

**ALL RING TECH CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of All Ring Tech Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of All Ring Tech Co., Ltd. and its subsidiaries (the “Group”) as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the related statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these 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 Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit 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 explained in Note 4(3), the financial statements and related information disclosed in Note 13 of insignificant consolidated subsidiaries as of and for the nine-month periods ended September 30, 2021 and 2020 were not reviewed by independent auditors. Those statements reflect total assets of NT\$ 507,335 thousand and NT\$477,225 thousand, constituting 15.96% and 19.51% of the consolidated total

assets, and total liabilities of NT\$68,127 thousand and NT\$39,472 thousand, constituting 6.98% and 6.15% of the consolidated total liabilities as at September 30, 2021 and 2020, respectively, and total comprehensive income (loss) of NT\$4,742 thousand, (NT\$3,290) thousand, NT\$10,365 thousand and (NT\$14,011) thousand, constituting 4.07%, (2.12%), 1.91% and (4.57%) of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of consolidated subsidiaries been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin Yung-Chih

Independent Auditors

Liu Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

November 5, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 493,373	16	\$ 839,507	31	\$ 750,818	31
1136	Financial assets at amortised cost -	6(3)						
	current		28,757	1	29,065	1	28,311	1
1150	Notes receivable, net	6(4)	445,619	14	76,449	3	65,910	3
1170	Accounts receivable, net	6(4) and 12	732,612	23	429,586	16	496,149	20
1200	Other receivables		5,836	-	7,089	-	1,061	-
1220	Current income tax assets	6(23)	-	-	8,908	-	8,908	-
130X	Inventories	5(2) and 6(5)	470,115	15	370,771	14	297,162	12
1410	Prepayments		12,525	-	11,975	1	12,438	1
11XX	Total current assets		<u>2,188,837</u>	<u>69</u>	<u>1,773,350</u>	<u>66</u>	<u>1,660,757</u>	<u>68</u>
Non-current assets								
1517	Financial assets at fair value	6(6)						
	through other comprehensive							
	income - non-current		352,990	11	255,355	9	208,007	9
1535	Financial assets at amortised cost -	6(3) and 8						
	non-current		15,403	1	15,403	1	1,820	-
1600	Property, plant and equipment	6(7) and 8	492,876	16	485,344	18	418,718	17
1755	Right-of-use assets	6(8)	64,076	2	68,691	3	70,256	3
1780	Intangible assets		5,289	-	3,962	-	4,576	-
1840	Deferred income tax assets	6(23)	44,706	1	53,870	2	58,150	2
1920	Guarantee deposits paid		4,574	-	6,476	-	4,826	-
1960	Prepayments for investments -							
	non-current		-	-	10,000	-	-	-
1990	Other non-current assets		9,410	-	13,697	1	18,482	1
15XX	Total non-current assets		<u>989,324</u>	<u>31</u>	<u>912,798</u>	<u>34</u>	<u>784,835</u>	<u>32</u>
1XXX	Total assets		<u>\$ 3,178,161</u>	<u>100</u>	<u>\$ 2,686,148</u>	<u>100</u>	<u>\$ 2,445,592</u>	<u>100</u>

(Continued)

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(9)	\$ 6,000	-	\$ -	-	\$ -	-
2130	Current contract liabilities	6(16)	93,366	3	26,414	1	61,074	2
2150	Notes payable		2,434	-	791	-	2,669	-
2170	Accounts payable	7	474,930	15	448,781	17	318,519	13
2200	Other payables	6(10)	221,513	7	176,380	6	139,172	6
2230	Current income tax liabilities	6(23)	64,811	2	23,121	1	15,977	1
2250	Provisions for liabilities - current	6(11)	24,212	1	16,078	1	16,351	1
2280	Lease liabilities - current		4,943	-	4,911	-	4,897	-
21XX	Total current liabilities		<u>892,209</u>	<u>28</u>	<u>696,476</u>	<u>26</u>	<u>558,659</u>	<u>23</u>
Non-current liabilities								
2570	Deferred income tax liabilities	6(23)	25,707	1	25,707	1	25,707	1
2580	Lease liabilities - non-current		29,640	1	33,350	1	34,583	1
2640	Net defined benefit liabilities - non-current	6(12)	27,289	1	26,876	1	23,079	1
2645	Guarantee deposits received		777	-	-	-	-	-
25XX	Total non-current liabilities		<u>83,413</u>	<u>3</u>	<u>85,933</u>	<u>3</u>	<u>83,369</u>	<u>3</u>
2XXX	Total liabilities		<u>975,622</u>	<u>31</u>	<u>782,409</u>	<u>29</u>	<u>642,028</u>	<u>26</u>
Equity								
Share capital								
3110	Common stock	6(13)	833,239	26	833,239	31	833,239	34
3200	Capital surplus	6(14)	310,911	10	327,202	12	327,202	13
Retained earnings								
3310	Legal reserve	6(15)	281,334	9	256,539	10	256,539	11
3320	Special reserve		22,737	1	22,737	1	22,736	1
3350	Unappropriated retained earnings		617,482	19	394,453	15	349,413	14
3400	Other equity interest	6(6)	203,285	6	136,018	5	80,884	4
3500	Treasury stocks	6(13)	(66,449)	(2)	(66,449)	(3)	(66,449)	(3)
3XXX	Total equity		<u>2,202,539</u>	<u>69</u>	<u>1,903,739</u>	<u>71</u>	<u>1,803,564</u>	<u>74</u>
Significant contingent liabilities and unrecognised contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		<u>\$ 3,178,161</u>	<u>100</u>	<u>\$ 2,686,148</u>	<u>100</u>	<u>\$ 2,445,592</u>	<u>100</u>

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

Items	Notes	For the three-month periods ended September 30,				For the nine-month periods ended September 30,			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(16)	\$ 804,465	100	\$ 441,960	100	\$ 2,161,076	100	\$ 1,084,770	100
5000 Operating costs	6(5)(8)(12)(21)) (22) and 7	(451,805)	(56)	(219,203)	(50)	(1,168,849)	(54)	(528,592)	(49)
5900 Net operating margin		<u>352,660</u>	<u>44</u>	<u>222,757</u>	<u>50</u>	<u>992,227</u>	<u>46</u>	<u>556,178</u>	<u>51</u>
Operating expenses	6(8)(12)(21)(2) 2), 7 and 12								
6100 Selling expenses		(24,311)	(3)	(16,760)	(4)	(70,776)	(3)	(47,083)	(4)
6200 General and administrative expenses		(34,665)	(4)	(26,536)	(6)	(102,750)	(5)	(71,117)	(7)
6300 Research and development expenses		(91,036)	(12)	(67,127)	(15)	(257,599)	(12)	(196,435)	(18)
6450 Expected credit gains (losses)		<u>132</u>	<u>-</u>	<u>263</u>	<u>-</u>	<u>(359)</u>	<u>-</u>	<u>(2,150)</u>	<u>-</u>
6000 Total operating expenses		(149,880)	(19)	(110,160)	(25)	(431,484)	(20)	(316,785)	(29)
6900 Operating profit		<u>202,780</u>	<u>25</u>	<u>112,597</u>	<u>25</u>	<u>560,743</u>	<u>26</u>	<u>239,393</u>	<u>22</u>
Non-operating income and expenses									
7100 Interest income	6(17)	550	-	592	-	1,223	-	2,695	-
7010 Other income	6(6)(18)	18,940	3	9,156	2	25,007	1	10,526	1
7020 Other gains and losses	6(19) and 12	(1,470)	-	(7,355)	(1)	(12,028)	-	(12,654)	(1)
7050 Finance costs	6(8)(9)(20)	(109)	-	(117)	-	(323)	-	(367)	-
7000 Total non-operating income and expenses		<u>17,911</u>	<u>3</u>	<u>2,276</u>	<u>1</u>	<u>13,879</u>	<u>1</u>	<u>200</u>	<u>-</u>
7900 Profit before income tax		<u>220,691</u>	<u>28</u>	<u>114,873</u>	<u>26</u>	<u>574,622</u>	<u>27</u>	<u>239,593</u>	<u>22</u>
7950 Income tax expense	6(23)	(37,308)	(5)	(17,476)	(4)	(98,727)	(5)	(36,685)	(3)
8200 Profit for the period		<u>\$ 183,383</u>	<u>23</u>	<u>\$ 97,397</u>	<u>22</u>	<u>\$ 475,895</u>	<u>22</u>	<u>\$ 202,908</u>	<u>19</u>
Other comprehensive income (loss)									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income	6(6)	(\$ 66,439)	(9)	\$ 53,480	12	\$ 74,448	3	\$ 108,894	10
Components of other comprehensive income that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		(353)	-	4,256	1	(7,181)	-	(5,273)	(1)
8300 Total other comprehensive income (loss) for the period		(\$ 66,792)	(9)	\$ 57,736	13	\$ 67,267	3	\$ 103,621	9
8500 Total comprehensive income for the period		<u>\$ 116,591</u>	<u>14</u>	<u>\$ 155,133</u>	<u>35</u>	<u>\$ 543,162</u>	<u>25</u>	<u>\$ 306,529</u>	<u>28</u>
Profit attributable to:									
8610 Owners of the parent		<u>\$ 183,383</u>	<u>23</u>	<u>\$ 97,397</u>	<u>22</u>	<u>\$ 475,895</u>	<u>22</u>	<u>\$ 202,908</u>	<u>19</u>
Comprehensive income attributable to:									
8710 Owners of the parent		<u>\$ 116,591</u>	<u>14</u>	<u>\$ 155,133</u>	<u>35</u>	<u>\$ 543,162</u>	<u>25</u>	<u>\$ 306,529</u>	<u>28</u>
Earnings per share (in dollars)	6(24)								
9750 Basic		<u>\$ 2.25</u>		<u>\$ 1.20</u>		<u>\$ 5.84</u>		<u>\$ 2.47</u>	
9850 Diluted		<u>\$ 2.24</u>		<u>\$ 1.19</u>		<u>\$ 5.81</u>		<u>\$ 2.46</u>	

