503</u>

	Molding					
	Land	Buildings	Equipment	equipment	Others	Total
<u>Cost</u>						
Balance at January 1, 2024	\$ 190,521	\$ 506,703	\$ 228,874	\$ 264,298	\$ 215,131	\$ 1,405,527
Additions	-	-	3,544	24,248	8,900	36,692
Disposals	-	-	(534)	-	-	(534)
Reclassifications from prepayments for equipment	-	-	1,305	40	-	1,345
Effects of foreign currency exchange differences	814	8,729	165	180	7,499	17,387
Balance at September 30, 2024	<u>\$ 191,335</u>	<u>\$ 515,432</u>	<u>\$ 233,354</u>	<u>\$ 288,766</u>	<u>\$ 231,530</u>	<u>\$ 1,460,417</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2024	\$ -	\$ 138,169	\$ 145,682	\$ 239,541	\$ 56,266	\$ 579,658
Depreciation expenses	-	10,169	23,346	16,425	7,248	57,188
Disposals	-	-	(534)	-	-	(534)
Effects of foreign currency exchange differences	-	786	53	154	1,525	2,518
Balance at September 30, 2024	<u>\$ -</u>	<u>\$ 149,124</u>	<u>\$ 168,547</u>	<u>\$ 256,120</u>	<u>\$ 65,039</u>	<u>\$ 638,830</u>
Carrying amount at September 30, 2024	<u>\$ 191,335</u>	<u>\$ 366,308</u>	<u>\$ 64,807</u>	<u>\$ 32,646</u>	<u>\$ 166,491</u>	<u>\$ 821,587</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 190,521</u>	<u>\$ 368,534</u>	<u>\$ 83,192</u>	<u>\$ 24,757</u>	<u>\$ 158,865</u>	<u>\$ 825,869</u>

	Land	Buildings	Equipment	Molding equipment	Others	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 189,720	\$ 501,831	\$ 204,667	\$ 259,785	\$ 92,762	\$ 1,248,765
Additions	-	-	22,097	4,565	86,717	113,379
Disposals	-	-	(8,586)	(4,444)	(250)	(13,280)
Reclassifications from prepayments for equipment	-	-	7,200	-	-	7,200
Effects of foreign currency exchange differences	743	5,599	5	6	2,612	8,965
Balance at September 30, 2023	<u>\$ 190,463</u>	<u>\$ 507,430</u>	<u>\$ 225,383</u>	<u>\$ 259,912</u>	<u>\$ 181,841</u>	<u>\$ 1,365,029</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2023	\$ -	\$ 124,800	\$ 124,455	\$ 223,603	\$ 48,405	\$ 521,263
Depreciation expenses	-	9,928	21,995	15,309	7,610	54,842
Disposals	-	-	(8,586)	(4,444)	(177)	(13,207)
Effects of foreign currency exchange differences	-	149	2	4	473	628
Balance at September 30, 2023	<u>\$ -</u>	<u>\$ 134,877</u>	<u>\$ 137,866</u>	<u>\$ 234,472</u>	<u>\$ 56,311</u>	<u>\$ 563,526</u>
Carrying amount at September 30, 2023	<u>\$ 190,463</u>	<u>\$ 372,553</u>	<u>\$ 87,517</u>	<u>\$ 25,440</u>	<u>\$ 125,530</u>	<u>\$ 801,503</u>

No impairment loss was recognized for the nine months ended September 30, 2024 and 2023.

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	2-10 years
Molding equipment	2-10 years
Others	2-10 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 8.

(9) LEASE ARRANGEMENTS

1) Right-of-use assets

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Carrying amounts</u>			
Buildings	\$ 2,851	\$ 337	\$ 842
Transportation equipment	1,119	3,188	4,048
Land	29,690	28,937	29,666
Total	<u>\$ 33,660</u>	<u>\$ 32,462</u>	<u>\$ 34,556</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Additions to right-of-use assets	\$ -	\$ -	\$ 4,064	\$ 1,169
Depreciation charge for right-of-use assets				
Buildings	\$ 503	\$ 506	\$ 1,511	\$ 1,516
Transportation equipment	577	859	2,108	2,607
Land	177	179	525	523
Total	\$ 1,257	\$ 1,544	\$ 4,144	\$ 4,646

2) Lease liabilities

	September 30, 2024	December 31, 2023	September 30, 2023
Carrying amounts			
Current	\$ 3,159	\$ 2,817	\$ 3,822
Non-current	\$ 853	\$ 754	\$ 1,120

Range of discount rates for lease liabilities were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Buildings	2.11%	1.53%	1.53%
Transportation equipment	1.21%~2.12%	1.21%~2.12%	1.21%~2.12%

3) 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 buildings for the use of warehouse with lease terms of 2 years. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

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.

4) Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Expenses relating to short-term leases and low-value asset leases	\$ 388	\$ 871	\$ 2,263	\$ 3,069
Total cash outflow for leases	\$ 1,494	\$ 2,262	\$ 5,963	\$ 7,273

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

(10)INTANGIBLE ASSETS

	Computer software
<u>Cost</u>	
Balance at January 1, 2024	\$ 9,647
Additions	3,025
Reclassifications from prepayments for equipment	629
Balance at September 30, 2024	<u>\$ 13,301</u>
<u>Accumulated Amortization and Impairment</u>	
Balance at January 1, 2024	\$ 7,383
Amortization	964
Balance at September 30, 2024	<u>\$ 8,347</u>
Carrying amount at September 30, 2024	<u>\$ 4,954</u>
Carrying amount at December 31, 2023 and January 1, 2024	<u>\$ 2,264</u>

	Computer software
<u>Cost</u>	
Balance at January 1, 2023	\$ 7,954
Additions	1,694
Balance at September 30, 2023	<u>\$ 9,648</u>
<u>Accumulated Amortization and Impairment</u>	
Balance at January 1, 2023	\$ 6,400
Amortization	684
Balance at September 30, 2023	<u>\$ 7,084</u>
Carrying amount at September 30, 2023	<u>\$ 2,564</u>

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

Computer software	1.17-10 years
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(11)SHORT-TERM BORROWINGS

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Unsecured borrowings</u>			
Bank loans(a、b)	\$ 99,707	\$ 40,926	\$ 169
<u>Secured borrowings</u>			
Bank loans	36,176	34,633	79,120
Total	<u>\$ 135,883</u>	<u>\$ 75,559</u>	<u>\$ 79,289</u>
Interest rate range	1.83%~3.2%	0.5%~3.2%	0.5%~3.6%

- a. On September 30, 2024 and December 31, 2023, the unsecured borrowing of \$35,000 thousand, which was guarantee provided by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan Guarantee provided by the Group.

- b. On September 30, 2024, the unsecured borrowing of \$35,000 thousand was applied to the Ministry of Economic Affairs (MOEA) for interest subsidy. The subsidy interest rate specified in the bank's loan approval conditions is calculated based on the two-year flexible interest rate of Chunghwa Post Co., Ltd. (with a rate of 1.72% as of March 27, 2024). The subsidy period can extend up to one year and follows a "pay first, refund later" method. However, the bank will only credit the interest subsidy after receiving the funds disbursed by MOEA.

Guarantee provided by the Group, please refer to Note 8.

(12) BONDS PAYABLE

	September 30, 2024	December 31, 2023	September 30, 2023
Domestic unsecured convertible bonds	\$ 500,000	\$ 500,000	\$ 500,000
Less: Discount on bonds payable	(21,742)	(29,990)	(32,707)
Total	<u>\$ 478,258</u>	<u>\$ 470,010</u>	<u>\$ 467,293</u>

	At December 31, 2023, the Company issued domestic unsecured convertible bonds
Issuance amount	\$500,000 thousand.
Issuance date	September 19, 2023
Issuance price	The issuance price is based on 103.81% of the principal amount.
Coupon rate	0%
Issuance period	2023.9.19~2026.9.19
Trustee bank	HUA NAN Commercial Bank, Ltd.
Redemption rights of convertible bonds	The convertible bonds will be redeemed in advance from December 20, 2023 (from the day after three months of issuance) to August 10, 2026 (forty days before maturity), when certain conditions are met.
Put rights of convertible bonds	N/A
Conversion period of convertible bonds	Bondholders may request conversion into ordinary shares according to the conversion method from December 20, 2023 (the day after the expiration of three months from the issuance date of the convertible bonds) to September 19, 2026 (maturity date). Bonds held until maturity would be redeemed in cash at the principal amount.
Conversion price of convertible bonds	The conversion price was set at \$38 per share at the time of issuance. If any adjustments to the conversion price occur after the issuance of the corporate bonds in accordance with the terms and conditions, the conversion price will be adjusted accordingly. As of September 30, 2024, the conversion price is \$37.29 per share.

The convertible bonds contain both a liability component and an equity component. The equity component is presented as capital surplus – share options. As for the liability component, the effective interest rate at initial recognition is 2.0008%.

Proceeds from issuance (less transaction costs of \$5,245 thousand)	\$	513,817
Equity component (less transaction costs allocated to the equity component of \$485 thousand)		(47,527)
Financial assets at fair value through profit or loss		100
Liability component at the date of issue (less transaction costs allocated to the liability component of \$4,760 thousand)		466,390
Amortization of discount on corporate bonds payable		11,868
Liability component at September 30, 2024	\$	478,258

(13) LONG-TERM BORROWINGS

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Secured borrowings</u>			
Bank loans	\$ 252,541	\$ 415,256	\$ 392,595
Less: Current portion	(11,486)	(11,066)	(11,036)
Total	\$ 241,055	\$ 404,190	\$ 381,559
Interest rate range	1.54%~4.6%	1.54%~4.6%	1.54%~4.6%

