

**G-SHANK ENTERPRISE CO., LTD.  
AND SUBSIDIARIES**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2022 and 2021 and  
Independent Auditors' Review Report**

***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 March 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### **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\$3,706,335 thousand and NT\$3,418,099 thousand, accounted for 39.23% and 40.18% of the total consolidated assets as of March 31, 2022 and 2021, respectively. The total liabilities were NT\$498,128 thousand and NT\$520,356 thousand, accounted for 15.28% and 16.96% of total consolidated liabilities, respectively. The total consolidated profits and losses were NT\$185,552 thousand and NT\$55,914 thousand, accounted for 54.29% and 50.83% of the total consolidated profits and losses for the three-month periods then ended March 31, 2022 and 2021. 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\$159,237 thousand and NT\$148,829 thousand, accounted for 1.69% and 1.75% of the total consolidated assets,

respectively, as of March 31, 2022 and 2021, respectively. The amount of profit from the affiliated enterprise under the equity method was NT\$4,034 thousand and NT\$99 thousand, accounted for 1.18% and 0.09% of the total consolidated profits and losses for the three-month periods then ended March 31, 2022 and 2021, 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 March 31, 2022 and 2021, and of its consolidated financial performance for the three-month periods then ended, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chiung-hui Tseng  
Diwan & Company  
May 6, 2022

Arnico Tseng

### 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

(March 31, 2022 &amp; 2021 have been Reviewed ∙ December 31, 2021 have been audited)

(In Thousands of New Taiwan Dollars)

ASSETS		Notes	March 31,2022		December 31,2021		March 31,2021	
Code	Accounts		Amount	%	Amount	%	Amount	%
11xx	Current assets							
1100	Cash and cash equivalents	4 & 6.(1)	\$ 3,596,828	38	\$ 3,232,253	38	\$ 3,062,609	36
1110	Financial assets at fair value through profit or loss - current	6.(2)	1,071,735	11	1,141,540	13	1,286,730	15
1136	Current financial assets at amortised cost	4 & 6.(3)	-	-	-	-	22,672	-
1150	Notes receivable, net	6.(4) & 6.(5)	49,501	1	55,848	1	38,332	-
1170	Accounts receivable, net	6.(5)	1,415,375	15	1,485,748	13	1,176,622	14
1180	Accounts receivable- related parties	7	-	-	112	-	-	-
1200	Other receivables	6.(5)	42,510	-	31,964	1	45,804	1
1220	Current tax assets	4 & 6.(30)	42,231	1	42,099	1	48,014	1
130x	Inventory	6.(6)	1,165,845	12	1,092,347	9	874,532	10
1470	Prepayments and Other current assets		148,100	2	143,782	1	107,181	1
1476	Other financial assets-current	4 ∙ 6.(7) & 8	35,212	-	45,481	1	57,332	1
	Total current assets		7,567,337	80	7,271,174	78	6,719,828	79
15xx	Noncurrent Asset							
1517	Financial assets at fair value through profit or loss - noncurrent	6.(8) & 6.(22)	265,965	3	299,338	2	231,524	3
1550	Investments accounted for using equity method	6.(9)	159,237	2	157,750	2	148,829	2
1600	Property, Plant and Equipment	6.(10) & 9	1,249,799	13	1,238,776	15	1,188,683	14
1755	Right-of-use asset	6.(11) ∙ 6.(15) & 9	129,614	1	130,394	2	152,007	2
1780	Intangible assets	6.(12)	1,694	-	1,575	-	3,094	-
1840	Deferred tax assets	4 & 6.(30)	28,867	-	33,518	-	19,750	-
1915	Prepayments for business facilities		26,241	-	17,371	-	18,903	-
1920	Refundable deposits		4,706	-	4,857	-	4,730	-
1990	Other noncurrent assets, others	8	15,396	-	17,832	1	19,748	-
	Total noncurrent Asset		1,881,519	19	1,901,411	22	1,787,268	21
1xxx	Total Assets		\$ 9,448,856	99	\$ 9,172,585	100	\$ 8,507,096	100

(CONTINUING)

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

## G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET

(March 31, 2022 &amp; 2021 have been Reviewed 、 December 31, 2021 have been audited)

(In Thousands of New Taiwan Dollars)

Liabilities and Equity		Notes	March 31,2022		December 31,2021		March 31,2021	
Code	Accounts		AMOUNT	%	AMOUNT	%	AMOUNT	%
21xx	Current liabilities							
2100	Short-term borrowings	6.(13)&6.(32)	\$ 1,230,000	13	\$ 1,260,000	14	\$ 1,272,207	15
2120	Financial liabilities at fair value through profit or loss - current	6.(2)	-	-	1,671	-	-	-
2130	Contract liabilities - current	6.(25)	13,938	-	14,748	-	12,766	-
2170	Accounts payable		604,568	6	550,041	6	543,147	6
2180	Accounts payable-related parties	7	4,383	-	3,913	-	2,706	-
2200	Other payables	6.(2) 、 6.(10) & 6.(26)	398,456	4	552,516	6	337,914	4
2220	Other payables-related parties	7	2,468	-	3,607	-	1,874	-
2230	Current tax liabilities	4 & 6.(30)	161,905	2	139,348	2	46,568	1
2280	Lease liabilities-current	6.(15) & 6.(32)	17,818	-	18,377	-	16,763	-
2300	Other current liabilities		37,302	-	44,076	-	40,141	1
	Total current liabilities		2,470,838	25	2,588,297	28	2,274,086	27
25xx	Non-current liabilities							
2540	Long-term borrowings	6.(14) & 6.(32)	79,032	1	76,324	1	52,708	1
2570	Deferred tax liabilities	4 & 6.(30)	592,718	6	563,593	6	585,030	7
2580	Lease liabilities - noncurrent	6.(15) & 6.(32)	57,063	1	58,468	1	78,940	1
2640	Net defined benefit liabilities- noncurrent	4 & 6.(16)	54,814	1	62,014	1	73,291	-
2645	Guarantee deposits received		4,705	-	4,711	-	4,711	-
	Total non-current liabilities		788,332	9	765,110	9	794,680	9
2xxx	Total liabilities		3,259,170	34	3,353,407	37	3,068,766	36
31xx	Equity attributable to owners of parent							
3100	Share capital	6.(17) 、 6.(24)&11						
3110	Ordinary shares		1,878,323	20	1,878,323	20	1,849,683	22
3140	Advance Receipts for Capital Stock		19,360	-	-	-	-	-
3200	Capital surplus	6.(18) 、 6.(23) & 6.(24)	462,987	5	452,744	5	433,908	5
3300	Retained earnings							
3310	Legal reserve	6.(19) & 6.(21)	827,106	8	827,106	9	798,682	9
3320	Special reserve	6.(20)	284,690	3	284,690	3	284,690	3
3350	Unappropriated earnings	6.(21)	2,132,447	23	1,937,433	21	1,639,821	19
3400	Other equity	6.(22)						
3410	Exchange differences on translation of foreign financial statements	6.(22) 、 6.(23) & 6.(29)	(302,063)	(3)	(441,852)	(4)	(404,046)	(4)
3420	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	6.(8) 、 6.(9) 、 6.(22) & 6.(29)	243,322	3	279,295	2	206,082	3
	Total equity attributable to owners of parent		5,546,172	59	5,217,739	57	4,808,460	57
36xx	Non-controlling interests	6.(23)	643,514	7	601,439	7	629,870	7
3xxx	Total Equity		6,189,686	66	5,819,178	63	5,438,330	64
	Total liabilities and equity		\$ 9,448,856	100	\$ 9,172,585	100	\$ 8,507,096	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  
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	For the Three Months Ended March 31			
			2022	%	2021	%
4000	Sales revenue	6.(25)	\$ 1,571,054	100	\$ 1,374,749	100
5000	Operating costs	6.(6) 、 6.(16) 、 6.(26) & 7	(1,106,997)	(70)	(983,526)	(72)
5900	Gross profit from operations		464,057	30	391,223	28
6000	Operating expense	6.(15) 、 6.(16) 、 6.(26) & 7				
6100	Selling expense		(64,368)	(4)	(62,751)	(4)
6200	General and administrative expenses		(110,957)	(7)	(105,967)	(8)
6300	Research and development expenses		(46,210)	(3)	(42,591)	(3)
6450	Loss (reversal) of expected credit loss	6.(5)	(561)	-	847	-
	Total operating expense		(222,096)	(14)	(210,462)	(15)
6500	Net other income (expenses)	6.(10) 、 6.(27) & 7	166	-	335	-
6900	Net operating income		242,127	16	181,096	13
7000	Non-operating income and expenses					
7100	Interest income	6.(28)	22,084	1	26,188	2
7010	Other income	6.(28)	4,890	-	3,331	-
7020	Other gains and losses	6.(2) 、 6.(10) & 6.(28)	(6,358)	-	(3,691)	-
7050	Finance costs	6.(15) & 6.(28)	(3,735)	-	(3,882)	-
7060	Share of the profit of associates	6.(9) & 6.(28)	4,034	-	99	-
7630	Foreign exchange gains	6.(28)	31,757	2	2,181	-
	Total non-operating income and expenses		52,672	3	24,226	2
7900	Profit (loss) from continuing operations before tax		294,799	19	205,322	15
7950	Income Tax Expense	4 & 6.(30)	(78,636)	(5)	(68,730)	(5)
8200	Profit (loss) for the period		216,163	14	136,592	10
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		(33,373)	(2)	26,170	2
8320	Share of the other comprehensive (loss) income of associates		(2,600)	-	2,220	-
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		(35,973)	(2)	28,390	2
8360	Items that may be reclassified subsequently to profit or loss :					
8361	Exchange differences on translating foreign operations		161,567	10	(54,981)	(4)
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		161,567	10	(54,981)	(4)
	Total other comprehensive income (loss) for the period		125,594	8	(26,591)	(2)
8500	Total comprehensive income for the period		\$ 341,757	22	\$ 110,001	8
8600	Net profit (loss) attributable to :					
8610	Owners of the Corporation		\$ 195,014	13	\$ 110,202	8
8620	Non-controlling interests		21,149	1	26,390	2
	Net income		\$ 216,163	14	\$ 136,592	10
8700	Total comprehensive income attributable to :					
8710	Owners of the Corporation		\$ 298,830	19	\$ 91,363	7
8720	Non-controlling interests		42,927	3	18,638	1
	Total comprehensive income		\$ 341,757	22	\$ 110,001	8
	Earnings per share (dollar)	6.(31)				
9750	Basic		\$ 1.04		\$ 0.60	
9850	Diluted		\$ 1.01		\$ 0.58	

(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  
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

項 目	Equity Attributable to Owners of the Corporation								Total	Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Other Equity				
	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, 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
Received donation from shareholders	-	-	23	-	-	-	-	-	23	-	23
Net income for the three months ended March 31, 2021	-	-	-	-	-	110,202	-	-	110,202	26,390	136,592
Other comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	-	(47,229)	28,390	(18,839)	(7,752)	(26,591)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	110,202	(47,229)	28,390	91,363	18,638	110,001
Share-based payment expenses	-	-	1,101	-	-	-	-	-	1,101	-	1,101
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(852)	(852)
BALANCE AT MARCH 31, 2021	\$ 1,849,683	\$ -	\$ 433,908	\$ 798,682	\$ 284,690	\$ 1,639,821	\$ (404,406)	\$ 206,082	\$ 4,808,460	\$ 629,870	\$ 5,438,330
BALANCE AT JANUARY 1, 2022	\$ 1,878,323	\$ -	\$ 452,744	\$ 827,106	\$ 284,690	\$ 1,937,433	\$ (441,852)	\$ 279,295	\$ 5,217,739	\$ 601,439	\$ 5,819,178
Changes in the net interest of associates recognised under the equity method	-	-	53	-	-	-	-	-	53	-	53
Received donation from shareholders	-	-	27	-	-	-	-	-	27	-	27
Net income for the three months ended March 31, 2022	-	-	-	-	-	195,014	-	-	195,014	21,149	216,163
Other comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	-	139,789	(35,973)	103,816	21,778	125,594
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	-	195,014	139,789	(35,973)	298,830	42,927	341,757
Share-based payment expenses	-	19,360	10,163	-	-	-	-	-	29,523	-	29,523
Cash dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(852)	(852)
BALANCE AT MARCH 31, 2022	\$ 1,878,323	\$ 19,360	\$ 462,987	\$ 827,106	\$ 284,690	\$ 2,132,447	\$ (302,063)	\$ 243,322	\$ 5,546,172	\$ 643,514	\$ 6,189,686