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Capital Surplus			Retained Earnings			Other Equity Interest			Total equity
		Share capital - common stock	Additional paid-in capital	Stock options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income	Treasury stocks	
For the nine-month period ended September 30, 2020											
Balance at January 1, 2020		\$ 833,239	\$ 377,088	\$ 108	\$ 248,195	\$ 22,672	\$ 229,905	(\$ 33,118)	\$ 10,381	\$ -	\$ 1,688,470
Net income for the nine-month period ended September 30, 2020		-	-	-	-	-	202,908	-	-	-	202,908
Other comprehensive income (loss) for the nine-month period ended September 30, 2020	6(6)	-	-	-	-	-	-	(5,273)	108,894	-	103,621
Total comprehensive income (loss) for the period		-	-	-	-	-	202,908	(5,273)	108,894	-	306,529
Distribution of 2019 net income:											
Legal reserve		-	-	-	8,344	-	(8,344)	-	-	-	-
Special reserve	6(15)	-	-	-	-	64	(64)	-	-	-	-
Cash dividends	6(15)	-	-	-	-	-	(74,992)	-	-	-	(74,992)
Distribution of cash dividends from the capital reserve	6(14)	-	(49,994)	-	-	-	-	-	-	-	(49,994)
Treasury stocks acquired	6(13)	-	-	-	-	-	-	-	-	(66,449)	(66,449)
Balance at September 30, 2020		\$ 833,239	\$ 327,094	\$ 108	\$ 256,539	\$ 22,736	\$ 349,413	(\$ 38,391)	\$ 119,275	(\$ 66,449)	\$ 1,803,564
For the nine-month period ended September 30, 2021											
Balance at January 1, 2021		\$ 833,239	\$ 327,094	\$ 108	\$ 256,539	\$ 22,737	\$ 394,453	(\$ 32,224)	\$ 168,242	(\$ 66,449)	\$ 1,903,739
Net income for the nine-month period ended September 30, 2021		-	-	-	-	-	475,895	-	-	-	475,895
Other comprehensive income (loss) for the nine-month period ended September 30, 2021	6(6)	-	-	-	-	-	-	(7,181)	74,448	-	67,267
Total comprehensive income (loss) for the period		-	-	-	-	-	475,895	(7,181)	74,448	-	543,162
Distribution of 2020 net income:											
Legal reserve		-	-	-	24,795	-	(24,795)	-	-	-	-
Cash dividends	6(15)	-	-	-	-	-	(228,071)	-	-	-	(228,071)
Distribution of cash dividends from the capital reserve	6(14)	-	(16,291)	-	-	-	-	-	-	-	(16,291)
Balance at September 30, 2021		\$ 833,239	\$ 310,803	\$ 108	\$ 281,334	\$ 22,737	\$ 617,482	(\$ 39,405)	\$ 242,690	(\$ 66,449)	\$ 2,202,539

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended September 30,	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 574,622	\$ 239,593
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit losses	12	359	2,150
Provision for inventory market price decline	6(5)	7,700	7,814
Depreciation	6(7)(8)(21)	26,502	22,750
Loss (gain) on disposal of property, plant and equipment	6(19)	389	(249)
Amortisation	6(21)	2,266	2,202
Interest income	6(17)	(1,223)	(2,695)
Dividend income	6(6)(18)	(11,627)	(6,892)
Interest expense	6(20)	323	367
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(369,170)	49,425
Accounts receivable		(303,367)	(197,343)
Other receivables		1,253	(193)
Inventories		(110,607)	(104,147)
Prepayments		(550)	(4,005)
Changes in operating liabilities			
Current contract liabilities		66,952	38,754
Notes payable		1,643	1,518
Accounts payable		26,149	100,032
Other payables		44,416	2,840
Provisions for liabilities - current		8,134	3,562
Net defined benefit liabilities - non-current		413	569
Cash (outflow) inflow generated from operations		(35,423)	156,052
Dividends received		11,627	6,892
Interest received		1,223	2,695
Interest paid		(323)	(367)
Income tax received		10,050	-
Income tax paid		(49,085)	(10,980)
Net cash flows (used in) from operating activities		(61,931)	154,292

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ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended September 30,	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at amortised cost - current		\$ 308	\$ 4,113
Acquisition of financial assets at fair value through other comprehensive income		(13,187)	(301)
Cash paid for acquisition of property, plant and equipment	6(25)	(27,763)	(36,161)
Proceeds from disposal of property, plant and equipment		547	369
Acquisition of intangible assets		(3,604)	(1,907)
Decrease in guarantee deposits paid		1,902	1,783
Decrease in other non-current assets		4,287	3,822
Net cash flows used in investing activities		(37,510)	(28,282)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(26)	6,000	-
Repayment of lease principal	6(26)	(3,678)	(3,639)
Increase in guarantee deposits received	6(26)	777	-
Distribution of cash dividends from capital reserve	6(14)	(16,291)	(49,994)
Cash dividends paid	6(15)	(228,071)	(74,992)
Acquisition of treasury stocks	6(13)	-	(66,449)
Net cash flows used in financing activities		(241,263)	(195,074)
Effect of foreign exchange rate changes on cash and cash equivalents		(5,430)	(4,454)
Net decrease in cash and cash equivalents		(346,134)	(73,518)
Cash and cash equivalents at beginning of period	6(1)	839,507	824,336
Cash and cash equivalents at end of period	6(1)	\$ 493,373	\$ 750,818

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

(1) All Ring Tech Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1996. Its primary business includes the design, manufacture, and assembly of automation machines, the research, development, and design of computer software, and the manufacture of optical instruments.

(2) The common shares of the Company have been listed on the Taipei Exchange since September 2002.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on November 5, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform — Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of the subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified

to profit or loss when the related assets or liabilities are disposed of.

