

**G-SHANK ENTERPRISE CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW
REPORT
SEPTEMBER 30, 2021 AND 2020**

Notice to Readers

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

INDEPENDENT AUDITOR'S REVIEW REPORT

To: G-Shank ENTERPRISE CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of G-Shank Enterprise Co., Ltd. and its subsidiaries as of September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three-month and nine-month ended September 30, 2021 and 2020, as well as the consolidated statements of changes in equity and of cash flows for the nine-month ended September 30, 2021 and 2020, 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 and the reports of other independent auditors.

Scope of Review

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 stated in Note 4.(2) of the consolidated financial statements, the same period financial statements of the insignificant subsidiaries included in the aforementioned consolidated financial statements have not been reviewed by the independent auditors. The total assets were NT\$3,478,201 thousand and NT\$3,228,139 thousand, accounted for 39.55% and 40.41% of the total consolidated assets as of September 30, 2021 and 2020, respectively. The total liabilities were NT\$547,568 thousand and NT\$516,466 thousand, accounted for 16.84% and 17.82% of total consolidated liabilities, respectively. The total consolidated profits and losses were NT\$110,584 thousand, NT\$91,035 thousand and NT\$254,644 thousand, NT\$93,538 thousand, constituting 47.01%, 44.57% and 51.69%, 64.06% of the consolidated total comprehensive income for the three-month and nine-month periods then ended September 30, 2021 and 2020, respectively. As stated in Note 6.(9) of the consolidated financial statements, the investment book amount under the equity method on the

consolidated balance sheet of G-Shank Enterprise Co., Ltd. and its subsidiaries were NT\$154,068 thousand and NT\$152,408 thousand, accounted for 1.75% and 1.91% of the total consolidated assets, respectively, as of September 30, 2021 and 2020, respectively. The amount of profit (loss) from the affiliated enterprise under the equity method was NT\$3,116 thousand, NT\$(5,518) thousand and NT\$4,473 thousand, NT\$(12,071) thousand, accounted for 1.32%, (2.70)% and 0.91%, (8.27)% of the total consolidated profits and losses for the period of the three-month and nine-month periods then ended September 30, 2021 and 2020, respectively, which were calculated according to the same period financial statements of the invested companies that have not been reviewed by the independent auditors. In addition, the relevant information of the aforementioned subsidiaries as disclosed in Note 13 to the consolidated financial statements and the invested companies under the equity method have not been reviewed by the independent auditors.

Conclusion

In our conclusion, except for the financial statements of the insignificant subsidiaries and the invested companies under the equity method as stated in the “Foundation for a qualified conclusion” paragraph and the relevant information disclosed in Note 13 to the consolidated financial statements may have affected the consolidated financial statements if they have been reviewed by the independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of G-Shank Enterprise Co., Ltd. as at September 30, 2021 and 2020, and of its consolidated financial performance for the three-month and nine-month periods then ended, and of its consolidated cash flows for the nine-month ended September 30, 2021 and 2020, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chiung-hui Tseng
Diwan & Company
November 4, 2021

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Notice to Readers

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, the company 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.

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Expressed in thousands of New Taiwan dollar)

(September 30, 2021 & 2020 have been Reviewed · December 31, 2020 have been audited)

ASSETS		Notes	September 30,2021		December 31,2020		September 30,2020	
Code	Accounts		AMOUNT	%	AMOUNT	%	AMOUNT	%
11xx	Current assets							
1100	Cash and cash equivalents	4 & 6.(1)	\$ 2,857,037	32	\$ 3,134,587	38	\$ 3,283,819	41
1110	Financial assets at fair value through profit or loss - current	6.(2)	1,286,047	15	1,101,179	13	811,344	10
1136	Current financial assets at amortised cost	4 & 6.(3)	-	-	22,708	-	107,753	1
1150	Notes receivable, net	6.(4) & 6.(5)	34,155	-	80,901	1	59,631	1
1170	Accounts receivable, net	6.(5)	1,496,390	17	1,148,656	13	981,954	12
1180	Accounts receivable- related parties	7	36	-	32	-	2	-
1200	Other receivables	6.(5)	32,349	-	57,647	1	38,713	-
1210	Other receivables - related parties	7	-	-	-	-	17	-
1220	Current tax assets	4 & 6.(30)	42,630	1	49,054	1	39,968	1
130x	Inventory	6.(6)	1,032,719	12	745,421	9	711,497	9
1470	Prepayments and Other current assets		153,313	2	47,689	1	40,984	1
1476	Other financial assets-current	4 · 6.(7) & 8	77,649	1	95,560	1	103,744	1
	Total current assets		7,012,325	80	6,483,434	78	6,179,426	77
15xx	Noncurrent Asset							
1517	Financial assets at fair value through profit or loss - noncurrent	6.(8) & 6.(22)	210,288	2	205,354	2	205,667	3
1550	Investments accounted for using equity method	6.(9)	154,068	2	146,510	2	152,408	2
1600	Property, Plant and Equipment	6.(10) · 7 & 8	1,196,360	14	1,213,352	15	1,205,000	16
1755	Right-of-use asset	6.(11) · 6.(15) · 8 & 9	134,761	2	159,129	2	157,819	2
1780	Intangible assets	6.(12)	1,934	-	3,373	-	3,373	-
1840	Deferred tax assets	4 & 6.(30)	24,326	-	21,582	-	30,852	-
1915	Prepayments for business facilities		36,567	-	16,672	-	21,122	-
1920	Refundable deposits		4,883	-	4,841	-	4,636	-
1990	Other noncurrent assets, others	8	19,735	-	24,074	1	27,953	-
	Total noncurrent Asset		1,782,922	20	1,794,887	22	1,808,830	23
1xxx	Total Assets		\$ 8,795,247	100	\$ 8,278,321	100	\$ 7,988,256	100

(CONTINUING)

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

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Expressed in thousands of New Taiwan dollar)

(September 30, 2021 & 2020 have been Reviewed 、 December 31, 2020 have been audited)

Liabilities and Equity		Notes	September 30,2021		December 31,2020		September 30,2020	
Code	Accounts		AMOUNT	%	AMOUNT	%	AMOUNT	%
21xx	Current liabilities							
2100	Short-term borrowings	6.(13) 、 6.(32) & 8	\$ 1,252,981	14	\$ 1,235,824	15	\$ 1,345,451	17
2120	Financial liabilities at fair value through profit or loss - current	6.(2)	-	-	-	-	852	-
2130	Contract liabilities - current	6.(25)	7,590	-	12,415	-	11,899	-
2150	Notes payable		-	-	-	-	54	-
2170	Accounts payable		638,948	8	383,577	5	354,351	5
2180	Accounts payable-related parties	7	3,746	-	546	-	341	-
2200	Other payables	6.(10) & 6.(26)	431,366	5	451,513	5	372,923	5
2220	Other payables-related parties	7	4,272	-	2,377	-	1,952	-
2230	Current tax liabilities	4 & 6.(30)	109,764	1	51,336	1	33,993	-
2280	Lease liabilities-current	6.(15) & 6.(32)	18,393	-	16,645	-	15,356	-
2300	Other current liabilities		34,507	-	24,605	-	24,372	-
	Total current liabilities		2,501,567	28	2,178,838	26	2,161,544	27
25xx	Non-current liabilities							
2540	Long-term borrowings	6.(14) & 6.(32)	67,683	1	44,365	1	38,272	-
2570	Deferred tax liabilities	4 & 6.(30)	542,877	6	555,982	7	529,050	7
2580	Lease liabilities - noncurrent	6.(15) & 6.(32)	62,318	1	84,076	1	84,385	1
2640	Net defined benefit liabilities- noncurrent	4 & 6.(16)	72,326	1	82,291	1	80,704	1
2645	Guarantee deposits received		4,710	-	4,712	-	4,210	-
	Total non-current liabilities		749,914	9	771,426	10	736,621	9
2xxx	Total liabilities		3,251,481	37	2,950,264	36	2,898,165	36
31xx	Equity attributable to owners of parent							
3100	Share capital	6.(17) 、 6.(24)&11.						
3110	Ordinary shares		1,849,683	21	1,849,683	22	1,849,683	23
3140	Advance Receipts for Capital Stock		28,640	-	-	-	-	-
3200	Capital surplus	6.(18) 、 6.(23) & 6.(24)	451,626	5	432,784	5	430,956	5
3300	Retained earnings							
3310	Legal reserve	6.(19) & 6.(21)	827,106	9	798,682	10	798,683	10
3320	Special reserve	6.(20)	284,690	3	284,690	3	284,690	4
3350	Unappropriated earnings	6.(21)	1,796,474	21	1,529,619	19	1,409,405	18
3400	Other equity	6.(22)						
3410	Exchange differences on translation of foreign financial statements	6.(9) 、 6.(22) 、 6.(23) & 6.(29)	(461,945)	(5)	(357,177)	(4)	(436,907)	(5)
3420	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	6.(8) 、 6.(9) 、 6.(22) & 6.(29)	186,938	2	177,692	2	177,675	2
	Total equity attributable to owners of parent		4,963,212	56	4,715,973	57	4,514,185	57
36xx	Non-controlling interests	6.(23)	580,554	7	612,084	7	575,906	7
3xxx	Total Equity		5,543,766	63	5,328,057	64	5,090,091	64
	Total liabilities and equity		\$ 8,795,247	100	\$ 8,278,321	100	\$ 7,988,256	100

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

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(Reviewed, Not Audited)

Code	Accounts	Notes	For the three-months ended September 30				For the nine-months ended September 30			
			2021	%	2020	%	2021	%	2020	%
4000	Sales revenue	6(25) & 7	\$ 1,783,943	100	\$ 1,231,591	100	\$ 4,770,310	100	\$ 3,443,930	100
5000	Operating costs	6.(6) 、6.(16) 、6.(26) & 7	(1,242,622)	(70)	(852,328)	(69)	(3,352,318)	(70)	(2,509,657)	(73)
5900	Gross profit from operations		541,321	30	379,263	31	1,417,992	30	934,273	27
6000	Operating expense	6.(15) 、6.(16) 、6.(26) & 7								
6100	Selling expense		(69,175)	(4)	(55,228)	(4)	(198,361)	(4)	(165,718)	(5)
6200	General and administrative expenses		(108,524)	(6)	(103,421)	(8)	(315,794)	(7)	(304,110)	(9)
6300	Research and development expenses		(45,807)	(2)	(43,513)	(4)	(132,516)	(3)	(118,500)	(3)
6450	Loss (reversal) of expected credit loss	6.(5)	(2,157)	-	2,378	-	(1,099)	-	(3,365)	-
	Total operating expense		(225,663)	(12)	(199,784)	(16)	(647,770)	(14)	(591,693)	(17)
6500	Net other income (expenses)	6.(10) 、6.(27) & 7	310	-	341	-	964	-	1,127	-
6900	Net operating income		315,968	18	179,820	15	771,186	16	343,707	10
7000	Non-operating income and expenses									
7100	Interest income	6.(28)	23,237	1	22,381	2	70,434	-	66,225	2
7010	Other income	6.(28)	7,157	-	7,869	-	27,954	1	27,260	1
7020	Other gains and losses	6.(2) 、6.(9) 、6.(10) & 6.(28)	(13,019)	-	12,353	1	(19,255)	-	(49,869)	(2)
7050	Finance costs	6.(15) & 6.(28)	(3,323)	-	(3,512)	-	(10,891)	-	(9,962)	-
7060	Share of the profit (loss) of associates	6.(9) & 6.(28)	3,116	-	(5,518)	-	4,473	-	(12,071)	-
7630	Foreign exchange gains (loss)	6.(28)	(2,763)	-	(44,319)	(4)	(16,853)	-	(45,992)	(1)
	Total non-operating income and expenses		14,405	1	(10,746)	(1)	55,862	1	(24,409)	(1)
7900	Profit (loss) from continuing operations before tax		330,373	19	169,074	14	827,048	17	319,298	9
7950	Income Tax Expense	4 & 6.(30)	(89,395)	(5)	(50,141)	(4)	(223,128)	(4)	(107,201)	(3)
8200	Profit (loss) for the period		240,978	14	118,933	10	603,920	13	212,097	6
8300	Other comprehensive income	6.(8) 、6.(9) & 6.(29)								
8310	Components of other comprehensive income that will not be reclassified to profit or loss :									
8316	Unrealised gain (loss) on financial assets measured at fair through other comprehensive income		6,121	-	46,708	4	4,934	-	39,235	1
8320	Share of the other comprehensive (loss) income of associates		1,106	-	(238)	-	5,075	-	(871)	-
8349	Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss		-	-	-	-	-	-	-	-
	Other comprehensive income (loss) that will not be reclassified to profit or loss		7,227	-	46,470	4	10,009	-	38,364	1
8360	Items that may be reclassified subsequently to profit or loss :									
8361	Exchange differences on translating foreign operations		(12,966)	(1)	38,866	3	(121,331)	(3)	(104,370)	(3)
8370	Share of the other comprehensive income of associates		-	-	3	-	-	-	(81)	-
8399	Income tax expense relating to items that may be reclassified subsequently to profit or loss		-	-	-	-	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss		(12,966)	(1)	38,869	3	(121,331)	(3)	(104,451)	(3)
	Total other comprehensive income (loss) for the period		(5,739)	(1)	85,339	7	(111,322)	(3)	(66,087)	(2)
8500	Total comprehensive income for the period		\$ 235,239	13	\$ 204,272	17	\$ 492,598	10	\$ 146,010	4
8600	Net profit (loss) attributable to :									
8610	Owners of the Corporation		\$ 209,655	12	\$ 96,126	8	\$ 516,478	11	\$ 164,029	5
8620	Non-controlling interests		31,323	2	22,807	2	87,442	2	48,068	1
	Net income (loss)		\$ 240,978	14	\$ 118,933	10	\$ 603,920	13	\$ 212,097	6
8700	Total comprehensive income attributable to :									
8710	Owners of the Corporation		\$ 205,774	11	\$ 174,817	15	\$ 421,719	9	\$ 110,782	3
8720	Non-controlling interests		29,465	2	29,455	2	70,879	1	35,228	1
	Total comprehensive income		\$ 235,239	13	\$ 204,272	17	\$ 492,598	10	\$ 146,010	4
	Earnings per share (dollar)	6.(31)								
9750	Basic		\$ 1.13		\$ 0.52		\$ 2.79		\$ 0.89	
9850	Diluted		\$ 1.09		\$ 0.51		\$ 2.71		\$ 0.87	

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

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Not Audited)

項 目	Equity Attributable to Owners of the Corporation									Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Total		
	Ordinary Shares	Advance Receipts for Capital Stock		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2020	\$ 1,849,683	\$ -	\$ 421,121	\$ 768,091	\$ 284,690	\$ 1,516,426	\$ (344,771)	\$ 139,311	\$ 4,634,551	\$ 579,189	\$ 5,213,740
Appropriation of 2019 earnings (Note 6.(21))											
Legal reserve	-	-	-	30,592	-	(30,592)	-	-	-	-	-
Cash dividends to ordinary shareholders	-	-	-	-	-	(240,458)	-	-	(240,458)	-	(240,458)
Changes in the net interest of associates recognised under the equity method	-	-	64	-	-	-	-	-	64	-	64
Received donation from shareholders	-	-	28	-	-	-	-	-	28	-	28
Net profit for the nine-months ended September 30, 2020	-	-	-	-	-	164,029	-	-	164,029	48,068	212,097
Other comprehensive income for the nine-months ended September 30, 2020	-	-	-	-	-	-	(91,611)	38,364	(53,247)	(12,840)	(66,087)
Total comprehensive income for the nine-months ended September 30, 2020	-	-	-	-	-	164,029	(91,611)	38,364	110,782	35,228	146,010
The difference between the actual price of equity acquired from the subsidiary and the book amount	-	-	3,563	-	-	-	(525)	-	3,038	(13,952)	(10,914)
Share-based payment expenses	-	-	6,180	-	-	-	-	-	6,180	-	6,180
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(24,559)	(24,559)
BALANCE AT SEPTEMBER 30, 2020	\$ 1,849,683	\$ -	\$ 430,956	\$ 798,683	\$ 284,690	\$ 1,409,405	\$ (436,907)	\$ 177,675	\$ 4,514,185	\$ 575,906	\$ 5,090,091
BALANCE AT JANUARY 1, 2021	\$ 1,849,683	\$ -	\$ 432,784	\$ 798,682	\$ 284,690	\$ 1,529,619	\$ (357,177)	\$ 177,692	\$ 4,715,973	\$ 612,084	\$ 5,328,057
Appropriation of 2020 earnings (Note 6.(21))											
Legal reserve	-	-	-	28,424	-	(28,424)	-	-	-	-	-
Cash dividends to ordinary shareholders	-	-	-	-	-	(221,962)	-	-	(221,962)	-	(221,962)
Share of the other comprehensive income of associates disposal equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	763	-	(763)	-	-	-
Received donation from shareholders	-	-	23	-	-	-	-	-	23	-	23
Net profit for the nine-months ended September 30, 2021	-	-	-	-	-	516,478	-	-	516,478	87,442	603,920
Other comprehensive income for the nine-months ended September 30, 2021	-	-	-	-	-	-	(104,768)	10,009	(94,759)	(16,563)	(111,322)
Total comprehensive income for the nine-months ended September 30, 2021	-	-	-	-	-	516,478	(104,768)	10,009	421,719	70,879	492,598
Share-based payment transaction	-	28,640	18,819	-	-	-	-	-	47,459	-	47,459
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(102,409)	(102,409)
BALANCE AT SEPTEMBER 30, 2021	\$ 1,849,683	\$ 28,640	\$ 451,626	\$ 827,106	\$ 284,690	\$ 1,796,474	\$ (461,945)	\$ 186,938	\$ 4,963,212	\$ 580,554	\$ 5,543,766

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

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Not Audited)

Description	For the nine-month ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	\$ 827,048	\$ 319,298
Adjustments for		
The profit or loss items which did not affect cash flows:		
Depreciation	126,724	124,843
Amortization	17,194	27,195
Expected credit loss	1,099	3,365
Net loss on financial assets and liabilities at fair value through profit or loss	16,566	49,657
Interest expenses	10,891	9,962
Interest income	(70,434)	(66,225)
Dividends income	(8,482)	(6,785)
Share-based payment expenses	3,325	6,180
Share of (profit) loss of associates ventures accounted for using the equity method	(4,473)	12,071
Loss on disposal of investments	-	782
(profit) Loss on disposal of property, plant and equipment	138	(1,876)
Property, plant and equipment for recognition as an expense	-	110
Unrealized foreign exchange (gains) losses	(14,150)	44,140
Other item	(2,993)	-
Changes in operating assets and liabilities :		
Financial assets at fair value through profit or loss	(216,798)	(320,825)
Notes receivables	46,746	18,360
Accounts receivable	(349,660)	120,469
Accounts receivable-related parties	(4)	65
Other receivables	17,555	19,841
Other receivables -related parties	-	186
Inventories	(287,298)	35,408
Prepayments and Other current assets	(105,624)	(8,453)
Current contract	(4,825)	(3,033)
Notes payable	-	54
Accounts payable	255,232	(7,598)
Accounts payable-related parties	3,200	(697)
Other payables	(32,269)	(31,311)
Other payables-related parties	1,895	(208)
Other current liabilities	9,902	6,718
Net defined benefit liabilities-noncurrent	(9,965)	(14,000)
Cash generated from operating activities:	230,540	337,693
Interest received	78,455	67,791
Dividends received	8,482	6,785
Interest paid	(10,859)	(10,039)
Income tax paid	(174,125)	(107,225)
Net cash flows from operating activities	132,493	295,005

(Continuing)

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUING)
(Expressed in thousands of New Taiwan dollars)
(Reviewed, Not Audited)

Description	For the nine-month ended September 30	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets measured at amortized cost	\$ -	\$ (506,464)
Proceeds from disposal of financial assets measured at amortized cost	22,444	642,540
Proceeds from disposal of investments accounted for using equity method	-	629
Dividends received from investments accounted for using equity method	1,990	4,975
Disposal of subsidiaries	-	317
Acquisition of property, plant and equipment	(105,778)	(115,879)
Proceeds from disposal of property, plant and equipment	2,175	8,109
(Increase) Decrease in refundable deposits	(42)	1,123
Acquisition of intangible assets	(343)	(1,139)
Decrease (Increase) in other current financial assets	17,911	(26,262)
Increase in other noncurrent assets	(11,347)	(23,042)
(Increase) Decrease in prepayments for business facilities	(19,895)	18,032
Net cash (used in) provided by investing activities	(92,885)	2,939
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Short-term borrowings	19,589	302,451
Increase in long-term borrowings	24,177	38,272
Cash payment for the principal portion of the lease liabilities	(12,466)	(9,089)
Payment of cash dividends	(221,962)	(240,458)
Employee exercise of stock warrant	44,134	-
Cash dividends paid by subsidiaries to non-controlling interests	(102,409)	(24,559)
Acquisition of subsidiaries Equity	-	(7,749)
Other financing activities	23	28
Net cash (used in) provided by financing activities	(248,914)	58,896
Effect of changes in exchange rate on cash and cash equivalents	(68,244)	(106,355)
Net (decrease) increase in cash and cash equivalents	(277,550)	250,485
Cash and cash equivalents at the beginning of the period	3,134,587	3,033,334
Cash and cash equivalents at the end of the period	\$ 2,857,037	\$ 3,283,819

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

G-SHANK ENTERPRISE 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. Company history

G-SHANK ENTERPRISE CO., LTD. (hereinafter referred to as “the company”) was approved for incorporation on November 14, 1973. The company was registered and operated at No. 1, Jiuzhou Road, Jiudou Li, Hsinwu District, Taoyuan City for the production and sales of molds, stamping parts, fixtures and tools, automatic machines and electrical appliances, and mechanical components.

The company’s stock had been listed for trade on the “Taipei Exchange, TPEX” since February 1998, then have been listed for trade on the “Taiwan Stock Exchange Corporation, TWSE” since September 2001.

The company’s board of directors had resolved on October 22, 2007 for the merger of the company and the subsidiary “HON YEY INVESTMENT CO., LTD.” (Referred to as “HON YEY” hereinafter) with “HON YEY” discontinued and the company continues to operate. The name of the merged company is “G-SHANK ENTERPRISE CO., LTD.” still with the merger base date scheduled on December 1, 2007.

“HON YEY,” the discontinued company, was approved for incorporation on February 24, 1998 for the operation of a general investment business.

2. Financial report approval date and procedure

The consolidated financial reports of the company and the subsidiaries (hereinafter referred to as “the Group”) for the nine-month periods ended September 30, 2021 and 2020 were submitted to the company’s board of directors on November 4, 2021 and then published lawfully.