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

G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

Description	For the Three Months Ended March 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax from continuing operations	\$ 294,799	\$ 205,322
Adjustments for		
The profit or loss items which did not affect cash flows:		
Depreciation	44,458	41,480
Amortization	7,717	5,462
Expected credit loss	561	(847)
Net loss on financial assets and liabilities at fair value through profit	6,841	3,259
Interest expenses	3,735	3,882
Interest income	(22,084)	(26,188)
Share-based payment expenses	580	1,101
Share of profit of associates ventures accounted for using the	(4,034)	(99)
(profit) Loss on disposal of property, plant and equipment	(495)	21
Unrealized foreign exchange (gains) losses	2,622	(14,648)
Changes in operating assets and liabilities :		
Financial assets at fair value through profit or loss	70,306	(192,603)
Notes receivables	6,347	42,569
Accounts receivable	73,133	(30,516)
Accounts receivable-related parties	112	32
Other receivables	(11,455)	9,758
Inventories	(74,111)	(129,111)
Prepayments and Other current assets	(4,318)	(59,492)
Current contract	(810)	351
Accounts payable	54,532	159,570
Accounts payable-related parties	470	2,160
Other payables	(148,325)	(112,319)
Other payables-related parties	(1,784)	(503)
Other current liabilities	(6,774)	15,536
Net defined benefit liabilities-noncurrent	(7,200)	(9,000)
Cash generated from operating activities:	284,823	(84,823)
Interest received	23,734	27,641
Interest paid	(3,637)	(3,787)
Income tax paid	(22,435)	(41,578)
Net cash flows from operating activities	282,485	(102,547)

(Continuing)



G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUING)  
(Reviewed, Not Audited)

(In Thousands of New Taiwan Dollars)

Description	Three Months Ended March 31	
	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(31,221)	(23,424)
Proceeds from disposal of property, plant and equipment	807	219
Decrease in refundable deposits	151	111
Acquisition of intangible assets	(488)	(343)
Decrease in other current financial assets	42,775	39,181
Increase in other noncurrent assets	(4,587)	(671)
Increase in prepayments for business facilities	(8,870)	(2,231)
Net cash (used in) provided by investing activities	(1,433)	12,842
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in Short-term borrowings	(30,000)	36,383
Increase in long-term borrowings	2,708	8,343
Cash payment for the principal portion of the lease liabilities	(4,666)	(3,966)
Employee exercise of stock warrant	28,943	-
Cash dividends paid by subsidiaries to non-controlling interests	(852)	(852)
Other financing activities	27	23
Net cash (used in) provided by financing activities	(3,840)	39,931
Effect of changes in exchange rate on cash and cash equivalents	87,363	(22,204)
Net (decrease) increase in cash and cash equivalents	364,575	(71,978)
Cash and cash equivalents at the beginning of the period	3,232,253	3,134,587
Cash and cash equivalents at the end of the period	\$ 3,596,828	\$ 3,062,609

(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 THREE MONTHS ENDED MARCH 31, 2022 AND 2021**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise )**  
**(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 three months ended March 31, 2022 and 2021 were submitted to the company’s board of directors on May 6, 2022 and then published lawfully.

**3. APPLICATION OF THE NEWLY ANNOUNCED AND AMENDED REGULATIONS 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 2022 since January 1, 2022. The new/amended/revised standards

(Continuing)

(Review only without following generally accepted auditing standards)

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

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 2022 are as follows:

New/Revision/Amendment Standards and Explanations	Content	The IASB's announcement is effective for the years after the following dates
IFRS 3(amendments)	Reference to the Conceptual Framework	January 1, 2022
IFRS(amendments)	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 16(amendments)	Property, Plant, and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37(amendments)	Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022

The management of the GROUP has assessed the amendments to the aforementioned standards recognized and announced with effect by the Financial Supervisory Commission that is applicable in 2022 will not have a significant impact on the GROUP's consolidated financial statements.

- (2) The new/amended/revised standards and interpretations announced with effect by IASB but not yet recognized and announced with effect by the FSC: None
- (3) The new/amended/revised standards and interpretations announced without effect by IASB and not yet recognized by the FSC

New/Revision/Amendment Standards and Explanations	Content	The IASB's announcement is effective for the years after the following dates
IFRS 10 and IAS 28 (amendments)	Sale or investment of assets between investors and their affiliated enterprises or joint ventures	To be determined by IASB
IFRS 17	Insurance contracts	January 1, 2023
IFRS 17 (amendments)	Amendments to IFRS17	January 1, 2023
IFRS 17 (amendments)	First-time application of IFRS 17 and IFRS 9 - comparative information	January 1, 2023

<u>New/Revision/Amendment Standards and Explanations</u>	<u>Content</u>	<u>The IASB's announcement is effective for the years after the following dates</u>
IAS 1 (amendments)	Classification of liabilities as current or non-current and postponing of the effective date	January 1, 2023
IAS 1 (amendments)	Disclosure of accounting policies	January 1, 2023
IAS 8 (amendments)	Definition of accounting estimates	January 1, 2023
IAS 12 (amendments)	Deferred income tax related to assets and liabilities arising from one single transaction	January 1, 2023

The GROUP's management is currently assessing the potential impact of the aforementioned new/amended standards; therefore, it is temporarily unable to reasonably estimate its impact on the GROUP's consolidated financial statements.

#### 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

The consolidated financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" (hereinafter referred to as the "Regulations") and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Announcement (hereinafter referred to as the "IFRSs") approved 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 liquidating 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 intact.

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

Investing company	Subsidiary	Location	Business nature	Shareholding ratio (%)		
				March 31, 2022	December 31, 2021	March 31, 2021
The company	CHIN DE INVESTMENT CO., LTD.	Taiwan	General investment	100.00	100.00	100.00
The company	GRAND STAR ENTERPRISES L.L.C.	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)	Precision progressive die and hardware products	85.00	85.00	85.00
The company	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	China Suzhou (Note)	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)	Precision progressive die and hardware products	80.19	80.19	80.19

(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)

Investing company	Subsidiary	Location	Business nature	Shareholding ratio (%)		
				March 31, 2022	December 31, 2021	March 31, 2021
GLOBAL STAR INTERNATIONAL CO., LTD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	China Dongguan (Note)	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)	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)	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)	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 (Note)	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)	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)	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)	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 (%)		
				March 31, 2022	December 31, 2021	March 31, 2021
SHANGHAI	HUBEI HANSTAR	China	Precision progressive	100.00	100.00	100.00
G-SHANK	ELECTRONICS	Hubei	die and hardware			
PRECISION	TECHNOLOGY CO.,	(Note)	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)	import/export			
(DONG GUAN)			business			
CO., LTD.						

Note : 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 March 31, 2022, December 31, 2021, and March 31, 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\$1,956,373 thousand, NT\$1,803,921 thousand, and NT\$2,136,584 thousand, respectively.

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 L.L.C. and GLOBAL STAR INTERNATIONAL Co., Ltd., which financial statements for the first quarters of 2022 and 2021 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 March 31, 2022 and 2021 are NT\$3,706,335 thousand and NT\$3,418,099 thousand, respectively. The total liabilities are NT\$498,128 thousand and NT\$520,356 thousand respectively. The total consolidated profits and losses were NT\$185,552 thousand and NT\$55,914 thousand, for the first quarters of 2022 and 2021, respectively.

As of March 31, 2022, the investment and shareholding ratios of the company and its subsidiaries are as follows:

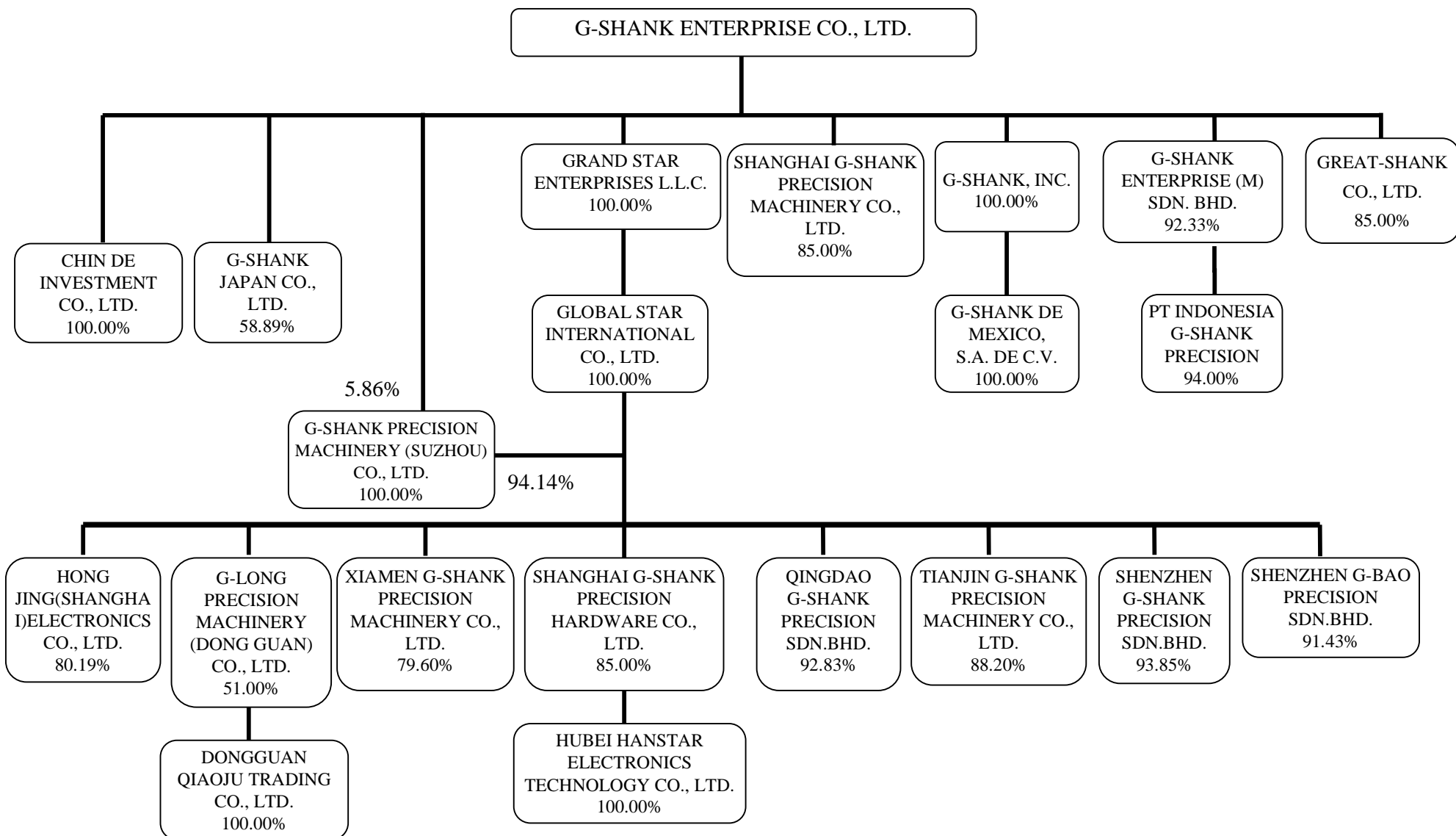


Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and SUBSIDIARIES

(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 2021 consolidated financial report. Please refer to the Group's 2021 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 2021 consolidated financial report. Please refer to the Group's 2021 consolidated financial report for details.