B. The consolidated subsidiaries and changes of the current period are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	Mechanical engineering automation, and research, development and design of software	100.00	100.00	100.00	Note 1
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	100.00	100.00	100.00	Note 1
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Investment business	72.10	72.10	72.10	Note 1 Note 2
PAI FU INTERNATIONAL LIMITED	Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services	100.00	100.00	100.00	Note 1
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Investment business	27.90	27.90	27.90	Note 1 Note 2
IMAGINE GROUP LIMITED	All Ring Tech (Kunshan) Co., Ltd.	Research, development, and manufacture of specialized electronic equipment, testing of instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	100.00	100.00	100.00	Note 1

Note 1: The financial statements and related information disclosed in Note 13 of insignificant consolidated subsidiaries as of and for the nine-month periods ended September 30, 2021 and 2020 were not reviewed by independent auditors. Those statements reflect total assets of \$507,335 and \$477,225, and total liabilities of \$68,127 and \$39,472 as of September 30, 2021 and 2020, respectively, and total comprehensive income (loss) of this subsidiary amounted to \$4,742, (\$3,290), \$10,365 and (\$14,011) for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

Note 2: The Company and its subsidiaries own, directly or indirectly, more than 50% of the shares of these companies.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The financial performance and financial position of all the group entities, and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits that meet the definition above and are held for the purpose of meeting short-term

cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realisable value, the amount of any write-down of inventories recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities

which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
- (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(12) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(13) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount

of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Asset</u>	<u>Estimated useful lives</u>
Buildings and structures	15~35 years
Machinery and equipment	3~10 years
Transportation equipment	3~ 5 years
Office equipment	2~10 years
Assets leased to others	1~ 3 years
Other facilities	1~10 years

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(16) Leasing arrangements (lessee) – right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall remeasure the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts and notes payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when

there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised the asset and settle the liability simultaneously.

(22) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plan, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- II. Remeasurement arising on defined benefit plan is recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- III. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculated the number of shares based on the closing market price at the previous day of the board meeting resolution.

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the company and domestic subsidiary and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are

levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.
- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(25) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

Sales of goods

- (a) Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.
- (b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns, and sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Collection terms of sale are as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the

chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of September 30, 2021, the carrying amount of inventories was \$470,115.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash:			
Cash on hand	\$ 2,692	\$ 2,763	\$ 2,696
Checking accounts and demand deposits	<u>314,206</u>	<u>501,461</u>	<u>411,072</u>
	<u>316,898</u>	<u>504,224</u>	<u>413,768</u>
Cash equivalents:			
Time deposits	<u>176,475</u>	<u>335,283</u>	<u>337,050</u>
	<u>\$ 493,373</u>	<u>\$ 839,507</u>	<u>\$ 750,818</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Please refer to Note 8, 'Pledged Assets' for information on the Group's cash and cash equivalents that were pledged as collateral (shown as 'Financial assets at amortised cost - non-current') as at September 30, 2021, December 31, 2020 and September 30, 2020.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted stocks	\$ 21,184	\$ 21,184	\$ 21,184
Valuation adjustment	(21,184)	(21,184)	(21,184)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- A. The Group did not recognise any net gain on financial assets at fair value through profit or loss for the three-month and nine-month periods ended September 30, 2021 and 2020.
- B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral as at September 30, 2021, December 31, 2020 and September 30, 2020.
- C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Time deposits maturing over three months	<u>\$ 28,757</u>	<u>\$ 29,065</u>	<u>\$ 28,311</u>
Non-current items:			
Pledged time deposits	<u>\$ 15,403</u>	<u>\$ 15,403</u>	<u>\$ 1,820</u>

- A. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was the book value.
- B. Please refer to Note 8, 'Pledged Assets' for information on the Group's financial assets at amortised cost that were pledged as collateral as at September 30, 2021, December 31, 2020 and September 30, 2020.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Notes and accounts receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	<u>\$ 445,619</u>	<u>\$ 76,449</u>	<u>\$ 65,910</u>
Accounts receivable	\$ 747,756	\$ 444,389	\$ 510,203
Less: Allowance for uncollectible accounts	(15,144)	(14,803)	(14,054)
	<u>\$ 732,612</u>	<u>\$ 429,586</u>	<u>\$ 496,149</u>

A. The ageing analysis of accounts and notes receivable that were past due is as follows:

	September 30, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Less than 30 days	\$ 73,097	\$ 4,405	\$ 71,319	\$ 12,748
31~90 days	347,877	172,563	109,919	28,906
91~180 days	142,351	238,117	142,695	34,795
181~360 days	68,957	30,534	67,191	-
Over 360 days	115,474	-	53,265	-
	<u>\$ 747,756</u>	<u>\$ 445,619</u>	<u>\$ 444,389</u>	<u>\$ 76,449</u>

	September 30, 2020	
	Accounts receivable	Notes receivable
Less than 30 days	\$ 98,912	\$ 52,598
31~90 days	188,098	7,218
91~180 days	120,364	2,113
181~360 days	66,096	3,981
Over 360 days	36,733	-
	<u>\$ 510,203</u>	<u>\$ 65,910</u>

The above ageing analysis was based on invoice date.

B. As at September 30, 2021, December 31, 2020 and September 30, 2020, accounts and notes receivable were all from contracts with customers. As at January 1, 2020, the balance of receivables from contracts with customers amounted to \$428,195.

C. The Group has no notes and accounts receivable pledged to others as collateral as at September 30, 2021, December 31, 2020 and September 30, 2020.

D. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were the book value.

E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(5) Inventories

	September 30, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 133,660	(\$ 10,347)	\$ 123,313
Work in process	273,147	(46,590)	226,557
Finished goods	146,906	(26,661)	120,245
	<u>\$ 553,713</u>	<u>(\$ 83,598)</u>	<u>\$ 470,115</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 53,003	(\$ 12,869)	\$ 40,134
Work in process	303,199	(46,418)	256,781
Finished goods	90,809	(16,953)	73,856
	<u>\$ 447,011</u>	<u>(\$ 76,240)</u>	<u>\$ 370,771</u>
	September 30, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 54,977	(\$ 12,490)	\$ 42,487
Work in process	205,655	(43,081)	162,574
Finished goods	108,581	(16,480)	92,101
	<u>\$ 369,213</u>	<u>(\$ 72,051)</u>	<u>\$ 297,162</u>

The cost of inventories recognised as expense for the period:

	For the three-month periods ended September 30,	
	2021	2020
Cost of goods sold	\$ 448,044	\$ 215,996
Provision for inventory market price decline	3,761	3,207
	<u>\$ 451,805</u>	<u>\$ 219,203</u>
	For the nine-month periods ended September 30,	
	2021	2020
Cost of goods sold	\$ 1,161,149	\$ 520,778
Provision for inventory market price decline	7,700	7,814
	<u>\$ 1,168,849</u>	<u>\$ 528,592</u>

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

Items	September 30, 2021	December 31, 2020	September 30, 2020
Equity instruments			
Listed stocks	\$ 86,861	\$ -	\$ -
Emerging stocks	3,439	77,113	78,732
Unlisted stocks	20,000	10,000	10,000
	110,300	87,113	88,732
Valuation adjustment	242,690	168,242	119,275
	<u>\$ 352,990</u>	<u>\$ 255,355</u>	<u>\$ 208,007</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value

of such investments amounted to \$352,990, \$255,355 and \$208,007 as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

- B. Amounts recognised in profit or loss and other comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ <u>66,439</u>)	\$ <u>53,480</u>
Dividend income recognised in profit or loss	\$ <u>10,260</u>	\$ <u>6,892</u>
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>74,448</u>	\$ <u>108,894</u>
Dividend income recognised in profit or loss	\$ <u>11,627</u>	\$ <u>6,892</u>

- C. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$352,990, \$255,355 and \$208,007, respectively.
- D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Assets leased to others	Other facilities	Construction in progress and equipment under acceptance	Total
<u>January 1, 2021</u>									
Cost	\$ 61,611	\$ 488,822	\$ 26,703	\$ 15,612	\$ 19,245	\$ 3,043	\$ 43,543	\$ 35,893	\$ 694,472
Accumulated depreciation	-	(137,572)	(13,784)	(12,399)	(15,246)	(531)	(29,596)	-	(209,128)
	<u>\$ 61,611</u>	<u>\$ 351,250</u>	<u>\$ 12,919</u>	<u>\$ 3,213</u>	<u>\$ 3,999</u>	<u>\$ 2,512</u>	<u>\$ 13,947</u>	<u>\$ 35,893</u>	<u>\$ 485,344</u>
<u>For the nine-month period ended September 30, 2021</u>									
At January 1	\$ 61,611	\$ 351,250	\$ 12,919	\$ 3,213	\$ 3,999	\$ 2,512	\$ 13,947	\$ 35,893	\$ 485,344
Additions	-	1,641	2,362	-	3,301	408	1,251	19,517	28,480
Transferred from construction in progress and equipment under acceptance	-	54,821	-	-	-	-	-	(54,821)	-
Transferred from inventories	-	-	-	-	-	3,905	-	-	3,905
Depreciation	-	(13,405)	(1,893)	(626)	(1,196)	(2,171)	(2,792)	-	(22,083)
Disposals—Cost	-	-	(3,212)	(519)	(452)	-	(858)	-	(5,041)
— Accumulated depreciation	-	-	2,441	467	424	-	773	-	4,105
Net currency exchange differences	-	(1,009)	(168)	(22)	(32)	-	(14)	(589)	(1,834)
At September 30	<u>\$ 61,611</u>	<u>\$ 393,298</u>	<u>\$ 12,449</u>	<u>\$ 2,513</u>	<u>\$ 6,044</u>	<u>\$ 4,654</u>	<u>\$ 12,307</u>	<u>\$ -</u>	<u>\$ 492,876</u>
<u>September 30, 2021</u>									
Cost	\$ 61,611	\$ 543,473	\$ 25,492	\$ 14,970	\$ 21,987	\$ 7,356	\$ 43,885	\$ -	\$ 718,774
Accumulated depreciation	-	(150,175)	(13,043)	(12,457)	(15,943)	(2,702)	(31,578)	-	(225,898)
	<u>\$ 61,611</u>	<u>\$ 393,298</u>	<u>\$ 12,449</u>	<u>\$ 2,513</u>	<u>\$ 6,044</u>	<u>\$ 4,654</u>	<u>\$ 12,307</u>	<u>\$ -</u>	<u>\$ 492,876</u>