- 1) In January 2024, the borrowing of \$260,000 thousand on December 31, 2023, was paid in advance. For the ended September 30, 2024, the Group acquired new bank borrowings facilities in the amounts of \$440,000 thousand, of this amount, \$340,000 thousand was repaid in advance, and the borrowings balance as of September 30, 2024 is \$100,000 thousand, and paid off in October 26, 2025. The borrowing rate is floating rate.
- 2) The Group acquired the subsidiary ENERGIEWEG MIJDRECHT ONTWIKKELING 1 B.V. in March 2022 and assumed the company's original borrowings totaling EUR 2,500 thousand, repay the principal and interest according to the contractual maturity or amortize the principal and interest monthly, expires on March 31, 2027, the borrowing rate is fixed rate.
- 3) The Group acquired the subsidiary ENERGIEWEG MIJDRECHT ONTWIKKELING 2 B.V. in March 2022, the company acquired new bank borrowings facilities in the amounts of EUR 2,500 thousand, and repay the principal and interest according to the contractual maturity or amortize the principal and interest monthly, expires on January, 2028, the borrowing rate is fixed rate.
- 4) In January 2023, the borrowing of \$260,000 thousand on December 31, 2022, was paid in advance. For the ended September 30, 2023, the Group acquired new bank borrowings facilities in the amounts of \$755,000 thousand, of this amount, \$520,000 thousand was repaid in advance, and the borrowings balance as of September 30, 2023 is \$235,000 thousand, which was subsequently repaid early in October 2023. The borrowing rate is floating rate.

(14) PROVISIONS FOR LIABILITIES

	September 30, 2024	December 31, 2023	September 30, 2023
<u>Current</u>			
Employee benefits	\$ 3,088	\$ 7,466	\$ 2,680

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

(15) RETIREMENT BENEFIT PLANS

For the three months ended and nine months ended September 30, 2024 and 2023, the pension expenses of defined benefit plans were \$7 thousand, \$15 thousand, \$21 thousand and \$44 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2023 and 2022, respectively.

(16) EQUITY

1) Share capital

	September 30, 2024	December 31, 2023	September 30, 2023
Shares authorized (in thousands of shares)	79,000	79,000	79,000
Shares authorized, par value \$10	\$ 790,000	\$ 790,000	\$ 790,000
Shares issued and fully paid (in thousands of shares)	60,000	60,000	60,000
Shares issued and fully paid	\$ 600,000	\$ 600,000	\$ 600,000

2) Capital surplus

	September 30, 2024	December 31, 2023	September 30, 2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (a)</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
Convertible bonds-share options	47,527	47,527	47,527
Total	\$ 95,120	\$ 95,120	\$ 95,120

- a. 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).

3) Retained earnings and dividends policy

- a Under the dividends policy as set forth in the Articles, the Company adopts the residual dividend policy. The surplus earning distribution or loss off-setting proposal may be proposed at the close of each half fiscal year. The Company made a profit in each half fiscal year, if any, the net earnings shall be first used to offset prior years' operation losses, estimate and reserve the taxes and employees' compensation and remuneration of directors to be paid, then set aside 10% of the remaining amount as legal reserve, however when the legal reserve amounts to the authorized capital, this shall not apply. After setting aside or reversing a special reserve in accordance with the laws and regulations, if any, the remaining portion plus the balance of prior half fiscal year undistributed retained earnings will be recommended by the Board of Directors, distributing surplus earning in the form of new shares to be issued by the Company shall submit to the stockholders' meeting for approval; distributing surplus earning in the form of cash shall

be approved by a meeting of the Board of Directors.

The Company made a profit in a fiscal year, if any, the net earnings shall be first used to reserve the taxes to be paid, offset prior years' operation losses, then set aside 10% of the remaining amount as legal reserve, however when the legal reserve amounts to the authorized capital, this shall not apply. After setting aside or reversing a special reserve in accordance with the laws and regulations, if any, the remaining portion plus accumulated undistributed retained earnings will be recommended by the Board of Directors, distributing surplus earning in the form of new shares to be issued by the Company shall submit to the stockholders' meeting for approval.

According to Article 240 Item 5 of the Company Act, the company authorize the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

According to Article 241 of the Company Act, the Company shall distribute its legal reserve and capital surplus, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash. In the case of cash distribution, the board of directors shall be authorized to present at least two-thirds of the directors, and the resolutions of more than half of the directors shall be present and reported to the shareholders' meeting.

The proposing distribution plan recommended by the Board of Directors, the dividends to shareholders would not less than 3% of the current year's distributable earnings; cash dividends would not less than 1%.

For the policies on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 6 (23).

- b 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.
- c When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior undistributed retained earnings.
- d The Company's earnings distribution plan for 2023 and 2022 were as follows:

	For the Second Half of the Year 2023	For the First Half of the Year 2023
	May 10, 2024	November 8, 2023
Approved in Board of Directors Meeting		
Legal reserve	\$ (2,350)	\$ 6,917
Special reserve	\$ (1,795)	\$ (2,323)
Cash dividends	\$ -	\$ 36,000
Dividends Per Share	\$ -	\$ 0.60

	For the Second Half of the Year 2022	For the First Half of the Year 2022
	May 10, 2023	November 3, 2022
Approved in Board of Directors Meeting		
Legal reserve	\$ 18,493	\$ 20,917
Special reserve	\$ (7,868)	\$ (4,230)
Cash dividends	\$ 96,000	\$ 108,000
Dividends Per Share	\$ 1.60	\$ 1.80

The 2023 and 2022 surplus distribution plan, other than cash dividends, has been resolved in the Board of shareholders' meeting on June 19, 2024 and June 19, 2023.