3. Application of the newly issued and revised standards and interpretations

(1) Implemented the standards and interpretations recognized and issued with effect by the Financial Supervisory Commission (hereinafter referred to as the “FSC”)

The Group has subject to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations, and Notices (IFRS), Interpretation (IFRIC) and Interpretative Announcement (SIC) announced on the website of Securities and Futures Bureau, Financial Supervisory Commission for implementation in 2021 since January 1, 2021. The new/amended/revised standards and interpretations that have been released by the International Accounting Standards Board (hereinafter referred to as IASB) and recognized and released by the FSC in 2021 are as follows:

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Review only without following generally accepted auditing standards)

(Unit amount in NT\$ Thousand, unless otherwise specified)

New/Revision/Amendment Standards and Explanations	Content	Effective in the annual period commencing from the following date of IASB announcement
IFRS 4 (Amendments)	Extension of the Temporary Exemption from Applying IFRS 9	Effective from the date of announcement.
IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 (Amendment)	Interest Rate Benchmark Reform—Phase 2	January 1, 2021
IFRS 16 (Amendment)	Covid-19-Related Rent Concessions after June 30, 2021	April 1, 2021

The management of the Group has adopted the foregoing standards amendment approved and announced for effectiveness by the Financial Supervisory Commission, and such adoption does not result in a material impact on the consolidated financial reports of the Group.

(2) New/revision/amendment standards and explanations announced by IASB that are not yet effective and are approved by the Financial Supervisory Commission without adoption.

New/Revision/Amendment Standards and Explanations	Content	Effective in the annual period commencing from the following date of IASB
IFRS 3 (Amendment)	Reference to the Conceptual Framework	January 1, 2022
IFRS (Amendment)	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 16 (Amendment)	Property, Plant, and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37 (Amendment)	Onerous Contracts—Cost of Fulfilling a Contract	January 1, 2022

The management of the Group is assessing the potential influence on the amendments to the foregoing standards and hence temporarily and could not reasonably estimate the impact on the consolidated financial reports of the Group.

(3) New/revision/amendment standards and explanations announced by IASB that are not yet effective and unapproved by the Financial Supervisory Commission

<u>New/Revision/Amendment Standards and Explanations</u>	<u>Content</u>	<u>Effective in the annual period commencing from the following date of IASB</u>
IFRS 10 and IAS 28 (Amendment)	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
IFRS 17 (Amendment)	Amendments to IFRS 17	January 1, 2023
IAS 1 (Amendment)	Classification of Liabilities as Current or Non-current -Deferral of Effective Date	January 1, 2023
IAS 1 (Amendment)	Disclosure of Accounting Policies	January 1, 2023
IAS 8 (Amendment)	Definition of Accounting Estimates	January 1, 2023
IAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

The management of the Group is assessing the potential influence on the foregoing standards or amendments to standards and hence temporarily and could not reasonably estimate the impact on the consolidated financial reports of the Group.

(4) New/revision/amendment standards and explanations announced by IASB that are not yet effective and unapproved and announced by the Financial Supervisory Commission for effectiveness : None.

4. Summary of major accounting policies

The major accounting policies adopted for the preparation of the consolidated financial statements are summarized as follows, unless otherwise provided, these accounting policies are uniformly applicable to all reporting periods :

(1) Financial report preparation and measurement basis

A. Statement of Compliance

These consolidated financial statements are prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” (referred to as the “Regulations” hereinafter) and International Accounting Standards (IAS) No. 34 “Interim Financial Reporting” that was recognized and issued with effect by the Financial Supervisory Commission.

B. Measurement basis

Except for the financial instruments measured at fair value, this consolidated financial report is prepared on the basis of historical cost. For assets, the historical cost refers to the cash, cash equivalents, or the fair value of other considerations paid to obtain assets. For liabilities, the historical cost refers to the amount received when assuming obligations or the amount expected to be paid for liquating liabilities.

C. Functional and reporting currency

The functional currency of each business entity of the Group is the currency used in the main economic environment where it operates. This consolidated financial report is prepared in New Taiwan Dollar that is the functional currency of the company. All financial information prepared in New Taiwan Dollar is in the unit of “NT\$ Thousand,” unless otherwise specified.

(2) The preparation scope of consolidated financial report

The company controls the invested company when the company receives variable remuneration from the invested company or is entitled to receiving such variable remuneration; also, the company can influence such remuneration through its power over the invested company. The company controls the invested company only when meeting the following three control elements:

- A. The power over the invested company, that is, with the vested power to lead the relevant activities of the invested company;
- B. The risk exposure or rights to the variable remuneration resulted from the investment in the invested company; and
- C. Exercise the power over the invested company to affect the company’s remuneration.

If there are facts and circumstances indicating that one or more of the aforementioned three control factors has changed, the company will reevaluate whether the control over the invested company is intake.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

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(Unit amount in NT\$ Thousand, unless otherwise specified)

The subsidiaries included in the consolidated financial report and their changes are as follows:

Investing company	Subsidiary	Location	Business nature	Shareholding ratio (%)		
				September 30, 2021	December 31, 2020	September 30, 2020
The company	CHIN DE INVESTMENT CO., LTD.	Taiwan	General investment	100.00	100.00	100.00
The company	GRAND STAR ENTERPRISES L.L.C. (Note 3)	Anguilla	General investment	100.00	100.00	100.00
The company	G-SHANK, INC.	USA	Sales of stamping parts molds, and fixtures, and holding company	100.00	100.00	100.00
The company	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	China Shanghai (Note 1)	Precision progressive die and hardware products	85.00	85.00	85.00
The company	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD. (Note 2)	China Suzhou (Note 1)	Planer, milling machine or die machine, precision progressives die, and hardware products	5.86	5.86	5.86
The company	G-SHANK ENTERPRISE (M) SDN. BHD.	Malaysia	Stamping parts molds and fixtures	92.33	92.33	92.33
The company	G-SHANK JAPAN CO., LTD.	Japan Tokyo	International trade	58.89	58.89	58.89
The company	GREAT-SHANK CO., LTD.	Thailand	Precision progressive die and hardware products	85.00	85.00	85.00
GRAND STAR ENTERPRISES L.L.C. (Note 3)	GLOBAL STAR INTERNATIONAL CO., LTD.	Cayman Islands	General investment	100.00	100.00	100.00
GLOBAL STAR INTERNATIONAL CO., LTD.	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	China Shanghai (Note 1)	Precision progressive die and hardware products	80.19	80.19	80.19

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Review only without following generally accepted auditing standards)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Investing company	Subsidiary	Location	Business nature	Shareholding ratio (%)		
				September 30, 2021	December 31, 2020	September 30, 2020
GLOBAL STAR INTERNATIONAL CO., LTD.	G-LONG PRECISION MACHINERY (DONGGUAN) CO., LTD.	China Dongguan (Note 1)	Precision progressive die and hardware products	51.00	51.00	51.00
GLOBAL STAR INTERNATIONAL CO., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	China Xiamen (Note 1)	Precision progressive die and hardware products	79.60	79.60	79.60
GLOBAL STAR INTERNATIONAL CO., LTD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD. (Note 2)	China Suzhou (Note 1)	Planer, milling machine or die machine, precision progressive die, and hardware products	94.14	94.14	94.14
GLOBAL STAR INTERNATIONAL CO., LTD.	QINGDAO G-SHANK PRECISION SDN.BHD.	China Qingdao (Note 1)	Precision progressive die and hardware products	92.83	92.83	92.83
GLOBAL STAR INTERNATIONAL CO., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD	China Shanghai (Note1)	Precision progressive die and hardware products	85.00	85.00	85.00
GLOBAL STAR INTERNATIONAL CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	China Tianjin (Note 1)	Precision progressive die and hardware products	88.20	88.20	88.20
GLOBAL STAR INTERNATIONAL CO., LTD.	SHENZHEN G-SHANK PRECISION SDN.BHD.	China Shenzhen (Note 1)	Precision progressive die and hardware products	93.85	93.85	93.85
GLOBAL STAR INTERNATIONAL CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	China Shenzhen (Note 1)	Precision progressive die and hardware products	91.43	91.43	91.43
G-SHANK, INC.	G-SHANK DE MEXICO, S.A. DE C.V.	Mexico	Stamping parts molds and fixtures	100.00	100.00	100.00
G-SHANK ENTERPRISE (M) SDN. BHD.	PT INDONESIA G-SHANK PRECISION	Indonesia	Stamping parts molds and fixtures	94.00	94.00	94.00

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

(Continuing)

(Review only without following generally accepted auditing standards)

(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Investing company	Subsidiary	Location	Business nature	Shareholding ratio (%)		
				September 30, 2021	December 31, 2020	September 30, 2020
SHANGHAI	HUBEI HANSTAR	China	Precision progressive	100.00	100.00	100.00
G-SHANK	ELECTRONICS	Hubei	die and hardware			
PRECISION	TECHNOLOGY CO.,	(Note 1)	products, and			
HARDWARE CO.,	LTD.		electroplating			
LTD.			processing			
G-LONG	DONGGUAN QIAOJU	China	Plastic hardware	100.00	100.00	100.00
PRECISION	TRADING CO., LTD.	Dongguan	wholesale and			
MACHINERY		(Note 1)	import/export			
(DONG GUAN)			business			
CO., LTD.						

Note 1: The aforementioned companies are established in China where the foreign exchange control is enforced; therefore, the transfer of funds is restricted by local law and regulations. As of September 30, 2021, December 31, 2020, and September 30, 2020, the cash, bank deposits, and financial assets-current measured at amortized cost and other financial assets-current of the companies that are subject to foreign exchange control regulation were NT\$1,652,580 thousand, NT\$2,060,183 thousand, and NT\$2,025,904 thousand, respectively.

Note 2: The company signed an equity transfer agreement with the shareholders of G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD. on May 24, 2019. The company agreed to buy 5.86% shareholding for RMB 2,503,481 from G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD., resulting in a total shareholding of 100% thereafter. The aforementioned equity transfer procedure was completed on January 20, 2020.

Note 3: GRAND STAR ENTERPRISES L.L.C. was originally known as “US GRAND STAR ENTERPRISES L.L.C.” and it was officially relocated from the United States to Anguilla on December 7, 2020 that was approved by the Investment Commission, MOEA on January 11, 2021.

G-SHANK ENTERPRISE CO., LTD. has prepared the consolidated financial reports with the separate statements from all subsidiaries accordingly. Except for SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD, GRAND STAR ENTERPRISES

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(Review only without following generally accepted auditing standards)

(Unit amount in NT\$ Thousand, unless otherwise specified)

L.L.C. and GLOBAL STAR INTERNATIONAL Co., Ltd., which financial statements for the first three quarters of 2021 and 2020 having been audited by certified accounts, the financial statements of the remaining subsidiary companies have not been audited by certified accountants during the same accounting periods. The total assets of the unaudited subsidiary companies as of September 30, 2021 and 2020 are NT\$3,478,201 thousand and NT\$3,228,139 thousand, respectively. The total liabilities are NT\$547,568 thousand and NT\$516,466 thousand respectively. The total consolidated profits and losses were NT\$110,584 thousand, NT\$91,035 thousand and NT\$254,644 thousand, NT\$93,538 thousand, for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

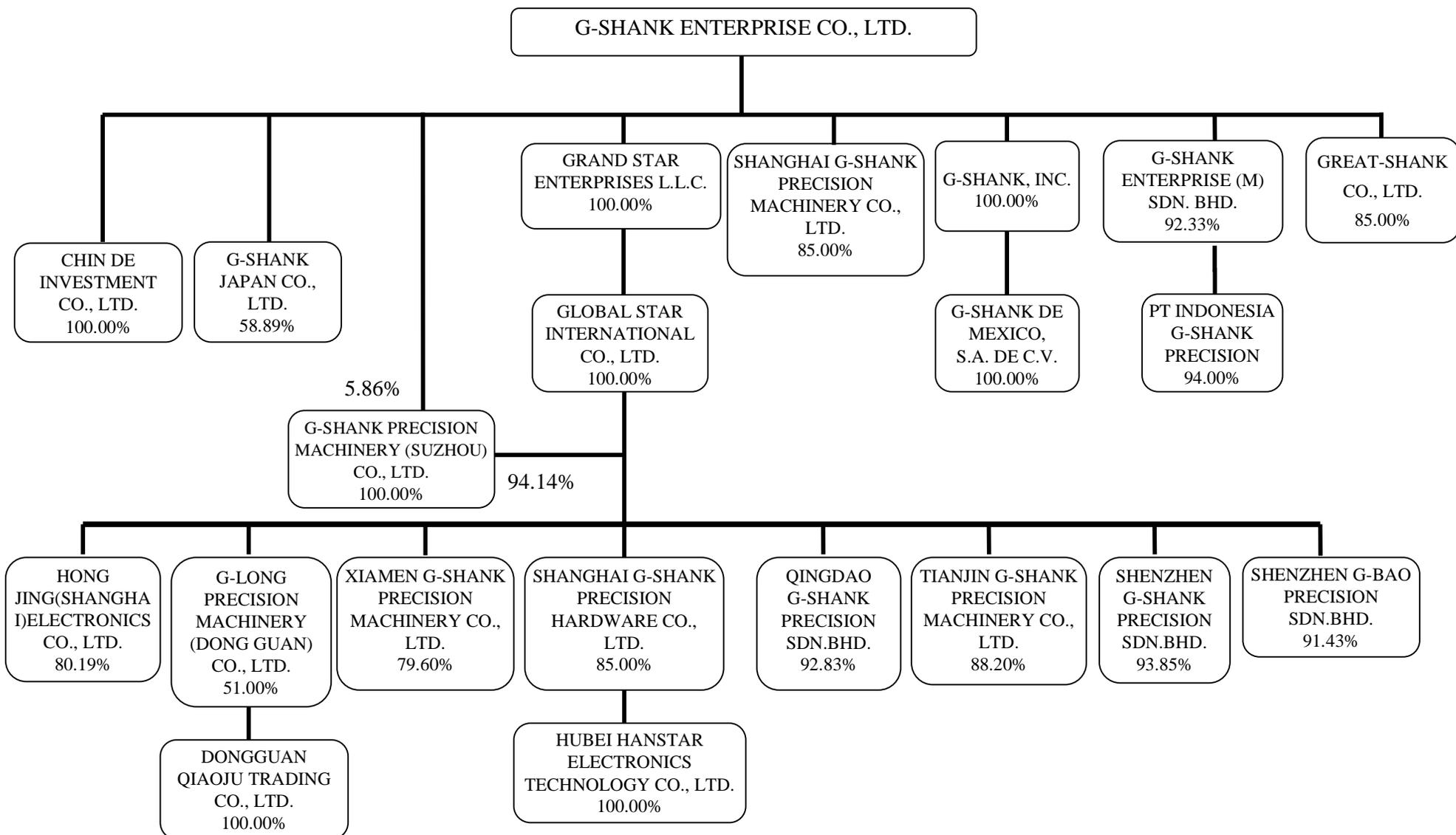
As of September 30, 2021, the investment and shareholding ratios of the company and its subsidiaries are as follows:

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and SUBSIDIARIES

(Continuing)

(Review only without following generally accepted auditing standards)

(Unit amount in NT\$ Thousand, unless otherwise specified)



(3) Principles for the preparation of consolidated financial report

A. The consolidated financial report is prepared in accordance with International Financial Reporting Standards No. 10 “Consolidated Financial Statements.” The assets and liabilities, equity, income, expenses and losses, and cash flows related to the transactions between business entities of the Group were written-off at the time of preparing the consolidated financial report; also, similar transactions and events under similar circumstances were handled in accordance with the uniform accounting policies. The consolidated financial report included income and expenses of the subsidiary incurred from the date the control was obtained to the date the control terminated. The comprehensive profit and loss are attributable to the shareholders’ equity and non-controlling interests of the company, even if it causes losses to the non-controlling interests eventually.

B. Transactions between shareholders of the company and non-controlling interests

(A) Without resulting in “loss of control”

It is handled as an equity transaction. The difference between the fair value of any consideration paid for the purchase of non-controlling interests and the net book value of the relevant assets acquired from the subsidiary is recognized as equity and is attributable to the shareholders of the company. The profit or loss from the disposal of non-controlling interests is also recognized in equity.

(B) Resulting in “loss of control”

If a change in the ownership of the subsidiary’s equity results in the loss of control, the assets, liabilities, non-controlling interests, and all other equity constituents related to the former subsidiary are delisted on the date of loss of control; also, the difference among the said delisted amount and the fair value of the considerations collected, the share distribution for the equity transaction conducted with the former subsidiary, and the fair value of any retained investment are recognized in profit and loss. In addition, any remaining investment in the former subsidiary is measured at the fair value on the date of “loss of control,” and it is regarded as the fair value of the originally recognized financial asset, or as the cost of the original investment in an affiliated enterprise or a joint venture.

(4) Employee benefits - retirement benefits

A. All full-time employees of the company are entitled to the retirement plan. The entire employee pension fund is deposited in the pension fund account and managed by the Labor Retirement Reserve Committee. The aforementioned pension fund is deposited in the name of the Labor Retirement Reserve Committee that is completely separated from

the company; therefore, it is not included in the aforementioned consolidated financial report. The retirement plan for employees of foreign subsidiaries is handled in accordance with local law and regulations.

- B. For a defined contribution plan, the company's monthly employee pension contribution rate shall not be less than 6% of the employee's monthly salary, and the contributed amount is recognized as the current expense. Foreign subsidiaries are to appropriate a certain percentage of the salary as pension according to the local law; also, it is recognized as a current expense.
- C. For a defined benefit plan, the actuarial pension amount should be appropriated on the annual reporting date according to the Projected Unit Credit Method. The re-measured amount is included in other comprehensive profits and losses when it occurs; also, it is immediately recognized in the retained earnings. The pension cost in the interim period is calculated according to the pension cost rate actuarially calculated at the end of the previous year for the period from the beginning to the end of the year; also, the major market fluctuations, major reductions, settlements, or other significant non-reoccurring events after the end of the year should be adjusted and disclosed accordingly.

(5) Income tax

- A. Income tax expenses include current and deferred income taxes. Except for those related to business mergers, directly recognized in equity, or other comprehensive profit and loss, current income tax and deferred income tax expenses are recognized in profit and loss.
- B. Current income tax expenses refer to the estimated income tax payable or tax refund receivable calculated on the taxable income or loss of the current year at the tax rate that has been legislated or substantively legislated on the reporting date, including any adjustment made to the income tax payable or refundable of the previous year.
- C. Deferred income tax expenses are calculated and recognized on the temporary difference between the tax base of assets and liabilities and the book amounts reported.
- D. Deferred income tax assets and liabilities are measured at the tax rate applicable when the temporary difference is expected to reverse that has been legislated or substantively legislated on the reporting date. Deferred income tax assets and liabilities can only be applied to offset current income tax assets and liabilities lawfully; also, it is limited to the same taxpayer and the same levying tax authority; or it can be offset by different taxpayers when the intention is to have the net current income tax liabilities and assets offset, or the income tax liabilities and assets will be realized at the same time.

- E. The outstanding taxable losses, income tax credit, and deductible temporary differences are recognized as deferred income tax assets to the extent of the potential taxable income that occurred in the future. Also, the deferred income tax assets are evaluated on each reporting day and adjusted down to the extent of the relevant tax benefit unlikely to be realized.
- F. For the domestic subsidiaries of the Group, for the additionally levied business income tax on the unappropriated earnings of the year, the income tax expense of the unappropriated earnings is recognized according to the actual earnings distribution that is resolved in the shareholders meeting of the following year.
- G. The income tax expense of the interim reporting period is measured according to the best estimated annual effective tax rate by the management, that is, apply the estimated annual average effective tax rate to the net income before tax in the interim reporting period. For any change in the legislated tax rate that occurred in the interim reporting period, the relevant income tax effect is recognized in a lump sum during the said interim reporting period.

(6) Other significant accounting policies

The other significant accounting policies adopted in preparing this consolidated financial report are the same as those in Note 4 of the 2020 consolidated financial report. Please refer to the Group's 2020 consolidated financial report for details.

5. Main causes of uncertainty to material accounting judgments, estimates and assumptions

The management must make judgments, estimations, and assumptions when preparing the Group's consolidated financial report, which will affect the reported amount of income, expenses, assets, and liabilities. The uncertainties of these material assumptions and estimations may cause significant adjustments to the book amount of assets and liabilities in the future, that is, actual results may differ from estimates.

The significant judgments made by the management of the Group while preparing this consolidated financial report, as well as the main causes of uncertainty in assumptions and estimations about the future are the same as those in Note 5 of the 2020 consolidated financial report. Please refer to the Group's 2020 consolidated financial report for details.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and SUBSIDIARIES
(Continuing)
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6. Description of important accounting items

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31,2020</u>	<u>September 30,2020</u>
Cash and petty cash	\$6,416	\$5,058	\$5,064
Checking deposit and savings deposit	1,273,938	973,561	1,064,872
Time deposits	1,576,683	2,155,968	2,213,883
Total	<u>\$2,857,037</u>	<u>\$3,134,587</u>	<u>\$3,283,819</u>

A. The aforementioned time deposits can be converted into a fixed amount of cash at any time and with limited risk of value changes.

B. The aforementioned bank deposits had not been provided as collateral or mortgaged.

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

	<u>September 30, 2021</u>	<u>December 31,2020</u>	<u>September 30,2020</u>
<u>Financial assets measured at fair value through profit and loss mandatorily</u>			
Acquisition cost:			
Funds	\$125,543	\$118,886	\$123,449
Bonds	1,218,367	1,013,585	740,993
SWAP contracts	-	-	-
Subtotal	<u>1,343,910</u>	<u>1,132,471</u>	<u>864,442</u>
Evaluation adjustment:			
Funds	\$71	\$530	\$128
Bonds	(60,927)	(32,711)	(53,226)
SWAP contracts	2,993	889	-
Subtotal	<u>(57,863)</u>	<u>(31,292)</u>	<u>(53,098)</u>
Total	<u>\$1,286,047</u>	<u>\$1,101,179</u>	<u>\$811,344</u>

Financial liabilities held for trading:

Acquisition cost:

SWAP contracts	\$-	\$-	\$-
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Evaluation adjustment:

SWAP contracts	-	-	852
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Total	<u>\$-</u>	<u>\$-</u>	<u>\$852</u>
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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

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- A. The SWAP contracts and structured instruments signed with financial institutions for the first three quarters of 2021 and 2020, were the financial hedging operations of the company mainly for hedging changes in claims/obligations exchange rate and interest rate, but it is not specified as a hedging tool. The company's derivative instruments of the available-for-trade financial assets that are not subject to the hedging accounting are detailed as follows:

Financial instrument	Nominal principal (NT\$ Thousand)	Currency	Due date
<u>September 30, 2021</u>			
SWAP contract	USD 2,970	USD:NTD	10.25.2021
SWAP contract	USD 7,500	USD:NTD	12.10.2021
SWAP contract	USD 1,080	USD:NTD	02.10.2022
SWAP contract	USD 1,900	USD:NTD	02.25.2022
SWAP contract	USD 2,000	USD:NTD	03.25.2022
SWAP contract	USD 1,350	USD:NTD	06.02.2022
SWAP contract	USD 3,300	USD:NTD	06.21.2022
SWAP contract	USD 1,230	USD:NTD	07.08.2022
SWAP contract	USD1,000	USD:NTD	08.05.2022
Total	USD 22,330		
<u>December 31, 2020</u>			
SWAP contract	USD 7,500	USD:NTD	03.10.2021
SWAP contract	USD 3,000	USD:NTD	03.22.2021
Total	USD 10,500		
<u>September 30, 2020</u>			
SWAP contract	USD 3,300	USD:NTD	12.10.2020

The net losses arising from foreign exchange transactions were NT\$1,148 thousand, NT\$852 thousand, NT\$8,737 thousand, and NT\$852 thousand , for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

- B. The Group's valuation (losses) profits of financial assets at fair value through income were NT\$(12,373) thousand, NT\$13,470 thousand, NT\$(16,566) thousand, and NT\$(48,805) thousand, and valuation losses of financial liabilities at fair value through income were NT\$0 thousand, NT\$852 thousand , NT\$0 thousand, NT\$852 thousand,

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for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively, which were booked in the “Non-operating income and expenses - other profit and loss” account.