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Assets leased to others	Other facilities	Construction in progress and equipment under acceptance	Total
<u>January 1, 2020</u>									
Cost	\$ –	\$ 462,201	\$ 21,449	\$ 16,259	\$ 18,955	\$ 643	\$ 42,829	\$ 23,851	\$ 586,187
Accumulated depreciation	–	(121,757)	(11,390)	(11,465)	(13,627)	(43)	(25,836)	–	(184,118)
	<u>\$ –</u>	<u>\$ 340,444</u>	<u>\$ 10,059</u>	<u>\$ 4,794</u>	<u>\$ 5,328</u>	<u>\$ 600</u>	<u>\$ 16,993</u>	<u>\$ 23,851</u>	<u>\$ 402,069</u>
<u>For the nine-month period ended September 30, 2020</u>									
At January 1	\$ –	\$ 340,444	\$ 10,059	\$ 4,794	\$ 5,328	\$ 600	\$ 16,993	\$ 23,851	\$ 402,069
Additions	13,964	8,948	2,070	122	336	–	318	10,295	36,053
Transferred from inventories	–	–	–	–	–	334	–	–	334
Depreciation	–	(11,170)	(1,635)	(1,313)	(1,512)	(168)	(2,930)	–	(18,728)
Disposals – Cost	–	–	(16)	(890)	(321)	–	(112)	–	(1,339)
– Accumulated depreciation	–	–	9	829	271	–	112	–	1,221
Net currency exchange differences	–	(579)	(66)	(18)	(23)	–	(6)	(200)	(892)
At September 30	<u>\$ 13,964</u>	<u>\$ 337,643</u>	<u>\$ 10,421</u>	<u>\$ 3,524</u>	<u>\$ 4,079</u>	<u>\$ 766</u>	<u>\$ 14,375</u>	<u>\$ 33,946</u>	<u>\$ 418,718</u>
<u>September 30, 2020</u>									
Cost	\$ 13,964	\$ 470,237	\$ 23,361	\$ 15,427	\$ 18,916	\$ 977	\$ 43,012	\$ 33,946	\$ 619,840
Accumulated depreciation	–	(132,594)	(12,940)	(11,903)	(14,837)	(211)	(28,637)	–	(201,122)
	<u>\$ 13,964</u>	<u>\$ 337,643</u>	<u>\$ 10,421</u>	<u>\$ 3,524</u>	<u>\$ 4,079</u>	<u>\$ 766</u>	<u>\$ 14,375</u>	<u>\$ 33,946</u>	<u>\$ 418,718</u>

- A. Except for the assets classified as ‘Assets leased to others’, the Group’s property, plant and equipment are all occupied by the owner for operating purpose as of September 30, 2021, December 31, 2020 and September 30, 2020.
- B. The Group has not capitalised any interest for the nine-month periods ended September 30, 2021 and 2020.
- C. Please refer to Note 8, ‘Pledged assets’ for information on the Group’s property, plant and equipment that were pledged as collateral as of September 30, 2021, December 31, 2020 and September 30, 2020.

(8) Leasing arrangements – lessee

- A. The Group leased parcels of land located in the Luzhu Science Park from the Southern Taiwan Science Park Bureau and signed a contract with the government of the People’s Republic of China to lease a designated parcel of land in Kunshan City of Jiangsu Province. Rental contracts are typically made for periods of 15 to 45 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	<u>\$ 64,076</u>	<u>\$ 68,691</u>	<u>\$ 70,256</u>

For the three-month periods ended September 30,

	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	<u>\$ 1,472</u>	<u>\$ 1,341</u>

For the nine-month periods ended September 30,

	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	<u>\$ 4,419</u>	<u>\$ 4,022</u>

- C. For the three-month and nine-month periods ended September 30, 2021 and 2020, the Group has no additions to right-of-use assets; remeasurements of right-of-use assets was \$—, \$—, \$— and \$1,924, respectively.
- D. The information on income and expense accounts relating to lease contracts is as follows:

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 97	\$ 110
Expense on short-term lease contracts	1,395	998
Expense on leases of low-value assets	39	30
	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 302	\$ 342
Expense on short-term lease contracts	4,153	3,271
Expense on leases of low-value assets	112	71

- E. For the nine-month periods ended September 30, 2021 and 2020, the Group’s total cash outflow

for leases was \$8,245 and \$7,323, respectively.

(9) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank unsecured borrowings	\$ <u>6,000</u>	1.15%	None

The Group has no short-term borrowings as of December 31, 2020 and September 30, 2020.

Please refer to Note 6(20), 'Finance costs' for information on the Group's interest expense recognised in profit or loss for the nine-month period ended September 30, 2021.

(10) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accrued salaries and bonuses	\$ 124,723	\$ 105,418	\$ 81,103
Compensation payable to employees, directors and supervisors	49,550	20,856	19,445
Provision for employee benefits	12,298	10,055	9,492
Others	34,942	40,051	29,132
	<u>\$ 221,513</u>	<u>\$ 176,380</u>	<u>\$ 139,172</u>

(11) Provisions for liabilities

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance at beginning of period	\$ 16,078	\$ 12,789
Additional provisions	13,612	6,587
Used during the period	(5,478)	(3,025)
Balance at end of period	<u>\$ 24,212</u>	<u>\$ 16,351</u>

The Group's warranty provision is primarily related to the sales of semiconductor equipment, passive component equipment, and light-emitting diode equipment. The amount of the provision is estimated according to historical warranty data. The Group expects the costs related to the provision to be realised in the next two years.

(12) Pensions

- A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the

aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information on the defined benefit pension plan disclosed above is as follows:

(a) The pension cost under the aforementioned defined benefit pension plan of the Company for the three-month and nine-month periods ended September 30, 2021 and 2020 were \$144 and \$196, \$431 and \$587, respectively.

(b) The Company's expected contributions under the defined benefit pension plan for the next year amount to \$24.

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the three-month and nine-month periods ended September 30, 2021 and 2020 were \$2,677 and \$2,591, \$7,960 and \$7,957, respectively.

C. In accordance with the pension and insurance laws of the People's Republic of China, Kunshan All Ring Tech Co., Ltd. and All Ring Tech (Kunshan) Co., Ltd. contribute 19% of each employee's salary every month to a pension account managed by the government. Aside from the monthly contributions, the companies have no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2021 and 2020 were \$444 and \$—, \$1,166 and \$128, respectively.