**6. DESCRIPTION OF IMPORTANT ACCOUNTING ITEMS**

(1) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash and petty cash	\$5,832	\$5,369	\$5,451
Checking deposit and savings deposit	1,662,054	1,383,723	1,176,354
Time deposits	1,928,942	1,843,161	1,880,804
Total	<u>\$3,596,828</u>	<u>\$3,232,253</u>	<u>\$3,062,609</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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets measured at fair value through profit and loss mandatorily</u>			
Acquisition cost:			
Funds	\$160,174	\$145,869	\$157,877
Bonds	982,973	1,080,732	1,165,483
SWAP contracts	-	-	-
Subtotal	<u>1,143,147</u>	<u>1,226,601</u>	<u>1,323,360</u>

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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)

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Evaluation adjustment:			
Funds	\$50	\$73	\$221
Bonds	(89,171)	(85,134)	(42,349)
SWAP contracts	17,709	-	5,498
Subtotal	<u>(71,412)</u>	<u>(85,061)</u>	<u>(36,630)</u>
Total	<u>\$1,071,735</u>	<u>\$1,141,540</u>	<u>\$1,286,730</u>

Financial liabilities held fortrading:

## Acquisition cost:

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

SWAP contracts	-	1,671	-
Total	<u>\$-</u>	<u>\$1,671</u>	<u>\$-</u>

- (A) The SWAP contracts and structured instruments signed with financial institutions for the first quarters of 2022 and 2021, 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:

<u>Financial instrument</u>	<u>Nominal principal (NT\$ Thousand)</u>	<u>Currency</u>	<u>Due date</u>
<u>March 31, 2022</u>			
SWAP contract	USD 2,970	USD:NTD	05.05.2022
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	USD 1,000	USD:NTD	08.05.2022
SWAP contract	USD 1,900	USD:NTD	08.31.2022
SWAP contract	USD 4,200	USD:NTD	09.16.2022
SWAP contract	USD 3,300	USD:NTD	12.12.2022
SWAP contract	USD 1,080	USD:NTD	02.10.2023
SWAP contract	USD 2,000	USD:NTD	03.27.2023
Total	<u>USD 22,330</u>		

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and SUBSIDIARIES  
(Continuing)  
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<u>Financial instrument</u>	<u>Nominal principal (NT\$ Thousand)</u>	<u>Currency</u>	<u>Due date</u>
<u>December 31, 2021</u>			
SWAP contract	USD 2,970	USD:NTD	01.05.2022
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	USD 1,000	USD:NTD	08.05.2022
SWAP contract	USD 4,200	USD:NTD	09.16.2022
SWAP contract	USD 3,300	USD:NTD	12.12.2022
Total	<u>USD 22,330</u>		
<u>March 31, 2021</u>			
SWAP contract	USD 7,500	USD:NTD	06.10.2021
SWAP contract	USD 4,970	USD:NTD	06.22.2021
SWAP contract	USD 1,900	USD:NTD	06.25.2021
Total	<u>USD 14,370</u>		

The net profits (losses) arising from foreign exchange transactions were NT\$687 thousand and NT\$(2,466) thousand , for the first quarters of 2022 and 2021, respectively.

- (B) The Group's valuation losses profits of financial assets and liabilities at fair value through income were NT\$6,841 thousand and NT\$3,259 thousand, for the first quarters of 2022 and 2021, 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.

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)

(3) Financial assets-current measured at amortized cost

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
RMB time wealth management instruments	\$-	\$-	\$22,672
Less: Allowance for loss	-	-	-
Net amount	<u>\$-</u>	<u>\$-</u>	<u>\$22,672</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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$49,501	\$55,848	\$38,332
Less: Allowance for loss	-	-	-
Net amount	<u>\$49,501</u>	<u>\$55,848</u>	<u>\$38,332</u>

(5) Accounts receivable - net

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accounts receivable	\$1,447,676	\$1,516,389	\$1,207,733
Less: Allowance for loss	(32,301)	(30,641)	(31,111)
Net amount	<u>\$1,415,375</u>	<u>\$1,485,748</u>	<u>\$1,176,622</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.



## 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)

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

	For the Three Months Ended March 31	
	2022	2021
Balance - beginning	\$30,641	\$32,248
Allowance account for the impairment of notes receivable, accounts receivable, and other receivables	561	-
Allowance reversal account for the impairment of notes receivable, accounts receivable, and other receivables	-	(847)
Exchange difference	1,099	(290)
Balance - ending	<u>\$32,301</u>	<u>\$31,111</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.

(6) Inventory

	March 31, 2022		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$427,565	\$15,560	\$412,005
Substances	23,376	71	23,305
Work-in-process goods	254,569	38,061	216,508
Finished goods	536,621	38,647	497,974
Merchandise trade	17,112	1,059	16,053
Total	<u>\$1,259,243</u>	<u>\$93,398</u>	<u>\$1,165,845</u>

	December 31, 2021		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$377,481	\$14,017	\$363,464
Substances	23,746	369	23,377
Work-in-process goods	257,038	41,701	215,337
Finished goods	508,098	32,167	475,931
Merchandise trade	15,381	1,143	14,238
Total	<u>\$1,181,744</u>	<u>\$89,397</u>	<u>\$1,092,347</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)

	March 31, 2021		
	Cost	Allowance for loss of inventory in valuation	Book amount
Raw materials	\$296,066	\$17,735	\$278,331
Substances	31,394	97	31,297
Work-in-process goods	227,681	35,248	192,433
Finished goods	387,031	27,261	359,770
Merchandise trade	13,524	823	12,701
Total	<u>\$955,696</u>	<u>\$81,164</u>	<u>\$874,532</u>

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

	For the Three Months Ended March 31	
	2022	2021
Inventory booked in “cost of goods sold”	\$1,103,699	\$975,474
Inventory cost debited to “net cash value”	2,165	5,466
Recovery of the net cash value of inventory	-	-
Inventory loss	1,133	2,586
Total operating cost	<u>\$1,106,997</u>	<u>\$983,526</u>

(B) The aforementioned inventory had not been provided as collateral or mortgaged.

(7) Other financial assets-current

	March 31, 2022	December 31, 2021	March 31, 2021
Time deposit	\$26,466	\$18,818	\$30,942
Restricted assets – bank deposit	1,154	1,074	1,133
Special account for transferring overseas funds back to Taiwan			
Savings deposit	795	20,055	472
Time deposit	6,797	5,534	24,785
Total	<u>\$35,212</u>	<u>\$45,481</u>	<u>\$57,332</u>

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

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and SUBSIDIARIES  
(Continuing)  
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(8) Financial assets-noncurrent measured at fair value through other comprehensive profit and loss

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Equity instrument</u>			
Unlisted stocks	\$27,006	\$27,006	\$27,006
Equity instrument investment evaluation adjustment	238,959	272,332	204,518
Total	<u>\$265,965</u>	<u>\$299,338</u>	<u>\$231,524</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.
- (B) The Group had recognized dividend income from the investment in equity instrument measured at fair value through other comprehensive profit and loss are both NT\$0 thousand, and NT\$0 thousand for the first quarters of 2022 and 2021, respectively.
- (C) The Group did not have cumulative profit or loss transferred within equity for the first quarters of 2022 and 2021.
- (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:

<u>Affiliated enterprises</u>	<u>March 31, 2022</u>	<u>Equity holding ratio (%)</u>	<u>December 31, 2021</u>	<u>Equity holding ratio (%)</u>	<u>March 31, 2021</u>	<u>Equity holding ratio (%)</u>
SUNFLEX TECHNOLOGY CO., LTD. (Note)	<u>\$159,237</u>	14.74	<u>\$157,750</u>	14.74	<u>\$148,829</u>	14.74

(Continuing)

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

Note: 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 Months Ended March 31	
	2022	2021
Net profit (loss) of the continuing business unit – current	\$4,034	\$99
Other comprehensive profit and loss (after tax) - current	(2,600)	2,220
Total comprehensive profit and loss - current	\$1,434	\$2,319

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

	For the Three Months Ended March 31	
	2022	2021
Balance - beginning	\$157,750	\$146,510
Profit amount - current	4,034	99
Changes in the affiliated enterprises under the equity method	53	-
The unrealized valuation profit (loss) amount of the financial assets measured at fair value through other comprehensive profit and loss	(2,600)	2,220
Balance - ending	\$159,237	\$148,829

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

(10) Property, plant and equipment

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

For the Three Months Ended March 31, 2022

<u>Cost</u>	<u>Land</u>	<u>House &amp; building</u>	<u>Machinery equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment yet to be tested</u>	<u>Total</u>
Balance at January 1, 2022	\$132,077	\$1,032,230	\$2,285,753	\$100,235	\$98,375	\$215,510	\$90	\$3,864,370
Addition	-	904	17,011	167	2,429	1,100	-	21,611
Disposition	-	(359)	(2,672)	(1,830)	(168)	(633)	-	(5,662)
Reclassification	-	-	613	-	92	-	(92)	613
Exchange difference	1,050	27,922	(60,005)	2,246	3,452	4,780	2	99,457
Balance at March 31, 2022	<u>133,127</u>	<u>1,060,797</u>	<u>2,360,710</u>	<u>100,818</u>	<u>104,180</u>	<u>220,757</u>	<u>-</u>	<u>3,980,389</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	-	620,112	1,715,568	66,903	65,103	157,908	-	2,625,594
Depreciation	-	11,004	21,238	2,235	1,888	2,839	-	39,204
Disposition	-	(190)	(2,537)	(1,830)	(166)	(627)	-	(5,350)
Reclassification	-	-	-	-	-	-	-	-
Exchange difference	-	16,702	46,978	1,440	2,243	3,779	-	71,142
Balance at March 31, 2022	<u>-</u>	<u>647,628</u>	<u>1,781,247</u>	<u>68,748</u>	<u>69,068</u>	<u>163,899</u>	<u>-</u>	<u>2,730,590</u>
Carrying amount at March 31, 2022	<u>\$133,127</u>	<u>\$413,169</u>	<u>\$579,463</u>	<u>\$32,070</u>	<u>\$35,112</u>	<u>\$56,858</u>	<u>\$-</u>	<u>\$1,249,799</u>

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For the Three Months Ended March 31, 2021

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, 2021	\$135,721	\$1,023,778	\$2,199,454	\$96,652	\$85,518	\$224,324	\$5,260	\$3,767,707
Addition	-	1,410	14,632	1,882	1,559	2,680	688	22,851
Dispositiiont	-	-	(8,098)	(1,196)	(923)	(106)	-	(10,323)
Reclassification	-	5,061	17,950	-	501	(18,451)	(5,061)	-
Exchange difference	(932)	(9,716)	(20,886)	(1,332)	(1,428)	(1,643)	(65)	(36,002)
Balance at March 31, 2021	134,789	1,020,533	2,203,052	96,006	82,227	206,804	822	3,744,233
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	-	587,284	1,677,535	65,903	67,577	156,056	-	2,554,355
Depreciation	-	9,547	21,156	2,011	944	2,829	-	36,487
Disposition	-	-	(8,020)	(1,137)	(830)	(96)	-	(10,083)
Reclassification	-	-	3,388	-	-	(3,388)	-	-
Exchange difference	-	(5,199)	(16,686)	(796)	(1,198)	(1,330)	-	(25,209)
Balance at March 31, 2021	-	591,632	1,677,373	65,981	66,493	154,071	-	2,555,550
Carrying amount at March 31, 2021	\$134,789	\$428,901	\$525,679	\$30,025	\$15,734	\$52,733	\$822	\$1,188,683

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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 3-50 years.
- (C) The Group did not acquire property, plant and equipment that caused the capitalization of the loan cost for the first quarters of 2022 and 2021.
- (D) The Group did not have any impairment occurred to the property, plant and equipment for the first quarters of 2022 and 2021.
- (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:

	For the Three Months Ended March 31	
	2022	2021
The current addition of property, plant and equipment listed in Note 6(10)(A) of the consolidated financial report	\$21,611	\$22,851
Add: Equipment payable - beginning	16,537	4,556
Less: Equipment payable - ending	(6,927)	(3,983)
Cash outflow for the acquisition of property, plant and equipment	\$31,221	\$23,424

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

	March 31, 2022	December 31, 2021	March 31, 2021
House and building	\$1,340	\$1,340	\$1,340
Less: Accumulated depreciation	(978)	(969)	(941)
Leased assets - net	\$362	\$371	\$399

- (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, 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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- (b) The Group had part of the plant building leased to BAIYUE . The said plant building could not be sold independently; also, the said plant building owned by the Group was mainly for the purpose of product production, service providing, and management; therefore, the proprietary plant was not classified as an investment property.