C. The aforementioned financial assets measured at fair value through profit and loss had not been provided as collateral or mortgaged.

D. Please refer to Note 12.(2)C.(A) and (B) of the consolidated financial report for the disclosure of the market risk and credit risk of the Group’s financial assets measured at fair value through profit and loss.

(3) Financial assets-current measured at amortized cost

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
RMB time wealth management instruments	\$-	\$22,708	\$107,753
Less: Allowance for loss	-	-	-
Net amount	<u>\$-</u>	<u>\$22,708</u>	<u>\$107,753</u>

A. Financial assets measured at amortized cost refers to the business model of collecting contractual cash flow with the financial assets held, and the contractual cash flow is entirely applied to pay for the principal and the interest of the outstanding principal; therefore, it is classified to be measured at amortized cost.

B. The aforementioned financial assets measured at amortized cost had not been provided as collateral or mortgaged.

C. Please refer to Note 12.(2)C.(B) of the consolidated financial report for the disclosure of the credit risk of the Group’s financial asset measured at amortized cost.

(4) Notes receivable - net

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$34,155	\$80,901	\$59,631
Less: Allowance for loss	-	-	-
Net amount	<u>\$34,155</u>	<u>\$80,901</u>	<u>\$59,631</u>

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and SUBSIDIARIES
(Continuing)
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(5) Accounts receivable - net

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts receivable	\$1,526,553	\$1,180,904	\$1,011,443
Less: Allowance for loss	(30,163)	(32,248)	(29,489)
Net amount	<u>\$1,496,390</u>	<u>\$1,148,656</u>	<u>\$981,954</u>

A. The allowance for loss of the Group's notes receivable, accounts receivable, and other receivable is simply measured by the expected credit losses amount throughout the duration. The notes receivable and accounts receivable are classified according to the common risk characteristics of the customers' ability to pay all due amounts in accordance with the contract terms, taking into account the reasonable and provable information related to past events, current conditions, and future economic conditions (obtainable without excessive cost or investment on the reporting date), and estimating the expected credit loss according to the estimated default rate and expected credit loss rate.

B. The increase or decrease of allowance for loss of the Group's notes receivable, accounts receivable, and other receivable is as follows:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance - beginning	\$32,248	\$26,500
Allowance account for the impairment of notes receivable, accounts receivable, and other receivables	1,099	3,365
Allowance reversal account for the impairment of notes receivable, accounts receivable, and other receivables	-	-
Write off other uncollectible receivables	(2,637)	-
Exchange difference	(547)	(376)
Balance - ending	<u>\$30,163</u>	<u>\$29,489</u>

C. Please refer to Note 12.(2)C.(B) of the consolidated financial report for the disclosure of the credit risk of the Group's notes receivable, accounts receivable, and other receivables.

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(6) Inventory

	September 30, 2021		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$367,376	\$15,029	\$352,347
Substances	29,960	381	29,579
Work-in-process goods	257,166	42,444	214,722
Finished goods	447,994	27,056	420,938
Merchandise trade	16,196	1,063	15,133
Total	\$1,118,692	\$85,973	\$1,032,719

	December 31, 2020		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$243,238	\$18,784	\$224,454
Substances	40,857	64	40,793
Work-in-process goods	200,263	29,747	170,516
Finished goods	324,561	23,135	301,426
Merchandise trade	12,812	4,580	8,232
Total	\$821,731	\$76,310	\$745,421

	September 30, 2020		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$239,797	\$19,987	\$219,810
Substances	39,432	137	39,295
Work-in-process goods	187,642	24,529	163,113
Finished goods	307,631	29,767	277,864
Merchandise trade	12,314	899	11,415
Total	\$786,816	\$75,319	\$711,497

A. Cost of goods sold related to inventory is as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Inventory booked in “cost of goods sold”	\$1,234,027	\$850,592	\$3,333,655	\$2,500,760
Inventory cost debited to “net cash value”	7,492	-	11,004	-
Recovery of the net cash value of inventory	-	(1,748)	-	(357)
Inventory loss	1,103	3,484	7,659	9,254
Total operating cost	\$1,242,622	\$852,328	\$3,352,318	\$2,509,657

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B. Due to the recovery of raw material price or the use of raw material that was with allowance for inventory loss in valuation appropriated for the three-month and nine-month periods ended September 30, 2020, or the work-in-process goods completed and transferred to the finished goods and sold or the finished goods sold, so the reason for the net cash value of inventory lower than the cost had disappeared and the booked net cash value of inventory increased; resulting in the cost of goods sold decreased by NT\$1,748 thousand, and NT\$357 thousand.

C. The aforementioned inventory had not been provided as collateral or mortgaged.

(7) Other financial assets-current

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Time deposit	\$29,183	\$61,301	\$61,119
Restricted assets – bank deposit	1,065	3,962	3,421
Special account for transferring overseas funds back to Taiwan			
Savings deposit	47,401	2,586	4,604
Time deposit	-	27,711	34,600
Total	<u>\$77,649</u>	<u>\$95,560</u>	<u>\$103,744</u>

Please refer to Note 8 of the consolidated financial report for the other financial assets-current provided as collateral or mortgaged.

(8) Financial assets-noncurrent measured at fair value through other comprehensive profit and loss

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Equity instrument</u>			
Unlisted stocks	\$27,006	\$27,006	\$27,006
Equity instrument investment evaluation adjustment	183,282	178,348	178,661
Total	<u>\$210,288</u>	<u>\$205,354</u>	<u>\$205,667</u>

A. Equity instrument investment measured at fair value through other comprehensive profit and loss was not an available-for-trade investment; therefore, the Group chose to have it designated as measured at fair value through other comprehensive profit and loss.

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- B. The Group had recognized dividend income from the investment in equity instrument measured at fair value through other comprehensive profit and loss were NT\$0 thousand, NT\$0 thousand, NT\$8,482 thousand, and NT\$6,785 thousand for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.
- C. The Group did not have cumulative profit or loss transferred within equity for the three-month and nine-month periods ended September 30, 2021 and 2020.
- D. The aforementioned financial assets measured at fair value through other comprehensive profit and loss had not been provided as collateral or mortgaged.
- E. Please refer to Note 12.(2)C.(A) and (B) of the consolidated financial report for the disclosure of the market risk and credit risk of the Group's financial asset measured at fair value through other comprehensive profit and loss.

(9) Investment under the equity method

- A. The Group's invested companies under the equity method are individually insignificant affiliated companies with the book amount and equity holding ratio as follows:

Affiliated enterprises	September 30, 2021	Equity holding ratio (%)	December 31, 2020	Equity holding ratio (%)	September 30, 2020	Equity holding ratio (%)
SUNFLEX TECHNOLOGY CO., LTD. (Note 3)	\$154,068	14.74	\$146,510	14.74	\$152,408	14.74
CHANG HONG SHEN HARDWARE CO., LTD. (Note 2)	-	-	-	-	-	-
OASIS WORLD CO., LTD. (Note 1)	-	-	-	-	-	-
Total	<u>\$154,068</u>		<u>\$146,510</u>		<u>\$152,408</u>	

Note 1: The company's board of directors had resolved to have the subsidiary, OASIS WORLD CO., LTD., dissolved and liquidated on November 7, 2019 due to the needs of business operation and management. Therefore, the said subsidiary was not included in the consolidated financial report since the said date. The liquidation procedure was completed on May 22, 2020.

Note 2: The Group decided to terminate the investment in CHANG HONG SHEN HARDWARE CO., LTD. (referred to as "CHANG HONG SHEN HARDWARE" hereinafter) according to the evaluation result with an agreement reached with the operating shareholders of CHANG HONG SHEN HARDWARE in May 2020. The company had recognized an investment loss of RMB 183,680 (equivalent to NT\$782 thousand) according to the book amount of RMB 683,680 at the end of April 2020, net of the equipment payable of RMB 350,000 to CHANG HONG SHEN HARDWARE, and the recovered investment of RMB 150,000, which was booked in the "loss from the disposal of investment" for the three-month periods ended June 30, 2020.

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Note 3: The Group is the largest single shareholder of SUNFLEX TECHNOLOGY CO., LTD. with 14.74% voting shares. The shareholding of other top-ten shareholders (not related parties) exceeds the Group, and the shareholders have not agreed to discuss or make decisions collectively; apparently, the Group has no actual ability to lead relevant decision-making. Therefore, it is concluded that the Group has no control over SUNFLEX TECHNOLOGY CO., LTD., but only significant influence.

B. The Group's shareholding in each individual insignificant affiliated company is summarized as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Net profit (loss) of the continuing business unit – current	\$3,116	\$(5,518)	\$4,473	\$(12,071)
Other comprehensive profit and loss (after tax) - current	1,106	(235)	5,075	(952)
Total comprehensive profit and loss - current	<u>\$4,222</u>	<u>\$(5,753)</u>	<u>\$9,548</u>	<u>\$(13,023)</u>

C. The increase or decrease of the Group's investments under the equity method is as follows:

	For the nine-month periods ended September 30,	
	2021	2020
Balance - beginning	\$146,510	\$173,537
Dividends pay from associates	(1,990)	(4,975)
Profit (loss) amount - current	4,473	(12,071)
Value of investment under the equity method for the current term disposition	-	(2,413)
Losses on Disposal of Equity Investments under the Equity Method	-	(782)
Changes in the affiliated enterprises under the equity method	-	64
The exchange difference amount from the conversion of the financial statements of foreign operating institutions	-	(81)
The unrealized valuation profit (loss) amount of the financial assets measured at fair value through other comprehensive profit and loss	4,312	(871)
Earnings from equity instruments at fair value through other comprehensive income are retained by division	763	-
Balance - ending	<u>\$151,068</u>	<u>\$152,408</u>

D. The aforementioned investments under the equity method had not been provided as collateral or mortgaged.

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(Continuing)

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(10) Property, plant and equipment

A. The change in the Group's property, plant and equipment is as follows:

For the nine months ended September 30, 2021

Cost	Land	House & building	Machinery equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment yet to be tested	Total
Balance at January 1, 2021	\$135,721	\$1,023,778	\$2,199,454	\$96,652	\$82,518	\$224,324	\$5,260	\$3,767,707
Addition	-	7,028	80,930	9,741	5,688	10,267	5,201	118,855
Disposition	-	-	(21,245)	(6,203)	(1,233)	(1,388)	-	(30,069)
Reclassification	-	5,058	18,192	-	494	(18,451)	(5,293)	-
Exchange difference	(3,869)	(20,434)	(42,228)	(2,227)	(2,304)	(4,628)	(81)	(75,771)
Balance at September 30, 2021	131,852	1,015,430	2,235,103	97,963	85,163	210,124	5,087	3,780,722
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	-	587,284	1,677,535	65,903	67,577	156,056	-	2,554,355
Depreciation	-	30,635	63,696	6,181	2,933	8,106	-	111,551
Disposition	-	-	(20,140)	(5,230)	(1,113)	(1,273)	-	(27,756)
Reclassification	-	-	3,413	-	-	(3,413)	-	-
Exchange difference	-	(11,718)	(34,714)	(1,559)	(1,902)	(3,895)	-	(53,788)
Balance at September 30, 2021	-	606,201	1,689,790	65,295	67,495	155,581	-	2,584,362
Carrying amount at September 30, 2021	\$131,852	\$409,229	\$545,313	\$32,668	\$17,668	\$54,543	\$5,087	\$1,196,360

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For the nine months ended September 30, 2020

Cost	Land	House & building	Machinery equipment	Transportati on equipment	Office equipment	Other equipment	Construction in progress and equipment yet to be tested	Total
Balance at January 1, 2020	\$138,206	\$1,015,145	\$2,144,727	\$94,403	\$85,382	\$207,608	\$5,829	\$3,691,300
Addition	-	2,113	81,447	6,937	1,616	16,372	7,479	115,964
Disposition	-	-	(48,468)	(5,178)	(2,873)	(1,252)	-	(57,771)
Reclassification	-	4,813	1,310	-	-	671	(6,904)	(110)
Exchange difference	(3,053)	(16,848)	(36,547)	(2,593)	(2,646)	(3,354)	(27)	(65,068)
Balance at September 30, 2020	135,153	1,005,223	2,142,469	93,569	81,479	220,045	6,377	3,684,315
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	-	547,596	1,634,855	66,842	66,809	145,707	-	2,461,809
Depreciation	-	29,014	66,620	4,916	3,269	9,357	-	113,176
Disposition	-	-	(43,166)	(4,640)	(2,604)	(1,128)	-	(51,538)
Exchange difference	-	(8,891)	(28,913)	(1,608)	(2,037)	(2,683)	-	(44,132)
Balance at September 30, 2020	-	567,719	1,629,396	65,510	65,437	151,253	-	2,479,315
Carrying amount at September 30, 2020	\$135,153	\$437,504	\$513,073	\$28,059	\$16,042	\$68,792	\$6,377	\$1,205,000

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- B. The Group’s major building constituents mainly include the main plant buildings, workshops, and plant decoration, which are depreciated according to their service life of 20-50 years and 3-20 years, respectively.
- C. The Group did not acquire property, plant and equipment that caused the capitalization of the loan cost for the three-month and nine-month periods ended September 30, 2021 and 2020.
- D. The Group did not have any impairment occurred to the property, plant and equipment for the three-month and nine-month periods ended September 30, 2021 and 2020.
- E. The aforementioned property, plant and equipment had not been provided as collateral or mortgaged.
- F. The acquired property, plant and equipment listed in the consolidated cash flow statement:

	<u>For the nine-month periods ended September 30.</u>	
	<u>2021</u>	<u>2020</u>
The current addition of property, plant and equipment listed in Note 6(10)A of the consolidated financial report	\$118,855	\$115,964
Add: Equipment payable – beginning	4,556	3,258
Less: Equipment payable – ending	(17,633)	(1,876)
Disposal of the investment price using the equity method minus the payable on equipment	-	(1,467)
Cash outflow for the acquisition of property, plant and equipment	<u>\$105,778</u>	<u>\$115,879</u>

- G. The Group's leased assets are as follows:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
House and building	\$1,340	\$1,340	\$1,340
Less: Accumulated depreciation	(960)	(932)	(923)
Leased assets - net	<u>\$380</u>	<u>\$408</u>	<u>\$417</u>

- (A) The company had part of the plant building leased to BAIYUE PRECISION CO., LTD. (hereinafter referred to as “BAIYUE”) for a period from October 1, 2019 to September 30, 2020. The lease contract was renewed on September 30, 2020 for a lease period from October 1, 2020 to September 30, 2021. The lease contract was renewed on September 30, 2021 for a lease period from October 1, 2021 to September 30, 2022.

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Accumulated depreciation	For the nine-month periods ended September 30, 2020		
	Land	House & building	Total
Balance at January 1, 2020	\$1,926	\$12,671	\$14,597
Depreciation	1,412	10,255	11,667
Due/transfer amount	-	-	-
Exchange difference	319	(111)	208
Balance at September 30, 2020	3,657	22,815	26,472
Carrying amount at September 30, 2020	\$60,998	\$96,821	\$157,819

B. The Group did not have the right-of-use assets sublet for the three-month and nine-month periods ended September 30, 2021 and 2020.

C. The Group did not have any impairment occurred to the right-of-use assets for the three-month and nine-month periods ended September 30, 2021 and 2020.

D. The aforementioned right-of-use assets had not been provided as collateral or mortgaged.

(12) Intangible assets

A. The increase or decrease of the Group's intangible assets-computer software is as follows:

Cost	For the nine-month periods ended September 30,	
	2021	2020
Balance – beginning	\$8,598	\$7,200
Addition - current	343	1,139
Decrease in the current period – delisted on the due date	(1,525)	-
Exchange difference	(51)	(52)
Balance – ending	7,365	8,287
Accumulated depreciation		
Balance – beginning	(5,225)	(3,229)
Amortization – current	(1,781)	(1,734)
Decrease in current period – delisted on the due date	1,525	-
Exchange difference	50	49
Balance – ending	(5,431)	(4,914)
Book amount - ending	\$1,934	\$3,373

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B. The Group did not have any impairment occurred to the intangible assets for the three-month and nine-month periods ended September 30, 2021 and 2020.

(13) Short-term loans

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Credit loans	\$1,252,981	\$1,222,202	\$1,339,000
Guaranteed loans	-	13,622	6,451
Total	<u>\$1,252,981</u>	<u>\$1,235,824</u>	<u>\$1,345,451</u>

A. The Group's short-term loan interest rate is as follows:

<u>Nature of loan</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Credit loan	0.700%-1.269%	0.700%-1.325%	0.700%-1.269%
Guaranteed loan	-	3.990%-4.350%	4.350%

B. Please refer to Note 8 of the consolidated financial report for the Group's short-term loans provided as collateral.

(14) Long-term loans

<u>Creditor</u>	<u>Nature of loan</u>	<u>Contract period</u>	<u>Amount</u>	<u>Repayment method</u>
<u>September 30, 2021</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$3,242	(Note 1)
Fubon Bank	Credit loan	02/05/2020~01/03/2025	1,598	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	16,461	(Note 2)
Fubon Bank	Credit loan	03/05/2020~01/03/2025	1,904	(Note 1)
Fubon Bank	Credit loan	04/01/2020~01/03/2025	1,789	(Note 1)
Fubon Bank	Credit loan	05/05/2020~01/03/2025	1,753	(Note 1)
Fubon Bank	Credit loan	06/05/2020~01/03/2025	2,023	(Note 1)
Fubon Bank	Credit loan	07/03/2020~01/03/2025	1,719	(Note 1)
Fubon Bank	Credit loan	07/20/2020~01/03/2025	867	(Note 1)
Fubon Bank	Credit loan	08/05/2020~01/03/2025	1,873	(Note 1)
Fubon Bank	Credit loan	08/07/2020~02/07/2025	2,276	(Note 2)
Fubon Bank	Credit loan	09/04/2020~01/03/2025	1,938	(Note 1)
Fubon Bank	Credit loan	10/05/2020~01/03/2025	1,895	(Note 1)
Fubon Bank	Credit loan	11/05/2020~01/03/2025	2,151	(Note 1)
Fubon Bank	Credit loan	12/15/2020~01/03/2025	2,017	(Note 1)

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Creditor	Nature of loan	Contract period	Amount	Repayment method
Fubon Bank	Credit loan	01/05/2021~01/03/2025	2,175	(Note 1)
Fubon Bank	Credit loan	01/20/2021~01/03/2025	1,591	(Note 1)
Fubon Bank	Credit loan	02/05/2021~01/03/2025	2,086	(Note 1)
Fubon Bank	Credit loan	03/05/2021~01/03/2025	2,490	(Note 1)
Fubon Bank	Credit loan	04/01/2021~01/03/2025	2,157	(Note 1)
Fubon Bank	Credit loan	05/05/2021~01/03/2025	2,634	(Note 1)
Fubon Bank	Credit loan	06/04/2021~01/03/2025	2,444	(Note 1)
Fubon Bank	Credit loan	07/05/2021~01/03/2025	2,426	(Note 1)
Fubon Bank	Credit loan	07/20/2021~01/03/2025	672	(Note 1)
Fubon Bank	Credit loan	08/05/2021~01/03/2025	2,452	(Note 1)
Fubon Bank	Credit loan	09/03/2021~01/03/2025	3,050	(Note 1)
Total			67,683	
Less: Long-term loans due within one year			-	
Long-term loans due after one year			\$67,683	

Creditor	Nature of loan	Contract period	Amount	Repayment method
<u>December 31, 2020</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$3,242	(Note 1)
Fubon Bank	Credit loan	02/05/2020~01/03/2025	1,598	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	16,461	(Note 2)
Fubon Bank	Credit loan	03/05/2020~01/03/2025	1,904	(Note 1)
Fubon Bank	Credit loan	04/01/2020~01/03/2025	1,789	(Note 1)
Fubon Bank	Credit loan	05/05/2020~01/03/2025	1,753	(Note 1)
Fubon Bank	Credit loan	06/05/2020~01/03/2025	2,023	(Note 1)
Fubon Bank	Credit loan	07/03/2020~01/03/2025	1,719	(Note 1)
Fubon Bank	Credit loan	07/20/2020~01/03/2025	867	(Note 1)
Fubon Bank	Credit loan	08/05/2020~01/03/2025	1,873	(Note 1)
Fubon Bank	Credit loan	08/07/2020~02/07/2025	2,276	(Note 2)
Fubon Bank	Credit loan	09/04/2020~01/03/2025	1,938	(Note 1)
Fubon Bank	Credit loan	10/05/2020~01/03/2025	1,895	(Note 1)
Fubon Bank	Credit loan	11/05/2020~01/03/2025	2,151	(Note 1)
Fubon Bank	Credit loan	12/15/2020~01/03/2025	2,017	(Note 1)

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Creditor	Nature of loan	Contract period	Amount	Repayment method
BBVA USA	Credit loan	05/04/2020~05/04/2022	859	(Note 3)
Total			44,365	
Less: Long-term loans due within one year			-	
Long-term loans due after one year			\$44,365	

Creditor	Nature of loan	Contract period	Amount	Repayment method
<u>September 30, 2020</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$3,242	(Note 1)
Fubon Bank	Credit loan	02/05/2020~01/03/2025	1,598	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	16,461	(Note 2)
Fubon Bank	Credit loan	03/05/2020~01/03/2025	1,904	(Note 1)
CTBC	Credit loan	03/31/2020~03/31/2025	829	(Note 4)
Fubon Bank	Credit loan	04/01/2020~01/03/2025	1,789	(Note 1)
Fubon Bank	Credit loan	05/05/2020~01/03/2025	1,753	(Note 1)
Fubon Bank	Credit loan	06/05/2020~01/03/2025	2,023	(Note 1)
Fubon Bank	Credit loan	07/03/2020~01/03/2025	1,719	(Note 1)
Fubon Bank	Credit loan	07/20/2020~01/03/2025	867	(Note 1)
Fubon Bank	Credit loan	08/05/2020~01/03/2025	1,873	(Note 1)
Fubon Bank	Credit loan	08/07/2020~02/07/2025	2,276	(Note 2)
Fubon Bank	Credit loan	09/04/2020~01/03/2025	1,938	(Note 1)
Total			38,272	
Less: Long-term loans due within one year			-	
Long-term loans due after one year			\$38,272	

Note 1: The first repayment date to Fubon Bank is on January 15, 2023, followed by a monthly installment for a total of 24 payments with the principal paid equally and the interest paid monthly.

