Stock Code:9912

# ASSOCIATED INDUSTRIES CHINA, INC.
# AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

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

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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# Independent Auditors' Review Report

To the Board of Directors of Associated Industries China, Inc.:

## Introduction

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

## Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards 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(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to $21,827 thousand and $35,573 thousand, constituting 2.85% and 4.88% of consolidated total assets; and the total liabilities amounting to $36,821 thousand and $19,865 thousand, constituting 10.42% and 6.49% of consolidated total liabilities as of September 30, 2021 and 2020, respectively, and the total comprehensive income (loss) amounting to $228 thousand, $125 thousand, $(2,076) thousand and $(7,090) thousand, constituting 5.18%, 2.20%, 23.17% and 31.45% of the absolute value of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2021 and 2020, respectively.

Furthermore, as stated in Note 6(f), the other equity accounted investments of the Group in its investee companies of $19,761 thousand and $26,525 thousand as of September 30, 2021 and 2020, respectively, and its equity in net earnings on the investee companies amounting to $(1,226) thousand, $132 thousand, $(5,120) thousand and $(1,977) thousand for the three months and nine months ended September 30, 2021 and 2020, respectively, were recognized solely on the financial statements prepared by the investee companies, but not reviewed by independent auditors.

**Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months ended September 30, 2021 and 2020, as well as its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
November 10, 2021

**Notes to Readers**

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

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

**Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2021 and 2020**

## ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

## September 30, 2021, December 31, 2020, and September 30, 2020

**(Expressed in Thousands of New Taiwan Dollars)**

| | | September 30, 2021 | | December 31, 2020 | | September 30, 2020 | |
|---|---|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | $ 90,072 | 12 | 115,187 | 17 | 87,637 | 12 |
| 1110 | Current financial assets at fair value through profit or loss (note 6(b)) | 1,262 | - | - | - | - | - |
| 1170 | Notes and accounts receivable, net (note 6(d)) | 52,979 | 7 | 55,051 | 8 | 53,733 | 7 |
| 1200 | Other receivables | 346 | - | 696 | - | 1,174 | - |
| 1300 | Inventories, net (note 6(e)) | 257,216 | 34 | 172,368 | 25 | 218,226 | 30 |
| 1410 | Prepayments | 38,051 | 5 | 16,259 | 2 | 18,361 | 3 |
| 1470 | Other current assets (note 8) | 492 | - | 488 | - | 1,366 | - |
| | | 440,418 | 58 | 360,049 | 52 | 380,497 | 52 |
| | **Non-current assets:** | | | | | | |
| 1510 | Non-current financial assets at fair value through profit or loss (notes 6(c) and 7) | 7,241 | 1 | 6,441 | 1 | 20,000 | 3 |
| 1550 | Investments accounted for using the equity method (note 6(f)) | 19,761 | 3 | 24,881 | 4 | 26,525 | 4 |
| 1600 | Property, plant and equipment (notes 6(g) and 8) | 117,676 | 15 | 118,568 | 17 | 119,009 | 16 |
| 1755 | Right-of-use assets (note 6(h)) | 16,363 | 2 | 15,931 | 2 | 17,792 | 3 |
| 1760 | Investment property, net (notes 6(i) and 8) | 161,579 | 21 | 162,467 | 24 | 162,762 | 22 |
| 1780 | Intangible assets (note 6(j)) | 1,043 | - | 1,619 | - | 1,893 | - |
| 1900 | Other non-current assets (note 8) | 2,602 | - | 1,437 | - | 551 | - |
| | | 326,265 | 42 | 331,344 | 48 | 348,532 | 48 |
| | **Total assets** | **$ 766,683** | **100** | **691,393** | **100** | **729,029** | **100** |

| | | September 30, 2021 | | December 31, 2020 | | September 30, 2020 | |
|---|---|---|---|---|---|---|---|
| | **Liabilities** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | | | |
| 2100 | Short-term borrowings (note 6(k)) | $ 175,850 | 23 | 145,480 | 21 | 192,006 | 27 |
| 2120 | Current financial liabilities at fair value through profit or loss (note 6(b)) | - | - | - | - | 22 | - |
| 2130 | Current contract liabilities (note 6(t)) | 481 | - | 154 | - | 647 | - |
| 2170 | Notes and accounts payable | 89,591 | 12 | 47,550 | 7 | 38,645 | 5 |
| 2200 | Other payables | 65,418 | 9 | 56,207 | 8 | 51,317 | 7 |
| 2250 | Current provisions (note 6(l)) | 2,812 | - | 3,441 | - | 2,597 | - |
| 2280 | Current lease liabilities (note 6(m)) | 6,909 | 1 | 6,051 | 1 | 6,940 | 1 |
| 2300 | Other current liabilities | 1,348 | - | 1,644 | - | 1,445 | - |
| | | 342,409 | 45 | 260,527 | 37 | 293,619 | 40 |
| | **Non-current liabilities:** | | | | | | |
| 2580 | Non-current lease liabilities (note 6(m)) | 9,964 | 1 | 10,400 | 2 | 11,355 | 2 |
| 2600 | Other non-current liabilities | 891 | - | 891 | - | 891 | - |
| | | 10,855 | 1 | 11,291 | 2 | 12,246 | 2 |
| | **Total liabilities** | 353,264 | 46 | 271,818 | 39 | 305,865 | 42 |
| | **Equity attributable to owners of parent: (notes 6(q) and (r))** | | | | | | |
| 3110 | Common stock | 546,246 | 71 | 538,066 | 78 | 538,066 | 74 |
| 3200 | Capital surplus | 29,249 | 4 | 29,322 | 4 | 26,154 | 4 |
| | Retained earnings: | | | | | | |
| 3310 | Legal reserve | 52,704 | 7 | 52,704 | 8 | 52,704 | 7 |
| 3320 | Special reserve | 79,510 | 10 | 79,510 | 11 | 79,510 | 11 |
| 3350 | Accumulated deficits | (144,464) | (19) | (151,042) | (22) | (138,213) | (19) |
| | | (12,250) | (2) | (18,828) | (3) | (5,999) | (1) |
| 3400 | Other equity interest | (124,995) | (16) | (104,154) | (15) | (110,226) | (15) |
| 3500 | Treasury shares | (24,831) | (3) | (24,831) | (3) | (24,831) | (4) |
| | **Total equity** | 413,419 | 54 | 419,575 | 61 | 423,164 | 58 |
| | **Total liabilities and equity** | **$ 766,683** | **100** | **691,393** | **100** | **729,029** | **100** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

Reviewed only, not audited in accordance with generally accepted auditing standards

## ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

### Consolidated Statements of Comprehensive Income

### For the three months and nine months ended September 30, 2021 and 2020

### (Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

| | | For the three months ended September 30 | | | | For the nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2021 | | 2020 | | 2021 | | 2020 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | **Operating revenues, net (note 6(t)):** | | | | | | | | |
| 4110 | Sales revenue | $ 139,015 | 99 | 142,682 | 99 | 441,151 | 99 | 366,694 | 99 |
| 4310 | Rental income (note 6(n)) | 1,274 | 1 | 1,275 | 1 | 3,823 | 1 | 3,825 | 1 |
| | | 140,289 | 100 | 143,957 | 100 | 444,974 | 100 | 370,519 | 100 |
| 5000 | **Operating costs (notes 6(e) and 12)** | 92,791 | 66 | 92,095 | 64 | 281,193 | 63 | 243,897 | 66 |
| 5950 | **Gross profit from operations** | 47,498 | 34 | 51,862 | 36 | 163,781 | 37 | 126,622 | 34 |
| | **Operating expenses (notes 6(o) and 12):** | | | | | | | | |
| 6100 | Selling expenses (note 6(m)) | 23,616 | 17 | 29,163 | 20 | 85,621 | 19 | 91,018 | 25 |
| 6200 | Administrative expenses (notes 6(m) and (r)) | 18,869 | 13 | 17,179 | 12 | 53,819 | 13 | 47,799 | 13 |
| 6300 | Research and development expenses | 2,907 | 2 | 3,152 | 2 | 8,719 | 2 | 10,257 | 3 |
| | | 45,392 | 32 | 49,494 | 34 | 148,159 | 34 | 149,074 | 41 |
| | **Net operating gain (loss)** | 2,106 | 2 | 2,368 | 2 | 15,622 | 3 | (22,452) | (7) |
| | **Non-operating income and expenses:** | | | | | | | | |
| 7100 | Interest income | 259 | - | 442 | - | 644 | - | 1,044 | - |
| 7190 | Other income | 1,468 | 1 | 133 | - | 1,783 | - | 2,490 | 1 |
| 7230 | Foreign exchange gains (losses), net (note 6(v)) | (1,645) | (1) | 347 | - | (2,911) | (1) | (309) | - |
| 7235 | Gains (losses) on financial assets at fair value through profit or loss | 1,975 | 1 | (1,275) | (1) | 2,830 | 1 | (1,389) | - |
| 7510 | Interest expense (note 6(m)) | (762) | (1) | (903) | - | (2,163) | - | (2,646) | (1) |
| 7770 | Share of profit (loss) of associates and joint ventures accounted for using the equity method (note 6(f)) | (1,226) | (1) | 132 | - | (5,120) | (1) | (1,977) | (1) |
| | | 69 | (1) | (1,124) | (1) | (4,937) | (1) | (2,787) | (1) |
| 7900 | **Profit (loss) before tax** | 2,175 | 1 | 1,244 | 1 | 10,685 | 2 | (25,239) | (8) |
| 7950 | **Less: Income tax expenses (note 6(p))** | 1,837 | 1 | 498 | - | 4,107 | 1 | 165 | - |
| | **Profit (loss)** | 338 | - | 746 | 1 | 6,578 | 1 | (25,404) | (8) |
| 8300 | **Other comprehensive income (loss):** | | | | | | | | |
| 8360 | **Items that may be reclassified subsequently to profit or loss:** | | | | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (4,743) | (3) | 4,940 | 3 | (15,536) | (2) | 2,862 | 1 |
| 8300 | **Other comprehensive income (loss), net** | (4,743) | (3) | 4,940 | 3 | (15,536) | (2) | 2,862 | 1 |
| 8500 | **Total comprehensive income (loss)** | **$ (4,405)** | **(3)** | **5,686** | **4** | **(8,958)** | **(1)** | **(22,542)** | **(7)** |
| | **Earnings (losses) per share (note 6(s))** | | | | | | | | |
| 9750 | **Basic earnings (losses) per share (NT dollars)** | **$ 0.01** | | **0.02** | | **0.13** | | **(0.51)** | |
| 9850 | **Diluted earnings per share (NT dollars)** | **$ 0.01** | | | | **0.13** | | | |

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)**

**Reviewed only, not audited in accordance with generally accepted auditing standards**

## ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

## For the nine months ended September 30, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

| | | | Retained earnings | | | Other equity interest | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Legal reserve | Special reserve | Accumulated deficits | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Unearned employee benefit | Total other equity interest | Treasury shares | Total equity |
| **Balance at January 1, 2020** | $ 543,506 | 25,330 | 52,704 | 79,510 | (112,809) | (74,693) | (33,710) | (8,686) | (117,089) | (24,831) | 446,321 |
| Loss for the nine months ended September 30, 2020 | - | - | - | - | (25,404) | - | - | - | - | - | (25,404) |
| Other comprehensive income for the nine months ended September 30, 2020 | - | - | - | - | - | 2,862 | - | - | 2,862 | - | 2,862 |
| Total comprehensive income for the nine months ended September 30, 2020 | - | - | - | - | (25,404) | 2,862 | - | - | 2,862 | - | (22,542) |
| Other changes in capital surplus: | | | | | | | | | | | |
| Share-based payment transactions | (5,440) | 653 | - | - | - | - | - | 4,001 | 4,001 | - | (786) |
| Donation from shareholders | - | 171 | - | - | - | - | - | - | - | - | 171 |
| **Balance at September 30, 2020** | **$ 538,066** | **26,154** | **52,704** | **79,510** | **(138,213)** | **(71,831)** | **(33,710)** | **(4,685)** | **(110,226)** | **(24,831)** | **423,164** |
| **Balance at January 1,2021** | $ 538,066 | 29,322 | 52,704 | 79,510 | (151,042) | (66,770) | (33,710) | (3,674) | (104,154) | (24,831) | 419,575 |
| Income for the nine months ended September 30, 2021 | - | - | - | - | 6,578 | - | - | - | - | - | 6,578 |
| Other comprehensive income for the nine months ended September 30, 2021 | - | - | - | - | - | (15,536) | - | - | (15,536) | - | (15,536) |
| Total comprehensive income for the nine months ended September 30, 2021 | - | - | - | - | 6,578 | (15,536) | - | - | (15,536) | - | (8,958) |
| Other changes in capital surplus: | | | | | | | | | | | |
| Share-based payment transactions | 8,180 | (261) | - | - | - | - | - | (5,305) | (5,305) | - | 2,614 |
| Donation from shareholders | - | 188 | - | - | - | - | - | - | - | - | 188 |
| **Balance at September 30, 2021** | **$ 546,246** | **29,249** | **52,704** | **79,510** | **(144,464)** | **(82,306)** | **(33,710)** | **(8,979)** | **(124,995)** | **(24,831)** | **413,419** |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese.)

**Reviewed only, not audited in accordance with generally accepted auditing standards**

## ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

## For the nine months ended September 30, 2021 and 2020

## (Expressed in Thousands of New Taiwan Dollars)

| | For the nine months ended September 30, 2021 | 2020 |
|---|---|---|
| **Cash flows from (used in) operating activities:** | | |
| **Profit (loss) before tax** | $ 10,685 | (25,239) |
| **Adjustments:** | | |
| **Adjustments to reconcile profit (loss):** | | |
| Depreciation expense | 8,172 | 9,533 |
| Amortization expense | 604 | 1,147 |
| Expected credit loss (gain) | (28) | 104 |
| Interest expense | 2,163 | 2,646 |
| Interest income | (644) | (1,044) |
| Share-based payments transactions | 2,614 | (786) |
| Share of loss of associates and joint ventures accounted for using the equity method | 5,120 | 1,977 |
| **Total adjustments to reconcile profit (loss)** | 18,001 | 13,577 |
| **Changes in operating assets and liabilities:** | | |
| Acquisition of current financial assets at fair value through profit or loss | (1,262) | - |
| Decrease (increase) in notes and accounts receivable | 2,100 | 7,799 |
| Decrease (increase) in other receivables | 168 | (44) |
| Decrease in inventories | (84,848) | 47,596 |
| Increase in prepayments | (23,164) | (131) |
| Increase in other current assets | (4) | 253 |
| Acquisition of current financial liabilities at fair value through profit or loss | - | 22 |
| Increase (decrease) in contract liabilities | 327 | (24) |
| Increase (decrease) in notes and accounts payable | 42,041 | (31,596) |
| Increase in other payables | 6,382 | 5,976 |
| Increase (decrease) in provisions | (617) | 15 |
| Decrease in other current liabilities | (295) | (296) |
| **Total changes in operating assets and liabilities** | (59,172) | 29,570 |
| **Total adjustments** | (41,171) | 43,147 |
| Cash inflows (outflows) generated from operations | (30,486) | 17,908 |
| Interest received | 826 | 45 |
| Interest paid | (2,146) | (2,629) |
| Income taxes paid | (29) | (7,881) |
| **Net cash flows used in operating activities** | (31,835) | 7,443 |
| **Cash flows from (used in) investing activities:** | | |
| Acquisition of non-current financial assets at fair value through profit or loss | (10,800) | (10,000) |
| Proceeds from disposal of non-current financial assets at fair value through profit or loss | 10,000 | - |
| Acquisition of property, plant and equipment | (513) | (134) |
| Decrease (increase) in refundable deposits | (1,165) | 328 |
| Acquisition of intangible assets | (28) | - |
| **Net cash flows used in investing activities** | (2,506) | (9,806) |
| **Cash flows from (used in) financing activities:** | | |
| Increase in short-term borrowings | 30,370 | 17,974 |
| Payment of lease liabilities | (5,896) | (6,778) |
| Other financing activities | 188 | 171 |
| **Net cash flows from financing activities** | 24,662 | 11,367 |
| **Effect of exchange rate changes on cash and cash equivalents** | (15,436) | 2,841 |
| **Net increase (decrease) in cash and cash equivalents** | (25,115) | 11,845 |
| **Cash and cash equivalents at beginning of period** | 115,187 | 75,792 |
| **Cash and cash equivalents at end of period** | **$ 90,072** | **87,637** |

See accompanying notes to consolidated financial statements.