(11) Right-of-use assets

(A) The increase and decrease of the Group's right-of-use assets are as follows:

Cost	For the Three Months Ended March 31,2022		
	Land	House & building	Total
Balance at January 1, 2022	\$64,410	\$117,687	\$182,097
Addition	-	-	-
Due/transfer amount	-	-	-
Exchange difference	2,173	4,092	6,265
Balance at March 31, 2022	66,583	121,779	188,362
<u>Accumulated depreciation</u>			
Balance at January 1, 2022	5,827	45,876	51,703
Depreciation	472	4,782	5,254
Due/transfer amount	-	-	-
Exchange difference	215	1,576	1,791
Balance at March 31, 2022	6,514	52,234	58,748
Carrying amount at March 31, 2022	<u>\$60,069</u>	<u>\$69,545</u>	<u>\$129,614</u>
Cost	For the Three Months Ended March 31,2021		
	Land	House & building	Total
Balance at January 1, 2021	\$66,045	\$125,053	\$191,098
Addition	-	-	-
Due/transfer amount	-	-	-
Exchange difference	(991)	(1,397)	(2,388)
Balance at March 31, 2021	65,054	123,656	188,710
<u>Accumulated depreciation</u>			
Balance at January 1, 2021	4,036	27,933	31,969
Depreciation	475	4,518	4,993
Due/transfer amount	-	-	-
Exchange difference	117	(376)	(259)
Balance at March 31, 2021	4,628	32,075	36,703
Carrying amount at March 31, 2021	<u>\$60,426</u>	<u>\$91,581</u>	<u>\$152,007</u>



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(B) The Group did not have the right-of-use assets sublet for the first quarters of 2022 and 2021.

(C) The Group did not have any impairment occurred to the right-of-use assets for the first quarters of 2022 and 2021.

(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 three months ended March 31	
	2022	2021
Balance – beginning	\$5,612	\$8,598
Addition - current	488	343
Decrease in the current period – delisted on the due date	(2,567)	(240)
Exchange difference	19	(2)
Balance – ending	3,552	8,699
<u>Accumulated depreciation</u>		
Balance – beginning	4,037	5,225
Amortization – current	373	621
Decrease in current period – delisted on the due date	(2,567)	(240)
Exchange difference	15	(1)
Balance – ending	1,858	5,605
Book amount - ending	\$1,694	\$3,094

(B) The Group did not have any impairment occurred to the intangible assets for the first quarters of 2022 and 2021.

(13) Short-term loans

	March 31, 2022	December 31, 2021	March 31, 2021
Credit loans	\$1,230,000	\$1,260,000	\$1,272,207

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

<u>Nature of loan</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Credit loan	0.704%-1.250%	0.704%-1.269%	0.700%-1.000%

(B) The Group did not provide collateral for the aforementioned short-term loans..

(14) Long-term loans

<u>Creditor</u>	<u>Nature of loan</u>	<u>Contract period</u>	<u>Amount</u>	<u>Repayment method</u>
<u>March 31, 2022</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$60,295	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	18,737	(Note 2)
Total			79,032	
Less: Long-term loans due within one year			-	
Long-term loans due after one year			<u>\$79,032</u>	
<u>December 31, 2021</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$57,587	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	18,737	(Note 2)
Total			76,324	
Less: Long-term loans due within one year			-	
Long-term loans due after one year			<u>\$76,324</u>	
<u>March 31, 2021</u>				
Fubon Bank	Credit loan	01/03/2020~01/03/2025	\$33,111	(Note 1)
Fubon Bank	Credit loan	02/07/2020~02/07/2025	18,737	(Note 2)
BBVA USA	Credit loan	05/04/2020~05/04/2022	860	(Note 3)
Total			52,708	
Less: Long-term loans due within one year			-	
Long-term loans due after one year			<u>\$52,708</u>	

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. The company used it in stages from January 3, 2020 to January 5, 2022.

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

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and the interest paid monthly. The company used it in stages from February 7, 2020 to August 7, 2020.

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 second quarter of 2021.

(A) The aforementioned long-term loan from Taipei Fubon Bank is a project loan for Taiwanese businessmen to invest in Taiwan with a loan interest rate of 0.70% per annum on December 31, 2021 and 2020 (for the aforementioned project loan granted to Taiwanese businessmen to invest in Taiwan, in the event of violating law and regulations, or the budget of National Development Fund being freeze up by the Legislative Yuan during the implementation period, policy changes, fund allocation needs, or circumstances that are not attributable to the National Development Fund, starting from the date the National Development Fund stopping the payment of commission fee, the loan interest rate will be changed to “3M TAIBOR+0.50%” divided by 0.946 with a 3-month floating interest calculated automatically and regularly, which shall not be lower than 1.2% after tax. In addition, the machinery equipment purchased with the project loan may not be pledged or with ownership transferred to others).

(B) The Group did not provide collateral for the aforementioned long-term loans.

(15) Lease liabilities

	<u>Discount rate</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Lease liabilities				
House and building	2.475%-4.750%	\$74,881	\$76,845	\$95,703
Less: Lease liabilities due within one year		<u>(17,818)</u>	<u>(18,377)</u>	<u>(16,763)</u>
Lease liabilities due after one year		<u>\$57,063</u>	<u>\$58,468</u>	<u>\$78,940</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 months ended March 31	
	2022	2021
Short-term lease expense	\$1,249	\$1,210
Low-value asset lease expenses	\$-	\$-
Changes in lease expense excluded from the measurement of a lease liability	\$-	\$-
Total cash outflow of all leases	\$6,821	\$6,324
Lease liabilities interest	\$906	\$1,148

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 March 31, 2022, December 31, 2021, and March 31, 2021, the company's pension reserve deposit account with the Bank of Taiwan was with a balance of NT\$173,427 thousand, NT\$155,492 thousand, and NT\$162,057 thousand, respectively.

(b) Please refer to Note 6.(16)(A) of the 2021 consolidated financial report for the company's defined benefit plan on December 31, 2021.

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(c) Pension expenses recognized as profit or loss:

	For the three months ended March 31	
	2022	2021
Operating cost	\$563	\$572
Marketing expense	138	159
Management expense	325	348
R&D expense	101	91
Total	\$1,127	\$1,170

(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 months ended March 31	
	2022	2021
Operating cost	\$11,359	\$8,897
Marketing expense	4,458	1,727
Management expense	2,466	2,031
R&D expense	1,979	1,294
Total	\$20,262	\$13,949

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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 1,2021	350,000	184,968	\$1,849,683
Balance amount on March 31, 2021	350,000	184,968	\$1,849,683
Balance amount on January 1,2022	350,000	187,832	\$1,878,323
Employee exercise of stock warrant		1,936	19,360
Balance amount on March 31,2022	350,000	189,768	\$1,897,683

- (A) As of March 31, 2022, December 31, 2021, and March 31, 2021, 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) The Company's employee stock option certificates exercised 1,936 thousand shares subscribed for the first quarters of 2022 .As of March 31, 2022, December 31, 2021, and March 31, 2021, of 9,716 thousand shares, 7,780 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 March 31, 2022, there were still 1,936 thousand shares that have not yet completed the change registration procedures, On May 6, 2022, the board of directors resolved to set the base date for capital increase as May 9, 2022,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

	March 31, 2022	December 31, 2020	March 31, 2020
Common stock premium	\$306,296	\$287,379	\$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	31,900	31,847	31,847
Employee stock options	19,998	28,752	39,143
Invalid employee stock options	36,240	36,240	36,240
Received donation from shareholders	1,684	1,657	1,657
Total	<u>\$462,987</u>	<u>\$452,744</u>	<u>\$433,908</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

The Company has special reserve appropriated and reversed in accordance with Jin-Guan-Zheng-Far-Tzi No. 1010012865 Order, Jin-Guan-Zheng-Far-Tzi No. 1010047490 Order, and "Questions and Answers on the Appropriation of Special Reserves after the Adoption of International Financial Reporting Standards (IFRSs)." When the amount debited to other equity is reversed subsequently, the reversed amount could be distributed. In addition, the Financial Supervisory Commission had issued the

Jin-Guan-Zheng-Far-Tzi No. 1090150022 Order on March 31, 2021, then the Jin-Guan-Zheng-Far-TZi No. 1010012865 Order and Jin-Guan-Zheng-Far-Tzi No. 1010047490 Order were revoked on December 31, 2021 and March 31, 2021, respectively. The Company will comply with the relevant letter and orders continuously.

(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.
- (C) The aforementioned earnings distribution proposal issued by the board of directors (to be resolved in the company's general shareholders meeting on June 10, 2022) or resolved in the shareholders' meeting is as follows:

	Years Ended December 31	
	2021	2020
Legal reserve	\$65,820	\$28,424
Special reserve	-	-
Shareholder's dividends		
Cash	\$394,448	\$221,962
Cash dividend per share	NT\$2.10	NT\$1.20
Stock (NT\$10 par)	-share	-share
Stock dividend per share	-NT\$	-NT\$



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(22) Other equity (net amount after tax)

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

	For the Three Months Ended March 31	
	2022	2021
Balance - beginning	\$(441,852)	\$(357,177)
Transactions of current period	139,789	(47,229)
Reclassified to (profit) and loss in the current period	-	-
Balance - ending	\$(302,063)	\$(404,406)

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

	For the Three Months Ended March 31	
	2022	2021
Balance - beginning	\$279,295	\$177,692
Transactions of current period	(33,373)	26,170
Recognized under the equity method in the current period - affiliated enterprise	(2,600)	2,220
Reclassified to retained earnings in the current period	-	-
Balance - ending	\$243,322	\$206,082

(23) Non-controlling interests

	For the Three Months Ended March 31	
	2022	2021
Balance - beginning	\$601,439	\$612,084
The amount attributable to non-controlling interests:		
Net income	21,149	26,390
Exchange difference from the conversion of the financial statements of foreign operating institutions	21,778	(7,752)
Cash dividends paid by subsidiaries to non-controlling interests	(852)	(852)
Balance - ending	\$643,514	\$629,870

The Group had no subsidiaries with significant non-controlling interests for the first quarters of 2022 and 2021.

(Continuing)

(Review only without following generally accepted auditing standards)

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

(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 March 31, 2022, 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	1,600	16,000	\$13.40
January 8, 2016	200,000	87,000	870,000	15.30
September 12, 2018	290,000	209,400	982,000	21.20
August 12, 2019	210,000	179,000	590,000	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 March 31, 2022.

(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\$580 thousand and NT\$1,101 thousand, for the first quarters of 2022 and 2021, respectively. The input values of the stock option pricing model are as follows:

## 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)

	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 Three Months Ended March 31, 2022		For the Three Months Ended March 31, 2021	
	QTY (unit)	Weighted average price per share (NTD)	QTY (unit)	Weighted average price per share (NTD)
Outstanding shares - beginning	670,600	\$18.64	957,000	\$18.07
Granted in current period	-	-	-	-
Exercised in current period	(193,600)	14.95	-	-
Lost in current period (expired)	-	-	-	-
Outstanding shares - ending	<u>477,000</u>	20.14	<u>957,000</u>	18.07
Exercisable employee stock options - ending	<u>245,800</u>	19.08	<u>590,200</u>	15.78
Average fair value per share of stock options granted to employees in the current period (NTD)	<u>\$-</u>		<u>\$-</u>	

The weighted average share price is NTD \$59.13 of the company's employees did execute stock options for the first quarters of 2022. The company's employees did not execute stock options for the first quarters of 2021.