Note 2: The first repayment date to Fubon Bank is on February 15, 2023, followed by a monthly installment for a total of 24 payments with the principal paid equally and the interest paid monthly.

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Note 3: The interest to Compass Bank is repaid in a lump sum at maturity. The Group meets the repayment exemption for U.S. relief loan and hence has recognized this loan principal under other income for the three-month periods ended June 30, 2021 .

Note 4: The first repayment date to China Trust Commercial Bank is on October 15, 2021, followed by a monthly installment for a total of 42 payments with the principal paid equally and the interest paid monthly. The company had already paid off the loan in advance on October 26, 2020.

A. The aforementioned long-term loan from Fubon Bank is a loan for the special investment projects in Taiwan of home-coming Taiwanese businessmen with an interest rate of 0.70% on September 30, 2021 and December 31, 2020, and an interest rate of 0.45%~0.70% on September 30, 2020.

B. The aforementioned long-term loan from BBVA USA is the United States relief loan with an interest rate of 1.00% on December 31, 2020.

C. The Group did not provide collateral for the aforementioned long-term loans.

(15) Lease liabilities

	<u>Discount rate</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Lease liabilities				
House and building	2.475%-4.750%	\$80,711	\$100,721	\$99,741
Less: Lease liabilities due within one year		<u>(18,393)</u>	<u>(16,645)</u>	<u>(15,356)</u>
Lease liabilities due after one year		<u>\$62,318</u>	<u>\$84,076</u>	<u>\$84,385</u>

A. The Group's subsidiaries, G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD., SHENZHEN G-SHANK PRECISION SDN.BHD., G-SHANK JAPAN CO., LTD., and SHENZHEN G-BAO PRECISION SDN.BHD. had leased factory and dormitory from the Group in September 2007, June 2016, April 2017, and August 2017 for a lease period of 40 years, 5 years, 2 years, and 3 years, respectively, which have been booked as right-of-use assets since January 1, 2019, with a monthly rent paid.

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B. Other rental information is listed as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Short-term lease expense	\$1,327	\$1,224	\$3,872	\$3,807
Low-value asset lease expenses	\$-	\$-	\$-	\$-
Changes in lease expense excluded from the measurement of a lease liability	\$-	\$-	\$-	\$-
Total cash outflow of all leases	\$6,718	\$4,757	\$19,552	\$12,896
Lease liabilities interest	\$985	\$1,095	\$3,214	\$3,081

The Group chose to have the qualified short-term dormitories lease exempted from lease recognition, and no related right-of-use assets and lease liabilities of such lease are recognized.

(16) Retirement benefits

A. Defined benefits plan

(A) The company has established an employee retirement plan according to the employees' years of service and the expected wages before retirement. A certain percentage of the monthly wage is appropriated as pension in accordance with the "Labor Standards Act" that is deposited in the special account and managed by the Labor Retirement Reserve Committee. The aforementioned pension fund is completely separated from the company; therefore, it is not included in the consolidated financial report. As of September 30, 2021, December 31, 2020, and September 30, 2020, the company's pension reserve deposit account with the Bank of Taiwan was with a balance of NT\$157,916 thousand, NT\$155,402 thousand, and NT\$156,454 thousand, respectively.

(B) Please refer to Note 6.(16)A. of the 2020 consolidated financial report for the company's defined benefit plan on December 31, 2020.

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(C) Pension expenses recognized as profit or loss:

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
Operating cost	\$565	\$588	\$1,713	\$1,768
Marketing expense	154	140	473	443
Management expense	345	341	1,041	1,008
R&D expense	92	117	277	337
Total	<u>\$1,156</u>	<u>\$1,186</u>	<u>\$3,504</u>	<u>\$3,556</u>

B. Defined contribution plan

(A) The company has adopted a definite contribution plan since the implementation of the “Labor Pension Act” in July 2005. The employees can choose the relevant pension plan of the “Labor Standards Act” since then or apply the pension system of the “Labor Pension Act” and retain the seniority accumulated before the Act. For employees subject to the “Labor Pension Act,” the company shall appropriate an amount not less than 6% of the employee’s monthly salary and have it deposited in the employee’s personal account with the Bureau of Labor Insurance, Ministry of Labor. The company after paying the monthly pension for each employee is not liable for the statutory and constructive obligations of paying additional contributions.

(B) The Group’s subsidiaries in Mainland China, Malaysia, Indonesia, the United States, Mexico, Thailand, and Japan shall appropriate an amount equivalent to a certain percentage of the salaries as pension in accordance with the local law and regulations, and pay the appropriated amount to the responsible government departments and then have it deposited in each employee’s personal account.

(C) The pension expenses recognized according to the defined contribution plan of the Group is as follows:

	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
Operating cost	\$11,401	\$3,854	\$30,720	\$14,344
Marketing expense	1,941	819	5,511	3,072
Management expense	2,319	974	6,568	3,600
R&D expense	1,500	406	4,274	1,761
Total	<u>\$17,161</u>	<u>\$6,053</u>	<u>\$47,073</u>	<u>\$22,777</u>

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(17) Capital stock

	Authorized capital stock (1,000 shares)	Common stock shares issued at NT\$10 par (including Advance Receipts for Capital Stock)	
		Shares (1,000 shares)	Capital stock
Balance amount on January 1,2020	350,000	184,968	\$1,849,683
Balance amount on September 30, 2020	350,000	184,968	\$1,849,683
Balance amount on January 1,2021	350,000	184,968	\$1,849,683
Employee exercise of stock warrant		2,864	28,640
Balance amount on September 30,2021	350,000	187,832	\$1,878,323

A. As of September 30, 2021, December 31, 2020, and September 30, 2020, the company's authorized capital stock included 20,000 thousand shares reserved for the issuance of an employee stock warrant.

B. The related rights, priority, and restrictions of the common stock shares issued by the company are as follows:

(A) Each shareholder is entitled to one vote per share.

(B) The distribution of dividends and bonuses are based on the shareholding ratio of each shareholder.

(C) The property net of the debt is distributed proportionally to the shareholding ratio of each shareholder.

C. As of September 30, 2021, December 31, 2020 and September 30, 2020, of 7,780 thousand shares, 4,916 thousand shares and 4,916 thousand shares were subscribed, respectively, due to the company's issuance of an employee stock warrant. Among them, as of September 30, 2021, there were still 2,864 thousand shares that have not yet completed the change registration procedures, so they are temporarily listed under the Advance Receipts for Capital Stock item. Please refer to Note 6.(24) of the consolidated financial report for the related information on the issuance of an employee stock warrant.

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(18) Additional paid-in capital

	September 30, 2021	December 31, 2020	September 30, 2020
Common stock premium	\$287,379	\$258,152	\$258,152
Treasury stock transaction	63,306	63,306	63,306
The difference between the actual acquisition price of the subsidiary's equity and the book amount	3,563	3,563	3,563
Changes in the net equity value of subsidiaries under the equity method and affiliated enterprises	31,847	31,847	31,752
Employee stock options	27,634	38,042	36,309
Invalid employee stock options	36,240	36,240	36,240
Received donation from shareholders	1,657	1,634	1,634
Total	<u>\$451,626</u>	<u>\$432,784</u>	<u>\$430,956</u>

According to the Company Act, the company shall apply the additional paid-in capital to make up for losses only. However, if the company has no loss, the stock premium and all or part of the donation received may be used to distribute new shares or cash proportionally to the shareholders' original shareholding ratio. In addition, the company may apply the additional paid-in capital to supplement the capital loss only when there is an insufficient reserve.

(19) Legal reserve

According to the Company Act, the company after having all taxes paid and ready for earnings distribution shall first appropriate 10% legal reserve and continue to appropriate until the total legal reserve amount equals total capital. The legal reserve can be applied to make up for the company's losses; also, if the company has no loss, the amount of the legal reserve exceeding 25% of the paid-in capital can be used to distribute new shares or cash proportionally to the shareholders' original shareholding ratio.

(20) Special reserve

According to the provision of Jin-Guan-Chen-Far-Tzi No. 1010012865 Order, the relevant regulations for the comprehensiveness and stability of the company's financial structure are as follows:

- A. When adopting IFRS for the first time, for the unrealized revaluation increments and cumulative conversion adjustments (benefits) under the shareholders' equity that is transferred to retained earnings due to the adoption of FIRS 1 "Exemption," a special reserve for the same amount should be appropriated. However, when there are insufficient retained earnings for appropriation on the transfer date due to the first-time adoption of IFRS, it is acceptable to appropriate only the amount of retained earnings increased due to the first-time adoption of IFRS. When the company subsequently uses, disposes, or reclassifies the related assets, an amount proportionally to the originally appropriated special reserve can be reversed for earnings distribution.
- B. After starting to prepare financial reports according to the IFRS, when distributing the distributable earnings, a special reserve for an amount equivalent to the net amount debited to other shareholders' equity of the year (such as the cumulative balance amount of the exchange differs from the conversion of financial statements of foreign operating institutions, the unrealized profit and loss of the financial assets measured at fair value through other comprehensive profit and loss, the profit and loss of hedging instruments, and revaluation increments) should be appropriated from the current profit and loss and the unappropriated earnings of the previous period. For the cumulative amount debited to other shareholders' equity in the previous period, a special reserve for the same amount should be appropriated from the unappropriated earnings of the previous year, which may not be distributed. However, if the company has a special reserve appropriated in accordance with the aforementioned provision, an additional special reserve for an amount equivalent to the difference between the appropriated amount and the net amount debited to other equity should be appropriated. When the amount debited to other shareholders' equity is reversed subsequently, the reversed amount can be applied for earnings distribution.

(21) Earnings distribution and dividend policy

- A. According to the company's Articles of Incorporation, the annual earnings, if any, should be applied to pay income tax and make up for the losses of the previous years; also, appropriate 10% legal reserve from the remaining balance, if any. In addition, appropriate or reverse a certain amount of special reserve according to the regulations of the competent authority. Then, for the balance amount, if any, and the unappropriated earnings of the previous year, except for the retained amount, the board of directors shall draft an earnings distribution plan for the resolutions of the shareholders meeting.
- B. The company's dividend policy: the company's current industrial development is growing and will be expanded to support the business development. The earnings distribution shall be handled in accordance with the company's Articles of Incorporation. However, the shareholders' dividends distributed in the current year shall include not more than 50% of the stock dividend and must be more than 50% of the cash.

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C. The aforementioned earnings distribution proposal issued by resolved in the shareholders' meeting is as follows:

	<u>2020</u>	<u>2019</u>
Legal reserve	\$28,424	\$30,592
Special reserve	-	-
Shareholder's dividends		
Cash	\$221,962	\$240,458
Cash dividend per share	NT\$1.20	NT\$1.30
Stock (NT\$10 par)	-share	-share
Stock dividend per share	-NT\$	-NT\$

(22) Other equity (net amount after tax)

A. The exchange difference from the conversion of the financial statements of foreign operating institutions:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance - beginning	\$(357,177)	\$(344,771)
Transactions of current period	(104,768)	(91,530)
Non-controlling interests obtained in current period	-	(525)
Reclassified to (profit) and loss in the current period	-	(81)
Balance - ending	<u><u>\$(461,945)</u></u>	<u><u>\$(436,907)</u></u>

B. Unrealized valuation benefits of financial assets measured at fair value through other comprehensive profit and loss:

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance - beginning	\$177,692	\$139,311
Transactions of current period	4,934	39,235
Recognized under the equity method in the current period - affiliated enterprise	5,075	(871)
Reclassified to retained earnings in the current period	(763)	-
Balance - ending	<u><u>\$186,938</u></u>	<u><u>\$177,675</u></u>

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(23) Non-controlling interests

	<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Balance - beginning	\$612,084	\$579,189
The amount attributable to non-controlling interests:		
Net income	87,442	48,068
Book amount of non-controlling interests purchased	-	(13,952)
Exchange difference from the conversion of the financial statements of foreign operating institutions	(16,563)	(12,840)
Cash dividends paid by subsidiaries to non-controlling interests	(102,409)	(24,559)
Balance - ending	<u>\$580,554</u>	<u>\$575,906</u>

A. The Group had no subsidiaries with significant non-controlling interests for the first three quarters of 2021 and 2020.

B. Obtained non-controlling interests

(A) The company purchased 5.86% shareholding for RMB 2,503,481 from the non-controlling interest of the subsidiary, G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD., on January 20, 2020, so the comprehensive shareholding ratio was increased from 94.14% to 100%. The shareholding change of the Group in G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD., has affected the equity attributable to the shareholders of the parent company as follows:

	<u>Amount</u>
Book amount of non-controlling interests purchased	\$13,952
Considerations paid for non-controlling interests	(10,914)
Other equity-exchange differences from the conversion of the financial statements of foreign operating institutions	<u>525</u>
The difference between the actual price of equity acquired from the subsidiary and the book amount adjusted to the additional paid-in capital	<u>\$3,563</u>

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(B) Acquisition of equity from the subsidiaries listed in the consolidated cash flow statement:

	For the nine-month periods ended September 30,	
	2021	2020
The consideration paid for non-controlling interests listed in Note 6.(23)B.(A) to the consolidated financial report	\$-	\$10,914
Less: Prepaid investment funds at the beginning of the period	-	(3,165)
Cash outflow for acquiring equity from the subsidiary	\$-	\$7,749

(24) Share-based payment - employee rewards

The company was authorized by the Securities and Futures Bureau of the Financial Supervisory Commission to issue 500,000 units of employee stock warrants on January 13, 2015 and August 22, 2018, respectively. One stock warrant is entitled to subscribe to 10 common stock shares of the company. New shares will be issued for the stock option exercised by employees and the subscription price is the company's common stock closing price on the issuance day. The stock warrant holders can exercise a certain percentage of the stock warrant after 2-year from the issuance date (according to the regulations, the exercisable subscription amount is 40% of the amount available for subscription in each stock warrant issued after 2-year from the issuance date, 60% after 3-year from the issuance date, 80% after 4-year from the issuance date, and 100% after 5 years from the issuance date). The duration of the stock warrant is for seven years. The unexercised stock options after 7 years shall be deemed as being waived, and the subscribers cannot claim their rights to subscribe.

As of September 30, 2021, the issuance of compensatory employee stock warrants is disclosed as follows:

Warrant issuance date	Total warrants issued originally	Total warrants outstanding at yearend	Total warrants available for subscription at yearend	Subscription price (NTD) (Note)
July 27, 2015	300,000	99,200	992,000	\$13.40
January 8, 2016	200,000	163,200	1,632,000	15.30
September 12, 2018	290,000	220,400	1,092,000	21.20
August 12, 2019	210,000	187,800	678,000	21.30

Note: The company has the subscription price adjusted when there is a change in common stock share or cash dividend is distributed for common stock shares in accordance with the "Regulations Governing the Issuance of Employee Stock Warrant and Stock Subscription." The stock subscription price per share after adjustment is disclosed as of September 30, 2021.

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A. The company adopts the Black-Scholes stock options model to assess the fair value of the employee stock warrant issued each year. The remuneration cost accrued were NT\$1,118 thousand, NT\$1,994 thousand, NT\$3,325 thousand, and NT\$6,180 thousand, for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively. The input values of the stock option pricing model are as follows:

	2018 Stock option plan	2018 Stock option plan	2014 Stock option plan	2014 Stock option plan
Expected dividend ratio	-%	-%	-%	-%
Expected price fluctuation ratio	18.99%~20.95%	21.38%~22.07%	22.64%~25.43%	22.80%~27.68%
Risk-free interest rate	0.554%~0.582%	0.700%~0.758%	0.663%~0.831%	0.976%~1.203%
Expected duration	4.5~6 years	4.5~6 years	4.5~6 years	4.5~6 years

The assumption of the expected price fluctuation ratio is measured according to the impact of the annual dividend distribution in the past on stock price, and the expected stock price fluctuations in the future period. The stock option duration is the employee exercising stock option period that is deducted from the historical data and current expectation, which may not necessarily match the actual result or actual implementation.

B. The quantity and weighted average price of the compensatory employee stock option plan issued by the company is disclosed as follows:

Employee stock operations	For the nine-month periods ended September 30, 2021		For the nine -month periods ended September 30, 2020	
	QTY (unit)	Weighted average price per share (NTD)	QTY (unit)	Weighted average price per share (NTD)
Outstanding shares - beginning	957,000	\$18.07	967,000	\$19.34
Granted in current period	-	-	-	-
Exercised in current period	(286,400)	15.41	-	-
Lost in current period (expired)	-	-	-	-
Outstanding shares - ending	<u>670,600</u>	18.64	<u>967,000</u>	18.11
Exercisable employee stock options - ending	<u>439,400</u>	17.26	<u>554,400</u>	15.80
Average fair value per share of stock options granted to employees in the current period (NTD)	<u>\$-</u>		<u>\$-</u>	

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The weighted average share price is NTD \$52.85 of the company's employees did execute stock options for the nine-month periods ended September 30, 2021. The company's employees did not execute stock options for the nine-month periods ended September 30, 2020.

As of September 30, 2021, December 31, 2020 and September 30, 2020, the company's outstanding compensatory employee stock option plan is as follows:

	Outstanding stock options			Exercisable employee stock options		
	Price range per share (NTD)	Outstanding QTY (Unit)	Weighted average expected remaining duration	Weighted average price per share (NTD)	Exercisable QTY (Unit)	Weighted average price per share (NTD)
<u>September 30, 2021</u>						
2014 Stock option plan	\$13.40	99,200	-	\$13.40	99,200	\$13.40
2014 Stock option plan	15.30	163,200	0.06	15.30	163,200	15.30
2018 Stock option plan	21.20	220,400	2.20	21.20	109,200	21.20
2018 Stock option plan	21.30	187,800	3.00	21.30	67,800	21.30
<u>December 31, 2020</u>						
2014 Stock option plan	\$13.70	300,000	0.12	\$13.70	300,000	\$13.70
2014 Stock option plan	15.60	179,000	0.31	15.60	143,200	15.60
2018 Stock option plan	21.70	278,000	2.79	21.70	111,200	21.70
2018 Stock option plan	21.80	200,000	3.70	21.80	-	21.80
<u>September 30, 2020</u>						
2014 Stock option plan	\$13.70	300,000	0.23	\$13.70	300,000	\$13.70
2014 Stock option plan	15.60	179,000	0.46	15.60	143,200	15.60
2018 Stock option plan	21.70	278,000	3.04	21.70	111,200	21.70
2018 Stock option plan	21.80	210,000	3.95	21.80	-	21.80

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(25) Net operating income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Sales income				
Parts income	\$1,683,982	\$1,110,798	\$4,494,329	\$3,104,989
Mold income	58,886	50,389	157,896	183,259
Fixture income	25,729	23,998	68,105	66,285
Merchandise income	21,670	51,343	68,551	101,633
Total	1,790,267	1,236,528	4,788,881	3,456,166
Less: Sales return	(2,723)	(3,072)	(9,036)	(7,397)
Sales discount	(3,601)	(1,865)	(9,535)	(4,839)
Net operating income	<u>\$1,783,943</u>	<u>\$1,231,591</u>	<u>\$4,770,310</u>	<u>\$3,443,930</u>

A. Income classification:

(A) Main merchandise / service

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Parts income	\$1,677,739	\$1,105,949	\$4,477,432	\$3,092,909
Mold income	58,826	50,324	156,288	183,194
Fixture income	25,729	23,979	68,096	66,247
Merchandise income	21,649	51,399	68,494	101,580
Total	<u>\$1,783,943</u>	<u>\$1,231,591</u>	<u>\$4,770,310</u>	<u>\$3,443,930</u>

(B) Main regional markets

Customer location	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Taiwan	\$379,567	\$148,727	\$857,518	\$451,046
Asia (other than Taiwan)	1,223,460	969,725	3,400,504	2,660,246
America	83,212	45,512	226,636	142,348
Others	97,704	67,627	285,652	190,290
Total	<u>\$1,783,943</u>	<u>\$1,231,591</u>	<u>\$4,770,310</u>	<u>\$3,443,930</u>

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(C) Income recognition time

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
	Goods transferred at a certain time	\$1,783,943	\$1,231,591	\$4,770,310

B. Contract liabilities:

	September 30, 2021	December 31, 2021	September 30, 2020
Contract liabilities	\$7,590	\$12,415	\$11,899

The significant changes in the contract liability balance are as follows:

	For the nine-month periods ended September 30,	
	2021	2020
Contract liabilities balance – beginning transferred to income in the current period	\$(9,858)	\$(12,923)
Increase in cash received in advance in the current period	5,033	9,820

(26) Operating costs and expenses

The Group's employee welfare expenses, depreciation, and amortization expenses are summarized as follows:

Function Nature	For the three-month periods ended September 30, 2021			For the three-month periods ended September 30, 2020		
	Attributable to operating cost	Attributable to operating expense	Total	Attributable to operating cost	Attributable to operating expense	Total
Employee welfare expenses						
Employee expense(Note 1)	\$204,017	\$103,367	\$307,384	\$178,640	\$106,837	\$285,477
Labor and health insurance expenses	14,327	8,572	22,899	11,654	7,789	19,443
Pension expenses	11,966	6,351	18,317	4,442	2,797	7,239
Director remuneration	-	446	446	-	426	426
Other welfare expenses	7,167	3,212	10,379	6,014	2,877	8,891
Depreciation expenses (Note 2)	31,280	11,560	42,840	29,080	13,158	42,238
Amortization expense	3,517	1,839	5,356	5,033	2,668	7,701

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Function Nature	For the nine-month periods ended September 30, 2021			For the nine-month periods ended September 30, 2020		
	Attributable to operating cost	Attributable to operating expense	Total	Attributable to operating cost	Attributable to operating expense	Total
Employee welfare expenses						
Employee expense (Note 1)	\$600,370	\$316,026	\$916,396	\$518,519	\$308,378	\$826,897
Labor and health insurance expenses	40,938	25,128	66,066	33,709	22,327	56,036
Pension expenses	32,433	18,144	50,577	16,112	10,221	26,333
Director remuneration	-	1,349	1,349	-	1,476	1,476
Other welfare expenses	20,804	9,335	30,139	16,535	8,394	24,929
Depreciation expenses (Note 2)	92,052	34,644	126,696	87,607	37,145	124,752
Amortization expense	11,234	5,960	17,194	19,322	7,873	27,195

Note 1 : A According to the company's Articles of Incorporation, the company shall appropriate an amount equivalent to 1-10% of the company's net income before tax before deducting remuneration to employees, directors, and supervisors as remuneration to employees and not more than 3% as remuneration to directors and supervisors. However, it is necessary to reserve a sufficient amount to make up for the losses, if any. The remuneration to employees in the preceding paragraph is paid in the form of stocks or cash, including the employees of the controlled companies who meet the conditions set by the board of directors. The remuneration to directors and supervisors must be paid in cash. The aforementioned matters shall be resolved by the board of directors for implementation and shall be reported to the shareholders meeting.