(13) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
At January 1	81,454	83,324
Treasury stock reacquired	—	(1,870)
At September 30	<u>81,454</u>	<u>81,454</u>

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (in thousands of shares):

<u>Reason for reacquisition</u>	<u>For the nine-month period ended September 30, 2021</u>		
	<u>Opening Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
To be reissued to employees	<u>1, 870</u>	<u>-</u>	<u>1, 870</u>

<u>Reason for reacquisition</u>	<u>For the nine-month period ended September 30, 2020</u>		
	<u>Opening Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
To be reissued to employees	<u>-</u>	<u>1, 870</u>	<u>1, 870</u>

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.
- (e) For the nine-month period ended September 30, 2020, treasury shares in the amount of \$66,449 (1,870 thousand shares) was acquired by the Company. As of September 30, 2021 and 2020, the balance of the Company's treasury shares was \$66,449 for both years.
- C. As of September 30, 2021, the Company's authorised capital was \$1,500,000 (including \$80,000 reserved for employee stock options), and the paid-in capital was \$833,239 with a par value of \$10 per share. The 83,324 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

(14) Capital surplus

- A. Pursuant to the R.O.C Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital reserves should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. On July 20, 2021 and June 10, 2020, the Company's stockholders resolved the distribution of dividends from the capital reserve in the amount of \$16,291 (\$0.2 (in dollars) per share) and \$49,994 (\$0.6 (in dollars) per share), respectively.

(15) Retained earnings

- A. Pursuant to the R.O.C. Company Act, the Company shall set aside 10% of its after-tax profits as legal reserve until the balance is equal to the paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- B. Under the Company's Articles of Incorporation, considering the Company is operating in a volatile environment and in the stable growth stage of its life cycle, the Board of Directors shall determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Then, either a portion of the remaining amount is set aside as special reserve or an amount is reversed from the special reserve account and added to the remaining amount in accordance with applicable laws and regulations. The final remaining amount of current year earnings is added to the unappropriated earnings from the prior year and the total is the accumulated distributable earnings. At least 30% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividends distributed. The Board of Directors shall propose the earnings appropriation according to future operational and investment needs which shall be submitted to the stockholders during their meeting for approval.
- C. Special reserve
- (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. For the years ended December 31, 2020 and 2019, the Company set aside special reserve of \$64 and \$—, respectively in accordance with the Company Act, and no dividends shall be distributed.
- (b) The amounts previously set aside by the Company as special reserve in the amount of \$22,672 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- D. The Company recognised dividends distributed to owners amounting to \$228,071 (\$2.8 (in dollars) per share) and \$74,992 (\$0.9 (in dollars) per share) for the nine-month periods ended September 30, 2021 and 2020, respectively.

(16) Operating revenue

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	<u>\$ 804,465</u>	<u>\$ 441,960</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Revenue from contracts with customers	<u>\$ 2,161,076</u>	<u>\$ 1,084,770</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time. Revenue is primarily from sales of automation machinery and equipment. Related disclosures on operating revenue are provided in Note 14.

B. Contract liabilities

(a) The Group has recognised revenue-related contract liabilities amounting to \$93,366, \$26,414 and \$61,074 as of September 30, 2021, December 31, 2020 and September 30, 2020, respectively.

(b) As of January 1, 2021 and 2020, the Group's contract liabilities were \$26,414 and \$22,320, respectively. Revenue recognised that were included in the contract liability balance at the beginning of 2021 and 2020 for the nine-month periods ended September 30, 2021 and 2020 were \$19,532 and \$10,881, respectively.

(17) Interest income

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	<u>\$ 550</u>	<u>\$ 592</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income from bank deposits	<u>\$ 1,223</u>	<u>\$ 2,695</u>

(18) Other income

	<u>For the three-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Dividend income	\$ 10,260	\$ 6,892
Rent income	1,398	895
Other income	7,282	1,369
	<u>\$ 18,940</u>	<u>\$ 9,156</u>

	For the nine-month periods ended September 30,	
	2021	2020
Dividend income	\$ 11,627	\$ 6,892
Rent income	3,593	921
Other income	9,787	2,713
	<u>\$ 25,007</u>	<u>\$ 10,526</u>

(19) Other gains and losses

	For the three-month periods ended September 30,	
	2021	2020
Net foreign exchange losses	(\$ 286)	(\$ 7,341)
Net losses on disposal of property, plant and equipment	1	235
Miscellaneous disbursements	(1,185)	(249)
	<u>(\$ 1,470)</u>	<u>(\$ 7,355)</u>

	For the nine-month periods ended September 30,	
	2021	2020
Net foreign exchange losses	(\$ 9,294)	(\$ 12,619)
Net (losses) gains on disposal of property, plant and equipment	(389)	249
Miscellaneous disbursements	(2,345)	(284)
	<u>(\$ 12,028)</u>	<u>(\$ 12,654)</u>

(20) Finance costs

	For the three-month periods ended September 30,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 11	\$ -
Interest expense on lease liabilities	97	110
Other interest expense	1	7
	<u>\$ 109</u>	<u>\$ 117</u>

	For the nine-month periods ended September 30,	
	2021	2020
Interest expense:		
Bank borrowings	\$ 14	\$ 4
Interest expense on lease liabilities	302	342
Other interest expense	7	21
	<u>\$ 323</u>	<u>\$ 367</u>

(21) Expenses by nature

	For the three-month period ended September 30, 2021		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 16,957	\$ 112,796	\$ 129,753
Depreciation	3,178	5,695	8,873
Amortisation	132	677	809
	<u>\$ 20,267</u>	<u>\$ 119,168</u>	<u>\$ 139,435</u>

	For the three-month period ended September 30, 2020		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 11,342	\$ 84,197	\$ 95,539
Depreciation	3,757	3,804	7,561
Amortisation	100	635	735
	<u>\$ 15,199</u>	<u>\$ 88,636</u>	<u>\$ 103,835</u>

	For the nine-month period ended September 30, 2021		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 40,993	\$ 322,495	\$ 363,488
Depreciation	8,570	16,895	25,465
Amortisation	353	1,913	2,266
	<u>\$ 49,916</u>	<u>\$ 341,303</u>	<u>\$ 391,219</u>

	For the nine-month period ended September 30, 2020		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Employee benefit expenses	\$ 31,629	\$ 234,665	\$ 266,294
Depreciation	11,031	11,719	22,750
Amortisation	298	1,904	2,202
	<u>\$ 42,958</u>	<u>\$ 248,288</u>	<u>\$ 291,246</u>

(22) Employee benefit expense

	For the three-month period ended September 30, 2021		
	<u>Operating cost</u>	<u>Operating expense</u>	<u>Total</u>
Wages and salaries	\$ 15,005	\$ 101,701	\$ 116,706
Labour and health insurance expenses	751	4,926	5,677
Pension costs	489	2,776	3,265
Other personnel expenses	712	3,393	4,105
	<u>\$ 16,957</u>	<u>\$ 112,796</u>	<u>\$ 129,753</u>

	For the three-month period ended September 30, 2020		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 9,751	\$ 75,196	\$ 84,947
Labour and health insurance expenses	660	3,869	4,529
Pension costs	342	2,445	2,787
Other personnel expenses	589	2,687	3,276
	<u>\$ 11,342</u>	<u>\$ 84,197</u>	<u>\$ 95,539</u>

	For the nine-month period ended September 30, 2021		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 35,328	\$ 289,379	\$ 324,707
Labour and health insurance expenses	2,233	13,815	16,048
Pension costs	1,407	8,150	9,557
Other personnel expenses	2,025	11,151	13,176
	<u>\$ 40,993</u>	<u>\$ 322,495</u>	<u>\$ 363,488</u>

	For the nine-month period ended September 30, 2020		
	Operating cost	Operating expense	Total
Wages and salaries	\$ 27,086	\$ 206,787	\$ 233,873
Labour and health insurance expenses	1,904	12,657	14,561
Pension costs	1,018	7,654	8,672
Other personnel expenses	1,621	7,567	9,188
	<u>\$ 31,629</u>	<u>\$ 234,665</u>	<u>\$ 266,294</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.
- B. For the three-month and nine-month periods ended September 30, 2021 and 2020, employees' compensation and directors' and supervisors' remuneration were accrued at \$18,938 and \$10,006, \$49,405 and \$19,860, respectively. The aforementioned amounts were recognised in salary expenses and estimated and accrued based on the distributable net profit as of the end of reporting period by the percentage prescribed under the Company's Articles of Incorporation. Employees' compensation and directors' and supervisors' remuneration for 2020 amounting to \$20,822, as resolved by the Board of Directors was in agreement with the amount recognised in the 2020 financial statements. The employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	For the three-month periods ended September 30,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 34,626	\$ 14,443
Deferred tax:		
Origination and reversal of temporary differences	2,682	3,033
Income tax expense	<u>\$ 37,308</u>	<u>\$ 17,476</u>

	For the nine-month periods ended September 30,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 89,939	\$ 26,927
Prior year income tax overestimation	(376)	(2,811)
Total current tax	<u>89,563</u>	<u>24,116</u>
Deferred tax:		
Origination and reversal of temporary differences	9,164	12,569
Income tax expense	<u>\$ 98,727</u>	<u>\$ 36,685</u>

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. As of November 5, 2021, no administrative relief has occurred.