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As of March 31, 2022, December 31, 2020 and March 31, 2021, the company's outstanding compensatory employee stock option plan is as follows:

	Price range per share (NTD)	Outstanding stock options			Exercisable employee stock options	
		Outstanding QTY (Unit)	Weighted average expected remaining duration	Weighted average price per share (NTD)	Exercisable QTY (Unit)	Weighted average price per share (NTD)
<u>March 31, 2022</u>						
2014 Stock option plan	\$13.40	1,600	-	\$13.40	1,600	\$13.40
2014 Stock option plan	15.30	87,000	-	15.30	87,000	15.30
2018 Stock option plan	21.20	209,400	1.74	21.20	98,200	21.20
2018 Stock option plan	21.30	179,000	2.53	21.30	59,000	21.30
<u>December 31, 2021</u>						
2014 Stock option plan	\$13.40	99,200	-	\$13.40	99,200	\$13.40
2014 Stock option plan	15.30	163,200	-	15.30	163,200	15.30
2018 Stock option plan	21.20	220,400	1.95	21.20	109,200	21.20
2018 Stock option plan	21.30	187,800	2.75	21.30	67,800	21.30
<u>March 31, 2021</u>						
2014 Stock option plan	\$13.70	300,000	0.06	\$13.70	300,000	\$13.70
2014 Stock option plan	15.60	179,000	0.21	15.60	179,000	15.60
2018 Stock option plan	21.70	278,000	2.54	21.70	111,200	21.70
2018 Stock option plan	21.80	210,000	3.45	21.80	-	21.80

(25) Net operating income

	For the Three Months Ended March 31	
	2022	2021
Sales income		
Parts income	\$1,484,105	\$1,285,506
Mold income	52,774	53,553
Fixture income	18,893	20,726
Merchandise income	19,890	21,417
Total	1,575,662	1,381,202
Less: Sales return	(1,909)	(2,578)
Sales discount	(2,699)	(3,875)
Net operating income	\$1,571,054	\$1,374,749

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and SUBSIDIARIES  
(Continuing)  
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(A) Income classification:

(a) Main merchandise / service

	For the Three Months Ended March 31	
	2022	2021
Parts income	\$1,479,814	\$1,280,401
Mold income	52,774	52,228
Fixture income	18,893	20,725
Merchandise income	19,573	21,395
Total	<u>\$1,571,054</u>	<u>\$1,374,749</u>

(b) Main regional markets

Customer location	For the Three Months Ended March 31	
	2022	2021
Taiwan	\$361,437	\$205,271
Asia (other than Taiwan)	1,089,775	977,103
America	75,822	102,769
Others	44,020	89,606
Total	<u>\$1,571,054</u>	<u>\$1,374,749</u>

(c) Income recognition time

	For the Three Months Ended March 31	
	2022	2021
Goods transferred at a certain time	<u>\$1,571,054</u>	<u>\$1,374,749</u>

(B) Contract liabilities:

	March 31, 2022	December 31, 2021	March 31, 2021
Contract liabilities	<u>\$13,938</u>	<u>\$14,748</u>	<u>\$12,766</u>

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

	For the Three Months Ended March 31	
	2022	2021
Contract liabilities balance – beginning transferred to income in the current period	\$(4,464)	\$(2,536)
Increase in cash received in advance in the current period	3,654	2,887

(26) Operating costs and expenses

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

Function Nature	For the Three Months Ended March 31,2022			For the Three Months Ended March 31,2021		
	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)	\$192,045	\$105,714	\$297,759	\$193,495	\$103,030	\$296,525
Labor and health insurance expenses	14,395	9,114	23,509	13,086	8,446	21,532
Pension expenses	11,922	9,467	21,389	9,469	5,650	15,119
Director remuneration	-	1,837	1,837	-	1,752	1,752
Other welfare expenses	5,936	3,137	9,073	6,439	2,946	9,385
Depreciation expenses (Note 2)	32,171	12,278	44,449	30,081	11,390	41,471
Amortization expense	6,604	1,113	7,717	3,337	2,125	5,462

Note 1 : (1) 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.

(2) The estimated remuneration payable to employees of the company for the first quarters of 2022 and 2021 were NT\$6,012 thousand and NT\$5,250 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 quarters of 2022 and 2021. 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.

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(3) The company's board of directors had resolved on March 10, 2022 to distribute the 2021 remuneration to employees for NT\$21,000 thousand in cash and remuneration to directors for NT\$0 that were not different from the estimated remuneration to employees and directors in the company's 2021 financial report. 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 and supervisors for NT\$0 that were reported in the regular shareholders meeting on June 17, 2021; also, it was not different from the estimated remuneration to employees, directors, and supervisors in the company's 2020 financial report.

(4) 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 for the first quarters of 2022 and 2021 were NT\$44,458 thousand and NT\$41,480 thousand, respectively. Also, the depreciation expenses of the property, plant and equipment - leased assets is all NT\$9 thousand, respectively, and listed in the "Other income and expenses - net" account.

(27) Other income and expenses - net

	<u>For the Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Property, plant and equipment – lease assets		
Rent income	\$175	\$344
Depreciation expense	(9)	(9)
Other income and expenses - net	<u>\$166</u>	<u>\$335</u>

(28) Non-operating income and expense(A) Interest income

	<u>For the Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Bank deposit interest	\$10,385	\$9,900
Financial assets measured at amortized cost interest income	-	160
Other interest income	<u>11,699</u>	<u>16,128</u>
Total	<u>\$22,084</u>	<u>\$26,188</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)

(B) Interest income

	For the Three Months Ended March 31	
	2022	2021
Other income-other	4,890	3,331

(C) Other profit and loss

	For the Three Months Ended March 31	
	2022	2021
Net loss of financial assets measured at fair value profit and (loss)	\$(6,841)	\$(3,259)
Net profit (loss) from the disposal of property, plant, and equipment	495	(21)
Other expenses	(12)	(411)
Total	\$(6,358)	\$(3,691)

(D) Financial cost

	For the Three Months Ended March 31	
	2022	2021
Bank loan interest	\$(2,829)	\$(2,734)
Lease liability interest	(906)	(1,148)
Total	\$(3,735)	\$(3,882)

(E) Profit (loss) amount from the affiliated enterprises under the equity method  
Please refer to Note 6(9)(A)(c) of the consolidated financial report for details.

(F) Exchange profit - net

	For the Three Months Ended March 31	
	2022	2021
Realized exchange profit (loss) - net	\$34,379	\$(12,467)
Unrealized exchange profit (loss)-net	(2,622)	14,648
Total	\$31,757	\$2,181



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(Continuing)

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(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 Months Ended March 31,2022</u>					
Items not reclassified to profit and loss:					
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss	\$(33,373)	\$-	\$(33,373)	\$-	\$(33,373)
Unrealized appraisal benefits of equity instrument investment measured at fair value through other comprehensive loss of affiliated enterprises under the equity method	(2,600)	-	(2,600)	-	(2,600)
Total amount of items not reclassified to profit and loss:	(35,973)	-	(35,973)	-	(35,973)
Items that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions	161,567	-	161,567	-	161,567
Total	\$125,594	\$-	\$125,594	\$-	\$125,7594

For the Three Months Ended March 31,2021

Items not reclassified to profit and loss:					
Unrealized appraisal loss of equity instrument investment measured at fair value through other comprehensive profit	\$26,170	\$-	\$26,170	\$-	\$26,170
Unrealized appraisal loss of equity instrument investment measured at fair value through other comprehensive profit of affiliated enterprises under the equity method	2,220	-	2,220	-	2,220
Total amount of items not reclassified to profit and loss:	28,390	-	28,390	-	28,390
Item that may be reclassified to profit and loss subsequently:					
Exchange difference from the conversion of the financial statements of foreign operating institutions	(54,981)	-	(54,981)	-	(54,981)
Total	\$(26,591)	\$-	\$(26,591)	\$-	\$(26,591)

(Continuing)

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(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 2020 (inclusive) (except for 2019) and the subsidiary, CHIN DE INVESTMENT CO., LTD., filed before 2020 (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 Months Ended March 31	
	2022	2021
Income tax expense - current		
Income tax expenses of the current period	\$44,860	\$37,850
Deferred income tax expense (benefits)	33,776	30,880
Income tax expense	<u>\$78,636</u>	<u>\$68,730</u>

(b) The Group had no income tax related to other comprehensive profit and loss constituents or direct debited or credited to equity for the first quarters of 2022 and 2021, respectively.

(31) Earnings per share

(A) 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 Months Ended March 31	
	2022	2021
Net profit attributable to the company's Common stock shareholders	<u>\$195,014</u>	<u>\$110,202</u>
Outstanding weighted average shares	187,832,298 shares	184,968,298 shares
Employee stock option – subscribing issue new shares (Note)	191,544	-
Outstanding weighted average shares	<u>188,023,842 shares</u>	<u>184,968,298 shares</u>
Basic earnings per share (after tax) (NTD)	<u>\$1.04</u>	<u>\$0.60</u>

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

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(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:

	<u>For the Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Net profit attributable to the company's common stock shareholders	\$195,014	\$110,202
Add: Potential common stock share effect	-	-
Adjusted net profit attributable to the company's common stock shareholders	<u>\$195,014</u>	<u>\$110,202</u>
Outstanding weighted average shares	188,023,842 shares	184,968,298 shares
Add: Potential common stock share effect		
Employee stock option hypothesis – subscribing new shares (Note)	4,463,397	3,019,086
Employee Remuneration hypothesis –issuing new shares	398,734	715,259
Adjusted weighted average shares	<u>192,886,273</u> shares	<u>188,702,643</u> shares
Basic earnings per share (after tax) (NTD)	<u>\$1.01</u>	<u>\$0.58</u>

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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 Three Months Ended March 31,2022</u>						
Short-term loan	\$1,260,000	\$(30,000)	\$-	\$-	\$-	\$1,230,000
Long-term loan	76,324	2,708	-	-	-	79,032
Lease liabilities (including current and noncurrent)	76,845	(4,666)	-	2,702	-	74,881
Total	<u>\$1,413,169</u>	<u>\$(31,958)</u>	<u>\$-</u>	<u>\$2,702</u>	<u>\$-</u>	<u>\$1,383,913</u>

Accounting item	Balance - beginning	Cash flow	Changes in non-cash			Balance - ending
			Transaction of current period	Change in exchange rate	Other	
<u>For the Three Months Ended March 31,2021</u>						
Short-term loan	\$1,235,824	\$36,383	\$-	\$-	\$-	\$1,272,207
Long-term loan	44,365	8,343	-	-	-	52,708
Lease liabilities (including current and noncurrent)	100,721	(3,966)	-	(1,052)	-	95,703
Total	<u>\$1,380,910</u>	<u>\$40,760</u>	<u>\$-</u>	<u>\$(1,052)</u>	<u>\$-</u>	<u>\$1,420,618</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.

(2) Major transactions with related parties

(A) Purchases

<u>Related party category/name</u>	<u>For the Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Other related parties		
KUAI LUNG	\$12	\$-
Affiliated enterprises		
SUNFLEX	<u>2,747</u>	<u>2,279</u>
Total	<u>\$2,759</u>	<u>\$2,279</u>

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) The company had contracted the affiliated enterprise, SUNFLEX TECHNOLOGY CO., LTD., for product proceeding with a processing expense of NT\$3,934 thousand, and NT\$2,385 thousand incurred for the first quarters of 2022 and 2021, respectively.

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(C) Claims/obligations arising from the aforementioned transactions

<u>Related party category/name</u>	<u>March 31, 2022</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>
(a) <u>Accounts receivable –</u>			
<u>related party</u>			
Other related parties			
KUAI LUNG	\$-	\$99	\$-
Affiliated enterprises			
SUNFLEX	-	13	-
Total	<u>\$-</u>	<u>\$112</u>	<u>\$-</u>
(b) <u>Accounts payable –</u>			
<u>related party</u>			
Other related parties			
KUAI LUNG	\$13	\$-	\$100
Affiliated enterprises			
SUNFLEX	4,370	3,913	2,606
Total	<u>\$4,383</u>	<u>\$3,913</u>	<u>\$2,706</u>
(c) <u>Other payable – related</u>			
<u>party</u>			
Other related parties			
KUAI LUNG	\$360	\$930	\$155
Affiliated enterprises			
SUNFLEX	2,108	2,677	1,719
Total	<u>\$2,468</u>	<u>\$3,607</u>	<u>\$1,874</u>

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.

(D) 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:

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Item	For the Three Months Ended March 31	
	2022	2021
Short-term benefits	\$3,935	\$3,845
Retirement benefits	78	78
Share-based payment	35	63
Total	<u>\$4,048</u>	<u>\$3,986</u>

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.