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**September 30, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Associated Industries China, Inc. (the "Company") was incorporated in May 18, 1978 as a company limited by shares, and registered under the Ministry of Economic Affairs, in the Republic of China. The major business activities of the Company and its subsidiaries (together referred to as the "Group") are the research, development and sale of LCD monitors, and related components, sale of medical equipment, and real estate rental business.

**(2) Approval date and procedures of the consolidated financial statements**

These consolidated financial statements were authorized for issuance by the Board of Directors on November 10, 2021.

**(3) New standards, amendments and interpretations adopted:**

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment－Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts－Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

(Continued)

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|---|---|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. | January 1, 2023 |

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(Continued)

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

## (4) Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

| Name of investor | Name of subsidiary | Principal activity | Shareholding September 30, 2021 | Shareholding December 31, 2020 | Shareholding September 30, 2020 | Note |
|---|---|---|---|---|---|---|
| The Company | AG Neovo International Ltd. (AG Neovo International, formerly named as GMF) | Investment | 100 % | 100 % | 100 % | (Note 1 and 2) |
| The Company | AG Neovo Technology. BV. (AG Neovo B.V) | Sale of LCD monitors | 100 % | 100 % | 100 % | |
| The Company | AG Neovo Investment Co., Ltd. (AG Neovo Investment) | Investment | 100 % | 100 % | 100 % | (Note 1) |
| AG Neovo Investment | AG Neovo Technology (Shanghai) Co., Ltd. (AG Neovo Shanghai) | Sale of LCD monitors | 100 % | 100 % | 100 % | 〃 |
| AG Neovo International (formerly named as GMF) | AG Neovo International Ltd. (AG Neovo International) | Investment | - % | - % | - % | (Note 1 and 2) |
| AG Neovo International (formerly named as GMF) | AG Neovo Technology Corp. (AG Neovo USA) | Sale of LCD monitors and medical equipment | 100 % | 100 % | 100 % | 〃 |

Note 1: A non-significant subsidiary, wherein its financial statements have not been reviewed.
Note 2: The sub-subsidiary, AG Neovo International had, completed its liquidation procedures on April 30, 2020. Thereafter, the subsidiary, GMF, was renamed AG Neovo International Ltd. on June 30, 2020.

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**Notes to the Consolidated Financial Statements**

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2020.

**(6) Explanation of significant accounts**

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2020 consolidated financial statements. Please refer to note 6 of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Petty cash, checking accounts and demand deposits | $ 87,172 | 112,287 | 84,737 |
| Time deposits | 2,900 | 2,900 | 2,900 |
| | **$ 90,072** | **115,187** | **87,637** |

Please refer to note 6(v) for the exchange rate risk, the interest rate risk and the sensitivity analysis of the financial assets and liabilities of the Group.

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
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(b) Financial assets and liabilities at fair value through profit or loss-current

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| **Mandatorily financial assets designated at fair value through profit or loss** | | | |
| Derivative instruments not used for hedging: | | | |
| Forward exchange contracts | $ 1,262 | - | - |
| **Mandatorily financial liabilities designated at fair value through profit or loss** | | | |
| Derivative instruments not used for hedging: | | | |
| Forward exchange contracts | $ - | - | 22 |

The Group holds derivative financial instruments to hedge certain foreign exchange risk the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily designated at fair value through profit or loss:

| | September 30, 2021 | | |
|---|---|---|---|
| | **Amount (in thousands)** | **Currency** | **Maturity dates** |
| **Financial assets:** | | | |
| Forward exchange sold | EUR 2,081 | EUR to USD | 2021.10.07~2021.11.17 |

| | September 30, 2020 | | |
|---|---|---|---|
| | **Amount (in thousands)** | **Currency** | **Maturity dates** |
| **Financial liabilities:** | | | |
| Forward exchange sold | EUR 315 | EUR to USD | 2020.10.27~2020.11.27 |

(c) Financial assets at fair value through profit or loss-non-current

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| **Mandatorily designated at fair value through profit or loss** | | | |
| Convertible bond－tBPC | $ 7,241 | 6,441 | 20,000 |

In June 2021, the Group requested to redeem 100 units of secured convertible bonds issued by tBPC, amounting to $10,000.

The Group acquired 108 units of secured convertible bonds issued by tBPC in June 2021, at a par value of $100 per unit, with a duration of one year; and they are expected to be converted into common stock of tBPC at the expiration date. The host contracts of the hybrid financial instrument, which must be classified as mandatorily measured at fair value through profit or loss, include the financial assets within the scope of IFRS 9. Since the transaction is an extension of original bonds and measured at fair value, the accumulated impairment of $3,559 should not be reversed.

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**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
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As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any of the aforementioned financial assets as collaterals for its loans.

(d) Notes and accounts receivable

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Notes receivable from operating activities | $ 81 | 582 | 673 |
| Accounts receivable-measured as amortized cost | 52,919 | 54,518 | 53,210 |
| | 53,000 | 55,100 | 53,883 |
| Less: Loss allowance | (21) | (49) | (150) |
| | **$ 52,979** | **55,051** | **53,733** |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision was determined as follows:

| | September 30, 2021 | | |
|---|---|---|---|
| | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 45,985 | 0% | - |
| Less than 30 days past due | 5,484 | 0.28% | 11 |
| 31 to 90 days past due | 1,531 | 5.00% | 10 |
| | **$ 53,000** | | **21** |

| | December 31, 2020 | | |
|---|---|---|---|
| | **Gross carrying amount** | **Weighted-average loss rate** | **Loss allowance provision** |
| Current | $ 48,314 | 0% | - |
| Less than 30 days past due | 6,551 | 0.49% | 32 |
| 31 to 90 days past due | 216 | 5.09% | 11 |
| More than 91 days past due | 19 | 31.58% | 6 |
| | **$ 55,100** | | **49** |

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| | September 30, 2020 | | | |
|---|---|---|---|---|
| | | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | $ | 44,448 | 0% | - |
| Less than 30 days past due | | 2,579 | 0.62% | 16 |
| 31 to 90 days past due | | 6,840 | 1.83% | 125 |
| More than 91 days past due | | 16 | 56.25% | 9 |
| | $ | 53,883 | | 150 |

The movement in the allowance for notes and accounts receivable was as follows:

| | For the nine months ended September 30, | | |
|---|---|---|---|
| | | 2021 | 2020 |
| Balance at January 1 | $ | 49 | 46 |
| Impairment (reversed) losses recognized | | (28) | 104 |
| Balance at September 30 | $ | 21 | 150 |

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any of the aforementioned notes and accounts receivable as collaterals for its loans.

(e) Inventories

| | | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Merchandise inventories | $ | 257,216 | 172,368 | 218,226 |

The details of cost of sales for the three months and nine months ended September 30, 2021 and 2020, were as follows:

| | For the three months ended September 30, | | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | | 2021 | 2020 | 2021 | 2020 |
| Cost of goods sold and expenses | $ | 92,666 | 91,740 | 282,406 | 239,736 |
| Inventory valuation loss and obsolescence (reversed) | | (276) | (42) | (2,425) | 2,973 |
| | $ | 92,390 | 91,698 | 279,981 | 242,709 |

For the three months ended September 30, 2021 and 2020 and nine months ended September 30, 2021, the Group reversed allowance for inventory valuation loss and obsolescence due to sale of obsolete stock amounted to $276, $2,425 and $42. For the nine months ended September 30, 2020, the write-down of inventories to net realizable value amounted to $2,973.

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As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any inventories as collaterals for its loans.