- e The company's Board of Directors proposed on November 8, 2024, that the earnings for the first half of 2024 not be distributed. The earnings distribution plan for the first half of 2024 is as follows:

	For the First Half of the Year 2024
Legal reserve	\$ 165
Special reserve	\$ (1,162)
Cash dividends	\$ -
Dividends Per Share	\$ -

4) Other equity items

Exchange differences on translating the financial statements of foreign operations

	For the Nine Months Ended September 30	
	2024	2023
Balance at January 1	\$ (1,162)	\$ (5,280)
Exchange differences on translating the financial statements of foreign operations	19,914	11,256
Effect of tax	(3,983)	(2,251)
Balance at September 30	\$ 14,769	\$ 3,725

(17) OPERATING REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Revenue from contracts with customers				
Revenue from the sale of goods (Note 7)	\$ 160,240	\$ 231,520	\$ 543,898	\$ 852,325

1) Contract balances

	September 30, 2024	December 31, 2023	September 30 2023	January 1, 2023
Contract liabilities - current	\$ 89,579	\$ 90,306	\$ 89,427	\$ 220,650

- 2) The amount recognized as other income for the nine months ended September 30, 2024 and 2023 from contract liabilities at the beginning of the year is 0 thousands and 28,539 thousands, please refer to Note 6 (18), and the inventory write-downs has been reasonably assessed.

(18)OTHER INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Rental income	\$ 1,746	\$ 29	\$ 3,965	\$ 97
Others (Note6(17))	56	793	362	31,435
Total	<u>\$ 1,802</u>	<u>\$ 822</u>	<u>\$ 4,327</u>	<u>\$ 31,532</u>

(19)OTHER GAINS AND LOSSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Net foreign exchange gains/(losses)	\$ 7,713	\$ 4,174	\$ 25,176	\$ 23,498
Gain/(loss) on disposal of property, plant and equipment	3	(73)	10	125
Revaluation losses on financial assets measured at fair value through profit or loss	-	(50)	-	(50)
Other gains and losses, net	(4,049)	(5,470)	(2,606)	(8,648)
Total	<u>\$ 3,667</u>	<u>\$ (1,419)</u>	<u>\$ 22,580</u>	<u>\$ 14,925</u>

(20)FINANCE COSTS

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Interest on bank loans	\$ 2,583	\$ 4,361	\$ 8,071	\$ 12,802
Interest on convertible bonds	2,765	903	8,248	903
Interest on lease liabilities	25	26	77	89
Total	<u>\$ 5,373</u>	<u>\$ 5,290</u>	<u>\$ 16,396</u>	<u>\$ 13,794</u>

(21)DEPRECIATION AND AMORTIZATION

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Property, plant and equipment	\$ 19,044	\$ 18,071	\$ 57,188	\$ 54,842
Right-of-use assets	1,257	1,544	4,144	4,646
Intangible assets	408	308	964	684
Total	<u>\$ 20,709</u>	<u>\$ 19,923</u>	<u>\$ 62,296</u>	<u>\$ 60,172</u>
An analysis of depreciation by function				
Operating costs	\$ 15,918	\$ 15,097	\$ 47,269	\$ 44,802
Operating expenses	3,014	3,218	10,014	10,793
Other losses	1,369	1,300	4,049	3,893
Total	<u>\$ 20,301</u>	<u>\$ 19,615</u>	<u>\$ 61,332</u>	<u>\$ 59,488</u>
An analysis of amortization by function				
Operating costs	\$ -	\$ -	\$ -	\$ -
Operating expenses	408	308	964	684
Total	<u>\$ 408</u>	<u>\$ 308</u>	<u>\$ 964</u>	<u>\$ 684</u>

(22)EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Short-term benefits	\$ 40,572	\$ 34,567	\$ 120,629	\$ 123,011
Post-employment benefits				
Defined contribution plans	2,471	3,035	7,529	8,812
Defined benefit plans	7	15	21	44
	<u>2,478</u>	<u>3,050</u>	<u>7,550</u>	<u>8,856</u>
Total employee benefits expense	<u>\$ 43,050</u>	<u>\$ 37,617</u>	<u>\$ 128,179</u>	<u>\$ 131,867</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 16,447	\$ 18,508	\$ 49,350	\$ 61,339
Operating expenses	26,603	19,109	78,829	70,528
	<u>\$ 43,050</u>	<u>\$ 37,617</u>	<u>\$ 128,179</u>	<u>\$ 131,867</u>

(23)EMPLOYEES' COMPENSATION AND REMUNERATION OF DIRECTORS AND SUPERVISORS

- 1) 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 nine months ended September 30, 2024 and 2023, the employees' compensation and the remuneration of directors are as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2024	2023
Employees' compensation	-%	1.04%
Remuneration of directors	-%	0.78%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Employees' compensation	\$ (23)	\$ 56	\$ -	\$ 1,045
Remuneration of directors	\$ (8)	\$ 41	\$ -	\$ 783

- 2) 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 will be adjusted and recorded in the next year.
- 3) The appropriations of employees' compensation and remuneration of directors and supervisors for 2023 and 2022 that were resolved by the board of directors on March 11, 2024 and March 17, 2023, respectively, are as shown below:

	For the Year Ended December 31			
	2023		2022	
	Amount	Accrual rate	Amount	Accrual rate
Employees' compensation	\$ 348	0.55%	\$ 5,600	1.13%
Remuneration of directors	\$ 126	0.20%	\$ 4,200	0.85%

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

Information on the employees' compensation and remuneration of directors 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

- 1) Income tax recognized in profit or loss

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Current tax				
In respect of the current period	\$ (1,255)	\$ (2,399)	\$ 461	\$ 34,179
Adjustments for prior year	(3,145)	-	(2,164)	(2,648)
Deferred tax				
In respect of the current period	(6,428)	1,521	(6,704)	(5,205)
Income tax expense (benefit) recognized in profit or loss	\$ (10,828)	\$ (878)	\$ (8,407)	\$ 26,326

2) Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Deferred income tax expense (benefit)				
In respect of the current period				
Translation of foreign operations	\$ 1,014	\$ 1,670	\$ 3,983	\$ 2,251

3) Income tax assessments

The Company provided for the income tax assessed by the tax authorities until 2022.

(25)EARNINGS PER SHARE

Net Profit for the period is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Net profit	\$ (30,347)	\$ 5,044	\$ (28,698)	\$ 74,216

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
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	-	2	-	68
Weighted average number of ordinary shares used in the computation of diluted earnings per share	60,000	60,002	60,000	60,068

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.

If the company adds the impact of potential ordinary shares of convertible bonds, it is not included in the calculation of earnings per share because it has an anti-dilutive effect.

(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

1) Fair value information - fair value of financial instruments not measured at fair value

Except as listed in the table below, the management of the Group considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values.

September 30, 2024

	Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Financial liabilities at amortized cost				
Convertible bonds	\$ 478,258	\$ 496,850	\$ -	\$ -

December 31, 2023

	Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Financial liabilities at amortized cost				
Convertible bonds	\$ 470,010	\$ 490,950	\$ -	\$ -

September 30, 2023

	Carrying Amount	Fair Value		
		Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Financial liabilities at amortized cost				
Convertible bonds	\$ 467,293	\$ 508,050	\$ -	\$ -

2) Fair value information - financial instruments measured at fair value on a recurring basis

a Fair value hierarchy

September 30, 2024 and December 31, 2023 : None.

September 30, 2023 :

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial liabilities</u>				
Financial liabilities at amortized cost				
Redemption of convertible bonds	\$ -	\$ -	\$ 50	\$ 50

b Reconciliation of Level 3 fair value measurements of financial instruments

For the Nine Months Ended September 30, 2024 : None.

For the Nine Months Ended September 30, 2023 :

	Financial Assets at FVTPL
<u>Financial Assets</u>	<u>Derivatives Instruments</u>
Balance at January 1, 2023	\$ -
Corporate bonds	100
Recognized in profit or loss	(50)
Balance at September 30, 2023	\$ 50

c Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivatives Instruments - Financial Assets at FVTPL	Method pricing convertible bonds using binomial tree model : Fair value assessed based on observable stock prices, conversion prices and volatility at the end of the period.

3) Categories of financial instruments

	<u>September 30, 2024</u>	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Financial assets			
Financial assets at amortized cost(a)	\$ 336,823	\$ 398,920	\$ 458,547
Financial assets at FVTOCI	-	-	50
Financial liabilities			
Financial liabilities at amortized cost(b)	\$ 989,352	\$ 1,106,529	\$ 1,117,866

a 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.

b The balance include financial liabilities at amortized cost, which comprise short-term and long-term borrowings, accounts payable and other payables, bonds payable, guarantee received, current portion of long-term borrowings.

4) 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, 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.

a 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 12(1).

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.

	Currency USD Impact		Currency EUR Impact	
	For the Nine Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2024	2023	2024	2023
Profit or loss	\$ 334	\$ 471	\$ 4,063	\$ 5,712

This was mainly attributable to the exposure on outstanding cash and cash equivalents, 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:

	September 30, 2024	December 31, 2023	September 30, 2023
Fair value interest rate risk			
Financial assets	\$ -	\$ -	\$ -
Financial liabilities	630,799	625,266	624,888
Cash flow interest rate risk			
Financial assets	\$ 273,008	\$ 338,241	\$ 357,948
Financial liabilities	235,883	335,559	314,289

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, 2024 and 2023 would increase/decrease by \$278 thousand and \$327 thousand, respectively, which was mainly a result of variable-rate bank deposits and borrowings.

b 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.

As of September 30, 2024, December 31, 2023 and September 30, 2023 the outstanding notes receivable and accounts receivable of the top 10 customers comprise 73.24%, 83.61% and 64.57% of the Group's total notes receivable and accounts receivable. The credit concentration risk of notes receivable and accounts receivable is relatively insignificant.

c 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, 2024, December 31, 2023 and September 30, 2023, the Group had available unutilized bank loan facilities was \$896,000 thousand, \$765,000 thousand and \$935,000 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, 2024

	On Demand or Less than 1 Year	1-3 Years	3+ Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 142,337	\$ -	\$ -
Lease liabilities	3,211	857	-
Variable interest rate liabilities	139,384	100,236	-
Fixed rate liabilities	16,220	587,509	62,207
Total	<u>\$ 301,152</u>	<u>\$ 688,602</u>	<u>\$ 62,207</u>