(24) Earnings per share

	<u>For the three-month period ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 183,383</u>	<u>81,454</u>	<u>\$ 2.25</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 183,383	81,454	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>—</u>	<u>366</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 183,383</u>	<u>81,820</u>	<u>\$ 2.24</u>

	<u>For the three-month period ended September 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 97,397</u>	<u>81,454</u>	<u>\$ 1.20</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 97,397	81,454	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>—</u>	<u>271</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 97,397</u>	<u>81,725</u>	<u>\$ 1.19</u>

For the nine-month period ended September 30, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 475,895	81,454	\$ 5.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 475,895	81,454	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	396	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 475,895	81,850	\$ 5.81
For the nine-month period ended September 30, 2020			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 202,908	82,158	\$ 2.47
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 202,908	82,158	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	—	305	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 202,908	82,463	\$ 2.46

(25) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the nine-month periods ended September 30,	
	2021	2020
Purchase of property, plant and equipment	\$ 28,480	\$ 36,053
Add: Opening balance of payable on equipment (shown as 'other payables')	141	108
Less: Ending balance of payable on equipment (shown as 'other payables')	(858)	—
Cash paid for acquisition of property, plant and equipment	<u>\$ 27,763</u>	<u>\$ 36,161</u>

B. Investing activities with no cash flow effects

	For the nine-month periods ended September 30,	
	2021	2020
(1) Prepayments for investment transferred to financial assets at fair value through other comprehensive income	<u>\$ 10,000</u>	<u>\$ 10,000</u>
(2) Inventories transferred to property, plant and equipment	<u>\$ 3,905</u>	<u>\$ 334</u>

(26) Changes in liabilities from financing activities

	For the nine-month period ended September 30, 2021			
	Short-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2021	\$ —	\$ 38,261	\$ —	\$ 38,261
Changes in cash flow from financing activities	<u>6,000</u>	<u>(3,678)</u>	<u>777</u>	<u>3,099</u>
At September 30, 2021	<u>\$ 6,000</u>	<u>\$ 34,583</u>	<u>\$ 777</u>	<u>\$ 41,360</u>

	For the nine-month period ended September 30, 2020			
	Short-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ —	\$ 41,195	\$ —	\$ 41,195
Changes in cash flow from financing activities	—	(3,639)	—	(3,639)
Changes in other non-cash items	—	<u>1,924</u>	—	<u>1,924</u>
At September 30, 2020	<u>\$ —</u>	<u>\$ 39,480</u>	<u>\$ —</u>	<u>\$ 39,480</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Jie Kuen Enterprise Inc.	Other related party (Note 1)
Ding Ji Electrical Engineering Co., Ltd.	Other related party (Note 2)
Nan Feng Mechanical Electrical Co., Ltd.	Other related party (Note 1)

(Note 1)The company became a non-related party due to the resignation of its responsible person as a supervisor of the Company in June 2020. The information disclosed pertains to transactions prior to resignation.

(Note 2)The company became a related party due to the election of its responsible person as a representative of corporate director of the Company on July 20, 2021.The information disclosed pertains to transactions from the day of election.

(2) Significant transactions and balances with related parties

A. Purchases of goods

	<u>For the three-month periods ended September 30,</u>	
	2021	2020
Other related parties	\$ 7,796	\$ -

	<u>For the nine-month periods ended September 30,</u>	
	2021	2020
Other related parties	\$ 7,796	\$ 10,795

Payment terms of purchases from other related parties are 120 days after receipt. Payment terms of purchases from normal vendors are 60 to 180 days. Except for the payment terms mentioned above, other terms of purchases are the same with third parties.

B. Payables to related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts payable:			
Other related parties	\$ 8,342	\$ 158	\$ 158

The payables to related parties arise mainly from purchase transactions and are due 120 days after the date of purchase. The payables bear no interest.

(3) Key management compensation

	<u>For the three-month periods ended September 30,</u>	
	2021	2020
Salaries and other short-term employee benefits	\$ 4,508	\$ 5,744
Post-employment benefits	205	217
	<u>\$ 4,713</u>	<u>\$ 5,961</u>

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 25,889	\$ 21,219
Post-employment benefits	683	666
	<u>\$ 26,572</u>	<u>\$ 21,885</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral were as follows:

<u>Pledged asset</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>Purpose</u>
Pledged time deposits (Note 1)	\$ 15,403	\$ 15,403	\$ 1,820	Guarantee for land leases and performance bond
Buildings and structures (Note 2)	255,217	262,649	265,126	Guarantee for short-term borrowings (Note 3)
	<u>\$ 270,620</u>	<u>\$ 278,052</u>	<u>\$ 266,946</u>	

Note 1: Shown as 'financial assets at amortised cost - non-current'.

Note 2: Shown as 'property, plant and equipment, net'.

Note 3: The associated debt has been repaid but the designation of 'property, plant and equipment' as collateral has not yet been removed.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Group's guarantees and endorsements were as follows:

<u>Endorser</u>	<u>Endorsee</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>	<u>Purpose</u>
All Ring Tech Co., Ltd.	Uni- Ring Tech Co., Ltd.	\$ 30,000	\$ 50,000	\$ 50,000	Pledged for borrowing facilities

As of September 30, 2021, December 31, 2020 and September 30, 2020, the actual amount of the endorsement used by the subsidiary, Uni-Ring Tech Co., Ltd., were \$6,000、\$— and \$—, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On November 5, 2021, the Company's board of directors resolved the proposal of issuing the fourth domestic unsecured convertible bonds to enrich working capital, with a total issuance of 1 billion (in dollars).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and maintain an optimal capital structure

to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Group are described in Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.
- iv. The Group's businesses involve some non-functional currency operations (The functional currency of the Company and several subsidiaries is the NTD; the functional

currency of several subsidiaries is the USD and RMB). Information on assets and liabilities subject to significant foreign exchange risk is as follows:

September 30, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 24,711	27.85	\$ 688,201
USD:RMB	212	6.47	5,904
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3,044	27.85	84,775
December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 14,674	28.48	\$ 417,916
USD:RMB	216	6.51	6,155
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	818	28.48	23,297

September 30, 2020

Foreign currency	amount	Exchange	Book value
(functional currency)	(in thousands)	rate	(NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 12,493	29.10	\$ 363,546
USD : RMB	534	6.82	15,547
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	645	29.10	18,770

- v. The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1%, the Group's net income for the nine-month periods ended September 30, 2021 and 2020 would have decreased/increased by \$4,878 and \$2,882, respectively.
- vi. The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the nine-month periods ended September 30, 2021 and 2020, amounted to \$9,294 and \$12,619, respectively.

II. Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set various stop loss points, to ensure not to be exposed to significant risk. Accordingly, no material market risk was expected.
- ii. The Group's investments in equity securities comprise domestic stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the nine-month periods ended September 30, 2021 and 2020 would have increased/decreased by \$3,310 and \$2,074, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

III. Cash flow and fair value interest rate risk

If the borrowing interest rate had increased/decreased by 1% with all other variables held

constant, there is no significant effect on after-tax profit for the nine-month periods ended September 30, 2021 and 2020.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- III. The Group adopts the historical experience of collection and the level of customers' risk to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the payments were past invoice date over 180 days, there has been a significant increase in credit risk on that instrument since initial recognition.
- IV. According to the historical experience of collection by the Group and the level of customers' risk, the default occurs when the payments are past invoice date over 270 days.
- V. The Group considers the characteristics of credit risk on trade, and applies the modified approach using loss rate methodology to estimate expected credit loss under the loss rate basis. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable.