(f) Investments accounted for using the equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Associate | $ 19,761 | 24,881 | 26,525 |

(i) Associate

The details of the material associate are as follows:

| Name of Associate | Nature of the relationship with the Group | Main operating location/ Registered Country of the Company | Proportion of shareholding and voting rights | | |
|---|---|---|---|---|---|
| | | | September 30, 2021 | December 31, 2020 | September 30, 2020 |
| tBPC | Shareholder with significant influence | Taiwan | 34.72 % | 34.72 % | 26.30 % |

The following aggregated financial information of the significant affiliate has been adjusted according to individually prepared IFRS financial statement to reflect the fair value adjustments made at the time of acquisition.

1) Summarized financial information of tBPC

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Current assets | $ 39,335 | 39,620 | 39,927 |
| Non-current assets | 54,020 | 60,038 | 65,966 |
| Current liabilities | (25,641) | (18,060) | (24,794) |
| Non-current liabilities | (9,937) | (9,937) | (12,234) |
| Net assets | $ 57,777 | 71,661 | 68,865 |
| Net assets attributable to owners of the associate | $ 57,777 | 71,661 | 68,865 |

| | For the nine months ended September 30, 2021 | For the nine months ended September 30, 2020 |
|---|---|---|
| Operating revenue | $ 16,992 | 17,931 |
| Loss from continuing operations (equal to comprehensive loss) | $ (14,745) | (8,361) |
| Total comprehensive loss attributable to owners of the associate | $ (14,745) | (8,361) |

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**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
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| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Share of net assets of the associate owned by the Group at period began | $ 24,881 | 19,888 | 19,888 |
| Share of net assets of the associate acquired by the Group for the period | - | 6,568 | - |
| Adjustment of capital surplus accounted for using the equity method | - | 3,169 | - |
| Comprehensive loss attributable to the Group | (5,120) | (4,744) | (1,928) |
| Share of net assets of the associate to the Group at the period ended | 19,761 | 24,881 | 17,960 |
| Additional fair value adjustments of patented technology | - | - | 1,012 |
| Additional goodwill | - | - | 7,553 |
| Carrying amounts of the investment | **$ 19,761** | **24,881** | **26,525** |

The Group assessed that there were indications of impairment due to tBPC's continuous loss in operations in recent years. On December 31, 2020, the Group conducted an impairment test, through the assistance of an independent appraisal institute, on the valuation of its value-in-use of net identified assets and its value-in-use of equity in accordance with IAS 36 "Impairment of Asset". Based on the result of assessments, the Group recognized the impairment losses of $12,782, which was recorded as the carrying amount of investments accounted for using the equity method.

(ii) Pledges

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any investment accounted for using the equity method as collaterals for its loans.

(g) Property, plant and equipment

| | Land | Buildings and building improvement | Machinery and R&D equipment | Molding equipment and other equipment | Total |
|---|---|---|---|---|---|
| **Carrying amounts:** | | | | | |
| Balance at January 1, 2021 | **$ 95,104** | **22,206** | **308** | **950** | **118,568** |
| Balance at September 30, 2021 | **$ 95,104** | **21,445** | **213** | **914** | **117,676** |
| Balance at January 1, 2020 | **$ 95,104** | **23,221** | **503** | **1,781** | **120,609** |
| Balance at September 30, 2020 | **$ 95,104** | **22,460** | **309** | **1,136** | **119,009** |

There were no significant additions, disposals, or recognitions and reversals of impairment losses of property, plant and equipment for the nine months ended September 30, 2021 and 2020. Information about depreciation for the periods is disclosed in note 12(a). Please refer to note 6(f) of the 2020 annual consolidated financial statements for other related information.

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As of September 30, 2021, December 31 and September 30, 2020, the investment property has been pledged as collateral for short-term borrowings and credits. Please refer to note 8.

(h) Right-of-use assets

The Group leases many assets including buildings and transportation. Information about leases for which the Group as a lessee is presented below:

| | | Buildings | Transportation | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| Balance at January 1, 2021 | $ | 22,353 | 12,271 | 34,624 |
| Additions | | 3,599 | 3,915 | 7,514 |
| Effect of change in foreign exchange rates | | (1,405) | (1,063) | (2,468) |
| ` Balance at September 30, 2021 | $ | **24,547** | **15,123** | **39,670** |
| Balance at January 1, 2020 | $ | 22,026 | 10,783 | 32,809 |
| Additions | | - | 1,032 | 1,032 |
| Effect of change in foreign exchange rates | | 64 | 174 | 238 |
| Balance at September 30, 2020 | $ | **22,090** | **11,989** | **34,079** |
| **Depreciation:** | | | | |
| Balance at January 1, 2021 | $ | 11,517 | 7,176 | 18,693 |
| Depreciation for the period | | 4,004 | 1,923 | 5,927 |
| Effect of change in foreign exchange rates | | (710) | (603) | (1,313) |
| Balance at September 30, 2021 | $ | **14,811** | **8,496** | **23,307** |
| Balance at January 1, 2020 | $ | 5,803 | 3,526 | 9,329 |
| Depreciation for the period | | 4,284 | 2,618 | 6,902 |
| Effect of change in foreign exchange rates | | (37) | 93 | 56 |
| Balance at September 30, 2020 | $ | **10,050** | **6,237** | **16,287** |
| **Carrying amounts:** | | | | |
| Balance at January 1, 2021 | $ | **10,836** | **5,095** | **15,931** |
| Balance at September 30, 2021 | $ | **9,736** | **6,627** | **16,363** |
| Balance at January 1, 2020 | $ | **16,223** | **7,257** | **23,480** |
| Balance at September 30, 2020 | $ | **12,040** | **5,752** | **17,792** |

(i) Investment property

Details of the investment property is summarized as follows:

| | | Land | Buildings | Total |
|---|---|---|---|---|
| **Carrying amounts:** | | | | |
| Balance at January 1, 2021 | $ | **111,400** | **51,067** | **162,467** |
| Balance at September 30, 2021 | $ | **111,400** | **50,179** | **161,579** |
| Balance at January 1, 2020 | $ | **111,400** | **52,250** | **163,650** |
| Balance at September 30, 2020 | $ | **111,400** | **51,362** | **162,762** |

(Continued)

There were no significant additions, disposals, or recognitions and reversals of impairment losses of investment property for the nine months ended September 30, 2021 and 2020. Information on depreciation for the periods is disclosed in note 12(a). Please refer to note 6(h) of the 2020 annual consolidated financial statements for other related information.

The fair value of the investment property was not significantly different from that disclosed in note 6(h) of the consolidated financial statements for the year ended December 31, 2020.

As of September 30, 2021, December 31 and September 30, 2020, the investment property has been pledged as collateral for short-term borrowings and credits. Please refer to note 8.

(j) Intangible Assets

| | | Computer software and others |
|---|---|---|
| **Carrying amounts:** | | |
| Balance at January 1, 2021 | $ | 1,619 |
| Balance at September 30, 2021 | $ | 1,043 |
| Balance at January 1, 2020 | $ | 3,040 |
| Balance at September 30, 2020 | $ | 1,893 |

There were no significant additions, disposals, or recognitions and reversals of impairment losses of intangible assets for the nine months ended September 30, 2021 and 2020. Information on amortization for the periods is disclosed in note 12(a). Please refer to note 6(i) of the 2020 annual consolidated financial statements for other related information.

As of September 30, 2021, December 31 and September 30, 2020, the Group did not provide any intangible assets as collaterals for its loans.

(k) Short-term borrowings

The details of short-term borrowings were as follows:

| | | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Unsecured bank loans | $ | 77,850 | 68,480 | 85,006 |
| Secured bank loans | | 98,000 | 77,000 | 107,000 |
| Total | $ | 175,850 | 145,480 | 192,006 |
| Unused credit lines for short-term borrowings | $ | 258,614 | 297,167 | 229,193 |
| Range of interest rates | | 1.22%~1.78% | 1.10%~1.83% | 1.10%~1.83% |

Please refer to note 6(v) for the interest risk, foreign currency exchange rate risk, and liquidity risk information of the Group.