December 31, 2023

	On Demand or Less than 1 Year	1-3 Years	3+ Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 170,163	\$ -	\$ -
Lease liabilities	2,855	760	-
Variable interest rate liabilities	83,857	260,607	-
Fixed rate liabilities	15,913	530,770	125,194
	<u>\$ 272,788</u>	<u>\$ 792,137</u>	<u>\$ 125,194</u>

September 30, 2023

	On Demand or Less than 1 Year	1-3 Years	3+ Years
Non-derivative financial liabilities			
Non-interest bearing liabilities	\$ 178,603	\$ -	\$ -
Lease liabilities	3,875	1,131	-
Variable interest rate liabilities	86,319	235,513	-
Fixed rate liabilities	15,962	30,866	128,560
	<u>\$ 284,759</u>	<u>\$ 267,510</u>	<u>\$ 128,560</u>

7. 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.

(1) Related party name and category

Related Party Name	Related Party Category
HANDY-SHIFT COMPANY LIMITED(HANDY COMPANY) SANTON MACHINCAL CO., LTD. (SANTON COMPANY)	The chairman of the company is a member of the company's key management personnel The chairman of the company is a director of the Company (newly appointed at the stockholders' meeting held on June 19, 2024)

(2) Significant transactions with related parties

1) Purchases of goods

Related Party Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
HANDY COMPANY	\$ -	\$ 254	\$ 2,800	\$ 3,645

Purchases were made at market prices and the payment period was between 90~120 days.

2) Payables to related parties

Line Item	Related Party Name	September 30, 2024	December 31, 2023	September 30, 2023
Accounts payables	HANDY COMPANY	\$ -	\$ 1,432	\$ 254
Other payables	HANDY COMPANY	\$ -	\$ 2	\$ 884
	SANTON COMPANY	460	-	-
Total		460	2	884
Other advance receipts	HANDY COMPANY	\$ 3	\$ -	\$ -

3) Prepayments

Line Item	Related Party Name	September 30, 2024	December 31, 2023	September 30, 2023
Prepayments for equipment	SANTON COMPANY	\$ 542	\$ -	\$ -

4) Acquisition of property, plant and equipment

Line Item	Related Party Name	Purchase Price	
		For the Nine Months Ended September 30 2024	2023
Acquisition of property, plant and equipment	SANTON COMPANY	\$ 1,088	\$ -

5) Others

Line Item	Related Party Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2024	2023	2024	2023
Service expense	HANDY COMPANY	\$ -	\$ 2,309	\$ -	\$ 7,004
Cost of conversion	HANDY COMPANY	\$ -	\$ 39	\$ -	\$ 39
Rent income	HANDY COMPANY	\$ -	\$ 30	\$ -	\$ 90
Other income	HANDY COMPANY	\$ 3	\$ -	\$ 21	\$ -

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.

It is the rental income of foreign labor beds provided by the Company to HANDY COMPANY and contracted in accordance with general market conditions.

It is the income provided services to HANDY COMPANY by the Company, such as accounting, tax reporting and personnel-related work.

(3) Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2024	2023	2024	2023
Short-term employee benefits	\$ 4,956	\$ 3,948	\$ 13,856	\$ 18,858
Post-employment benefits	81	105	198	316
Total	\$ 5,037	\$ 4,053	\$ 14,054	\$ 19,174

8. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

(1) The following assets were provided as collateral for bank borrowings:

	September 30, 2024	December 31, 2023	September 30, 2023
Seizure of bank deposits (classified as other financial assets)	\$ -	\$ 10,374	\$ 10,573
Property, plant and equipment			
Land	191,335	190,521	190,463
Buildings	366,308	368,534	372,553
Total	\$ 557,643	\$ 569,429	\$ 573,589

(2) Property, plant and equipment are pledged as collaterals for loans.

(3) Seized of bank deposits were frozen due to litigation. For details of the litigation, please refer to Note 9(2).

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

(1) Significant unrecognized commitments

1) Unrecognized commitments were as follows:

	September 30, 2024	December 31, 2023	September 30, 2023
Acquisition of property, plant and equipment	\$ 7,144	\$ 6,694	\$ 78,636

2) As of September 30, 2024, guarantee notes payable for operation and borrowings amounted to approximately \$632,272 thousand.

3) As of September 30, 2024, unused letters of credit amounted to approximately \$5,442 thousand.

(2) Contingencies

Shanghai Caihuan Architectural Design Co., Ltd. (hereinafter referred to as Caihuan Company) filed a civil lawsuit on June 8, 2023 on the grounds that SUNRACE STURMEY-ARCHER (NANTONG) Co., Ltd. (hereinafter referred to as Nantong Company) had refused to pay the project payment for a long time, requesting a judgment Ordered Nantong Company to pay Caihuan Company's construction fee of RMB 935 thousand and overdue payment liquidated damages of RMB 1,461 thousand, and applied to the Nantong Economic & Technology Development Zone People's Court of Jiangsu Province (hereinafter referred to as the court) for property preservation, freezing Nantong Company's bank deposit of RMB 2,396 thousand. The court summoned Nantong Company to hold a court session on August 2, 2023. Nantong Company appointed lawyer Xue Yajun from Jiangsu Qixiu Law Firm to appear in court to respond to the lawsuit. The Nantong Economic Development Zone Court made a first-instance judgment on September 8, 2023. Nantong Company should pay Caihuan Company RMB 935 thousand for the project, and Caihuan Company's other litigation claims were rejected. Nantong Company has already recorded the estimated amount of the loan. Nantong Company was dissatisfied with the first-instance judgment and filed an appeal on September 29, 2023, hold a court session on January 30, 2024 on Nantong Intermediate People's Court of Jiangsu Province (hereinafter referred to as Nantong Intermediate People's Court), for case number (2023) Su 06 Min Zhong No. 6393. The Nantong Intermediate People's Court issued the final judgment on May 8, 2024 as follows:

- 1) Revoke the civil judgment (2023) Su 0691 Min Chu No. 1569 of the Nantong Economic and Technological Development Zone People's Court.
- 2) Nantong Company shall pay Caihuan Company RMB 609 thousand immediately upon the effectiveness of this judgment.

10. SIGNIFICANT LOSSES FROM DISASTERS: None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD: None.

12. OTHER ITEMS

- (1) 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, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,071	31.635(USD:NTD)	\$ 33,878
EUR	11,512	35.294(EUR:NTD)	406,320
RMB	7,786	4.522(RMB:NTD)	35,208
HKD	2	4.07(HKD:NTD)	9
<u>Financial liabilities</u>			
Monetary items			
USD	14	31.635(USD:NTD)	450
RMB	2,092	4.522(RMB:NTD)	9,459
GBP	1	42.316(GBP:NTD)	22

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,777	30.700(USD:NTD)	\$ 54,559
EUR	14,833	34.002(EUR:NTD)	504,361
RMB	1,583	4.329(RMB:NTD)	6,853
HKD	2	3.929(HKD:NTD)	9
<u>Financial liabilities</u>			
Monetary items			
USD	26	30.700(USD:NTD)	807
RMB	1,449	4.329(RMB:NTD)	6,275

September 30, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,505	32.235(USD:NTD)	\$ 48,510
USD	6	7.318(USD:RMB)	203
EUR	16,935	33.73(EUR:NTD)	571,230
RMB	2,793	4.39(RMB:NTD)	12,260
HKD	2	4.097(HKD:NTD)	9
<u>Financial liabilities</u>			
Monetary items			
USD	50	32.335(USD:NTD)	1,606
RMB	2,141	4.434(RMB:NTD)	9,492

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

Foreign Currency	For the Nine Months Ended September 30, 2024		For the Nine Months Ended September 30, 2023	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
EUR	35.294 (EUR:NTD)	\$ 24,210	33.73&34.09 (EUR:NTD)	\$ 22,353
RMB	4.522 (RMB:NTD)	381	4.39&4.434 (RMB:NTD)	(40)
USD	31.635 (USD:NTD)	(323)	32.235&32.335 (USD:NTD)	567
		<u>\$ 24,268</u>		<u>\$ 22,880</u>

13. SEPARATELY DISCLOSED ITEMS

(1) Information about significant transactions and investees:

- 1) Financing provided to others: Please refer to Table 1.
- 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: None.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 2.
- 9) Trading in derivative instruments: None.
- 10) Others: Intercompany relationships and significant intercompany transactions: Please refer to Table 5.
- 11) Information on investees: Please refer to Table 3.

(2) 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 please refer to 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:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Please refer to Table 5.
 - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Please refer to Table 5.
 - The amount of property transactions and the amount of the resultant gains or losses: None.
 - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds: Please refer to Table 1.
 - 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.

(3) 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 please refer to Table 6.

14. SEGMENT INFORMATION

- (1) 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 and components, wholesale of fittings and equipment for industrial use.

The accounting policies of the reportable segments are the same as the summary of significant accounting policies stated in Note 4.

(2) 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, 2024</u>			
Revenue from external customers	\$ 302,532	\$ 241,366	\$ 543,898
Inter-segment revenue	63,051	15,293	78,344
Segment revenue	<u>\$ 365,583</u>	<u>\$ 256,659</u>	<u>622,242</u>
Eliminations			(78,344)
Consolidated revenue			<u>\$ 543,898</u>
Segment profit	<u>\$ 1,837</u>	<u>\$ (38,942)</u>	<u>\$ (37,105)</u>

	Domestic	Foreign	Total
<u>For the Nine Months ended</u>			
<u>September 30, 2023</u>			
Revenue from external customers	\$ 477,687	\$ 374,638	\$ 852,325
Inter-segment revenue	302,495	31,852	334,347
Segment revenue	<u>\$ 780,182</u>	<u>\$ 406,490</u>	1,186,672
Eliminations			<u>(334,347)</u>
Consolidated revenue			<u>\$ 852,325</u>
Segment profit	<u>\$ 109,687</u>	<u>\$ (9,145)</u>	<u>\$ 100,542</u>

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

Segment profit represents the profit before tax earned by each segment. 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 INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

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

No. (Note1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note2)	Aggregate Financing Limit (Note2)
													Item	Value		
0	The Company	SUN RACE NANTONG	Other receivable from related parties	YES	\$ 67,830	\$ 67,830	\$ 9,044	2.10%	Short-term financing	-	Operating turnover	-	-	-	\$ 240,000	\$ 240,000

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: Limit of financing amount for individual counter-party and total financing amount are 40% of the lender’s paid-up capital.