The amendments to the company's Articles of Incorporation were resolved in the shareholders meeting on June 15, 2020 as follows:

The company shall appropriate an amount equivalent to 1-10% of the company's net income before tax before deducting remuneration to employees and directors as remuneration to employees and not more than 3% as remuneration to directors. However, it is necessary to reserve a sufficient amount to make up for the losses, if any. The remuneration to employees in the preceding paragraph is paid in the form of stocks or cash, including the employees of the controlled companies who meet the conditions set by the board of directors. The remuneration to directors must be paid in cash.

- B The estimated remuneration payable to employees of the company for the first three quarters of 2021 and 2020 were NT\$15,759 thousand and NT\$15,750 thousand, respectively, and the remuneration to directors and supervisors was NT\$0, respectively. The estimated remuneration to employees was based on a certain percentage of the net income before tax (without considering the impact of employee remuneration) for the first three quarters of 2021 and 2020. The estimated remuneration to employees is recognized as the current operating cost or operating expense. However, if there is a change in the distribution amount resolved by the board of directors, it will be treated according to the accounting estimates changes and adjusted to the profit and loss of the following year.
- C The company's board of directors had resolved on March 15, 2021 to distribute the 2020 remuneration to employees for NT\$21,000 thousand in cash and remuneration to directors for NT\$0 that were reported in the regular shareholders meeting on July 16, 2021; also, it was not different from the estimated remuneration to employees and directors in the company's 2020 financial report. The company's board of directors had resolved on March 20, 2020 to distribute the 2019 remuneration to employees for NT\$21,000 thousand in cash and remuneration to directors and supervisors for NT\$0 that were reported in the regular shareholders meeting on June 13, 2020; also, it was not different from the estimated remuneration to employees, directors, and supervisors in the company's 2019 financial report.
- D Please refer to the Market Observation Post System for the information regarding the remuneration to employees and directors resolved by the company's board of directors.

Note 2 : The Group had appropriated the depreciation expenses were NT\$42,850 thousand, NT\$42,247 thousand, NT\$126,724 thousand, and NT\$124,843 thousand, for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively. Also, the depreciation expenses of the property, plant and equipment - leased assets were NT\$10 thousand, NT\$9 thousand, NT\$28 thousand, and NT\$91 thousand, respectively, and listed in the "Other income and expenses - net" account.

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(27) Other income and expenses - net

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Property, plant and equipment – lease assets				
Rent income	\$320	\$350	\$992	\$1,218
Depreciation expense	(10)	(9)	(28)	(91)
Other income and expenses - net	<u>\$310</u>	<u>\$341</u>	<u>\$964</u>	<u>\$1,127</u>

(28) Non-operating income and expense

A. Interest income

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Bank deposit interest	\$8,588	\$12,231	\$27,338	\$36,446
Financial assets measured at amortized cost interest income	-	1,242	38	4,534
Other interest income	14,649	8,908	43,058	25,245
Total	<u>\$23,237</u>	<u>\$22,381</u>	<u>\$70,434</u>	<u>\$66,225</u>

B. Other income

Cash dividends	\$-	\$-	\$8,482	\$6,785
Other income-other	7,157	7,869	19,472	20,475
Total	<u>\$7,157</u>	<u>\$7,869</u>	<u>\$27,954</u>	<u>\$27,260</u>

C. Other profit and loss

Net loss of financial assets measured at fair value through profit and (loss)	\$(12,373)	\$12,618	\$(16,566)	\$(49,657)
Net profit from the disposal of property, plant, and equipment	(595)	879	(138)	1,876
Net loss from the disposal of investment	-	(1)	-	(782)
Other expenses	(51)	(1,143)	(2,551)	(1,306)
Total	<u>\$(13,019)</u>	<u>\$12,353</u>	<u>\$(19,255)</u>	<u>\$(49,869)</u>

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D. Financial cost

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Bank loan interest	\$(2,338)	\$(2,417)	\$(7,677)	\$(6,881)
Lease liability interest	(985)	(1,095)	(3,214)	(3,081)
Total	\$(3,323)	\$(3,512)	\$(10,891)	\$(9,962)

E. Profit (loss) amount from the affiliated enterprises under the equity method

Please refer to Note 6(9)C. of the consolidated financial report for details.

F. Exchange loss - net

Realized exchange profit (loss) - net	\$(3,997)	\$24,637	\$(31,003)	\$(1,852)
Unrealized exchange profit (loss)-net	1,234	(68,956)	14,150	(44,140)
Total	\$(2,763)	\$(44,319)	\$(16,853)	\$(45,992)

(29) Other comprehensive profit and loss

Other comprehensive profit and loss constituents	Transactions of current period	Reclassific ation and adjustment of current period	Other comprehens ive profit and loss	Income tax expense	Amount after tax
<u>For the three-month periods ended September 30,2021</u>					
Items not reclassified to profit and loss:					
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss	\$6,121	\$-	\$6,121	\$-	\$6,121
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive profit of affiliated enterprises under the equity method	1,106	-	1,106	-	1,106
Total amount of items not reclassified to profit and loss:	7,227	-	7,227	-	7,227

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Other comprehensive profit and loss constituents	Transactions of current period	Reclassific ation and adjustment of current period	Other comprehens ive profit and loss	Income tax expense	Amount after tax
<u>For the three-month periods ended September 30,2021</u>					
Items that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions	(12,966)	-	(12,966)	-	(12,966)
Exchange difference from the conversion of the financial statements of foreign operating institutions of affiliated enterprises under the equity method	-	-	-	-	-
Total amount of items that may be reclassified to profit and loss subsequently:	(12,966)	-	(12,966)	-	(12,966)
Total	\$(5,739)	\$-	\$(5,739)	\$-	\$(5,739)

For the three-month periods ended September 30,2020

Items not reclassified to profit and loss:

Unrealized appraisal loss of equity instrument investment measured at fair value through other comprehensive profit

\$46,708	\$-	\$46,708	\$-	\$46,708
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Unrealized appraisal loss of equity instrument investment measured at fair value through other comprehensive profit of affiliated enterprises under the equity method

(238)	-	(238)	-	(238)
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Total amount of items not reclassified to profit and loss:

46,470	-	46,470	-	46,470
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Item that may be reclassified to profit and loss subsequently:

Exchange difference from the conversion of the financial statements of foreign operating institutions

38,866	-	38,866	-	38,866
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Exchange difference from the conversion of the financial statements of foreign operating institutions of affiliated enterprises under the equity method

3	-	3	-	3
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Total amount of items that may be reclassified to profit and loss subsequently:

38,869	-	38,869	-	38,869
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Total

\$85,339	\$-	\$85,339	\$-	\$85,339
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Other comprehensive profit and loss constituents	Transactions of current period	Reclassific ation and adjustment of current period	Other comprehens ive profit and loss	Income tax expense	Amount after tax
<u>For the nine-month periods ended September 30,2021</u>					
Items not reclassified to profit and loss:					
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss	\$4,934	\$-	\$4,934	\$-	\$4,934
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive profit of affiliated enterprises under the equity method	5,075	-	5,075	-	5,075
Total amount of items not reclassified to profit and loss:	10,009	-	10,009	-	10,009
Items that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions	(121,331)	-	(121,331)	-	(121,331)
Exchange difference from the conversion of the financial statements of foreign operating institutions of affiliated enterprises under the equity method	-	-	-	-	-
Total amount of items that may be reclassified to profit and loss subsequently:	(121,331)	-	(121,331)	-	(121,331)
Total	\$(111,322)	\$-	\$(111,322)	\$-	\$(111,322)

For the nine-month periods ended September 30,2020

Items not reclassified to profit and loss:

Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss	\$39,235	\$-	\$39,235	\$-	\$39,235
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Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss of affiliated enterprises under the equity method	(871)	-	(871)	-	(871)
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Total amount of items not reclassified to profit and loss:	38,364	-	38,364	-	38,364
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Other comprehensive profit and loss constituents	Transactions of current period	Reclassific ation and adjustment of current period	Other comprehens ive profit and loss	Income tax expense	Amount after tax
<u>For the nine-month periods ended September 30, 2020</u>					
Items that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions	(104,370)	-	(104,370)	-	(104,370)
Exchange difference from the conversion of the financial statements of foreign operating institutions of affiliated enterprises under the equity method	(81)	-	(81)	-	(81)
Total amount of items that may be reclassified to profit and loss subsequently:	(104,451)	-	(104,451)	-	(104,451)
Total	\$(66,087)	\$-	\$(66,087)	\$-	\$(66,087)

(30) Income tax

A. The Group's income tax return must be filed by each entity independently instead of filing collectively. The company's business income tax return filed before 2018 (inclusive) and the subsidiary, CHIN DE INVESTMENT CO., LTD., filed before 2019 (inclusive) were reviewed and approved by the tax collection agency.

B. The income tax expense constituents:

(A) Income tax recognized in profit and loss

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Income tax expense - current				
Income tax expenses of the current period	\$63,168	\$27,750	\$238,977	\$95,848
Deferred income tax expense (benefits)	26,227	22,391	(15,849)	11,353
Income tax expense	\$89,395	\$50,141	\$223,128	\$107,201

(B) The Group had no income tax related to other comprehensive profit and loss constituents or direct debited or credited to equity for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

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(31) Earnings per shareA. Basic earnings per share

The basic earnings per share are calculated by dividing the profit and loss attributable to the company's common stock shareholders by the outstanding weighted average common stock shares in the current period as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Net profit attributable to the company's Common stock shareholders	\$209,655	\$96,126	\$516,478	\$164,029
Outstanding weighted average shares	184,968,298 shares	184,968,298 shares	184,968,298 shares	184,968,298 shares
Employee stock option – subscribing issue new shares (Note)	1,366,391	-	460,469	-
Outstanding weighted average shares	186,334,689 shares	184,968,298 shares	185,428,767 shares	184,968,298 shares
Basic earnings per share (after tax) (NTD)	\$1.13	\$0.52	\$2.79	\$0.89

Note : Calculated based on the period of circulation of each subscription.

B. Diluted earnings per share

The diluted earnings per share are calculated by having the dilutive potential common stock share effect adjusted to the profit and loss attributable to the common stock shareholders of the company divided by the dilutive potential common stock share effect adjusted to the outstanding weighted average shares of the period as follows:

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Net profit attributable to the company's common stock shareholders	\$209,655	\$96,126	\$516,478	\$164,029
Add: Potential common stock share effect	-	-	-	-
Adjusted net profit attributable to the company's common stock shareholders	\$209,655	\$96,126	\$516,478	\$164,029

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	For the three-month periods		For the nine-month periods	
	ended September 30,		ended September 30,	
	2021	2020	2021	2020
Outstanding weighted average shares	186,334,689 shares	184,968,298 shares	185,428,767 shares	184,968,298 shares
Add: Potential common stock share effect				
Employee stock option hypothesis – subscribing new shares (Note)	5,479,042	1,269,889	4,880,236	1,380,978
Employee Remuneration hypothesis –issuing new shares	304,816	833,333	487,848	1,210,649
	192,118,547	187,071,520	190,796,851	187,559,925
Adjusted weighted average shares	shares	shares	shares	shares
Basic earnings per share (after tax) (NTD)	\$1.09	\$0.51	\$2.71	\$0.87

Note: The outstanding employee stock options issued by the Company in 2018 and 2019 underwent anti-dilution for the three-month and nine-month periods ended September 30, 2020, which hence is unrecognized in the calculation of diluted earnings per share.

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(32) Reconciliation of liabilities from financing activities

Accounting item	Balance - beginning	Cash flow	Changes in non-cash			Balance - ending
			Transaction of current period	Change in exchange rate	Other	
<u>For the nine-month periods ended September 30,2021</u>						
Short-term loan	\$1,235,824	\$19,589	\$-	\$(279)	\$(2,153)	\$1,252,981
Long-term loan	44,365	24,177	-	(19)	(840)	67,683
Lease liabilities (including current and noncurrent)	100,721	(12,466)	(5,692)	(1,852)	-	80,711
Total	<u>\$1,380,910</u>	<u>\$31,300</u>	<u>\$(5,692)</u>	<u>\$(2,150)</u>	<u>\$(2,993)</u>	<u>\$1,401,375</u>

Accounting item	Balance - beginning	Cash flow	Changes in non-cash			Balance - ending
			Transaction of current period	Change in exchange rate		
<u>For the nine-month periods ended September 30,2020</u>						
Short-term loan	\$1,043,000	\$302,451	\$-	\$-		\$1,345,451
Long-term loan	-	38,272	-	-		38,272
Lease liabilities (including current and noncurrent)	87,972	(9,089)	21,805	(947)		99,741
Total	<u>\$1,130,972</u>	<u>\$331,634</u>	<u>\$21,805</u>	<u>\$(947)</u>		<u>\$1,483,464</u>

7. Related party transactions

The account balance amount, transactions, income, and expenses related to the transactions between entities within the Group were written-off at the time of preparing the consolidated financial report. Please refer to Note 13.(1) J. of the consolidated financial report for the business relationships and important transactions between the company and the subsidiaries and among subsidiaries. The relationship and transactions between the Group and related parties are disclosed as follows:

(1) Name of related party and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
KUAI LUNG PRECISION INDUSTRY CO., LTD. (KUAI LUNG)	The chairman of KUAI LUNG is the general manager of G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD., the subsidiary of the company.
SUNFLEX TECHNOLOGY CO., LTD. (SUNFLEX)	SUNFLEX is invested by the company under equity method.
SHANG HAI CHANG HONG SHEN HARDWARE CO., LTD. (SHANG HAI CHANG HONG SHEN HARDWARE)	SHANG HAI CHANG HONG SHEN HARDWARE is invested by the company's subsidiary under equity method (Note)
WU HAN CHANG HONG SHEN HARDWARE CO., LTD. (WU HAN CHANG HONG SHEN HARDWARE)	WU HAN CHANG HONG SHEN HARDWARE is transfer-invested by the invested company under equity method of the company's subsidiary (Note)

Note: The Group had terminated the investment in SHANG HAI CHANG HONG SHEN HARDWARE CO., LTD. at the end of May 2020. Therefore, the related party transactions of SHANG HAI CHANG HONG SHEN HARDWARE CO., LTD. and WU HAN CHANG HONG SHEN HARDWARE CO., LTD. were disclosed only up to May 31, 2020. Please refer to Note 6.(9) of the consolidated financial report for details.

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(2) Major transactions with related parties

A. Purchases

<u>Related party category/name</u>	<u>For the three-month periods ended September 30,</u>		<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties				
KUAI LUNG	\$98	\$67	\$180	\$130
Affiliated enterprises				
WU HAN CHANG HONG				
SHEN HARDWARE	-	-	-	301
SUNFLEX	3,401	122	7,400	794
Subtotal	3,401	122	7,400	1,095
Total	\$3,499	\$189	\$7,580	\$1,225

The aforementioned purchase is mostly for molds and parts with special specifications from one single supplier. Therefore, there is no other purchase price available for comparison. The payment term from such a single supplier is OA 30-60 days; while other suppliers are with a payment term of OA 90-120 days.

B. Sales

<u>Related party category/name</u>	<u>For the three-month periods ended September 30,</u>		<u>For the nine-month periods ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties				
KUAI LUNG	\$40	\$-	\$82	\$10
Affiliated enterprises				
SUNFLEX	-	2	-	1,007
Total	\$40	\$2	\$82	\$1,017

The products sold in the preceding paragraph are mostly equipment, tools, and materials used for production with the price negotiated by both parties by adding a percentage to the cost or by the cost price at the time of trade depending on the type of product traded; also, taking into account the expenses and exchange rate risk. The specifications of products that are sold to related parties are exclusive; therefore, there is no other customer available for comparison. The payment term of sales to a related party is OA 60-90 days; while the general customer is with a payment term of OA 90-120 days.

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C. Rent income

The Group - SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. had part of the plant building leased to SHANG HAI CHANG HONG SHEN HARDWARE CO., LTD. with a lease income of NT\$0 thousand and NT\$200 thousand for the three-month and nine-month periods ended September 30, 2020, respectively, and the rent was collected on a monthly basis. In addition, please refer to Note 6.(10)G. of the consolidated financial report for details.

D. Processing expense

(A)The Group - SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD., SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD., HONG JING(SHANGHAI)ELECTRONICS CO., LTD., and HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD. had contracted the affiliated enterprise, SHANG HAI CHANG HONG SHEN HARDWARE CO., LTD., for product processing with a processing expense of NT\$0 thousand and NT\$276 thousand incurred for the three-month and nine-month periods ended September 30, 2020, respectively.

(B)The company had contracted the affiliated enterprise, SUNFLEX TECHNOLOGY CO., LTD., for product proceeding with a processing expense of NT\$5,354 thousand, NT\$2,046 thousand, NT\$10,672 thousand and NT\$6,160 thousand incurred for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively.

E. Claims/obligations arising from the aforementioned transactions

Related party category/name	September 30, 2021	December 31, 2020	September 30, 2020
(A) <u>Accounts receivable – related party</u>			
Other related parties			
KUAI LUNG	\$12	\$32	\$-
Affiliated enterprises			
SUNFLEX	24	-	2
Total	\$36	\$32	\$2
(B) <u>Other receivable – related party</u>			
Affiliated enterprises			
SUNFLEX	\$-	\$-	\$17

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Related party category/name	September 30, 2021	December 31, 2020	September 30, 2020
<u>(C) Accounts payable – related party</u>			
Other related parties			
KUI LUNG	\$104	\$204	\$70
Affiliated enterprises			
SUNFLEX	3,642	342	271
Total	\$3,746	\$546	\$341
<u>(D) Other payable – related party</u>			
Other related parties			
KUI LUNG	\$576	\$652	\$487
Affiliated enterprises			
SUNFLEX	3,696	1,725	1,465
Total	\$4,272	\$2,377	\$1,952

The claims/obligations between the Group and the related party are without collateral or guarantee received or provided, and a conclusion is made after thorough evaluations that it is no need to appropriate allowance for loss for the Group's claims against the related parties.

F. Information on total remunerations of key management personnel

The total remunerations to the Group's directors, general manager, vice general manager, and other managerial officers are summarized as follows:

Item	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2021	2020	2021	2020
Short-term benefits	\$3,101	\$2,748	\$9,196	\$9,295
Retirement benefits	36	83	208	255
Share-based payment	63	131	189	391
Total	\$3,200	\$2,962	\$9,593	\$9,941

The remuneration to key management personnel is determined by the Group's Remuneration Committee with reference to the general standards of the industry and taking into account personal performance, the company operating performance, and related future risks.

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8. Mortgaged assets

As of September 30, 2021, December 31, 2020, and September 30, 2020, the Group had assets provided as collateral to financial institutions for loans, applying for credit line, electricity deposits, materials, contracts, and issuing the letter of credit as follows:

Accounting item	September 30, 2021	December 31, 2020	September 30, 2020	Mortgage agency	Collateral for loans
Other financial assets				Bank of China	Material deposit,
- current Bank					contract deposit,
deposits	\$1,065	\$3,962	\$3,421		and others
Other noncurrent				Bangkok Bank	Electricity
assets - others					deposit
Bank					
deposits	207	236	345		
Other noncurrent				Mizuho Bank	Tariff deposits
assets – others					
Bank deposits	1,246	1,384	1,380		
Property, plant and				Bank of China	Short-term loan
equipment-House					
and building	-	31,412	30,415		
Right-of-use assets-				Bank of China	Short-term loan
Land	-	12,751	12,513		
Total	\$2,518	\$49,745	\$48,074		

9. Significant contingent liabilities and unrecognized contractual commitments

The Group had the following significant contingent liabilities and unrecognized contractual commitments not yet included in the aforementioned consolidated financial report as of September 30, 2021:

- (1)The company had had a guaranteed loan from financial institutions for the tariff guarantee amount of NT\$500 thousand on September 30, 2021.
- (2)The Group's G-SHANK ENTERPRISE (M) SDN. BHD. had a guaranteed loan of NT\$26,933 thousand from financial institutions for the introduction of foreign labor and other matters on September 30, 2021.
- (3)The Group had a contract signed for the lease of the right-of-use asset-land for an amount of RMB 30,636 thousand with a payable amount of RMB 10,636 thousand.
- (4)The unused balance of Letter of Credit issued by the Company is JPY 41,650 thousand.

10. Significant disaster loss

None

11. Material post events

As stated in Note 6.(17)C. of the consolidated financial report, the number of shares subscribed for by employees of the company in the third quarter of 2021 was 2,864 thousand shares (under the account of Advance Receipts for Capital Stock), which was issued in the third quarter of 2021. On November 4, 2021, the board of directors resolved to set the base date for capital increase as November 8, 2021.

12. Others

(1) Capital management

- A. The Group's capital management is aimed to ensure the Group's ongoing concern, to continue to provide remuneration to shareholders and benefits to stakeholders, and to maintain the best capital structure in order to reduce capital costs and to set the price of products or services according to the relative risk levels in order to provide shareholders with sufficient remuneration.
- B. The Group bases on the risk ratio to set the capital stock; also, manage and adjust the capital structure appropriately in accordance with the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, refund shareholders by de-capitalization, and issue new shares or sell assets to settle liabilities.

(2) Financial risk management

- A. The Group's main financial instruments include cash and cash equivalents, financial assets measured at fair value through profit and loss, financial assets measured at fair value through other comprehensive profit and loss, financial assets measured at amortized cost, other financial assets (time deposits), short-term loans, long-term loans, lease liabilities, receivables and payables arising from operating activities, etc., also, adjust operating fund needs through such financial instruments. Therefore, the Group's operations are subject to various financial risks, including market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk. The purpose of the Group's overall financial risk management is to reduce the potential adverse effects of the Group's exposure to financial risks due to changes in the financial market.