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The Group provided property, plant and equipment and investment property as collaterals for its bank loans. Please refer to note 8.

(l) Provisions — warranties

There were no significant changes in provisions for the nine months ended September 30, 2021 and 2020. Please refer to note 6(k) of the 2020 annual consolidated financial statements for the related information.

Provisions related to sale of products are assessed based on historical information.

(m) Lease liabilities

The details of lease liabilities were as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Current | $ 6,909 | 6,051 | 6,940 |
| Non-current | $ 9,964 | 10,400 | 11,355 |

For the maturity analysis, please refer to note 6(v).

The amounts recognized in profit or loss were as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Interest on lease liabilities | $ 71 | 86 | 219 | 280 |
| Variable lease payments not included in the measurement of lease liabilities | $ 904 | 971 | 2,705 | 2,778 |
| Expenses relating to short-term leases | $ 362 | 252 | 1,132 | 874 |

The amounts recognized in the consolidated statement of cash flows for the Group were as follows:

| | For the nine months ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Total cash outflow from leases | $ 9,952 | 10,710 |

(i) Real estate lease

The Group leases buildings for its office space. The leases of office space typically run for three to seven years.

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(ii) Other leases

The Group leases vehicle, with lease terms of two to five years.

The Group also leases office equipment with contract terms of less than one year. These leases are short-term leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) Operating lease

The Group leases out its investment property and some machinery. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(i) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date was as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Less than one year | $ 1,273 | 5,090 | 5,090 |
| One to two years | - | - | 1,273 |
| Total undiscounted lease payments | **$ 1,273** | **5,090** | **6,363** |

(o) Employee benefits

The Company allocates no less than 6% of each employee's monthly wages to the labor pension personal account at Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

Overseas subsidiaries recognized the pension expenses and made the periodical payments under the defined contribution method by local laws.

The expenses recognized in profit or loss for the Group were as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Selling expenses | $ 517 | 470 | 1,542 | 1,356 |
| Administrative expenses | 435 | 407 | 1,321 | 1,192 |
| Research and development expenses | 151 | 167 | 441 | 515 |
| | **$ 1,103** | **1,044** | **3,304** | **3,063** |

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(p) Income taxes

(i) Income tax expenses

The amounts of income tax were as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Current income tax expenses | $ 1,837 | 498 | 4,107 | 165 |

(ii) The Company's income tax returns for the years through 2019 have been examined by the tax authorities.

(q) Capital and other equities

Except for the following disclosures, there were no significant changes in capital and other equity for the nine months ended September 30, 2021 and 2020. Please refer to note 6(p) of the 2020 annual consolidated financial statements for the related information.

(i) Capital surplus

The balances of capital surplus were as follows:

| | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|
| Additional paid-in capital | $ 20,986 | 20,986 | 20,986 |
| Restricted employee shares | (1,864) | (1,603) | (1,603) |
| Employee stock options-expired | 5,343 | 5,343 | 5,343 |
| Donation from shareholders | 1,615 | 1,427 | 1,428 |
| Changes in equity of associates | 3,169 | 3,169 | - |
| | $ 29,249 | 29,322 | 26,154 |

(ii) Retained Earnings

The Company's Articles of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and the others are supposed to be set aside or reversed as the special reserve in accordance with laws and regulations. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company adopts the residual dividend policy. In consideration of the expansion of operations and the need of cash flows in the future, when the Company plans to distribute its dividends, the distributable amounts cannot be less than 50% of the cumulative distributable surplus. Moreover, at least 10% of the dividends should be distributed in cash.

Based on the resolutions made during the annual stockholders' meeting held on July 21, 2021 and June 17, 2020, respectively, there are no earnings could be distributed in 2020 and 2019, respectively.

(r) Share-based payment

Except for the following disclosures, there were no significant changes in share-based payment for the nine months ended September 30, 2021 and 2020. Please refer to note 6(q) of the 2020 annual consolidated financial statements for the related information.

On June 13, 2018, the Company's shareholders decided to award 2,000 thousand shares of employee restricted shares to the Company' s full-time employees who meet certain requirements. The restricted shares have been registered with and approved by the Securities and Futures Bureau of FSC. On November 7, 2018, the Board of Directors decided to issue the restricted shares on an installment basis. The Company issued the first restricted shares of 1,880 thousand shares, and the effective date was January 14, 2019.

On June 17, 2020, the Company's shareholders decided to award 1,200 thousand shares of employee restricted shares to the Company' s full-time employees who meet certain requirements. The restricted shares have been registered with and approved by the Securities and Futures Bureau of FSC. On November 4, 2020, the Board of Directors decided to issue all the restricted shares. The effective date was January 11, 2021.

The aforementioned restricted shares were issued without consideration. 20%, 20%, 30% and 30% of the restricted shares were vested when the employees continue to provide service for at least 1 year, 2 years, 3 years and 4 years from the registration and the effective date, and at the same time, meet the performance requirement. After the issuance, the restricted shares are kept by a trust, which is appointed by the Company, before they are vested. These restricted shares shall not be sold, pledged, transferred, gifted or by any other means of disposal to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian shall act based on the law and regulations.

If the shares remain unvested after the vesting period, the Company will purchase all the unvested shares without consideration and cancel the shares thereafter. Restricted shares could be distributed as cash or stock dividends. Employees who are given restricted shares are entitled to participate in the cash injection plan of the Company. The aforementioned new shares are also kept by a trust. If the employees of the Company fail to meet the vesting requirements, the cash or stock dividends will be withdrawn in the form of cash, and a shares cancellation procedure will be performed. However, if employees are able to meet such requirements, the cash or stock dividends will be paid to individual accounts from the trust.

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The information of the Company's restricted stock was as follows:

Unit: in thousand shares

| | For the nine months ended September 30, | |
|---|---|---|
| | **2021** | **2020** |
| Outstanding units on January 1 | 1,336 | 1,880 |
| Granted during the year | 1,200 | - |
| Forfeited during the year | (382) | (544) |
| Outstanding units on September 30 | **2,154** | **1,336** |

As of September 30, 2021 and 2020, the unearned employee compensation balances were $8,979 and $4,685, respectively. A total of 382 and 544 thousand employee restricted shares were retrieved and cancelled due to failure or loss of qualifications to meet the vesting requirements for the nine months ended September 30, 2021 and 2020. The effective date of capital reduction were March 17, 2021 and March 18, 2020, and the related registration procedures have been completed.

The expenses incurred (reversed) by the Company for employee restricted shares were $2,614 and $(786) for the nine months ended September 30, 2021 and 2020, respectively.

(s) Earnings (losses) per share

The Group's basic earnings (losses) per share was computed as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| **Basic earnings (losses) per share** | | | | |
| Net income (loss) | $ **338** | **746** | **6,578** | **(25,404)** |
| Weighted-average number of outstanding shares (in thousands) | **49,711** | **49,711** | **49,711** | **49,711** |
| Basic earnings (losses) per share (dollars) | $ **0.01** | **0.02** | **0.13** | **(0.51)** |
| **Diluted earnings per share** | | | | |
| Weighted-average number of outstanding shares (in thousands) | 49,711 | | 49,711 | |
| Effect of restricted employee shares unvested | 863 | | 863 | |
| Weighted-average number of outstanding shares (in thousands) | **50,574** | | **50,574** | |
| Diluted earnings per share (dollars) | $ **0.01** | | **0.13** | |

(Continued)

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For the three months and nine months ended September 30, 2020, the employee stock options have an anti-dilutive effect; hence, they were not included in the computation of the weighted-average number of shares (diluted).

(t) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Primary geographical markets: | | | | |
| Netherlands | $ 21,886 | 13,381 | 74,218 | 47,595 |
| Germany | 50,206 | 39,883 | 149,646 | 106,023 |
| Switzerland | 15,823 | 9,560 | 45,108 | 27,842 |
| United States | 15,086 | 22,828 | 39,877 | 49,122 |
| Other | 37,288 | 58,305 | 136,125 | 139,937 |
| | **$ 140,289** | **143,957** | **444,974** | **370,519** |
| Major products / services lines: | | | | |
| LED monitors | $ 136,224 | 138,484 | 430,866 | 356,437 |
| Medical equipment | 989 | 782 | 3,273 | 2,138 |
| Other accessories | 1,802 | 3,417 | 7,012 | 8,120 |
| Rental revenues | 1,274 | 1,274 | 3,823 | 3,824 |
| | **$ 140,289** | **143,957** | **444,974** | **370,519** |

(ii) Contract balances

1) For details on notes and accounts receivable and allowance for impairment, please refer to note 6(d).