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period (Note 1)	Allowance for Impairment Loss
					Amount	Actions Taken		
The company	STURMEY-ARCHER	Grandson company	\$ 397,824	0.06	\$ -	-	\$ 19,466	\$ -

Note 1: The amount recovered as of November 4, 2024.

TABLE 3

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2024	December 31, 2023	Number of Shares	%	Carrying Amount			
The Company	BUSINESS ALLIANCE	Samoa	Investment activities	\$ 283,488 (USD9,413)	\$ 283,488 (USD9,413)	9,413,000	100.00%	\$ 240,474	\$ (18,725)	\$ (18,241)	Note 1,2
The Company	SUN RACE STURMEY-ARCHER DUTCH HOLDING B.V.	Netherlands	Investment activities	239,330 (EUR7,490)	239,330 (EUR7,490)	120	100.00%	157,962	(20,701)	(20,701)	Note 1
BUSINESS ALLIANCE	BUSINESS FIRST	Samoa	Investment activities	242,097 (USD8,018)	242,097 (USD8,018)	8,018,000	100.00%	197,285	(19,646)	(19,646)	Note 1
SUN RACE STURMEY-ARCHER DUTCH HOLDING B.V.	SUN RACE STURMEY-ARCHER EUROPE B.V.	Netherlands	Wholesale of fittings and equipment for industrial use	107,639 (EUR 3,390)	107,639 (EUR 3,390)	880	100.00%	130,112	(17,760)	(17,760)	
SUN RACE STURMEY-ARCHER DUTCH HOLDING B.V.	ENERGIEWEG MIJDRECHT ONTWIKKELING 1 B.V.	Netherlands	Management of real estate and development of building projects	63,721 (EUR2,018)	63,721 (EUR2,018)	100	100.00%	61,301	(855)	(855)	Note 1
SUN RACE STURMEY-ARCHER DUTCH HOLDING B.V.	ENERGIEWEG MIJDRECHT ONTWIKKELING 2 B.V.	Netherlands	Management of real estate and development of building projects	65,510 (EUR2,010)	65,510 (EUR2,010)	100	100.00%	62,892	(1,262)	(1,262)	Note 1

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

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

TABLE 4

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2024	Accumulated Repatriation of Investment Income as of September 30, 2024	Note
					Outward	Inward							
SUN RACE NANTONG	Production, processing and sales of bicycle parts and the import, export and wholesale business of the above products	\$ 241,531 (USD8,000)	Note 1	\$ 241,531 (USD8,000)	-	-	\$ 241,531 (USD8,000)	\$ (19,606)	100.00%	\$ (19,606) (Note 2)	\$ 197,057	-	

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2024	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)	\$ 284,715(USD 9,000) (Note 3)	\$ 830,034

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, 2024.

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

(Amounts in Thousands of New Taiwan Dollars)

No. (Note1)	Investee Company	Counterparty	Relationship (Note2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	SUN RACE STURMEY-ARCHER INC.	SUN RACE NANTONG	1	Net revenue from sale of goods	\$ 41,698	Note 3	7.67 %
0	SUN RACE STURMEY-ARCHER INC.	SRSAEU	1	Net revenue from sale of goods	20,718	Note 4	3.81 %
0	SUN RACE STURMEY-ARCHER INC.	BUSINESS ALLIANCE	1	Other revenue	635	Note 4	0.12 %
0	SUN RACE STURMEY-ARCHER INC.	SUN RACE NANTONG	1	Purchases	15,293	Note 4	2.81 %
0	SUN RACE STURMEY-ARCHER INC.	SUN RACE NANTONG	1	Accounts receivable	12,581	Note 3	0.50 %
0	SUN RACE STURMEY-ARCHER INC.	SRSAEU	1	Accounts receivable	397,824	Note 4	15.89 %
0	SUN RACE STURMEY-ARCHER INC.	SUN RACE NANTONG	1	Accounts payable	7,430	Note 4	0.30 %
0	SUN RACE STURMEY-ARCHER INC.	BUSINESS ALLIANCE	1	Other receivables	626	Note 4	0.03 %
0	SUN RACE STURMEY-ARCHER INC.	SUN RACE NANTONG	1	Other receivables	9,050	Note 4	0.36 %
0	SUN RACE STURMEY-ARCHER INC.	SUN RACE NANTONG	1	Interest income	6	Note 4	0.00 %
1	EMO1	SRSAEU	3	Rental income	5,025	Note 4	0.92 %
2	EMO2	EMO1	3	Accounts receivable	4,039	Note 4	0.16 %

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:

- a. Parent to subsidiary: 1.
- b. Subsidiary to parent: 2.
- c. Subsidiary to subsidiary: 3.

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

Note 4: The transaction term was made at the Group’s usual list prices.

SUN RACE STURMEY-ARCHER INC. AND SUBSIDIARIES

INFORMATION ON MAJOR SHAREHOLDERS

SEPTEMBER 30, 2024

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
Richang Investment Co., Ltd	15,144,056	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.