- B. The Finance Department of the Group is responsible for identifying, evaluating, and hedging financial risks through close contact with the business units of the Group, planning and coordinating the access to domestic and international financial markets, and manages the Group's operation related financial risks by analyzing the degree of risk exposure; also, the Group's board of directors is responsible for supervision and management. In addition, the Group uses derivative financial instruments to hedge risk exposure at an appropriate time to reduce the impact of financial risks. The Group has the procedures for derivative financial instrument transactions stipulated that have been approved by the board of directors and the shareholders meeting. The said procedures include trade principles and policies, risk management measures, internal audit systems, regular evaluation methods, and handling of nonconformities, of which, the risk management includes credit, market prices, liquidity, cash flow, operations, law, etc.
- C. The main risks of the Group's financial instruments are as follows:

(A) Market risk

The main market risks of the Group are exchange rate risks arising from operating activities, such as sales or purchases denominated in non-functional currencies, and interest rate risks or price risks arising from financial instruments transactions.

a. Exchange rate risk

- (a) The Group evaluates and analyzes the overall exchange rate risk. When the listed assets and liabilities and future business transactions are exposed to significant exchange rate risk, within the permitted range of the policy, manage risk through forwarding exchange contract. In addition, the Group's net investment in foreign operating institutions is a strategic investment; therefore, no hedging is performed.

The Group's financial assets and liabilities denominated in non-functional currencies with significant risk exposure of exchange rate fluctuations on the reporting date, and sensitivity analysis information are as follows (the functional currency of the company and some subsidiaries is "NTD," and the functional currency of some subsidiaries is RMB, THB, USD, MYR, IDR, and JPY); sensitivity analysis is regarding the impact of the Group's financial assets and liabilities denominated in non-functional currencies appreciated by 5% against a respective foreign currency that is the functional currency of each overseas subsidiary on the net income before tax or equity on the reporting date; also, when it depreciated by 5%, it will affect the net income before tax and equity reversely:

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(Unit amount in NT\$ Thousand, unless otherwise specified)

<u>September 30, 2021</u>	Foreign currency (Thousand)	Exchange rate	Book amount	Sensitive analysis		
				Change ratio	Increase/ decrease in net income before tax	Decrease in Equity
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$43,386	27.84	\$1,207,853	5%	\$60,393	\$-
JPY	46,650	0.2492	11,625	5%	581	-
RMB	140,406	4.306	604,587	5%	30,229	-
HKD	6,982	3.578	24,983	5%	1,249	-
EUR	2,211	32.34	71,512	5%	3,576	-
<u>Non-monetary items</u>						
USD	\$41,575	27.84	\$1,157,440	5%	\$57,872	\$-
<u>Derivative financial instrument</u>						
USD	\$22,330	27.86	\$2,993 (Note)	5%	\$150	\$-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$1,077	27.84	\$29,995	5%	\$1,500	\$-
JPY	53,973	0.2492	13,450	5%	673	-
HKD	699	3.578	2,501	5%	125	-
<u>Non-monetary items: None</u>						
<u>Derivative financial instrument: None</u>						
<u>December 31, 2020</u>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$40,427	28.48	\$1,151,351	5%	\$57,568	\$-
JPY	42,458	0.2767	11,748	5%	587	-
RMB	63,038	4.38	276,106	5%	13,805	-
HKD	8,216	3.625	29,783	5%	1,489	-
EUR	2,495	35.06	87,487	5%	4,374	-

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December 31, 2020	Foreign currency (Thousand)	Exchange rate	Book amount	Change ratio	Sensitive analysis	
					Increase / decrease in net income (loss) before tax	Decrease in Equity
<u>Non-monetary items</u>						
USD	\$34,441	28.48	\$980,874	5%	\$49,044	\$-
<u>Derivative financial instrument</u>						
USD	10,500	28.48	889 (Note)	5%	44	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	464	28.48	13,220	5%	661	-
JPY	21,839	0.2767	6,043	5%	302	-
HKD	725	3.625	2,629	5%	131	-
<u>Non-monetary items: None</u>						
<u>Derivative instrument: None</u>						
<u>September 30, 2020</u>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$50,387	29.10	\$1,466,262	5%	\$73,313	\$-
JPY	45,898	0.2760	12,668	5%	633	-
RMB	48,680	4.272	207,961	5%	10,398	-
HKD	6,809	3.759	25,595	5%	1,280	-
EUR	1,946	34.18	66,514	5%	3,326	-
<u>Non-monetary items</u>						
USD	\$23,635	29.10	\$687,767	5%	\$34,388	\$-
<u>Derivative financial instrument: None</u>						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$351	29.10	\$10,214	5%	\$511	\$-
JPY	22,104	0.2760	6,101	5%	305	-
HKD	573	3.759	2,154	5%	108	-
<u>Non-monetary items: None</u>						
<u>Derivative financial instrument:</u>						
USD	\$29	29.10	\$852 (Note)	5%	\$43	\$-

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Note: The aforementioned derivatives information refers to the book amount of the SWAP contracts that have not yet been settled on each reporting day. Please refer to Note 6.(2) of the consolidated financial report for the operation position, nominal principal, and due date.

The exchange profit and loss (including realized and unrealized) of the Group's monetary items converted to functional currencies, and the exchange rate for the conversion to the reporting currency of the consolidated financial report are as follows:

Functional currency	For the three-month periods ended September 30, 2021		For the three-month periods ended September 30, 2020	
	Exchange profit (loss)	Average exchange rate	Exchange profit (loss)	Average exchange rate
NTD	\$(3,374)	-	\$(15,680)	-
USD	(433)	27.847	538	29.357
RMB	776	4.312	(29,366)	4.266
MYR	457	6.647	(21)	7.003
Others	(189)	-	210	-
Total	<u>\$(2,763)</u>		<u>\$(44,319)</u>	

Functional currency	For the nine-month periods ended September 30, 2021		For the nine-month periods ended September 30, 2020	
	Exchange profit (loss)	Average exchange rate	Exchange profit (loss)	Average exchange rate
NTD	\$(10,929)	-	\$(25,501)	-
USD	1,316	28.019	(1,248)	29.806
RMB	(9,751)	4.32	(22,720)	4.256
MYR	2,993	6.78	3,040	7.039
Others	(482)	-	437	-
Total	<u>\$(16,853)</u>		<u>\$(45,992)</u>	

(b) In addition, the SWAP contracts held by the Group are a financial hedging operation intended to hedge exchange rate risk arising from the change (mainly including sales and purchases denominated in non-functional currencies, such as USD) in the exchange rate of foreign claims. Regarding the aforementioned SWAP contracts, the profit and loss arising from changes in the exchange rate will generally offset the profit and loss of the hedged project, so there is no significant market risk. As for the aforementioned hedged project, the net position of foreign currency claims that are not effectively hedged is linked to the market risk of changes in exchange rates, of which, the depreciation or appreciation of USD, RMB, MYR, or JPY will result in the risk of exchange profit or loss.

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b. Interest rate risk

The Group's interest rate risks include the fair value interest rate risk of the financial instruments with fixed interest rate and the cash flow interest rate risk of financial instruments with floating interest rate. The financial instruments with fixed interest rate refer to the company's time deposits, some financial assets-current measured at fair value through profit and loss, financial assets measured at amortized cost, some other financial assets-current and some bank loans; the financial instruments with floating rate refer to savings deposits, some other financial assets-current, some other noncurrent assets-others, and some bank loans. The Group has interest rate risk evaluated and analyzed on a dynamic basis and controlled the interest rate risk exposure by maintaining an appropriate combination of fixed and floating interest rates. The Group expects no significant interest rate risk.

(a) The Group's financial assets and liabilities with fixed and floating interest rates

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fixed interest rate			
Financial assets	\$2,763,306	\$3,248,563	\$3,105,122
Financial liabilities	<u>(1,333,692)</u>	<u>(1,337,404)</u>	<u>(1,445,192)</u>
Net amount	<u>\$1,429,614</u>	<u>\$1,911,159</u>	<u>\$1,659,930</u>
Floating interest rate			
Financial assets	\$1,224,651	\$837,341	\$963,846
Financial liabilities	<u>(67,683)</u>	<u>(43,506)</u>	<u>(38,272)</u>
Net amount	<u>\$1,156,968</u>	<u>\$793,835</u>	<u>\$925,574</u>

(b) Sensitivity Analysis

For the Group's financial assets and liabilities with a floating interest rate, if the interest rate of market deposits or loans increased by 0.5% on the reporting date, assuming that it is held for an accounting quarter and all other factors are given, it would cause the Group's net income before tax increased by NT\$4,339 thousand and NT\$3,471 thousand for the first three quarters of 2021 and 2020, respectively.

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(c) Other price risks

The Group's beneficiary certificates and equity securities, such as financial assets measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive profit and loss, are with price risk resulted. The Group manages the price risk of beneficiary certificates and equity securities by holding investment portfolios with different risks.

Sensitivity Analysis

For the Group's financial assets measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive profit and loss, the impact of the beneficiary certificates and equity securities with a 5% price increase on the net income before tax or equity on the reporting date is as follows; also, the beneficiary certificates and equity securities with a 5% price decrease will affect the net income before tax or equity reversely:

	<u>September 30, 2021</u>	<u>Decdmbcr 31, 2020</u>	<u>September 30, 2020</u>
Increase in net income before tax			
Financial assets measured at fair value through profit and loss	<u>\$64,153</u>	<u>\$55,015</u>	<u>\$40,567</u>
Increase in equity			
Financial assets measured at fair value through other comprehensive profit and loss	<u>\$10,514</u>	<u>\$10,268</u>	<u>\$10,283</u>

(B) Credit risk

- a. The Group's credit risk is mainly the potential impact of the counterparty or other parties' failure in performing financial assets contracts, which includes the concentration of credit risks, constituents, contract amounts, and other receivables of the financial assets transactions of the Group. In order to reduce credit risk, the Group has dealt with all well-known domestic and foreign financial or securities institutions for bank deposits, financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, some other financial assets, which are with low credit risk. For receivables, the Group continues to evaluate the financial status of the counterparties, historical experience, and other factors to adjust the trade amount and trade method of individual customers appropriately in order to improve the Group's credit-granting quality.

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b. The Group evaluates and analyzes the overdue or impairment of financial assets on the balance sheet date. The Group's credit risk exposure amount is as follows:

	<u>September 30, 2021</u>	<u>Decdmber 31, 2020</u>	<u>September 30, 2020</u>
Credit risk exposure amount			
Allowance for losses-measured by the expected credit losses amount for 12-month	\$-	\$-	\$-
Allowance loss-measured by the expected credit loss amount throughout the duration - Accounts receivable	<u>30,163</u>	<u>32,248</u>	<u>29,489</u>
Total	<u>\$30,163</u>	<u>\$32,248</u>	<u>\$29,489</u>

The aforementioned credit risk exposure amounts are all from the recovery of accounts receivable. The Group has continuously evaluated the losses that affect the estimated future cash flow of accounts receivable with appropriate allowance accounts appropriated. Therefore, the book amount of accounts receivable is with credit risk properly considered and reflected. In addition, the Group does not hold collateral for the impairment of financial assets that is with an allowance account appropriated.

c. The expected credit loss of the Group's notes and accounts receivable as of September 30, 2021, December 31, 2020 and September 30, 2020 is analyzed as follows:

<u>September 30, 2021</u>	<u>Total book amount of notes and accounts receivable</u>	<u>Reserve matrix (loss rate)</u>	<u>Allowance for loss (expected credit loss throughout the duration)</u>
Not overdue	\$1,416,526	0%-0.84%	\$2,541
30days overdue	108,600	0%-24.53%	1,009
31-90 days overdue	8,221	0%-34.59%	338
91-180 days overdue	409	0%-52.15%	31
181-365 days overdue	1,011	0%-76.08%	303
Over 366 days overdue	<u>25,941</u>	100.00%	<u>25,941</u>
Total	<u>\$1,560,708</u>		<u>\$30,163</u>

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	Total book amount of notes and accounts receivable	Reserve matrix (loss rate)	Allowance for loss (expected credit loss throughout the duration)
<u>December 31, 2020</u>			
Not overdue	\$1,129,251	0%~0.9%	\$2,182
30days overdue	57,566	0%~23.54%	505
31-90 days overdue	26,400	0%~32.95%	770
91-180 days overdue	17,985	0%~49.03%	991
181-365 days overdue	3,591	0%~65.94%	788
Over 366 days overdue	27,012	100.00%	27,012
Total	<u>\$1,261,805</u>		<u>\$32,248</u>
<u>September 30, 2020</u>			
Not overdue	\$901,933	0%-0.9%	\$1,186
30days overdue	120,369	0%-23.54%	457
31-90 days overdue	14,966	0%-32.95%	191
91-180 days overdue	2,762	0%-46.18%	194
181-365days overdue	4,725	5.69%-57.37%	1,142
Over 366 days overdue	26,319	100.00%	26,319
Total	<u>\$1,071,074</u>		<u>\$29,489</u>

d. The concentration of credit risk of accounts receivable is analyzed as follows:

	<u>September 30, 2021</u>	<u>December 31,2020</u>	<u>September 30,2020</u>
The accounts receivable ratio of the top five customers	<u>33.12%</u>	<u>32.37%</u>	<u>32.79%</u>

(C) Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support all contractual obligations for business operations and to minimize the impact of cash flow fluctuations. Bank loans are an important source of liquidity to the Group. The management ensures the repeating bank loans through capital structure management, monitoring the use of bank credit line, and complying with loan contract terms to reduce liquidity risk. The Group's stock investment under the financial assets measured at fair value through other comprehensive profit and loss is exposed to liquidity risk due to lack of an active market. In addition, the exchange rate of the Group's SWAP contract has been determined; therefore, there is no significant cash flow risk.

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a. Bank loan amount

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Short-term loan	\$1,009,121	\$1,153,398	\$796,346
Long-term loan	300,000	300,000	681,728
Long-term and short-term loan amount	132,317	6,494	-
Total	<u>\$1,441,438</u>	<u>\$1,459,892</u>	<u>\$1,478,074</u>

b. Maturity analysis of undiscounted financial liabilities

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>More than 1-2 years</u>	<u>More than 2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Short-term loan	\$1,256,216	\$-	\$-	\$-	\$1,256,216
Accounts payable	638,948	-	-	-	638,948
Accounts payable – related party	3,746	-	-	-	3,746
Other payables	396,941	11,636	-	22,789	431,366
Other payables – related party	4,272	-	-	-	4,272
Lease liabilities	21,857	15,856	9,489	78,285	125,487
Long-term loan	474	27,831	40,455	-	68,760
Total	<u>\$2,322,454</u>	<u>\$55,323</u>	<u>\$49,944</u>	<u>\$101,074</u>	<u>\$2,528,795</u>

Derivative financial liabilities: NoneDecember 31, 2020Non-derivative financial liabilities

Short-term loan	\$1,239,758	\$-	\$-	\$-	\$1,239,758
Accounts payable	383,577	-	-	-	383,577
Accounts payable – related party	546	-	-	-	546
Other payables	409,547	-	-	41,966	451,513
Other payables – related party	2,377	-	-	-	2,377
Lease liabilities	20,443	21,019	23,809	78,980	144,251
Long-term loans	305	1,163	43,821	-	45,289
Total	<u>\$2,056,553</u>	<u>\$22,182</u>	<u>\$67,630</u>	<u>\$120,946</u>	<u>\$2,267,311</u>

Derivative financial liabilities: None

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<u>September 30, 2020</u>	<u>Less than 1 year</u>	<u>More than 1-2 years</u>	<u>More than 2-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Short-term loan	\$1,349,207	\$-	\$-	\$-	\$1,349,207
Notes payable	54	-	-	-	54
Accounts payable	354,351	-	-	-	354,351
Accounts payable – related party	341	-	-	-	341
Other payables	332,624	-	-	40,299	372,923
Other payables – related party	1,952	-	-	-	1,952
Lease liabilities	19,686	19,617	27,567	80,603	147,473
Long-term loan	266	502	38,378	-	39,146
Total	<u>\$2,058,481</u>	<u>\$20,119</u>	<u>\$65,945</u>	<u>\$120,902</u>	<u>\$2,265,447</u>
<u>Derivative financial liabilities:</u>					
Financial liabilities at fair value through profit or loss - current	<u>\$852</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$852</u>

D. Fair value of financial instruments

The book amount of the Group's financial instruments is an amount reasonably close to the fair value.

(A) The methods adopted for the fair value of financial instruments and the assumptions adopted for the use of evaluation techniques

- a. The fair value of short-term financial instruments is estimated according to the book value on the balance sheet. Such financial instruments are with a short maturity date; also, the present value of future cash flows discounted at the market interest rate is close to the book amount; therefore, the book amount should be a reasonable basis for estimating the fair value. This method is applied to cash and cash equivalents, net notes receivable, net accounts receivable (including related parties), other receivables (including related parties), short-term loans, accounts payable (including related parties), and other payables (including related parties).
- b. The financial assets measured at fair value through profit and loss are with a market price available for reference; therefore, the said market price is the fair value.
- c. Financial assets measured at fair value through other comprehensive profit and loss are equity instrument investments without market price available for reference; therefore, the fair value is estimated according to the Market

Approach. The company has the fair value estimated according to the prices derived from the market transactions of the same or comparable equity instruments and other relevant information.

- d. The fair value of other financial assets and other noncurrent assets-restricted assets is estimated according to the book amount, since the present value of future cash collected and discounted at the market interest rate is close to the book amount; therefore, the book amount should be a reasonable basis for estimating the fair value.
- e. The financial assets measured at amortized cost refer to the debt instrument investments that do not have market price available for reference, but with a fixed or decidable amount to be collected. The Group adopts the evaluation method of the cash flow model for estimation.
- f. The evaluation of derivative financial instruments is based on the evaluation models that are widely accepted in the market, such as, discount method and option pricing model.
- g. Lease liabilities are discounted at the Group's increment loan interest rate on the unpaid lease expense on the lease starting day and then measured at amortized cost of the effective interest method subsequently. The book amount of the lease liabilities is an amount reasonably close to the fair value.
- h. The Group's long-term loans are based on floating interest rates with the fair value estimated according to the book amount on the balance sheet, which has been adjusted with reference to market conditions. Therefore, the company's loan interest rate is close to the market interest rate.

(B) Classification of fair value measurement

All assets and liabilities measured or disclosed at the fair value are classified to the respective fair value level according to the lowest level input value critical to the overall fair value measurement. The input values for each level are as follows:

Level 1: The market price (unadjusted) available for the same asset or liability on the measurement date;

Level 2: Direct or indirect observable input values of assets or liabilities, except for those quotations in Level 1;

Level 3: Unobservable input value of assets or liabilities;

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The assets and liabilities that were originally measured at fair value on a repetitive basis and recognized on the balance sheet should be reassessed for classification at the end of each reporting period to determine whether there is a swift between the levels of the fair value hierarchy.

a. The classification of financial instruments measured at fair value and recognized in the balance sheet

The Group does not have assets and liabilities measured at fair value on a non-repetitive basis. The fair value level of assets and liabilities measured at fair value on a repetitive basis is as follows:

	<u>Lever 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>September 30, 2021</u>				
<u>Assets</u>				
Financial assets measured at fair value through profit and loss				
Funds	\$125,614	\$-	\$-	\$125,614
Bonds	1,157,440	-	-	1,157,440
SWAP contracts	-	2,993	-	2,993
Financial assets measured at fair value through other profit and loss				
Unlisted stocks	-	-	210,288	210,288
<u>Liabilities: None</u>				
 <u>December 31, 2020</u>				
<u>Assets</u>				
Financial assets measured at fair value through profit and loss				
Funds	\$119,416	\$-	\$-	\$119,416
Bonds	980,874	-	-	980,874
SWAP contracts	-	889	-	889
Financial assets measured at fair value through other profit and loss				
Unlisted stocks	-	-	205,354	205,354
<u>Liabilities: None</u>				

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>September 30, 2020</u>				
<u>Assets</u>				
Financial assets measured at fair value through profit and loss				
Funds	\$123,577	\$-	\$-	\$123,577
Bonds	687,767	-	-	687,767
Financial assets measured at fair value through other profit and loss				
Unlisted stocks	-	-	205,667	205,667
<u>Liabilities:</u>				
Financial assets measured at fair value through profit				
SWAP contracts	\$-	\$852	\$-	\$852

- b. The Group did not have any significant shift between Level 1 and Level 2 of the fair value for the first three quarters of 2021 and 2020.
- c. The adjustment of the fair value measurement in Level 3 is as follows:

<u>Items</u>	<u>Financial assets measured at fair value through other comprehensive profit and loss</u>	
	<u>Equity instrument investment – Unlisted stocks</u>	
	<u>For the nine-month periods ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Balance – beginning	\$205,354	\$166,432
Total loss		
Recognized in other comprehensive profit and loss	4,934	39,235
Balance - ending	<u>\$210,288</u>	<u>\$205,667</u>

The Group had recognized total current loss for an amount of NT\$4,934 thousand and NT\$39,235 thousand in other comprehensive profit and loss due to change in Level 3 fair value for the first three quarters of 2021 and 2020, respectively, and they were booked in the “other comprehensive profit and loss – unrealized appraisal loss of equity instrument investment measured at fair value through other comprehensive profit and loss.

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d. The evaluation techniques and assumptions adopted to measure the fair value of financial assets.

(a)The fair value of financial assets with standard terms and conditions that are traded in an active market is determined by referring to market price.

(b)The fair value of domestic unlisted equity instrument investment is evaluated with the Market Approach.

e. Quantitative information on the fair value measurement of significant unobservable input values (Level 3):

	Evaluation technique	Significant unobservable input value	Quantitative information	Relationship between the input value and fair value	Sensitivity analysis of the relationship between the input value and fair value
<u>September 30, 2021</u>					
<u>Financial assets</u>					
Financial assets measured at fair value through other comprehensive profit and loss:					
Stock	Market Approach	Similar company's stock price-to-net value ratio	2.62	The higher the stock price-to-net value ratio of similar companies, the higher the estimated fair value	When the stock price-to-net value ratio of similar companies increases (decreases) by 5%, the equity of the Group will increase/decrease by NT\$10,515 thousand.
<u>December 31, 2020</u>					
<u>Financial assets</u>					
Financial assets measured at fair value through other comprehensive profit and loss:					
Stock	Market Approach	Similar company's stock price-to-net value ratio	2.84	The higher the stock price-to-net value ratio of similar companies, the higher the estimated fair value	When the stock price-to-net value ratio of similar companies increases (decreases) by 5%, the equity of the Group will increase/decrease by NT\$10,268 thousand.
<u>September 30, 2020</u>					
<u>Financial assets</u>					
Financial assets measured at fair value through other comprehensive profit and loss:					
Stock	Market Approach	Similar company's stock price-to-net value ratio	2.94	The higher the stock price-to-net value ratio of similar companies, the higher the estimated fair value	When the stock price-to-net value ratio of similar companies increases (decreases) by 5%, the equity of the Group will increase/decrease by NT\$10,283 thousand.