2) Contract liabilities

| | **September 30, 2021** | **December 31, 2020** | **September 30, 2020** |
|---|---|---|---|
| Contract liabilities (Receipt in advance) | **$ 481** | **154** | **647** |

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(u) Employees compensation and directors' and supervisors' remuneration

According to the Company’ s Articles of Incorporation require that earning shall first be offset against any deficit, then, a minimum of 10% will be distributed as employee remuneration and a maximum of 2% will be allocated as directors’ remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirement.

Despite the Company had profit before income tax for the nine months ended September 30, 2021, yet the Company had accumulated deficits, thus no remuneration to employees and directors was recognized.

Due to loss before tax for the nine months ended September 30, 2020, no employees compensation and directors’ and supervisors’ remuneration was recognized.

(v) Financial Instruments

Except for the contention mentioned below, there were no significant changes in the fair value of the Group’ s financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. Please refer to note 6(u) of the 2020 annual consolidated financial statements for other related information.

(i) Credit risk of Receivables and debt securities

For credit risk exposure of note and accounts receivables, please refer to note 6(d).

Other financial assets at amortized cost includes cash and cash equivalents, other receivables, and guaranteed deposits, are considered to have low risk, and thus, the impairment provision recognized during the period is limited to 12 months expected losses.

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments:

| | Carrying amount | Contractual cash flows | Within a year | Over 1 years |
|---|---|---|---|---|
| **September 30, 2021** | | | | |
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 175,850 | (176,240) | (176,240) | - |
| Notes and accounts payable | 89,591 | (89,591) | (89,591) | - |
| Lease liabilities (including current and non-current) | 16,873 | (17,228) | (7,137) | (10,091) |
| Other payables | 65,418 | (65,418) | (65,418) | - |
| Guarantee deposits | 891 | (891) | - | (891) |
| | **$ 348,623** | **(349,368)** | **(338,386)** | **(10,982)** |

(Continued)

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | Carrying amount | Contractual cash flows | Within a year | Over 1 years |
|---|---|---|---|---|
| **December 31, 2020** | | | | |
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 145,480 | (145,737) | (145,737) | - |
| Notes and accounts payable | 47,550 | (47,550) | (47,550) | - |
| Lease liabilities (including current and non-current) | 16,451 | (16,881) | (6,281) | (10,600) |
| Other payables | 56,207 | (56,207) | (56,207) | - |
| Guarantee deposits | 891 | (891) | - | (891) |
| | **$ 266,579** | **(267,266)** | **(255,775)** | **(11,491)** |
| **September 30, 2020** | | | | |
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 192,006 | (192,368) | (192,368) | - |
| Notes and accounts payable | 38,645 | (38,645) | (38,645) | - |
| Lease liabilities (including current and non-current) | 18,295 | (18,788) | (7,192) | (11,596) |
| Other payables | 46,457 | (46,457) | (46,457) | - |
| Guarantee deposits | 891 | (891) | - | (891) |
| Derivative financial liabilities: | | | | |
| Forward exchange contracts | 22 | | | |
| Outflow | | (10,791) | (10,791) | - |
| Inflow | | 10,769 | 10,769 | - |
| | **$ 296,316** | **(297,171)** | **(284,684)** | **(12,487)** |

The Group does not expect the cash flows included in the maturity analysis, to occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Currency risk (expressed in thousands for foreign currencies)

The Group's significant exposure to foreign currency risk was as follows:

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | $ 1,223 | USD/NTD =27.85 | 34,061 | 752 | USD/NTD =28.48 | 21,415 | 943 | USD/NTD =29.10 | 27,450 |
| USD | 58 | USD/EUR =1.1605 | 67 | 41 | USD/EUR =1.2296 | 1,180 | 51 | USD/EUR =1.1735 | 1,486 |

(Continued)

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | September 30, 2021 | | | December 31, 2020 | | | September 30, 2020 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD | 2,291 | USD/NTD =27.85 | 63,804 | 1,213 | USD/NTD =28.48 | 34,544 | 831 | USD/NTD =29.10 | 24,190 |
| USD | 714 | USD/EUR =1.1605 | 829 | 7 | USD/EUR =1.2296 | 201 | - | USD/EUR =1.1735 | - |

2) Sensitivity analysis

The Group’s exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, short-term borrowings, notes and accounts payable, and other payables that are denominated in foreign currency.

A weakening (strengthening) 5% of each foreign currency against the functional currency, under other conditions remain the same, profit before tax for the nine months ended 2021 and 2020 would have been affected as follows:

| | September 30, 2021 | September 30, 2020 |
|---|---|---|
| USD (against NTD) | | |
| Appreciate 5% | $ (1,487) | 163 |
| Depreciate 5% | 1,487 | (163) |
| USD (against EUR) | | |
| Appreciate 5% | (38) | 74 |
| Depreciate 5% | 38 | (74) |

The analysis is performed on the same basis for both periods.

3) Foreign exchange gains and losses on monetary items

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount for disclosure. For the three months and nine months ended September 30, 2021 and 2020, the foreign exchange gains (losses), including realized and unrealized ones, amounted to $(1,645), $347, $(2,911) and $(309), respectively.

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(iv) Interest rate analysis

Please refer to liquidity risk for the details of financial assets and liabilities exposed to interest rate risk.

| | | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Variable rate instruments (carrying amount): | | | | |
| Financial assets | $ | 69,325 | 89,410 | 58,967 |
| Financial liabilities | | (175,850) | (145,480) | (192,006) |

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Group' s assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the profit before tax would have decreased or increased by $200 for the nine months ended September 30, 2021, and the loss before tax would have increased or decreased by $249 for the nine months ended September 30, 2020, which would mainly result from the bank savings and short-term borrowings with variable interest rates at the reporting date.

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, financial instruments used for hedging and of financial assets at fair value through other comprehensive income are measured on a recurring basis.

Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the assets or liabilities that are not based on observable market data.

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

The carrying amount and fair value of the Group' s financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and lease liabilities, disclosure of fair value information is not required :

| | September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss:** | | | | | |
| Derivative financial assets | $ 1,262 | - | 1,262 | - | 1,262 |
| Mandatorily designated at fair value through profit or loss | 7,241 | - | - | 7,241 | 7,241 |
| | 8,503 | | | | |
| **Financial assets measured at amortized cost:** | | | | | |
| Cash and cash equivalents | 90,072 | - | - | - | - |
| Notes and accounts receivable | 52,979 | - | - | - | - |
| Other receivables | 346 | - | - | - | - |
| Restricted deposits (recognized as other non-current assets) | 129 | - | - | - | - |
| Guaranteed deposits (recognized as other non-current assets) | 2,473 | - | - | - | - |
| | 145,999 | | | | |
| | $ **154,502** | | | | |
| **Financial liabilities measured at amortized cost:** | | | | | |
| Short-term borrowing | $ 175,850 | - | - | - | - |
| Notes and accounts payable | 89,591 | - | - | - | - |
| Lease liabilities (current and non-current) | 16,873 | | | | |
| Other payables | 65,418 | - | - | - | - |
| Guaranteed deposits | 891 | | | | |
| | $ **348,623** | | | | |

(Continued)