**8. Mortgaged assets**

As of March 31, 2022, December 31, 2020, and March 31, 2021, 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	March 31, 2022	December 31, 2021	March 31, 2021	Mortgage agency	Collateral for loans
Other financial assets - current Bank deposits	\$1,154	\$1,074	\$1,133	Bank of China	Material deposit, contract deposit, and others
Other noncurrent assets - others Bank deposits	216	209	229	Bangkok Bank	Electricity deposit
Other noncurrent assets – others Bank deposits	1,177	1,203	1,289	Mizuho Bank	Tariff deposits
Total	<u>\$2,547</u>	<u>\$2,486</u>	<u>\$2,651</u>		

**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 March 31, 2022:

- (1) The company had had a guaranteed loan from financial institutions for the tariff guarantee amount of NT\$500 thousand on March 31, 2022.

- (2) The Group's G-SHANK ENTERPRISE (M) SDN. BHD. had a guaranteed loan of NT\$27,581 thousand from financial institutions for the introduction of foreign labor and other matters on March 31, 2022.
- (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 Group had entered into contract for the purchase of property, plant and equipment for an amount of RMB 802 thousand, a of which the outstanding amount is RMB 472 thousand.

**10. Significant disaster loss**

None

**11. Material post events**

- (1) 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 first quarter of 2022 was 1,936 thousand shares (under the account of Advance Receipts for Capital Stock), On May 6, 2022, the board of directors resolved to set the base date for capital increase as May 9, 2022.
- (2) The company' On May 6, 2022, passed the resolution of the board of directors to issue 300,000 units of employee stock warrants . Each unit of stock option certificate can be subscribed for 10 shares, which will be issued in batches. However, it has yet to be reported to the competent authority for approval before it become the issuance of compensatory employee stock warrants.

**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.

(i) Exchange rate risk

(01) 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:

<u>March 31, 2022</u>	<u>Foreign currency (Thousand)</u>	<u>Exchange rate</u>	<u>Book amount</u>	<u>Sensitive analysis</u>		
				<u>Change ratio</u>	<u>Increase/ decrease in net income before tax</u>	<u>Decrease in Equity</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$51,055	28.62	\$1,461,185	5%	\$73,059	\$-
JPY	38,092	0.2353	8,963	5%	448	-
RMB	140,903	4.5060	634,909	5%	31,745	-
HKD	8,918	3.6570	32,614	5%	1,631	-
EUR	2,845	31.92	90,800	5%	4,540	-
<u>Non-monetary items</u>						
USD	\$31,230	28.62	\$893,802	5%	\$44,690	\$-
<u>Derivative financial instrument</u>						
USD	\$619	28.62	\$17,709	5%	\$885	\$-

(Note)

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES  
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<u>March 31, 2022</u>	Foreign currency (Thousand)	Exchange rate	Book amount	Sensitive analysis		
				Change ratio	Increase/ decrease in net income before tax	Decrease in Equity
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$773	28.62	\$22,116	5%	\$1,106	\$-
JPY	28,824	0.2353	6,782	5%	339	-

Non-monetary items: None

Derivative financial instrument: None

December 31, 2021

Financial assets

Monetary items

USD	\$47,709	27.67	\$1,320,115	5%	\$66,006	\$-
JPY	55,028	0.2406	13,240	5%	662	-
RMB	139,512	4.345	606,178	5%	30,309	-
HKD	8,426	3.551	29,920	5%	1,496	-
EUR	2,418	31.33	75,741	5%	3,787	-

Non-monetary items

USD	\$35,981	27.67	\$995,598	5%	\$49,780	\$-
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Derivative financial instrument : None

Financial liabilities

Monetary items

USD	\$816	27.67	\$22,574	5%	\$1,129	-
JPY	68,685	0.2406	16,526	5%	826	-
HKD	402	3.551	1,429	5%	71	-

Non-monetary items: None

Derivative financial instrument:

USD	\$60	27.67	\$1,671	5%	\$84	-
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## Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. and SUBSIDIARIES

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<u>March 31, 2021</u>	<u>Foreign currency (Thousand)</u>	<u>Exchange rate</u>	<u>Book amount</u>	<u>Sensitive analysis</u>		
				<u>Change ratio</u>	<u>Increase/ decrease in net income before tax</u>	<u>Decrease in Equity</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$37,092	28.53	\$1,058,230	5%	\$52,912	\$-
JPY	54,650	0.2578	14,089	5%	704	-
RMB	64,978	4.342	282,135	5%	14,107	-
HKD	8,294	3.671	30,448	5%	1,522	-
EUR	3,104	33.48	103,925	5%	5,196	-
<u>Non-monetary items</u>						
USD	\$39,367	28.53	\$1,123,134	5%	\$56,157	\$-
<u>Derivative financial instrument:</u>						
USD	\$14,370	28.53	\$5,498 (Note)	5%	\$272	\$-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$629	28.53	\$17,949	5%	\$897	\$-
JPY	43,523	0.2578	11,220	5%	561	-
<u>Non-monetary items:</u> None						
<u>Derivative financial instrument:</u> None						

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:

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

Functional currency	For the Three Months Ended March 31, 2022		For the Three Months Ended March 31, 2021	
	Exchange profit (loss)	Average exchange rate	Exchange profit (loss)	Average exchange rate
NTD	\$33,592	-	\$(2,212)	-
USD	1,723	28.150	1,238	28.400
RMB	(4,675)	4.436	(196)	4.322
MYR	1,071	6.703	3,398	6.960
Others	46	-	(47)	-
Total	<u>\$31,757</u>		<u>\$2,181</u>	

(02) 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.

(ii) 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.

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Fixed interest rate			
Financial assets	\$2,856,007	\$2,863,111	\$3,082,337
Financial liabilities	<u>(1,304,881)</u>	<u>(1,336,845)</u>	<u>(1,368,770)</u>
Net amount	<u>\$1,551,126</u>	<u>\$1,526,266</u>	<u>\$1,713,567</u>
Floating interest rate			
Financial assets	\$1,563,455	\$1,304,445	\$1,016,403
Financial liabilities	<u>(79,032)</u>	<u>(76,324)</u>	<u>(51,848)</u>
Net amount	<u>\$1,484,423</u>	<u>\$1,228,121</u>	<u>\$964,555</u>

(02) 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\$1,856 thousand and NT\$1,206 thousand for the first quarters of 2022 and 2021, respectively.

(iii) 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:

## 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)

	<u>March 31, 2022</u>	<u>Decdmbcr 31, 2021</u>	<u>March 31, 2021</u>
Increase in net income before tax			
Financial assets measured at fair value through profit and loss	\$52,701	\$57,077	\$64,062
Increase in equity			
Financial assets measured at fair value through other comprehensive profit and loss	\$13,298	\$14,967	\$11,576

(b) Credit risk

(i) 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.

(ii) 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>March 31, 2022</u>	<u>Decdmbcr 31, 2021</u>	<u>March 31, 2021</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	32,301	30,641	31,111
Total	\$32,301	\$30,641	\$31,111

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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.

(iii) The expected credit loss of the Group's notes and accounts receivable as of March 31, 2022, December 31, 2021 and March 31, 2021 is analyzed as follows:

	Total book amount of notes and accounts receivable	Reserve matrix (loss rate)	Allowance for loss (expected credit loss throughout the duration)
<u>March 31, 2022</u>			
Not overdue	\$1,347,729	0%-0.63%	\$1,877
30days overdue	79,046	0%-16.63%	1,205
31-90 days overdue	32,677	0%-7.69%	1,123
91-180 days overdue	3,064	0%-9.63%	97
181-365 days overdue	9,543	0%-30.18%	2,881
Over 366 days overdue	25,118	100.00%	25,118
Total	<u>\$1,497,177</u>		<u>\$32,301</u>
<u>December 31, 2021</u>			
Not overdue	\$1,430,581	0%~0.76%	\$2,077
30days overdue	70,330	0%~22.30%	430
31-90 days overdue	29,102	0%~31.47%	1,432
91-180 days overdue	16,363	0%~9.50%	1,545
181-365 days overdue	992	0%~29.06%	288
Over 366 days overdue	24,869	100.00%	24,869
Total	<u>\$1,572,237</u>		<u>\$30,641</u>
<u>March 31, 2021</u>			
Not overdue	\$1,113,890	0%-0.86%	\$1,927
30days overdue	70,304	0%-23.36%	682
31-90 days overdue	32,735	0%-32.78%	997
91-180 days overdue	1,624	0%-46.18%	100
181-365days overdue	136	0%-71.13%	29
Over 366 days overdue	27,376	100.00%	27,376
Total	<u>\$1,246,065</u>		<u>\$31,111</u>



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

- (iv) The concentration of credit risk of accounts receivable is analyzed as follows:

	<u>March 31, 2022</u>	<u>Decdmbber 31, 2021</u>	<u>March 31, 2021</u>
The accounts receivable ratio of the top five customers	<u>34.02%</u>	<u>30.07%</u>	<u>33.24%</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.

(i) Bank loan amount

	<u>March 31, 2022</u>	<u>Decdmbber 31, 2021</u>	<u>March 31, 2021</u>
Short-term loan	\$1,109,500	\$1,229,500	\$979,500
Long-term loan	300,000	300,000	300,000
Long-term and short-term loan amount	<u>968</u>	<u>3,676</u>	<u>118,152</u>
Total	<u>\$1,410,468</u>	<u>\$1,533,176</u>	<u>\$1,397,652</u>

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(ii) Maturity analysis of undiscounted financial liabilities

<u>March 31, 2022</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	\$1,232,079	\$-	\$-	\$-	\$1,232,079
Accounts payable	604,568	-	-	-	604,568
Accounts payable – related party	4,383	-	-	-	4,383
Other payables	355,960	18,202	-	24,294	398,456
Other payables – related party	2,468	-	-	-	2,468
Lease liabilities	20,610	7,359	9,810	78,994	116,773
Long-term loan	552	39,935	39,659	-	80,146
Total	<u>\$2,220,620</u>	<u>\$65,496</u>	<u>\$49,469</u>	<u>\$103,288</u>	<u>\$2,438,873</u>

Derivative financial liabilities: NoneDecember 31, 2021

<u>Non-derivative financial liabilities</u>					
Short-term loan	\$1,263,014	\$-	\$-	\$-	\$1,263,014
Accounts payable	550,041	-	-	-	550,041
Accounts payable – related party	3,913	-	-	-	3,913
Other payables	518,486	10,849	-	23,181	552,516
Other payables – related party	3,607	-	-	-	3,607
Lease liabilities	21,533	10,526	9,532	77,887	119,478
Long-term loans	534	38,568	38,301	-	77,403
Total	<u>\$2,361,128</u>	<u>\$59,943</u>	<u>\$47,833</u>	<u>\$101,068</u>	<u>\$2,569,972</u>

Derivative financial liabilities: NoneMarch 31, 2021

<u>Non-derivative financial liabilities</u>					
Short-term loan	\$1,274,658	\$-	\$-	\$-	\$1,274,658
Accounts payable	543,147	-	-	-	543,147
Accounts payable – related party	2,706	-	-	-	2,706
Other payables	293,902	17,321	-	26,691	337,914
Other payables – related party	1,874	-	-	-	1,874
Lease liabilities	20,552	21,133	19,422	80,223	141,330
Long-term loan	363	6,919	46,435	-	53,717
Total	<u>\$2,137,202</u>	<u>\$45,373</u>	<u>\$65,857</u>	<u>\$106,914</u>	<u>\$2,355,346</u>

Derivative financial liabilities: None

(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

- (i) 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).
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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.

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(vii) 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.

(viii) 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;

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.

(i) 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:

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	<u>Lever 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>March 31, 2022</u>				
<u>Assets</u>				
Financial assets measured at fair value through profit and loss				
Funds	\$160,224	\$-	\$-	\$160,224
Bonds	893,802	-	-	893,802
SWAP contracts	-	17,709	-	17,709
Financial assets measured at fair value through other profit and loss				
Unlisted stocks	-	-	265,965	265,965
<u>Liabilities: None</u>				
<u>December 31, 2021</u>				
<u>Assets</u>				
Financial assets measured at fair value through profit and loss				
Funds	\$145,942	\$-	\$-	\$145,942
Bonds	995,598	-	-	995,598
Financial assets measured at fair value through other profit and loss				
Unlisted stocks	-	-	299,338	299,338
<u>Liabilities:</u>				
Financial assets measured at fair value through profit and loss				
SWAP contracts	\$-	\$1,671	\$-	\$1,671
<u>March 31, 2021</u>				
<u>Assets</u>				
Financial assets measured at fair value through profit and loss				
Funds	\$158,098	\$-	\$-	\$158,098
Bonds	1,123,134	-	-	1,123,134
SWAP contracts	-	5,498	-	5,498
Financial assets measured at fair value through other profit and loss				
Unlisted stocks	-	-	231,524	231,524
<u>Liabilities: None</u>				

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(ii) The Group did not have any significant shift between Level 1 and Level 2 of the fair value for the first quarters of 2022 and 2021.