- f. The evaluation process for the fair value measurement of significant unobservable input values (Level 3):

The Accounting Department of the Group is responsible for fair value verification, using independent sources of information to bring the evaluation results closer to the market, confirming that the data source is independent, reliable, consistent with other data resources, and representing executable prices. Also, analyze the value change in the assets and liability that must be re-measured or re-evaluated on the reporting date according to the Group's accounting policies to ensure the reasonableness of the evaluation result.

(3) Others

The Group conducted an assessment on the economic impact as a result of the COVID-19 pandemic. As of the reporting and announcement day of the consolidated financial reports, the economic impact does not affect the continuation of management, asset impairment, and fundraising risks of the Group.

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13. Supplementary disclosure matters

The transactions between the company and the following subsidiaries and among the subsidiaries were written-off at the time of preparing the consolidated financial report. The information disclosed below is for reference only.

(1) Information on major transactions

Supplementary information of the company and the subsidiaries for the nine-month periods ended September 30, 2021 is disclosed as follows:

A. Loans to others:

Unit:NT\$ Thousand/USD

No	Lending company	Borrower	Accounting item	Related party	Maximum amount - current	Balance – ending – (09.30.2021) (Note 2)	Actual amount implemented (Note 3)	Interest rate range	Nature of loan	Transaction amount	Reason for short-term loan	Allowance for bad debt appropriated	Collateral		Loaning of fund limit to individual (Note 1)	Total loaning of fund limit (Note 1)
													Name	Value		
1	G-SHANK ENTERPRISE CO., LTD.	G-SHANK JAPAN CO., LTD.	Other accounts receivable – related party	Yes	\$50,112 (USD1,800,000)	\$50,112 (USD1,800,000)	\$19,488 (USD700,000)	1%	Short-term loan	\$-	Business operation of affiliated enterprise	\$-	-	\$-	\$471,597	\$1,886,389

Note 1: The total loaning of fund limit refers to an amount equivalent to 40% of the current net value of the lending company. The loaning of fund limit to individual refers to an amount equivalent to 10% of the current net value of the lending company. The current net value is based on the latest financial statements audited by an independent auditor.

Note 2: It is the loaning of fund amount resolved by the company's board of directors.

Note 3: It is the actual outstanding loan amount at yearend.

B. Provision of endorsements and guarantees to others: None

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
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C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Unit: NT\$ Thousand/RMB/THB/USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	Ending (September 30, 2021)				Remarks
					Shares / unit / 1,000 shares	Book amount	Shareholding ratio (%)	Fair value / net value	
G-SHANK ENTERPRISE CO., LTD.	Stocks	REEL MASK INDUSTRY CO., LTD.	None	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	3,392,713	\$210,288	9.98	\$210,288	
	Bonds	AXA bonds AXASA 4.5 12/29/2049	None	Financial assets-current measured at fair value through profit and loss	700,000	19,790 (USD710,843)	-	19,790 (USD710,843)	
	Bonds	HSBC Holding bonds HSBC 6 RERP (I)	None	Financial assets-current measured at fair value through profit and loss	1,800,000	55,059 (USD1,977,678)	-	55,059 (USD1,977,678)	
	Bonds	Macquarie Group Limited bonds MQGAU 6 1/8 PERP	None	Financial assets-current measured at fair value through profit and loss	1,400,000	42,768 (USD1,536,220)	-	42,768 (USD1,536,220)	
	Bonds	BNP Paribas bonds BNP 5 1/8 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	600,000	17,818 (USD640,020)	-	17,818 (USD640,020)	
	Bonds	Societe Generale bonds SOCGEN 6.75 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	1,020,000	32,043 (USD1,150,978)	-	32,043 (USD1,150,978)	
	Bonds	DB-Deutsche Bank AG bonds DB 4.789 PERP	None	Financial assets-current measured at fair value through profit and loss	3,800,000	107,062 (USD3,845,600)	-	107,062 (USD3,845,600)	
	Bonds	Credit Suisse bonds CS 5.1 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	800,000	22,825 (USD819,856)	-	22,825 (USD819,856)	
	Bonds	DB-Deutsche Bank AG bonds DB 6 PERP	None	Financial assets-current measured at fair value through profit and loss	2,800,000	82,196 (USD2,952,460)	-	82,196 (USD2,952,460)	

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
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Unit: NT\$ Thousand/RMB/THB/USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	Ending (September 30, 2021)				Remarks
					Shares / unit / 1,000 shares	Book amount	Shareholding ratio (%)	Fair value / net value	
G-SHANK ENTERPRISE CO., LTD.	Bonds	Internationale Nederlanden Group N.V. bonds INTNED 4 7/8 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	600,000	\$17,432 (USD626,142)	-	\$17,432 (USD626,142)	
	Bonds	Societe Generale bonds SOCGEN 5 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	581,000	17,404 (USD625,156)	-	17,404 (USD625,156)	
	Bonds	Standard Chartered bonds STANLN 4 3/4 PERP	None	Financial assets-current measured at fair value through profit and loss	1,900,000	53,437 (USD1,919,418)	-	53,437 (USD1,919,418)	
	Bonds	HSBC Holding bonds HSBC 4.7 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	6,300,000	177,961 (USD6,392,295)	-	177,961 (USD6,392,295)	
	Bonds	Societe Generale bonds SOCGEN 6.75 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	1,500,000	47,082 (USD1,691,175)	-	47,082 (USD1,691,175)	
	Bonds	HSBC Holding bonds HSBC 6 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	1,000,000	30,126 (USD1,082,110)	-	30,126 (USD1,082,110)	
	Bonds	HSBC Holding bonds HSBC 6 RERP (II)	None	Financial assets-current measured at fair value through profit and loss	300,000	\$9,180 (USD329,727)	-	\$9,180 (USD329,727)	
	Bonds	UBS Group AG bonds UBS 5 PERP	None	Financial assets-current measured at fair value through profit and loss	300,000	8,430 (USD302,796)	-	8,430 (USD302,796)	
	Bonds	Internationale Nederlanden Group N.V. bonds INTNED 4 7/8 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	1,348,000	39,152 (USD1,406,314)	-	39,152 (USD1,406,314)	

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Unit: NT\$ Thousand/RMB/THB/USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	Ending (September 30, 2021)				Remarks
					Shares / unit / 1,000 shares	Book amount	Shareholding ratio (%)	Fair value / net value	
G-SHANK ENTERPRISE CO., LTD.	Bonds	Credit Suisse bonds CS 5.1 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	790,000	22,488 (USD807,751)	-	22,488 (USD807,751)	
	Bonds	BNP Paribas bonds BNP 5 1/8 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	1,250,000	37,094 (USD1,332,388)	-	37,094 (USD1,332,388)	
	Bonds	HSBC Holding bonds HSBC 4.7 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	1,100,000	31,078 (USD1,116,302)	-	31,078 (USD1,116,302)	
	Bonds	BNP Paribas bonds BNP 5 1/8 PERP (III)	None	Financial assets-current measured at fair value through profit and loss	200,000	5,922 (USD212,720)	-	5,922 (USD212,720)	
	Bonds	HSBC Holding bonds HSBC 6 RERP (III)	None	Financial assets-current measured at fair value through profit and loss	700,000	21,384 (USD768,117)	-	21,384 (USD768,117)	
	Bonds	UBS Group AG bonds UBS 4.375 PERP	None	Financial assets-current measured at fair value through profit and loss	1,000,000	28,242 (USD1,014,420)	-	28,242 (USD1,014,420)	
	Bonds	BCS-Barclays Plc bonds BACR 4 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	3,300,000	91,428 (USD3,284,061)	-	91,428 (USD3,284,061)	
	Bonds	Standard Chartered bonds STANLN 4.3 PERP(I)	None	Financial assets-current measured at fair value through profit and loss	2,900,000	79,005 (USD2,837,853)	-	79,005 (USD2,837,853)	
	Bonds	Standard Chartered bonds STANLN 4.3 PERP(II)	None	Financial assets-current measured at fair value through profit and loss	470,000	12,820 (USD460,487)	-	12,820 (USD460,487)	

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Unit: NT\$ Thousand/RMB/THB/USD

Holding company	Type of securities	Name of securities	Relationship with the securities issuer	Accounting title	Ending (September 30, 2021)				Remarks
					Shares / unit / 1,000 shares	Book amount	Shareholding ratio (%)	Fair value / net value	
CHIN DE INVESTMENT CO., LTD.	Funds	First Bank Taiwan Monetary Funds	None	Financial assets-current measured at fair value through profit and loss	209,672	3,242	-	3,242	
	Bonds	HSBC Holding bonds HSBC 6 RERP	None	Financial assets-current measured at fair value through profit and loss	470,000	14,358 (USD515,736)	-	14,358 (USD515,736)	
	Bonds	HSBC Holding bonds HSBC 4.7 PERP	None	Financial assets-current measured at fair value through profit and loss	1,200,000	\$33,856 (USD1,216,080)	-	\$33,856 (USD1,216,080)	
GREAT-SHANK CO., LTD.	Funds	SCB FIXEDA (RA)	None	Financial assets-current measured at fair value through profit and loss	714,728	6,194 (THB7,516,722)	-	6,194 (THB7,516,722)	
	Funds	SCBAS6ML5	None	Financial assets-current measured at fair value through profit and loss	7,150,000	58,945 (THB71,535,750)	-	58,945 (THB71,535,750)	
	Funds	SCB-SCBFP	None	Financial assets-current measured at fair value through profit and loss	3,179,281	33,820 (THB41,043,574)	-	33,820 (THB41,043,574)	
	Funds	KTB-KTFix1Y3Y	None	Financial assets-current measured at fair value through profit and loss	2,402,144	23,413 (THB28,413,763)	-	23,413 (THB28,413,763)	

D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None

E. Acquired real estate for an amount of more than NT\$300 million or 20% of the paid-in capital: None

F. Disposed real estate for an amount more than NT\$300 million or 20% of the paid-in capital: None

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G. The purchase or sale of goods with the related party for an amount more than NT\$100 million or 20% of the paid-in capital:

Purchaser/seller	Counterparty	Relationship with the counterparty	Transactions				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	Associates	sales	\$119,107 (RMB27,571,146)	99.98%	60 days T/T	(Note)	(Note)	\$24,806 (RMB5,760,767)	100.00%	

Note : The specifications of products that are sold to related parties are exclusive; therefore, there is no other customer available for comparison.
 The payment term for sales to general customers is OA 30-90 days.

H. Accounts receivable from related parties amounted to more than NT\$100 million or 20% of the paid-in capital: None

I. Engage in derivative instruments transactions: Please refer to Notes 6.(2) and 12 of the consolidated financial statements.

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J. Business relationship and important transactions and transaction amount between the parent company and subsidiaries and among subsidiaries:

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
0	G-SHANK ENTERPRISE CO., LTD.	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	1	Sales income	\$ 524	Note 4	0.01%
				Other income	25,732	Note 7	0.54%
				Accounts receivable – related party	230		-
				Other receivables – related party	25,574		0.29%
0	G-SHANK ENTERPRISE CO., LTD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	1	Other income	1,419	Note 7	0.03%
				Other receivables – related party	1,411		0.02%
0	G-SHANK ENTERPRISE CO., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	1	Other income	2,699	Note 7	0.06%
				Other receivables – related party	2,682		0.03%
				Other payable – related party	5		-
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	1	Sales income	834	Note 4	0.02%
				Cost of goods sold	966	Note 5	0.02%
				Other income	4,913	Note 7	0.10%
				Accounts receivable – related party	837		0.01%
				Accounts payable – related party	361		-
				Other receivables – related party	4,883		0.06%

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No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
0	G-SHANK ENTERPRISE CO., LTD.	QINGDAO G-SHANK PRECISION SDN.BHD.	1	Sales income	\$ 798	Note 4	0.02%
				Other income	5,044	Note 7	0.11%
				Other receivables – related party	5,012		0.06%
				Other payables – related party	4		-
0	G-SHANK ENTERPRISE CO., LTD.	SHENZHEN G-SHANK PRECISION SDN.BHD.	1	Sales income	92	Note 4	-
				Cost of goods sold	275	Note 5	0.01%
				Other income	2,000	Note 7	0.04%
				Accounts receivable – related party	92		-
				Accounts payable – related party	269		-
				Other receivables – related party	1,994		0.02%-
				Other payables – related party	6		-
0	G-SHANK ENTERPRISE CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	1	Sales income	809	Note 4	0.02%
				Other income	4,836	Note 7	0.10%
				Other receivables – related party	4,805		0.05%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK, INC.	1	Sales income	3,772	Note 4	0.08%
				Accounts receivable - related party	529		0.01%
				Other receivables – related party	230		-

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No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			Ratio to total consolidated operating income or total assets (Note 3)
				Item	Amount	Transaction conditions	
0	G-SHANK ENTERPRISE CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	1	Sales income	\$ 4,468	Note 4	0.09%
				Cost of goods sold	719	Note 5	0.02%
				Other income	4,781	Note 7	0.10%
				Accounts receivable – related party	1,933		0.02%
				Accounts payable – related party	43		-
				Other receivables – related party	3,411		0.04%
				Other payable – related party	37		-
0	G-SHANK ENTERPRISE CO., LTD.	GREAT-SHANK CO., LTD.	1	Sales income	4,024	Note 4	0.09%
				Other income	2,603	Note 7	0.05%
				Accounts receivable – related party	2,664		0.03%
				Other receivables – related party	1,154		0.01%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK ENTERPRISE (M) SDN. BHD.	1	Sales income	7,521	Note 4	0.16%
				Other income	4,044	Note 7	0.08%
				Accounts receivable – related party	3,478		0.04%
				Other receivables – related party	1,344		0.02%
0	G-SHANK ENTERPRISE CO., LTD.	PT INDONESIA G-SHANK PRECISION	1	Sales income	1,382	Note 4	0.03%
				Accounts receivable – related party	165		-

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No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK JAPAN CO., LTD.	1	Sales income	\$ 816	Note 4	0.02%
				Cost of goods sold	643	Note 5	0.01%
				Other income	156	Note 8	-
				Operating expense	1,846	Note 7	0.04%
				Accounts receivable – related party	206		-
				Other receivables – related party	19,519		0.22%
				Other payables – related party	962		0.01%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	3	Sales income	4,043	Note 6	0.08%
				Cost of goods sold	119,107	Note 6	2.50%
				Other profit and loss	11,664	Note 7	0.24%
				Accounts receivable – related party	1,079		0.01%
				Other receivable – related party	3,138		0.04%
				Other payable – related party	24,806		0.28%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	1	Sales income	2,483	Note 6	0.05%
				Accounts receivable – related party	1,556		0.02%

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No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	3	Sales income	\$ 2,637	Note 6	0.06%
				Cost of goods sold	43,158	Note 6	0.90%
				Other profit and loss	6,480	Note 7	0.14%
				Accounts receivable – related party	834		0.01%
				Accounts payable – related party	18		-
				Other receivables – related party	1,653		0.02%
				Other payables – related party	7,647		0.09%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	GREAT-SHANK CO., LTD.	3	Sales income	1,675	Note 6	0.04%
				Accounts receivable – related party	405		-
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	G-SHANK JAPAN CO., LTD.	3	Sales income	2,089	Note 6	0.04%
				Cost of goods sold	17,014	Note 6	0.36%
				Accounts receivable – related party	296		-
				Other receivables – related party	29		-
				Other payables – related party	2,891		0.03%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	PT INDONESIA G-SHANK PRECISION	3	Sales income	2,618	Note 6	0.05%
				Accounts receivable – related party	1,601		0.02%

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No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	3	Sales income	\$ 26	Note 6	-
				Cost of goods sold	3,623	Note 6	0.08%
				Other payables – related party	426		-
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	G-SHANK ENTERPRISE (M) SDN. BHD.	3	Sales income	1,087	Note 6	0.02%
				Cost of goods sold	565	Note 6	0.01%
				Accounts receivable – related party	362		-
				Accounts payable – related party	248		-
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD.	3	Sales income	1,632	Note 6	0.03%
				Cost of goods sold	9,562	Note 6	0.20%
				Accounts receivable – related party	362		-
				Accounts payable – related party	2,165		0.02%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Sales income	23	Note 6	-
				Accounts receivable – related party	10		-
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Cost of goods sold	656	Note 6	0.01%
				Accounts payable – related party	175		-

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No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income	\$ 5,620	Note 6	0.12%
				Cost of goods sold	750	Note 6	0.02%
				Accounts receivable – related party	2,651		0.03%
				Accounts payable – related party	180		-
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	1,859	Note 6	0.04%
				Accounts receivable – related party	839		0.01%
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	375	Note 6	0.01%
				Accounts receivable – related party	12		-
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	3	Sales income	962	Note 6	0.02%
				Accounts receivable – related party	542		0.01%
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	PT INDONESIA G-SHANK PRECISION	3	Sales income	4,312	Note 6	0.09%
				Accounts receivable – related party	2,436		0.03%
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	G-SHANK JAPAN CO., LTD.	3	Cost of goods sold	122	Note 6	-
				Accounts payable – related party	39		-

(Continuing to next page)

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
(Review only without following generally accepted auditing standards)
(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	QINGDAO G-SHANK PRECISION SDN.BHD.	3	Cost of goods sold	\$ 8	Note 6	-
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	DONGGUAN QIAOJUTRADING CO., LTD.	3	Sales income	22	Note 6	-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	265	Note 6	0.01%
				Accounts receivable – related party	31		-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income	72	Note 6	-
				Accounts receivable – related party	62		-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	DONGGUAN QIAOJUTRADING CO., LTD.	3	Sales income	14,753	Note 6	0.31%
				Other profit and loss	117		-
				Accounts receivable – related party	5,740		0.07%
				Other receivables – related party	30		-
5	G-SHANK ENTERPRISE (M) SDN. BHD.	G-SHANK JAPAN CO., LTD.	3	Sales income	5,087	Note 6	0.11%
				Cost of goods sold	3,897	Note 6	0.08%
				Accounts receivable – related party	2,076		0.02%
				Accounts payable – related party	49		-
				Other payables – related party	1,637		0.02%

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and Subsidiaries (Continuing)
 (Review only without following generally accepted auditing standards)
 (Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

No. (Note 1)	Trading party	Counterparty	Relationship with the trading party (Note 2)	Transactions			
				Item	Amount	Transaction conditions	Ratio to total consolidated operating income or total assets (Note 3)
5	G-SHANK ENTERPRISE (M) SDN. BHD.	GREAT-SHANK CO., LTD.	3	Sales income	\$ 175	Note 6	-
6	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	3	Sales income	25	Note 6	-
7	G-SHANK JAPAN CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income	231	Note 6	-
				Cost of goods sold	1,701	Note 6	0.04%
				Accounts receivable – related party	174		-
				Accounts payable – related party	1,665		0.02%
8	QINGDAO G-SHANK PRECISION SDN.BHD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	1,346	Note 6	0.03%
				Cost of goods sold	13	Note 6	-
				Accounts receivable – related party	280		-
8	QINGDAO G-SHANK PRECISION SDN.BHD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	9	Note 6	-

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
(Review only without following generally accepted auditing standards)
(Unit amount in NT\$ Thousand, unless otherwise specified)

Note 1: Business transactions conducted between the parent company and subsidiaries should be noted in the “No.” column as follows:

- (1) Fill in “0” for the parent company;
- (2) The subsidiaries are numbered sequentially starting from the Arabic number “1” by the company type.

Note 2: The “relationship with the trading companies” includes three types (The same transaction between parent company and subsidiary or between two subsidiaries needs not to be disclosed repeatedly, for example, if the parent company has already disclosed the transaction conducted with the subsidiary, the subsidiary does not need to have it disclosed again. If one of the two subsidiaries has already disclosed the transaction conducted, the other subsidiary does not need to have it disclosed again), which should be marked as follows:

- (1) The parent company to the consolidated subsidiary;
- (2) Consolidate subsidiary to parent company;
- (3) Consolidated subsidiary to consolidated subsidiary;

Note 3: For the ratio of the transaction amount to the consolidated total operating income or total assets, if it is an asset or liability item, it is calculated for the ratio of the ending balance amount to the consolidated total assets; if it is a profit and loss item, it is calculated for the ratio of the interim cumulative amount to total consolidated operating income.

Note 4: The products sold are mostly equipment, tools, and materials used for production with the price negotiated by both parties by adding a percentage to the cost or by the cost price of trade depending on the type of product traded; also, taking into account the expenses and exchange rate risk. However, the specifications of products that are sold to related parties are exclusive; therefore, there is no other customer available for comparison. The payment term of sales to a related party is OA 60-150 days.

Note 5: The purchase is mostly for molds and parts with special specifications from one single supplier. Therefore, there is no other purchase price available for comparison. The payment term for such single supplier is OA 60-120 days.

Note 6: The collection (payment) term is OA 90-150 days according to the contract signed.

Note 7: It is calculated and collected according to the contract signed.

Note 8: Interest collection and principal repayment are made according to the loan contract signed.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
(Review only without following generally accepted auditing standards)
(Unit amount in NT\$ Thousand, unless otherwise specified)

(2) Re-investment business-related information

Supplementary disclosure of information related to the company's direct or indirect significant influence, control, or joint venture equity on the investee company not in Mainland China for the nine-month period ended September 30, 2021.