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss:** | | | | | |
| Mandatorily designated at fair value through profit or loss | $ 6,441 | - | - | 6,441 | 6,441 |
| **Financial assets measured at amortized cost:** | | | | | |
| Cash and cash equivalents | 115,187 | - | - | - | - |
| Notes and accounts receivable | 55,051 | - | - | - | - |
| Other receivables | 696 | - | - | - | - |
| Restricted bank deposits (recognized as other non-current assets) | 326 | - | - | - | - |
| Guaranteed deposits (recognized as other non-current assets) | 1,111 | - | - | - | - |
| | 172,371 | | | | |
| | **$ 178,812** | | | | |
| **Financial liabilities measured at amortized cost:** | | | | | |
| Short-term borrowings | $ 145,480 | - | - | - | - |
| Notes and accounts payable | 47,550 | - | - | - | - |
| Lease liabilities (current and non-current) | 16,451 | - | - | - | - |
| Other payables | 56,207 | - | - | - | - |
| Guaranteed deposits | 891 | - | - | - | - |
| | **$ 266,579** | | | | |

| | September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets at fair value through profit or loss:** | | | | | |
| Mandatorily designated at fair value through profit or loss | $ 20,000 | - | - | 20,000 | 20,000 |
| **Financial assets measured at amortized cost:** | | | | | |
| Cash and cash equivalents | 87,637 | - | - | - | - |
| Notes and accounts receivable | 53,733 | - | - | - | - |
| Other receivables | 1,174 | - | - | - | - |
| Restricted deposits (recorded under other current assets) | 326 | - | - | - | - |
| | 142,870 | | | | |
| | **$ 162,870** | | | | |

(Continued)

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

| | September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | Fair Value | | | |
| | Book value | Level 1 | Level 2 | Level 3 | Total |
| **Financial liabilities at fair value through profit or loss:** | | | | | |
| Derivative financial liabilities | $ 22 | - | 22 | - | 22 |
| **Financial liabilities measured at amortized cost:** | | | | | |
| Short-term borrowing | 192,006 | - | - | - | - |
| Notes and accounts payable | 38,645 | - | - | - | - |
| Lease liabilities (current and non-current) | 18,295 | - | - | - | - |
| Other payables | 46,457 | - | - | - | - |
| Guaranteed deposits | 891 | - | - | - | - |
| | 296,294 | | | | |
| | **$ 296,316** | | | | |

2) Fair value valuation technique for financial instruments not measured at fair value

The book value of financial assets and liabilities at amortized cost in the consolidated report is approximately its fair value.

3) Fair value valuation technique for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument will use the public quoted price from active market as the fair value if it has the public quoted price from active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by using a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants such as the discounted cash flow or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

4) There was no transfer among fair value hierarchies for the nine months ended September 30, 2021 and 2020.

5) Reconciliation of level 3 financial assets

| | | Non derivative mandatorily measured at fair value through profit or loss |
|---|---|---|
| Balance on January 1, 2021 | $ | 6,441 |
| Additions | | 10,800 |
| Reverse purchase | | (10,000) |
| Balance on September 30, 2021 | **$** | **7,241** |
| Balance on January 1, 2020 | $ | 10,000 |
| Additions | | 10,000 |
| Balance on September 30, 2020 | **$** | **20,000** |

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure the fair value include "financial assets measured at fair value through profit or loss – convertible bonds".

Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Financial assets measured at fair value through profit or loss – convertible bonds | Option Pricing Model-Formula Method | ·Discounted rate in lack of marketability as of September 30, 2021 and December 31, 2020 both were 29.29% | The higher the lack of marketability discount rate is, the lower the fair value will be. |
| 〃 | Revenue method (Discounted Cash Flow Method) | ·Discounted rate in lack of market liquidity as of September 30, 2020 was 35% | The higher the discounted rate is, the lower the fair value will be. |

## ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
### Notes to the Consolidated Financial Statements

(w) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(v) of the 2020 annual consolidated financial statements.

(x) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note 6(w) of the 2020 annual consolidated financial statements for other related information.

(y) Investing and financing activities not affecting current cash flow

(i) The Group’s investing and financing activity which did not affect the current cash flow for the nine months ended September 30, 2021 and 2020 were as follows: The acquisition of right-of-use assets by lease, please refer to note 6(h).

(ii) Reconciliations of liabilities arising from financing activities were as follows:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **January 1, 2021** | **Cash flows** | **Additions** | **Foreign exchange movement** | **September 30, 2021** |
| Short-term borrowings | $ 145,480 | 30,370 | - | - | 175,850 |
| Guaranteed deposits | 891 | - | - | - | 891 |
| Lease liabilities | 16,451 | (5,896) | 7,568 | (1,250) | 16,873 |
| Other | - | 188 | - | - | 188 |
| Total liabilities from financing activities | **$ 162,822** | **24,662** | **7,568** | **(1,250)** | **193,802** |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **January 1, 2020** | **Cash flows** | **Additions** | **Foreign exchange movement** | **September 30, 2020** |
| Short-term borrowings | $ 174,032 | 17,974 | - | - | 192,006 |
| Guaranteed deposits | 891 | - | - | - | 891 |
| Lease liabilities | 23,853 | (6,778) | 1,032 | 188 | 18,295 |
| Total liabilities from financing activities | **$ 198,776** | **11,196** | **1,032** | **188** | **211,192** |

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

**(7) Related-party transactions:**

(a) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

| Name of related party | Relationship with the Group |
|---|---|
| Taiwan Biophotonic Corporation (tBPC) | An associate |

(b) Significant transactions with related parties

(i) Requirement of redemption of convertible bonds

In June 2021, the Group requested to redeem 100 units of secured convertible bonds issued by tBPC, amounting to $10,000.

(ii) Acquisitions of financial assets

The 108 units of convertible bonds issued by tBPC and acquired by the Group amounted to $10,800 in June 2021, which were classified as financial assets measured at fair value through profit or loss. Please refer to note 6(c).

(c) Key management personnel transactions

Key management personnel compensation comprised：

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Short-term employee benefits | $ 6,306 | 3,922 | 14,925 | 12,324 |
| Post-employment benefits | 152 | 168 | 491 | 483 |
| | $ 6,458 | 4,090 | 15,416 | 12,807 |

**(8) Pledged assets:**

The carrying amounts of pledged assets were as follows:

| Pledged assets | Object | September 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Land and buildings | Guarantee for short-term loans and credit line | $ 116,549 | 117,310 | 117,564 |
| Investment property | 〃 | 161,579 | 162,467 | 162,762 |
| Restricted deposits | Warranty guarantee | 129 | 326 | 326 |
| | | $ 278,257 | 280,103 | 280,652 |

(Continued)

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

**(9) Significant commitments and contingencies:**

As of September 30, 2021, December 31 and September 30, 2020, the unused balance of the Group's letters of credit amounted to $14,536, $6,353 and $5,356, respectively.

**(10) Losses due to major disasters: None.**

**(11) Subsequent events: None.**

**(12) Other:**

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

| | For the three months ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| By function | 2021 | | | 2020 | | |
| By item | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | - | 26,293 | 26,293 | - | 25,826 | 25,826 |
| Labor and health insurance | - | 2,686 | 2,686 | - | 2,807 | 2,807 |
| Pension | - | 1,103 | 1,103 | - | 1,044 | 1,044 |
| Others | - | 946 | 946 | - | 1,186 | 1,186 |
| Depreciation | 295 | 2,172 | 2,467 | 295 | 2,921 | 3,216 |
| Amortization | - | 193 | 193 | 141 | 232 | 373 |

| | For the nine months ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| By function | 2021 | | | 2020 | | |
| By item | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | - | 75,012 | 75,012 | - | 72,209 | 72,209 |
| Labor and health insurance | - | 8,655 | 8,655 | - | 9,222 | 9,222 |
| Pension | - | 3,304 | 3,304 | - | 3,063 | 3,063 |
| Others | - | 2,748 | 2,748 | - | 2,944 | 2,944 |
| Depreciation | 887 | 7,285 | 8,172 | 887 | 8,646 | 9,533 |
| Amortization | - | 604 | 604 | 425 | 722 | 1,147 |

Note: The depreciation for the three months and nine months ended September 30, 2021 and 2020 included the depreciation of investment property amounted to $295, $295, $887 and $887, respectively.

(b) Seasonality of operations

The Group's operations were not significantly affected by seasonality or cyclicality factors.