(iii) The adjustment of the fair value measurement in Level 3 is as follows:

Items	Financial assets measured at fair value through other comprehensive profit and loss	
	Equity instrument investment – Unlisted stocks	
	For the Three Months Ended March 31	
	2022	2021
Balance - beginning	\$299,338	\$205,354
Total profit (loss)		
Recognized in other comprehensive profit and loss	(33,373)	26,170
Balance - ending	\$265,965	\$231,524

The Group had recognized total current profit (loss) for an amount of NT\$(33,373) thousand and NT\$26,170 thousand in other comprehensive profit and loss due to change in Level 3 fair value for the first quarters of 2022 and 2021, respectively, and they were booked in the “other comprehensive profit and loss – unrealized appraisal profit (loss) of equity instrument investment measured at fair value through other comprehensive profit and loss” .

(iv) The evaluation techniques and assumptions adopted to measure the fair value of financial assets.

(01) 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.

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

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(v) 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>March 31, 2022</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	2.83	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\$13,298 thousand.
<u>December 31, 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	3.28	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\$14,967 thousand.
<u>March 31, 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	3.19	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\$11,576 thousand.

(vi) 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.

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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 first quarters of 2022 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 (03.31.2022) (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	\$51,516 (USD1,800,000)	\$40,068 (USD1,400,000)	\$11,448 (USD400,000)	1%	Short-term loan	\$-	Business operation of affiliated enterprise	\$-	-	\$-	\$521,774	\$2,087,096

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 (March 31, 2022)				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	\$265,965	9.98	\$265,965	
	Bonds	AXA bonds AXASA 4.5 12/29/2049	None	Financial assets-current measured at fair value through profit and loss	700,000	18,598 (USD649,831)	-	18,598 (USD649,831)	
	Bonds	HSBC Holding bonds HSBC 6 RERP (I)	None	Financial assets-current measured at fair value through profit and loss	2,600,000	75,546 (USD2,639,624)	-	75,546 (USD2,639,624)	
	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	39,868 (USD1,393,000)	-	39,868 (USD1,393,000)	
	Bonds	Societe Generale bonds SOCGEN 6.75 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	3,220,000	93,329 (USD3,260,958)	-	93,329 (USD3,260,958)	
	Bonds	Societe Generale bonds SOCGEN 7 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	400,000	11,688 (USD408,384)	-	11,688 (USD408,384)	
	Bonds	BCS-Barclays Plc bonds BACR 8 PERP	None	Financial assets-current measured at fair value through profit and loss	200,000	6,082 (USD212,516)	-	6,082 (USD212,516)	
	Bonds	DB-Deutsche Bank AG bonds DB 6 1/4 PERP	None	Financial assets-current measured at fair value through profit and loss	6,400,000	179,049 (USD6,256,064)	-	179,049 (USD6,256,064)	
	Bonds	HSBC Holding bonds HSBC 6 1/4 RERP	None	Financial assets-current measured at fair value through profit and loss	300,000	8,706 (USD304,191)	-	8,706 (USD304,191)	

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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	HSBC Holding bonds HSBC 4.7 RERP (I)	None	Financial assets-current measured at fair value through profit and loss	5,500,000	\$142,088 (USD4,964,630)	-	\$142,088 (USD4,964,630)	
	Bonds	Societe Generale bonds SOCGEN 6.75 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	2,000,000	57,968 (USD2,025,440)	-	57,968 (USD2,025,440)	
	Bonds	HSBC Holding bonds HSBC 6 3/8 PERP	None	Financial assets-current measured at fair value through profit and loss	1,000,000	29,405 (USD1,027,440)	-	29,405 (USD1,027,440)	
	Bonds	HSBC Holding bonds HSBC 6 RERP (II)	None	Financial assets-current measured at fair value through profit and loss	500,000	14,528 (USD507,620)	-	14,528 (USD507,620)	
	Bonds	UBS Group AG bonds UBS 5 PERP	None	Financial assets-current measured at fair value through profit and loss	300,000	8,451 (USD295,278)	-	8,451 (USD295,278)	
	Bonds	Internationale Nederlanden Group N.V. bonds INTNED 4 7/8 PERP	None	Financial assets-current measured at fair value through profit and loss	1,348,000	36,069 (USD1,260,272)	-	36,069 (USD1,260,272)	
	Bonds	BNP Paribas bonds BNP 5 1/8 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	1,250,000	\$33,889 (USD1,184,088)	-	\$33,889 (USD1,184,088)	
	Bonds	HSBC Holding bonds HSBC 4.7 RERP (II)	None	Financial assets-current measured at fair value through profit and loss	600,000	15,500 (USD541,596)	-	15,500 (USD541,596)	
	Bonds	BNP Paribas bonds BNP 5 1/8 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	200,000	5,376 (USD187,854)	-	5,376 (USD187,854)	

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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	HSBC Holding bonds HSBC 6 RERP (III)	None	Financial assets-current measured at fair value through profit and loss	700,000	20,232 (USD706,930)	-	20,232 (USD706,930)	
	Bonds	DB-Deutsche Bank AG bonds DB 7.5 PERP (I)	None	Financial assets-current measured at fair value through profit and loss	1,000,000	29,473 (USD1,029,820)	-	29,473 (USD1,029,820)	
	Bonds	DB-Deutsche Bank AG bonds DB 7.5 PERP (II)	None	Financial assets-current measured at fair value through profit and loss	800,000	23,579 (USD823,856)	-	23,579 (USD823,856)	
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	3,246	-	3,246	
	Bonds	HSBC Holding bonds HSBC 6 RERP	None	Financial assets-current measured at fair value through profit and loss	470,000	13,584 (USD474,653)	-	13,584 (USD474,653)	
	Bonds	HSBC Holding bonds HSBC 4.7 PERP	None	Financial assets-current measured at fair value through profit and loss	1,200,000	\$30,794 (USD1,075,944)	-	\$30,794 (USD1,075,944)	
GREAT-SHANK CO., LTD.	Funds	BBL-AIBP12-21	None	Financial assets-current measured at fair value through profit and loss	1,100,000	9,498 (THB11,031,020)	-	9,498 (THB11,031,020)	
	Funds	KFAFIX-A	None	Financial assets-current measured at fair value through profit and loss	1,588,882	15,316 (THB17,788,801)	-	15,316 (THB17,788,801)	
	Funds	KFFAI6M70	None	Financial assets-current measured at fair value through profit and loss	1,000,000	8,625 (THB10,017,100)	-	8,625 (THB10,017,100)	
	Funds	KFASmart	None	Financial assets-current measured at fair value through profit and loss	925,531	8,613 (THB10,003,597)	-	8,613 (THB10,003,597)	

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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	
GREAT-SHANK CO., LTD.	Funds	SCBFIXEDA(RA)	None	Financial assets-current measured at fair value through profit and loss	3,897,093	35,560 (THB41,068,734)	-	35,560 (THB41,068,734)	
	Funds	SCB-SCBFP	None	Financial assets-current measured at fair value through profit and loss	1,603,831	17,817 (THB20,693,744)	-	17,817 (THB20,693,744)	
	Funds	SCBSFF	None	Financial assets-current measured at fair value through profit and loss	3,448,200	61,749 (THB71,717,740)	-	61,749 (THB71,717,740)	

- (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
- (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: None
- (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			Ratio to total consolidated operating income or total assets (Note 3)
				Item	Amount	Transaction conditions	
0	G-SHANK ENTERPRISE CO., LTD.	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	1	Sales income	\$38	Note 4	-
				Cost of goods sold	4	Note 5	-
				Other income	6,728	Note 7	0.43%
				Accounts receivable – related party	10		-
				Accounts payable – related party	4		-
				Other receivables – related party	6,935		0.07%
0	G-SHANK ENTERPRISE CO., LTD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	1	Other income	971	Note 7	0.06%
				Other receivables – related party	1,000		0.01%
0	G-SHANK ENTERPRISE CO., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	1	Other income	866	Note 7	0.06%
				Accounts payable – related party	10		-
				Other receivables – related party	892		0.01%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	1	Other income	1,705	Note 7	0.11%
				Accounts receivable – related party	874		0.01%
				Other receivables – related party	1,757		0.02%
0	G-SHANK ENTERPRISE CO., LTD.	QINGDAO G-SHANK PRECISION SDN.BHD.	1	Sales income	58	Note 4	-
				Other income	1,738	Note 7	0.11%
				Other receivables – related party	60		-
				Other payables – related party	1,791		0.02%

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)  
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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-SHANK PRECISION SDN.BHD.	1	Other income	\$711	Note 7	0.05%
				Accounts payable – related party	30		-
				Other receivables – related party	733		0.01%
				Other payables – related party	358		-
0	G-SHANK ENTERPRISE CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	1	Other income	1,552	Note 7	0.10%
				Other receivables – related party	1,599		0.02%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK, INC.	1	Sales income	2,587	Note 4	0.16%
				Accounts receivable - related party	1,148		0.01%
				Other receivables – related party	933		0.01%
0	G-SHANK ENTERPRISE CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	1	Sales income	2	Note 4	-
				Cost of goods sold	405	Note 5	0.03%
				Other income	1,040	Note 7	0.07%
				Accounts receivable – related party	1,827		0.02%
				Accounts payable – related party	406		-
				Other receivables – related party	1,072		0.01%
0	G-SHANK ENTERPRISE CO., LTD.	GREAT-SHANK CO., LTD.	1	Sales income	2,822	Note 4	0.18%
				Other income	924	Note 7	0.06%
				Accounts receivable – related party	3,372		0.04%
				Other receivables – related party	1,203		0.01%

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Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)  
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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.	G-SHANK ENTERPRISE (M) SDN. BHD.	1	Sales income	\$1,208	Note 4	0.08%
				Other income	1,461	Note 7	0.09%
				Accounts receivable – related party	1,236		0.01%
				Other receivables – related party	1,502		0.02%
0	G-SHANK ENTERPRISE CO., LTD.	PT INDONESIA G-SHANK PRECISION	1	Sales income	202	Note 4	0.01%
				Accounts receivable – related party	548		0.01%
0	G-SHANK ENTERPRISE CO., LTD.	G-SHANK JAPAN CO., LTD.	1	Sales income	1,171	Note 4	0.07%
				Cost of goods sold	300	Note 5	0.02%
				Other income	41	Note 8	-
				Operating expense	144	Note 7	0.01%
				Accounts receivable – related party	36		-
				Other receivables – related party	11,462		0.12%
				Other payables – related party	520		0.01%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	3	Sales income	833	Note 6	0.05%
				Cost of goods sold	24,585	Note 6	1.56%
				Other profit and loss	3,992	Note 7	0.25%
				Accounts receivable – related party	631		0.01%
				Accounts payable – related party	17,360		0.18%
				Other receivable – related party	3,129		0.03%
				Other payable – related party	1,817		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., TD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., TD.	3	Sales income	\$559	Note 6	0.04%
				Cost of goods sold	8,378	Note 6	0.53%
				Other profit and loss	2,218	Note 7	0.14%
				Accounts receivable – related party	407		-
				Accounts payable – related party	5,690		0.06%
				Other receivables – related party	1,657		0.02%
				Other payables – related party	556		0.01%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., TD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	1	Accounts receivable – related party	248	Note 6	-
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., TD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	1	Sales income	35	Note 6	-
				Accounts payable – related party	41		-
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., TD.	GREAT-SHANK CO., LTD.	1	Sales income	1,198	Note 6	0.08%
				Accounts payable – related party	1,220		0.01%