As at September 30, 2021, December 31, 2020 and September 30, 2020, loss rate methodology are as follows:

	<u>Expected loss rate</u>	<u>Book value</u>	<u>Allowance for uncollectible accounts</u>
September 30, 2021			
Taiwan			
Less than 90 days	0.05%	\$ 351,109	\$ -
91~180 days	0.05%~0.09%	108,998	-
181~360 days	1%	63,593	675
Over 360 days	1.67%~100%	<u>110,931</u>	<u>13,625</u>
		<u>634,631</u>	<u>14,300</u>
Mainland China			
Less than 90 days	—	69,865	-
91~180 days	—	33,353	-
181~360 days	1%	5,364	62
Over 360 days	2%~100%	<u>4,543</u>	<u>782</u>
		<u>113,125</u>	<u>844</u>
		<u>\$ 747,756</u>	<u>\$ 15,144</u>
December 31, 2020			
Taiwan			
Less than 90 days	0.05%	\$ 128,888	\$ -
91~180 days	0.05%~0.09%	109,249	-
181~360 days	1%	60,860	689
Over 360 days	1.78%~100%	<u>46,740</u>	<u>12,752</u>
		<u>345,737</u>	<u>13,441</u>
Mainland China			
Less than 90 days	—	52,350	-
91~180 days	—	33,446	-
181~360 days	1%	6,331	66
Over 360 days	2%~100%	<u>6,525</u>	<u>1,296</u>
		<u>98,652</u>	<u>1,362</u>
		<u>\$ 444,389</u>	<u>\$ 14,803</u>

	<u>Expected loss rate</u>	<u>Book value</u>	<u>Allowance for uncollectible accounts</u>
September 30, 2020			
Taiwan			
Less than 90 days	—	\$ 231, 825	\$ —
91 ~ 180 days	—	100, 895	—
181 ~ 360 days	1%	50, 509	616
Over 360 days	2%~100%	<u>24, 931</u>	<u>12, 002</u>
		<u>408, 160</u>	<u>12, 618</u>
Mainland China			
Less than 90 days	—	55, 185	—
91 ~ 180 days	—	19, 469	—
181 ~ 360 days	1%	15, 587	173
Over 360 days	2%~100%	<u>11, 802</u>	<u>1, 263</u>
		<u>102, 043</u>	<u>1, 436</u>
		<u>\$ 510, 203</u>	<u>\$ 14, 054</u>

VI. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 14, 803	\$ 11, 906
Provision for impairment	359	2, 150
Net exchange differences	(18)	(2)
At September 30	<u>\$ 15, 144</u>	<u>\$ 14, 054</u>

(c) Liquidity risk

- I. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the sufficient financial flexibility of the Group.
- II. Group treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and readily generate cash flows to manage liquidity risk.
- III. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are undiscounted contractual cash flows.

<u>September 30, 2021</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 6,001	\$ -	\$ -	\$ -
Notes payable	2,434	-	-	-
Accounts payable	474,930	-	-	-
Other payables	221,513	-	-	-
Lease liabilities	5,307	5,307	7,621	18,501
Guarantee deposits received	-	-	777	-
<u>December 31, 2020</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 791	\$ -	\$ -	\$ -
Accounts payable	448,781	-	-	-
Other payables	176,380	-	-	-
Lease liabilities	5,307	5,307	9,885	20,217
<u>September 30, 2020</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities:				
Notes payable	\$ 2,669	\$ -	\$ -	\$ -
Accounts payable	318,519	-	-	-
Other payables	139,172	-	-	-
Lease liabilities	5,307	5,307	10,639	20,790

IV. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortised cost - current and non-current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, notes payable, accounts payable, other payables and lease liabilities - current and non-current are approximate to their fair values.

C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 330,501</u>	<u>\$ -</u>	<u>\$ 22,489</u>	<u>\$ 352,990</u>
<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 242,866</u>	<u>\$ -</u>	<u>\$ 12,489</u>	<u>\$ 255,355</u>
<u>September 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 198,007</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 208,007</u>

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

(a) The following financial assets use quoted market prices as inputs for fair value measurement (level 1): for emerging stocks, the average trading price at the balance sheet date is used.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

E. For the nine-month periods ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2021 and 2020:

	<u>Equity instrument</u>
At January 1, 2021	\$ 12,489
Prepayments for investments transferred	<u>10,000</u>
At September 30, 2021	<u>\$ 22,489</u>
	<u>Equity instrument</u>
At January 1, 2020	\$ -
Prepayments for investments transferred	<u>10,000</u>
At September 30, 2020	<u>\$ 10,000</u>

- G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Equity securities	\$ 22,489	Net asset value	Not applicable	—	Not applicable
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Equity securities	\$ 12,489	Net asset value	Not applicable	—	Not applicable
	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Equity securities	\$ 10,000	Net asset value	Not applicable	—	Not applicable

(4) Other events

In response to the COVID-19 pandemic, the Group complied with the “Guidelines for Enterprise

Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)” issued by the government and has adopted related measures for hygiene and health management in the workplace. The Company’s factory is operating in its usual capacity and the pandemic has no significant impact on the Group’s operation.

13. SUPPLEMENTARY DISCLOSURES

(According to the current regulatory requirements, the Group is only required to disclose the information for the nine-month period ended September 30, 2021.)

(1) Significant transactions information

- A. Loans to others: Please refer to Table 1.
- B. Provision of endorsements and guarantees to others: Please refer to Table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. Significant inter-company transactions during the reporting period: Please refer to Table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to Table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to Table 7.

(4) Major shareholders information

Major shareholders information: Please refer to Table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Group’s chief operating decision-maker that are used to make strategic decisions. The Group’s chief operating decision-maker manages each entity in the organisation according to its role. There is no material change in the basis for information of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Segment profit or loss, assets and liabilities

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

	For the nine-month period ended September 30, 2021				
	All Ring Tech Co., Ltd.	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Others	Total
Total segment revenue	\$ 2,046,836	\$ -	\$ 162,831	\$ 19,273	\$ 2,228,940
Inter-segment revenue	17,526	-	35,577	14,761	67,864
Revenue from external customers	2,029,310	-	127,254	4,512	2,161,076
Interest income	681	464	75	3	1,223
Depreciation and amortisation	17,937	53	8,226	2,552	28,768
Interest expense	314	-	-	9	323
Segment income (loss) before tax	574,622	518	5,430	2,947	583,517
Segment assets	3,120,196	42,016	345,190	48,340	3,555,742
Segment liabilities	917,657	1,207	63,304	18,023	1,000,191

For the nine-month period ended September 30, 2020

	All Ring Tech Co., Ltd.	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Others	Total
Total segment revenue	\$ 1,010,619	\$ -	\$ 91,888	\$ 1,780	\$ 1,104,287
Inter-segment revenue	15,613	-	3,658	246	19,517
Revenue from external customers	995,006	-	88,230	1,534	1,084,770
Interest income	2,066	501	100	28	2,695
Depreciation and amortisation	18,273	100	6,062	517	24,952
Interest expense	367	-	-	-	367
Segment income (loss) before tax	238,218	(1,112)	(2,391)	(8,466)	226,249
Segment assets	2,415,399	41,671	321,524	36,232	2,814,826
Segment liabilities	611,834	1,606	48,388	5,094	666,922

(3) Reconciliation about segment profit or loss, assets and liabilities

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

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Reportable segments income before tax	\$ 580,570	\$ 234,715
Other segments income loss before tax	2,947	(8,466)
Add: Inter-segment (loss) income	(8,895)	13,344
Profit from continuing operations before tax	<u>\$ 574,622</u>	<u>\$ 239,593</u>

B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Assets of reportable segments	\$ 3,507,402	\$ 2,778,594
Assets of other operating segments	48,340	36,232
Less: Inter-segment transaction	(377,581)	(369,234)
Total assets	<u>\$ 3,178,161</u>	<u>\$ 2,445,592</u>

C. The amounts provided to the chief operating decision-maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of liabilities of reportable segment and total liabilities is as follows:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Liabilities of reportable segments	\$ 982,168	\$ 661,828
Liabilities of other operating segments	18,023	5,094
Less: Inter-segment transaction	(24,569)	(24,894)
Total liabilities	<u>\$ 975,622</u>	<u>\$ 642,028</u>

All Ring Tech Co., Ltd. and Subsidiaries
Loans to others
For the nine-month period ended September 30, 2021

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance	Ending balance	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Note
													Item	Value			
1	Kunshan All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	Other receivables	Y	\$ 34,440	\$ 34,440	\$ -	2%	Short-term financing	\$ -	Repayment of borrowings and operations	\$ -	-	\$ -	\$ 80,581	\$ 80,581	-

(Note 1) Calculation of limit on loans granted to a single party and ceiling on total loans granted: The total loan amount cannot exceed 40% of the company's net worth. There are three possible circumstances:

1. Loan is made to company with which the Company has a business relationship. The total loan amount cannot exceed 20% of the company's net worth.
The individual loan amount cannot exceed the total amount of business transactions between the two parties in the past year.
2. Loan is made to companies who need short-term financing. The total loan amount cannot exceed 20% of the company's net worth. The individual loan amount cannot exceed 10% of the net worth of the company.
3. The aforementioned limit does not apply if the loan is made to a company of which the parent company owns, directly or indirectly, 100% of the voting equity.
Both the total and individual loan amounts do not exceed 200% of the net worth of the creditor based on the most recent financial statements.