Unit : NTD Thousand/USD/MYR

Investor Company	Investee Company	Location	Main business operation	Original investment amount (Note 12)		As of September 30, 2021			Current profit (loss) of the Investee Company	Investment profit (loss) recognized in current period (Note 11)	Footnote
				September 30, 2021	December 31, 2020	Number of shares	Ratio (%)	Book amount (Note 11)			
G-SHANK ENTERPRISE CO., LTD.	CHIN DE INVESTMENT CO., LTD.	Note 1	General investment	\$ 50,000	\$ 50,000	5,000,000	100.00	\$ 54,595	\$ 491	\$ 491	
	GRAND STAR ENTERPRISES L.L.C. (Note 2)	Note 2	General investment	588,055	588,055	-	100.00	1,658,056	176,911	177,413	
	G-SHANK, Inc.	Note 3	Stamping parts molds, fixtures	36,686	36,686	1,000	100.00	307,017	15,272	15,284	
	G-SHANK ENTERPRISE (M) SDN. BHD.	Note 4	Stamping parts molds, fixtures	85,112	85,112	6,924,750	92.33	362,193	75,822	70,168	
	GREAT-SHANK CO., LTD.	Note 5	Precision progressive die and hardware products	69,509	69,509	7,968,750	85.00	175,620	27,861	23,659	
	G-SHANK JAPAN CO., LTD.	Note 6	International trade	19,749	19,749	1,060	58.89	7,121	6,227	3,667	
	SUNFLEX TECHNOLOGY CO., LTD.	Note 7	Manufacturing and trading of electronic components	40,448	40,448	9,940,956	14.73	153,911	30,340	4,468	
CHIN DE INVESTMENT CO., LTD.	SUNFLEX TECHNOLOGY CO., LTD.	Note 7	Manufacturing and trading of electronic components	217	217	10,000	0.01	157	30,340	5	

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and Subsidiaries (Continuing)
(Review only without following generally accepted auditing standards)
(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit : NTD Thousand/USD/MYR

Investor Company	Investee Company	Location	Main business operation	Original investment amount (Note 12)		As of September 30, 2021			Current profit (loss) of the Investee Company	Investment profit (loss) recognized in current period (Note 11)	Footnote
				September 30, 2021	December 31, 2020	Number shares	Ratio (%)	Book amount (Note 11)			
G-SHANK ENTERPRISE (M) SDN. BHD.	PT INDONESIA G-SHANK PRECISION	Note 8	Stamping parts molds, fixtures	\$47,511 (RM 7,144,500)	\$47,511 (RM 7,144,500)	18,800	94.00	\$191,113 (RM 28,738,865)	\$43,740 (RM 6,451,351)	\$-	
G-SHANK, INC.	G-SHANK DEMEXICO,S.A. DE C.V.	Note 9	Stamping parts molds, fixtures	4,427 (USD 159,025)	4,427 (USD 159,025)	-	100.00	17,872 (USD641,955)	1,442 (USD 51,474)	-	
GRAND STAR ENTERPRISES L.L.C. (Note 2)	GLOBAL STAR INTERNATIONAL CO., LTD.	Note 10	General investment	532,245 (USD19,118,011)	532,245 (USD19,118,011)	19,118,011	100.00	1,647,855	177,088	-	

Note 1: 20F-2, No. 83, Section 1, Chung Hsiao E. Road, Zhongzheng District, Taipei City

Note 2: 201 Rogers Office Building Edwin Wallace Rey Drive George Hill Anguilla

Please refer to Note 4.(2) (Note 3) of the consolidated financial report for the relocation of the former US GRAND STAR ENTERPRISES L.L.C.

Note 3: 1034 Old Port Isabel Rd., Suite 2 Brownsville, TX 78521, U.S.A.

Note 4: Plot 94, Bayan Lepas Industrial Estate 11900 Bayan Lepas, Penang, Malaysia.

Note 5: 116 Moo 1 Hitech Industrial Estate T.Banlane , A.Bang Pa-In , Ayutthaya Thailand 13160

Note 6: 1-17-14, Nishi-Shinbashi ,Excel Annex 8F, Nishi-Shinbashi, Minato-Ku,Tokyo, 105-0003 Japan.

Note 7: No. 522, Nanshang Road, Guishan District, Taoyuan City

Note 8: Jl. Industri Kawasan JABABEKA Tahap II Block RR 5C-5D Cikarang-Bekasi 17530, Indonesia

Note 9: NO.15, Gral, Pedro Hinojosa, cd industrial H.Matamoros, Tamps, Mexico.

Note 10: Suite 102, Cannon Place, P.O. Box 712, North Sound Rd., George Town, Grand Cayman, KY1-9006 Cayman Islands.

Note 11: It is calculated according to the financial statements of the invested companies of the same period that have not been reviewed by the independent auditors.

Note 12: The original investment amount at the end of the current period and the end of last year is calculated according to the exchange rate on September 30, 2021.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
 (Review only without following generally accepted auditing standards)
 (Unit amount in NT\$ Thousand, unless otherwise specified)

(3) Investment in China

A. The name, main business operation, paid-in capital, investment methods, remittance in and out of funds, shareholding ratio, investment profit and loss, investment book amount at yearend, remittance in of investment profit and loss, and investment limits of the invested company in China:

Unit : NTD Thousand/USD/RMB/HKD

Invested company in China	Main business operation	Paid-in capital	Investment method	Cumulative investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD 10,000,000 (Note 1)	Entrusted investment (Note 2)	USD1,700,000	\$-	\$-	USD1,700,000	\$238,616	85.00	\$202,821	\$1,238,579	\$1,598,320 (USD57,410,906)
HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	Precision progressive die and hardware products	USD1,590,000	Investment through the company set up in the third region (Note 3)	USD1,275,000	-	-	USD1,275,000	26,598	80.19	21,328	74,470	57,520 (USD2,066,082)
G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	Precision progressive die and hardware products	USD3,000,000	Investment through the company set up in the third region (Note 4)	USD1,530,000	-	-	USD1,530,000	30,749	51.00	15,682	123,426	18,992 (USD682,168)
XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD2,500,000	Investment through the company set up in the third region (Note 5)	USD1,990,000	-	-	USD1,990,000	1,385	79.60	1,103	96,178	57,633 (USD2,070,148)

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
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(Unit amount in NT\$ Thousand, unless otherwise specified)

(Continued from the last page)

Unit : NTD Thousand/USD/RMB/HKD

Invested company in China	Main business operation	Paid-in capital	Investment method	Cumulative investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	Planer, milling machine or die machine, precision continuous die and hardware products	USD1,400,000	Investment through the company set up in the third region (Note 6)	USD1,671,825	\$-	\$-	USD1,671,825	\$21,391	100.00	\$21,391	\$238,290	\$75,494 (USD2,711,713)
QINGDAO G-SHANK PRECISION SDN.BHD.	Precision progressive die and hardware products	USD4,000,000	Investment through the company set up in the third region (Note 7)	USD3,342,000	-	-	USD3,342,000	5,092	92.83	4,727	279,690	260,283 (USD9,349,241)
TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	Precision progressive die and hardware products	USD2,500,000	Investment through the company set up in the third region (Note 8)	USD2,205,000	-	-	USD2,205,000	47,178	88.20	41,611	202,819	36,182 (USD1,299,651)
SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	Precision progressive die and hardware products	USD300,000	Investment through the company set up in the third region (Note 9)	USD 255,000	-	-	USD 255,000	46,391	85.00	39,432	191,205	411,929 (USD14,796,288)

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
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(Unit amount in NT\$ Thousand, unless otherwise specified)

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Unit : NTD Thousand/USD/RMB/HKD

Invested company in China	Main business operation	Paid-in capital	Investment method	investment amount remitted out of Taiwan in current period - beginning	Investment amount remitted in or out in current period		Cumulative investment amount remitted out of Taiwan in current period - ending	Current profit (loss) of the invested company	The company's direct or indirect investment shareholding ratio (%)	Investment profit (loss) recognized in current period (Note 4)	Book amount of investment - ending	Investment profit remitted into Taiwan as of current period
					Remitted out	Remitted in						
SHENZHEN G-SHANK PRECISION SDN.BHD.	Precision progressive die and hardware products	USD2,600,000	Investment through the company set up in the third region (Note 10)	USD2,440,000	-	-	USD2,440,000	\$ 5,345	93.85	\$ 5,016	\$110,523	\$ 7,259 (USD260,742)
SHENZHEN G-BAO PRECISION SDN.BHD.	Precision progressive die and hardware products	USD3,150,000	Investment through the company set up in the third region (Note 11)	USD2,880,000	\$-	\$-	USD2,880,000	30,712	91.43	28,080	345,013	\$137,442 (USD4,936,848)
HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD. (Note 5)	Precision progressive die and hardware products, electroplating processing	RMB30,000,000	Transfer investment of SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	-	-	-	-	14,449	100.00	14,449	133,309	-
DONGGUAN QIAOJU TRADING CO., LTD. (Note 5)	Plastic hardware wholesale and import/export business	HKD3,000,000	Transfer investment of G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	-	-	-	-	6,652	100.00	6,652	41,681	-

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
 (Review only without following generally accepted auditing standards)
 (Unit amount in NT\$ Thousand, unless otherwise specified)

Cumulative investment amount remitted out from Taiwan to China at yearend (Note 1)	Investment amount approved by the Investment Commission, MOEA (Notes 1 and 2)	The investment amount limit stipulated by the Investment Commission, MOEA (Note 3)
\$587,038 (USD21,086,140)	\$787,688 (USD28,257,472)	\$3,326,260

Note 1: It includes the net amount of USD1,797,315 derived from the approved investment of GSYUE DG TOOLING CO.,LTD. for USD2,730,000 and net of the liquidating investment fund remitted in for USD932,685.

Note 2: It includes the capital increase from earnings of SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in May 2001 and October 2004, and the capital increase from earnings of QINGDAO G-SHANK PRECISION SDN.BHD. in January 2019.

Note 3: According to the “Principles for the Review of Investment or Technical Cooperation in Mainland China” stipulated by the Investment Commission, MOEA the company’s investment in China is limited to 60% of the net worth or consolidated net worth, whichever is higher. However, the enterprises that are with the certification document to evidence its meeting the operation scope of the headquarters issued by the Industrial Development Bureau, MOEA is not subject to this limit. The company had applied to the Industrial Development Bureau, MOEA for approval as the corporate operation headquarters on April 18, 2019 that would be valid from April 16, 2019 to April 15, 2021 for the investment in China, which had not violated the investment limit of the Investment Commission, MOEA.

Note 4: The profit and loss amount from the subsidiary under the equity method for the nine-month period ended September 30, 2021 was calculated according to the investee company’s financial statements not audited by the independent auditors, except for SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.

Note 5: It is an investment made through the invested company in China; therefore, it is unnecessary to report to the Investment Commission MOEA and is not included in the “Cumulative investment amount remitted out from Taiwan to China.”

Note 1 : SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. had a paid-in capital of US\$2,000 thousand originally. It had arranged a capital increase from earnings for an amount of US\$2,500 thousand and US\$5,500 thousand in May 2001 and October 2004, respectively. As of March 31, 2021, SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. had a paid-in capital of US\$10,000 thousand.

Note 2 : The company has signed a power of attorney with G-SHANK ENTERPRISE (M) SDN. BHD. (hereinafter referred to as the “trustee”), a business entity of the company in the third region, to indirectly establish SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in China with the related party, Yuhuang Lin. The main content of the power of attorney is as follows:

- A. The company designated the trustee to invest US\$1,700,000 (including bank transfer of US\$1,250,000 and machinery and equipment for an amount of US\$450,000) in SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in China.
- B. The trustee is to apply to the competent authorities in China to invest and establish SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. in the name of the trustee.
- C. The trustee upon receiving income or benefits from SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. should have it transferred to the company entirely.
- D. If SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. is to return the investment funds due to capital reduction, business termination, or other reasons, the trustee upon receiving such refund shall have it transferred to the company entirely.
- E. The trustee shall notify the company when transferring investment funds, benefits, or income due to the reasons stated in the last two preceding paragraphs according to the instruction of the company.
- F. The trustee’s rights and obligations in SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. are transferred to the company due to this entrusted investment relationship; therefore, the trustee does not guarantee the income and profit and loss.
- G. The trustee shall exercise due diligence to manage investment, foreign exchange settlement, and benefit collection.
- H. The matters not addressed in the power of attorney shall be handled in accordance with the law and regulations of the Republic of China, domestic and foreign banking practices, and other regulations.

Note 3 : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90010260 (Investment Commission, MOEA had the (90) Shen-II-Tzi No. 90010260 amended by issuing the (95) Shen-II-Tzi No. 095004988 on 03.03.2006), and the company was

approved by the Investment Commission, MOEA by issuing the Shen-II-Tzi No. 093031757 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in HONG JING (SHANGHAI) ELECTRONICS CO., LTD. HONG JING (SHANGHAI) ELECTRONICS CO., LTD. had arranged a capital increase in cash on November 1, 2012; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was 80.19% thereafter.

Note 4 : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90010259 and Jin-Shen-II-Tzi No. 91015965, and the company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092042580 Letter and Jin-Shen-II-Tzi No. 093031432 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.

Note 5 : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90022866, and the company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092042581 Letter and Jin-Shen-II-Tzi No. 093006075 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.

Note 6 : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Tou-Shen-II-Tzi No. 90001835, Jin-Shen-II-Tzi No. 091031112, and Jin-Shen-II-Tzi No. 92008940 to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD. Subsequently, 5.86% (investment amount of US\$82 thousand) and 2% (investment amount US\$28 thousand) of the shareholding was transferred to non-related parties, Mr. Bershin Lo and Mr. Guodong Hsu, in March 2003, respectively. The company's shareholding was reduced to 92.14 % thereafter that was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092010563 Letter. HON YEY INVESTMENT CO., LTD., a subsidiary of the company, had paid US\$23 thousand to acquire the 2% (investment amount US\$28 thousand) shareholding from Mr. Guodong Hsu on January 5, 2007 with the shareholding increased to 94.14% thereafter and it was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09500329480 Letter. The

company's board of directors had resolved on June 13, 2019 to acquire the 5.86% (investment amount US\$361 thousand) shareholding from the non-related party, Mr. Bershin Lo, and it was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 10800157300 Letter with the comprehensive shareholding increased to 100% thereafter.

Note 7 : HON YEY INVESTMENT CO., LTD., a subsidiary of the company, was approved by the Investment Commission, MOEA by issuing the (90) Shen-II-Tzi No. 90010261, Jin-Shen-II-Tzi No. 91039369, Jin-Shen-II-Tzi No. 092003008 Letter, and Jin-Shen-II-Tzi No. 094008181 to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in QINGDAO G-SHANK PRECISION SDN.BHD. Subsequently, 5% (investment amount of US\$130 thousand), 2.23% (investment amount US\$58 thousand), and 0.58% (investment amount US\$15 thousand) of the shareholding was transferred to non-related parties, Mr. Shenwei Guo, Mr. Hongjun Li, and Mr. Bangyong Liu, in March 2003, respectively. The company's shareholding was reduced to 92.19 % thereafter that was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092010560 Letter. QINGDAO G-SHANK PRECISION SDN.BHD. had arranged capital increase in cash on November 25, 2006; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was 92.83% thereafter. QINGDAO G-SHANK PRECISION SDN.BHD. had a paid-in capital of US\$3,600 thousand and then arranged a capital increase from earnings for an amount of US\$400 thousand in January 2019 and the paid-in capital of QINGDAO G-SHANK PRECISION SDN.BHD. was US\$4,000 thousand thereafter.

Note 8 : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 092044159, Jin-Shen-II-Tzi No. 093005557, and Jin-Shen-II-Tzi No. 093006249 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.

Note 9 : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 095026420 Letter to indirectly invest in SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. through G-SHANK ENTERPRISE (M) SDN. BHD. in the third region. Then it was approved for amendment by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 095032048 Letter to invest in SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. through GLOBAL STAR INTERNATIONAL CO., LTD. that was invested by GRAND STAR ENTERPRISES L.L.C. in the third region. The investment fund was transferred through

GRAND STAR ENTERPRISES L.L.C. to GLOBAL STAR INTERNATIONAL CO., LTD. for an amount of US\$255 thousand on November 18, 2006, and the said amount was then transferred to SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD. on January 20, 2006.

Note 10 : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09500121350, Jin-Shen-II-Tzi No. 09600108160, and Jin-Shen-II-Tzi No. 09600265810 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in SHENZHEN G-SHANK PRECISION SDN.BHD.

Note 11 : The Company was approved by the Investment Commission, MOEA by issuing the Jin-Shen-II-Tzi No. 09600405610 and Jin-Shen-II-Tzi No. 09700084160 Letter to invest in GLOBAL STAR INTERNATIONAL CO., LTD. through GRAND STAR ENTERPRISES L.L.C. in the third region and then it indirectly invested in SHENZHEN G-BAO PRECISION SDN.BHD. SHENZHEN G-BAO PRECISION SDN.BHD. had arranged capital increase in cash on September 13, 2012; however, the company did not subscribe shares proportionally to the shareholding ratio; therefore, the company's shareholding ratio was reduced to 91.43% thereafter.

B. Significant transactions conducted with the invested companies in China in the current period :

(A) The purchase amount and percentage and the related payable amount and percentage at yearend :

Please refer to Notes 7 and 13.(1) J of the consolidated financial report for details.

(B) The sales amount and percentage and the related receivable amount and percentage at yearend:

Please refer to Note 7 and 13.(1) J of the consolidated financial report for details.

(C) The property transaction amount and the profit and loss resulted : None

(D) The ending balance and purpose of notes endorsements/guarantees or collateral provided :
None

(E) Maximum balance amount, ending balance amount, interest rate range, and total interest of the current period of loans: Please refer to Note 13.(1)A of the consolidated financial report for details.

(F) Other transactions that have a significant impact on the profit and loss or financial status:
Please refer to Notes 7 and 13.(1) J of the consolidated financial report for details.

(4) Major Shareholder information

The name, shareholding, and shareholding ratio for more than 5% of the company's shareholders :

Shares	Shareholding (shares)	Shareholding ratio (%)
Major shareholders		
JIHONG INVESTMENT CO., LTD.	16,089,465 shares	8.69
CHEN-LIN INVESTMENT COMPANY	10,213,790 shares	5.43

Note 1 : The information of the major shareholders in this table is based on the shareholders who have received more than 5% common stock shareholding completed with dematerialized registration (including treasury stock) on the last business day of each quarter that is counted by Taiwan Depository & Clearing Corporation. The capital stock recorded in the company's consolidated financial report and the company's actual number of shares delivered with dematerialized registration may be different due to different calculation bases adopted.

Note 2 : If the aforementioned information is regarding shareholders having their shares delivered to the trust, it is disclosed by the individual account of the principal who entrusts the trustee to open a trust account. As for the shareholder's reporting 10% or more of insider's shareholding in accordance with the Securities and Exchange Act, the shareholding includes the principal's shareholding and the shares delivered to the trust that remains under the control of the principal. Please refer to the Market Observation Post System for the insider's equity reporting information.

(14) Department information

There are two reporting departments within the Group, including the stamping parts department and the general investment department. The stamping parts department is mainly for the manufacturing and production, processing, and trading of stamping components, while the general investment department is engaged in short-term investment and general investment activities. The reportable departmental profit and loss are measured by operating profit and loss before tax (excluding the total management and logistics costs to be amortized, non-operating income and benefits, non-operating expenses and losses, and income tax expenses) and it is the base for performance evaluation. This measurement amount is provided to the operating decision-maker to determine the allocation of resources to each department and to evaluate the performance of each department. The accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note 4. of the consolidated financial report.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
 (Review only without following generally accepted auditing standards)
 (Unit amount in NT\$ Thousand, unless otherwise specified)

Department information

	Stamping parts department	General investment department	Adjustment & write-off	Consolidation
<u>For the three-month period ended September 30, 2021</u>				
<u>Income</u>				
Income from external customers	\$1,783,943	\$-	\$-	\$1,783,943
Inter-department income	-	-	-	-
Total income	<u>\$1,783,943</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,783,943</u>
Departmental profit and loss	<u>\$315,990</u>	<u>\$(443)</u>	<u>\$-</u>	<u>\$315,547</u>
Non-operating income and expense				<u>14,826</u>
Net income before tax of the continuing business unit				<u>\$330,373</u>

For the three-month period
ended September 30, 2020

<u>Income</u>				
Income from external customers	\$1,231,591	\$-	\$-	\$1,231,591
Inter-department income	-	-	-	-
Total income	<u>\$1,231,591</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,231,591</u>
Departmental profit and loss	<u>\$179,829</u>	<u>\$(334)</u>	<u>\$-</u>	<u>\$179,495</u>
Non-operating income and expense				<u>(10,421)</u>
Net loss before tax of the continuing business unit				<u>\$169,074</u>

For the nine-month period
ended September 30, 2021

<u>Income</u>				
Income from external customers	\$4,770,310	\$-	\$-	\$4,770,310
Inter-department income	-	-	-	-
Total income	<u>\$4,770,310</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,770,310</u>
Departmental profit and loss	<u>\$771,221</u>	<u>\$617</u>	<u>\$-</u>	<u>\$771,838</u>
Non-operating income and expense				<u>55,210</u>
Net income before tax of the continuing business unit				<u>\$827,048</u>

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)
(Review only without following generally accepted auditing standards)
(Unit amount in NT\$ Thousand, unless otherwise specified)

	Stamping parts department	General investment department	Adjustment & write-off	Consolidation
<u>For the nine-month period ended September 30, 2020</u>				
<u>Income</u>				
Income from external customers	\$3,443,930	\$-	\$-	\$3,443,930
Inter-department income	-	-	-	-
Total income	<u>\$3,443,930</u>	<u>\$-</u>	<u>\$-</u>	<u>\$3,443,930</u>
Departmental profit and loss	<u>\$343,720</u>	<u>\$(3,140)</u>	<u>\$-</u>	<u>\$340,580</u>
Non-operating income and expense				<u>(21,282)</u>
Net loss before tax of the continuing business unit				<u>\$319,298</u>
<u>September 30, 2021</u>				
<u>Assets</u>				
Department assets	\$7,075,466	\$54,035	\$-	\$7,129,501
Current tax assets	42,562	68	-	42,630
Deferred tax assets	23,709	617	-	24,326
Investment –non-investment department	1,598,790	-	-	1,598,790
Total assets	<u>\$8,740,527</u>	<u>\$54,720</u>	<u>\$-</u>	<u>\$8,795,247</u>
<u>Liabilities</u>				
Department liabilities	\$2,526,514	\$-	\$-	\$2,526,514
Current tax liabilities	109,640	124	-	109,764
Deferred tax liabilities	542,877	-	-	542,877
Net defined benefit liabilities	72,326	-	-	72,326
Total liabilities	<u>\$3,251,357</u>	<u>\$124</u>	<u>\$-</u>	<u>\$3,251,481</u>
<u>December 31, 2020</u>				
<u>Assets</u>				
Department assets	\$6,702,263	\$53,583	\$-	\$6,755,846
Current tax assets	48,986	68	-	49,054
Deferred tax assets	21,108	474	-	21,582
Investment –non-investment department	1,451,839	-	-	1,451,839
Total assets	<u>\$8,224,196</u>	<u>\$54,125</u>	<u>\$-</u>	<u>\$8,278,321</u>

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and Subsidiaries (Continuing)
(Review only without following generally accepted auditing standards)
(Unit amount in NT\$ Thousand, unless otherwise specified)

	Stamping parts department	General investment department	Adjustment & write-off	Consolidation
Liabilities				
Department liabilities	\$2,260,630	\$25	\$-	\$2,260,655
Current tax liabilities	51,336	-	-	51,336
Deferred tax liabilities	555,982	-	-	555,982
Net defined benefit liabilities	82,291	-	-	82,291
Total liabilities	\$2,950,239	\$25	\$-	\$2,950,264
 September 30, 2020				
Assets				
Department assets	\$6,610,249	\$53,442	\$-	\$6,663,691
Current tax assets	39,844	124	-	39,968
Deferred tax assets	30,407	445	-	30,852
Investment –non-investment department	1,253,745	-	-	1,253,745
Total assets	\$7,934,245	\$54,011	\$-	\$7,988,256
 Liabilities				
Department liabilities	\$2,254,418	\$-	\$-	\$2,254,418
Current tax liabilities	33,993	-	-	33,993
Deferred tax liabilities	529,050	-	-	529,050
Net defined benefit liabilities	80,704	-	-	80,704
Total liabilities	\$2,898,165	\$-	\$-	\$2,898,165