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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 JAPAN CO., LTD.	3	Sales income	\$353	Note 6	0.02%
				Cost of goods sold	3,535	Note 6	0.23%
				Accounts receivable – related party	134		-
				Other receivables – related party	32		-
				Other payables – related party	3,354		0.04%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	PT INDONESIA G-SHANK PRECISION	3	Sales income	1,207	Note 6	0.08%
				Accounts receivable – related party	1,224		0.01%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	3	Sales income	7	Note 6	-
				Cost of goods sold	1,328	Note 6	0.08%
				Accounts receivable – related party	8		-
				Accounts payable – related party	1,066		0.01%
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	G-SHANK ENTERPRISE (M) SDN. BHD.	3	Sales income	1,048	Note 6	0.07%
				Cost of goods sold	99	Note 6	0.01%
				Accounts receivable – related party	1,062		0.01%
				Accounts payable – related party	36		-
				Other receivables – related party	61		-
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	HUBEI HANSTAR ELECTRONICS TECHNOLOGY CO., LTD.	3	Sales income	531	Note 6	0.03%
				Cost of goods sold	2,832	Note 6	0.18%
				Accounts receivable – related party	178		-
				Accounts payable – related party	1,638		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-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Sales income Accounts receivable – related party	\$5 5	Note 6	- -
1	SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD.	QINGDAO G-SHANK PRECISION SDN.BHD.	3	Sales income Accounts receivable – related party	23 37	Note 6	- -
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	3	Cost of goods sold Accounts payable – related party	29 34	Note 6	- -
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income Cost of goods sold Accounts receivable – related party Accounts payable – related party	1,426 239 1,347 274	Note 6 Note 6	0.09% 0.02% 0.01% -
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income Accounts receivable – related party	79 114	Note 6	0.01% -
2	SHENZHEN G-SHANK PRECISION SDN.BHD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	216	Note 6	0.01% -

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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.	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	3	Sales income	\$104	Note 6	0.01%
				Accounts receivable – related party	190		-
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	PT INDONESIA G-SHANK PRECISION	3	Sales income	633	Note 6	0.04%
				Accounts receivable – related party	639		0.01%
3	G-SHANK PRECISION MACHINERY (SUZHOU) CO., LTD.	G-SHANK JAPAN CO., LTD.	3	Cost of goods sold	24	Note 6	-
				Accounts payable – related party	65		-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	71	Note 6	-
				Accounts receivable – related party	54		-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD.	3	Sales income	18	Note 6	-
				Accounts receivable – related party	20		-
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	DONGGUAN QIAOJUTRADING CO., LTD.	3	Sales income	2,945	Note 6	0.19%
				Other profit and loss	40		-
				Accounts receivable – related party	3,381		0.04%
				Other receivables – related party	31		-

(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)
4	G-LONG PRECISION MACHINERY (DONG GUAN) CO., LTD.	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	3	Sales income Accounts receivable – related party	\$18 21	Note 6	- -
5	G-SHANK ENTERPRISE (M) SDN. BHD.	G-SHANK JAPAN CO., LTD.	3	Sales income Cost of goods sold Accounts receivable – related party Accounts payable – related party Other payables – related party	4,014 1,693 4,123 84 1,670	Note 6 Note 6	0.26% 0.11% 0.04% - 0.02%
6	HONG JING (SHANGHAI) ELECTRONICS CO., LTD.	SHANGHAI G-SHANK PRECISION HARDWARE CO., LTD.	3	Sales income	1	Note 6	-
7	G-SHANK JAPAN CO., LTD.	SHENZHEN G-BAO PRECISION SDN.BHD	3	Cost of goods sold Accounts payable – related party	647 18	Note 6	0.04% -
7	G-SHANK JAPAN CO., LTD.	GREAT-SHANK CO., LTD.	3	Other payables – related party	163		-
7	G-SHANK JAPAN CO., LTD.	XIAMEN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	58	Note 6	-
8	QINGDAO G-SHANK PRECISION SDN.BHD.	TIANJIN G-SHANK PRECISION MACHINERY CO., LTD.	3	Sales income	259	Note 6	0.02%

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 first quarters of 2022.

Unit : NTD Thousand/USD/MYR

Investor Company	Investee Company	Location	Main business operation	Original investment amount (Note 12)		As of March 31, 2022			Current profit (loss) of the Investee Company	Investment profit (loss) recognized in current period (Note 11)	Footnote
				March 31, 2022	December 31, 2021	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	\$ 52,509	\$(1,646)	\$(1,646)	
	GRAND STAR ENTERPRISES L.L.C.	Note 2	General investment	590,864	588,055	-	100.00	1,811,632	31,204	31,263	
	G-SHANK, Inc.	Note 3	Stamping parts molds, fixtures	36,686	36,686	1,000	100.00	326,596	6,184	6,188	
	G-SHANK ENTERPRISE (M) SDN. BHD.	Note 4	Stamping parts molds, fixtures	85,112	85,112	6,924,750	92.33	405,276	23,560	21,749	
	GREAT-SHANK CO., LTD.	Note 5	Precision progressive die and hardware products	69,509	69,509	7,968,750	85.00	203,358	12,947	11,033	
	G-SHANK JAPAN CO., LTD.	Note 6	International trade	19,749	19,749	1,060	58.89	7,452	1,221	719	
	SUNFLEX TECHNOLOGY CO., LTD.	Note 7	Manufacturing and trading of electronic components	40,448	40,448	9,940,956	14.73	159,075	27,366	4,030	
CHIN DE INVESTMENT CO., LTD.	SUNFLEX TECHNOLOGY CO., LTD.	Note 7	Manufacturing and trading of electronic components	217	217	10,000	0.01	162	27,366	4	

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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 March 31, 2022			Current profit (loss) of the Investee Company	Investment profit (loss) recognized in current period (Note 11)	Footnote
				March 31, 2022	December 31, 2021	Number of shares	Ratio (%)	Book amount (Note 11)			
G-SHANK ENTERPRISE (M) SDN. BHD.	PT INDONESIA G-SHANK PRECISION	Note 8	Stamping parts molds, fixtures	\$48,654 (RM 7,144,500)	\$48,654 (RM 7,144,500)	18,800	94.00	\$198,828 (RM 29,196,438)	\$16,696 (RM 2,490,801)	\$-	
G-SHANK, INC.	G-SHANK DEMEXICO,S.A. DE C.V.	Note 9	Stamping parts molds, fixtures	4,551 (USD 159,025)	4,551 (USD 159,025)	-	100.00	21,208 (USD741,021)	1,831 (USD 65,056)	-	
GRAND STAR ENTERPRISES L.L.C. (Note 2)	GLOBAL STAR INTERNATIONAL CO., LTD.	Note 10	General investment	550,019 (USD19,218,011)	547,157 (USD19,118,011)	19,218,011	100.00	1,800,957	30,818	-	

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

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 , Ayuthaya 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: Except for GRAND STAR ENTERPRISES L.L.C. and GLOBAL STAR INTERNATIONAL CO., LTD. the calculation according to the financial statements of the invested companies of the same period that have not been reviewed by the independent auditor

Note 12: The original investment amount at the end of the current period and the end of last year iscalculated according to the exchange rate on March 31, 2022.

Notes to Consolidated Financial Statements of G-SHANK ENTERPRISE CO., LTD. AND SUBSIDIARIES (Continuing)  
(Review only without following generally accepted auditing standards)  
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(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	\$62,402	85.00	\$53,041	\$1,383,591	\$1,643,100 (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	919	80.19	737	80,854	59,131 (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	7,379	51.00	3,763	137,463	19,524 (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	(3,510)	79.60	(2,794)	97,034	59,248 (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	\$5,088	100.00	\$5,088	\$259,900	\$77,609 (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	(2,905)	92.83	(2,697)	290,345	267,575 (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	10,624	88.20	9,371	236,832	37,196 (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	11,063	85.00	9,404	212,548	423,470 (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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(Continued from the last page)

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	\$695	93.85	\$ 653	\$119,334	\$ 7,462 (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	8,245	91.43	7,538	378,963	\$141,293 (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.	-	-	-	-	2,960	100.00	2,960	139,153	-
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.	-	-	-	-	788	100.00	788	45,455	-

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)
\$603,485 (USD21,086,140)	\$808,729 (USD28,257,472)	\$3,713,812

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 March 29, 2021 to March 28, 2024 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 first quarters of 2022 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:

- I. 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.
- II. 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.
- III. The trustee upon receiving income or benefits from SHANGHAI G-SHANK PRECISION MACHINERY CO., LTD. should have it transferred to the company entirely.
- IV. 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.
- V. 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.
- VI. 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.
- VII. The trustee shall exercise due diligence to manage investment, foreign exchange settlement, and benefit collection.
- VIII. 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 (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 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: None.
  - (f) Other transactions that have a significant impact on the profit and loss or financial status:  
Please refer to Notes 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	8.47
CHEN-LIN INVESTMENT COMPANY	10,140,790 shares	5.34

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.



**Department information**

<u>For the three months ended</u> <u>March 31, 2022</u>	<u>Stamping</u> <u>parts</u> <u>department</u>	<u>General</u> <u>investment</u> <u>department</u>	<u>Adjustment</u> <u>&amp; write-off</u>	<u>Consolidation</u>
<u>Income</u>				
Income from external customers	\$1,571,054	\$-	\$-	\$1,571,054
Inter-department income	-	-	-	-
Total income	<u>\$1,571,054</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,571,054</u>
Departmental profit and loss	<u>\$242,140</u>	<u>\$(2,059)</u>	<u>\$-</u>	<u>\$240,081</u>
Non-operating income and expense				<u>54,718</u>
Net income before tax of the continuing business unit				<u>\$294,799</u>

For the three months ended  
March 31, 2021

<u>Income</u>				
Income from external customers	\$1,374,749	\$-	\$-	\$1,374,749
Inter-department income	-	-	-	-
Total income	<u>\$1,374,749</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,374,749</u>
Departmental profit and loss	<u>\$181,101</u>	<u>\$437</u>	<u>\$-</u>	<u>\$181,538</u>
Non-operating income and expense				<u>23,784</u>
Net loss before tax of the continuing business unit				<u>\$205,322</u>

<u>March 31, 2022</u>	<u>Stamping</u> <u>parts</u> <u>department</u>	<u>General</u> <u>investment</u> <u>department</u>	<u>Adjustment</u> <u>&amp; write-off</u>	<u>Consolidation</u>
<u>Assets</u>				
Department assets	\$7,877,151	\$51,456	\$-	\$7,928,607
Current tax assets	42,163	68	-	42,231
Deferred tax assets	27,496	1,371	-	28,867
Investment –non-investment department	<u>1,449,151</u>	<u>-</u>	<u>-</u>	<u>1,449,151</u>
Total assets	<u>\$9,395,961</u>	<u>\$52,895</u>	<u>\$-</u>	<u>\$9,448,856</u>

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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)

<u>March 31, 2022</u>	<u>Stamping parts department</u>	<u>General investment department</u>	<u>Adjustment &amp; write-off</u>	<u>Consolidation</u>
<b>Liabilities</b>				
Department liabilities	\$2,449,708	\$25	\$-	\$2,449,733
Current tax liabilities	161,544	361	-	161,905
Deferred tax liabilities	592,718	-	-	592,718
Net defined benefit liabilities	54,814	-	-	54,814
<b>Total liabilities</b>	<b>\$3,258,784</b>	<b>\$386</b>	<b>\$-</b>	<b>\$3,259,170</b>
<u>March 31, 2021</u>				
<b>Assets</b>				
Department assets	\$7,495,353	\$53,518	\$-	\$7,548,871
Current tax assets	42,031	68	-	42,099
Deferred tax assets	32,681	837	-	33,518
Investment –non-investment department	1,548,097	-	-	1,548,097
<b>Total assets</b>	<b>\$9,118,162</b>	<b>\$54,423</b>	<b>\$-</b>	<b>\$9,172,585</b>
<b>Liabilities</b>				
Department liabilities	\$2,588,427	\$25	\$-	\$2,588,452
Current tax liabilities	139,108	240	-	139,348
Deferred tax liabilities	563,593	-	-	563,593
Net defined benefit liabilities	62,014	-	-	62,014
<b>Total liabilities</b>	<b>\$3,353,142</b>	<b>\$265</b>	<b>\$-</b>	<b>\$3,353,407</b>