(Note 2) Foreign currency amounts in the table are converted into NTD according to the exchange rates on the financial reporting date (RMB:NTD = 1:4.305).

All Ring Tech Co., Ltd. and Subsidiaries
Provision of endorsements and guarantees to others
For the nine-month period ended September 30, 2021

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount	Outstanding endorsement/ guarantee amount	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements /guarantees to the party in Mainland China	Note
0	All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.		(Note 1)	\$ 440,508	\$ 80,000	\$ 30,000	\$ 6,000	\$ -	1.36%	\$ 881,016	Y	N	N	-

(Note 1) Companies where the Company owns more than 50% of voting shares (direct or indirect).

(Note 2) The total endorsements and guarantees of external parties by the Company cannot exceed 40% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. The total endorsements and guarantees of external parties by the Group cannot exceed 50% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. If the endorsement and guarantee are made for the purpose of conducting business, then the amount of endorsement and guarantee cannot exceed the total amount of business transactions between the guaranteed party and the Company for the period.

All Ring Tech Co., Ltd. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2021

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2021			Fair value	Note
				Number of shares	Book value	Ownership (%)		
All Ring Tech Co., Ltd.	Stocks:							
	Egiga Source Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - non-current	1,298	\$ —	14.86%	\$ —	—
	Tai-Tech Advanced Electronics Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non-current	2,595	329,621	2.52%	329,621	—
	Tecstar Technology Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non-current	165	880	0.72%	880	—
	Phoenix Innovation Investment Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non-current	1,000	12,489	3.13%	12,489	—
Phoenix II Innovation Investment Co., Ltd.	—	Financial asset measured at fair value through other comprehensive income - non-current	1,000	10,000	2.34%	10,000	—	

All Ring Tech Co., Ltd. and Subsidiaries
Significant inter-company transactions during the reporting period
For the nine-month period ended September 30, 2021

Table 4

Expressed in thousands of NTD

Number	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	All Ring Tech Co., Ltd.	All Ring Tech (Kunshan) Co., Ltd.	1	Sales of goods	\$ 17,526	Receipt within 120 days	1%
				Purchases of goods	35,577	Payment within 90 days	2%
				Accounts receivable	14,319	—	—
				Accounts payable	2,703	—	—
		Uni-Ring Tech Co., Ltd.	1	Purchases of goods	14,761	Payment within 90 days	1%
				Endorsements and guarantees	30,000	—	1%

(Note 1) Business and other transactions between the parent company and its subsidiaries or between subsidiaries are not separately disclosed since the circumstances and amounts of each transaction is the same on each side. In addition, the disclosure threshold for significant transactions is set at 1 million dollars.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

(Note 3) The ratio of a transaction amount to total revenue or total assets is calculated as follows: balance sheet items are calculated by dividing the ending balance by total consolidated assets; profit or loss items are calculated by dividing the accumulated ending balance by total consolidated revenue.

(Note 4) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1 : 27.85; RMB:USD = 1 : 0.1546); profit or loss items are converted using the average exchange rate for the nine-month period ended September 30, 2021 (USD:NTD = 1 : 28.07; RMB:USD = 1 : 0.1545).

All Ring Tech Co., Ltd. and Subsidiaries

Information on investees

For the nine-month period ended September 30, 2021

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net profit (loss) of the investee for the nine-month period ended September 30, 2021	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2021	Note
				Balance as at September 30, 2021	Balance as at December 31, 2020 (Note 1)	Number of shares	Ownership (%)	Book value			
All Ring Tech Co., Ltd.	PAI FU INTERNATIONAL LIMITED	British Virgin Islands	Mechanical engineering automation, and research, development and design of software	\$ 65,263	\$ 65,263	1,930,000	100.00	\$ 123,689	\$ 1,901	\$ 1,901	Subsidiary
All Ring Tech Co., Ltd.	Uni-Ring Tech Co., Ltd.	Taiwan	Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry	200,000	200,000	7,855,947	100.00	24,599	3,195	3,339	Subsidiary
All Ring Tech Co., Ltd.	IMAGINE GROUP LIMITED	Mauritius	Investment business	182,840	182,840	5,220,000	72.10	227,898	5,269	928	Subsidiary
PAI FU INTERNATIONAL LIMITED	IMAGINE GROUP LIMITED	Mauritius	Investment business	56,257	56,257	2,020,000	27.90	77,610	5,269	-	Subsidiary (Note 2)

(Note 1) This was the balance on December 31, 2020.

(Note 2) The investment income (loss) does not need to be disclosed per the rules.

(Note 3) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1 : 27.85); profit or loss items are converted using the average exchange rate for the nine-month period ended September 30, 2021 (USD:NTD = 1 : 28.07).

All Ring Tech Co., Ltd. and Subsidiaries
Information on investments in Mainland China
For the nine-month period ended September 30, 2021

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine-month period ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for the nine-month period ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2021 (Note 3)	Book value of investments in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Kunshan All Ring Tech Co., Ltd.	Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services	\$ 41,775	(Note 1)	\$ 41,775	\$ -	\$ -	\$ 41,775	\$ 518	100.00	\$ 518	\$ 40,809	\$ -	-
All Ring Tech (Kunshan) Co., Ltd.	Research, development, design, and manufacture of specialized electronic equipment, testing instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services	200,520	(Note 2) (Note 4)	168,512	-	-	168,512	5,429	100.00	5,429	281,885	-	-
<u>Company name</u>	<u>Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021</u>	<u>Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)</u>	<u>Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5)</u>										
All Ring Tech Co., Ltd.	\$ 210,287	\$ 520,905	\$ 1,321,523										

(Note 1) Additional investment in Chinese company through a subsidiary in a third region (PAI FU INTERNATIONAL LIMITED).

(Note 2) Additional investment in Chinese company through a subsidiary in a third region (IMAGINE GROUP LIMITED).

(Note 3) Recognised according to the unreviewed financial statements of the investee.

(Note 4) \$55,700 (USD \$2,000 thousand) was invested in the Chinese company through PAI FU INTERNATIONAL LIMITED, located in a third region.

(Note 5) The limit is the net worth or 60% of the consolidated net worth, whichever is greater.

(Note 6) Foreign currency amounts in the table are converted into TWD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:TWD = 1 : 27.85; RMB:USD = 1 : 0.1546); profit or loss items are converted using the average exchange rate for the nine-month period ended September 30, 2021 (USD:TWD = 1 : 28.07; RMB:USD = 1 : 0.1545).

All Ring Tech Co., Ltd. and Subsidiaries

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

For the nine-month period ended September 30, 2021

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Interest during the nine-month period ended September 30, 2021	Others
	Amount	%	Amount	%	Balance at September 30, 2021	%	Balance at September 30, 2021	Purpose	Maximum balance during the nine-month period ended September 30, 2021	Balance at September 30, 2021	Interest rate		
All Ring Tech (Kunshan) Co., Ltd.	\$ 17,526	1%	\$ -	-	\$ 14,319	-	\$ -	-	\$ -	\$ -	-	\$ -	-
	(35,577)	2%			(2,703)	-							

All Ring Tech Co., Ltd. and Subsidiaries

Major shareholders information

September 30, 2021

Table 8

Expressed in thousands of shares

Name of major shareholders	Number of shares held			Ownership	Note
	Common share	Preferred share			
Fengqiao Investment Co., Ltd.	7,355,625	—		8.82%	—
Hua Nan Commercial Bank, Ltd. in custody for Capital Marathon securities investment trust fund account	5,000,000	—		6.00%	—

(Note) The major shareholders information was derived from the Taiwan Depository & Clearing Corporation in accordance with the common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter.

The share capital which was recorded in the financial statements might be different from the number of shares held in dematerialised form because of a different calculation basis.