(Continued)

# ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

**(13) Other disclosures items:**

(a) Information on significant transactions

The followings are the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" of the Group for the nine months ended September 30, 2021:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars and foreign currencies)

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance of guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Amount of property pledged for guarantees and endorsements | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount of guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 0 | The Company | AG Neovo B.V | 100% owned subsidiary | 413,419 | 150,000 | 150,000 | 2,353 | - | 36.28 % | 413,419 | Yes | No | No |
| 0 | 〃 | AG Neovo USA | 〃 | 413,419 | 40,000 | 40,000 | 27,850 | - | 9.68 % | 413,419 | Yes | No | No |

Note：According to the Company's Procedures for Endorsement and Guarantee, the total amount of endorsements and guarantees, which the Company or the Group is permitted to provide, shall not exceed 100% of the Company's net worth.

(iii) Information regarding securities held at the reporting date (excluding subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars and shares (units))

| Company holding securities | Security type and name | Relationship with the Company | Account | September 30, 2021 | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying value | Percentage of ownership | Fair value | |
| The Company | IRONYUN INCORPORATED | - | Financial assets measured at fair value through other comprehensive income－non-current | 6,025 | - | 6.79 % | - | Note |
| 〃 | Convertible bonds (tBPC) | - | Financial assets measured at fair value through profit or loss-non-current | 108 | 7,241 | - % | 7,241 | |

Note: Stocks are comprised of 5,512 thousand preferred shares and 513 thousand common shares at the reporting date.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(Continued)

## ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
### Notes to the Consolidated Financial Statements

(vii) Related-party purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Company name | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase /(Sale) | Amount | Percentage of total purchases (sales) | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | AG Neovo B.V | 100% owned subsidiary | (Sale) | (225,050) | (89) % | 90 days net from date of invoice | The price is not comparable with that of the general customers. | 90 days net from date of invoice; actual payments would depend on the capital demand. | Note 1 | -% | Note 2 |

Note 1：As of September 30, 2021, the amount of receipt in advance was $73,122.
Note 2：The left transactions have been eliminated in the preparation of consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: Please refer to note 6(b).

(x) Significant transactions and business relationship between the parent company and its subsidiaries:

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Company name | Counter party | Relationship (Note 2) | Intercompany transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accounts | Amount | Terms | Percentage of the consolidated net revenue or total assets |
| 0 | The Company | AG Neovo B.V | 1 | Operating revenues | 225,050 | The price is marked up based on the cost; and the payment terms depends on the capital demand. | 50.58 % |
| 0 | 〃 | 〃 | 1 | Receipt in advance | 73,122 | 〃 | 9.54 % |

Note 1: The numbers filled in as follows:
1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.
Note 2: Relationship with the transactions labeled as follows:
1 represents the transactions from the parent company to its subsidiaries.
2 represents the transactions between the subsidiaries and the parent company.
3 represents the transactions between subsidiaries.

# ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
## Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/ foreign currencies and thousand units)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Ending Balance as of September 30, 2021 | | | Net income (loss) of the Investee (Note2) | Investment income (loss) recognized by the investor (Note2) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | September 30, 2021 (Note 1) | December 31, 2020 (Note 1) | Shares | Percentage of ownership | Carrying value (Note 1) | | | |
| The Company | AG Neovo International (formerly named as GMF) | British Virgin Islands | Investment | 313,522 | 313,522 | 0.7 | 100 % | 4,725 | (482) | (482) | Note 3 |
| 〃 | AG Neovo B.V | Netherlands | Sales of LCD monitors | 187,013 | 187,013 | 4.8 | 100 % | 186,660 | 4,422 | 4,422 | 〃 |
| 〃 | AG Neovo Investment | British Virgin Islands | Investment | 14,796 | 14,796 | 0.5 | 100 % | 6,240 | (1,892) | (1,892) | 〃 |
| 〃 | Taiwan Biophotonic Corporation | Taiwan | Manufacturing and sale of medical equipment | 92,327 | 92,327 | 2,524 | 35 % | 19,761 | (5,120) | (5,120) | |
| AG Neovo International (formerly named as GMF) | AG Neovo International | British Virgin Islands | Investment | - (US $-) | - | - | - | - (US$ -) | - (US$ -) | Recognized by shareholding percentage by AG Neovo International (formerly named as GMF) | Note 3 |
| 〃 | AG Neovo USA | U.S.A. | Sales of LCD monitors and medical equipment | 55,720 (US$2,000) | 55,720 (US$2,000) | 701 | 100 % | 3,624 (US$131) | 339 (US$12) | 〃 | 〃 |

Note1: The amounts in New Taiwan Dollars were translated at the exchange rates of USD27.85 at reporting date.
Note2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD28.0491 based on the average exchange rate at reporting date.
Note3: The left transactions have been eliminated in the preparation of the consolidated financial statements.

(c) Information on investment in mainland China:

(i) The related information on investees in Mainland China:

(In Thousands of New Taiwan Dollars/foreign currencies and thousand units)

| Name of investee | Main businesses and products | Total amount of paid-in capital (Note 2) | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2021 (Note 2) | Investment | | Accumulated outflow of investment from Taiwan as of September 30, 2021 (Note 2) | Net income (loss) of the investee company (Note 3) | Percentage of ownership | Investment income (loss) recognized (Note 3) | Carrying value as of September 30, 2021 (Note 2) | Accumulated remittance of earnings as of September 30, 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| AG Neovo (Shanghai) | Sales of LCD monitors | 13,925 (US$500) | Note 1 | 13,925 (US$500) | - | - | 13,925 (US$500) | (2,279) (US$(81)) | 100% | (2,279) (US$(81)) | 6,394 (US$230) | - |

(ii) Upper limit on investment in Mainland China:

(In Thousands of New Taiwan Dollars and foreign currencies)

| Accumulated Investment in Mainland China as of September 30, 2021 (Notes 2 and 4) | Investment Amounts Authorized by Investment Commission, MOEA (Notes 2 and 4) | Upper Limit on Investment |
|---|---|---|
| 112,403（US$4,036） | 112,403（US$4,036） | 248,051 |

Note 1 : Indirect investment in Mainland China through companies registered in the third region.
Note 2 : The amounts in New Taiwan Dollars were translated at the exchange rates of USD27.85 at reporting date.
Note 3 : The amounts in New Taiwan Dollars were translated at the exchange rates of USD28.0491 based on the average exchange rate at reporting date.
Note 4 : Including the withdrawn amount of investment from the Shanghai CIMC Baowell Industries Co., Ltd.

(iii) Significant transactions: None.

**ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**
**Notes to the Consolidated Financial Statements**

(d) Major shareholders:

| Shareholding<br>Shareholder's Name | Shares | Percentage |
|---|---|---|
| CTBC in custody for Top Group Holdings, Ltd. | 8,156,294 | 14.93 % |
| David Pi | 3,451,541 | 6.31 % |
| Associated Industries China, Inc. (Treasury shares) | 2,760,000 | 5.05 % |

**(14) Segment information:**

The Group's operating segment information and reconciliation are as follows:

| | For the three months ended September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Europe** | **America** | **Taiwan** | **Others** | **Adjustment & Elimination** | **Total** |
| **Revenue** | | | | | | |
| Revenue from external customers | $ 121,897 | 14,341 | 3,551 | 500 | - | 140,289 |
| Revenue from segments | - | (6) | 73,179 | - | (73,173) | - |
| | **$ 121,897** | **14,335** | **76,730** | **500** | **(73,173)** | **140,289** |
| **Reportable segment profit (loss)** | **$ 1,706** | **6** | **337** | **(873)** | **999** | **2,175** |

| | For the three months ended September 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | **Europe** | **America** | **Taiwan** | **Others** | **Adjustment & Elimination** | **Total** |
| **Revenue** | | | | | | |
| Revenue from external customers | $ 111,899 | 21,487 | 4,383 | 6,188 | - | 143,957 |
| Revenue from segments | 1,953 | 678 | 80,696 | 1 | (83,328) | - |
| | **$ 113,852** | **22,165** | **85,079** | **6,189** | **(83,328)** | **143,957** |
| **Reportable segment profit (loss)** | **$ 1,638** | **(911)** | **746** | **895** | **(1,124)** | **1,244** |

| | For the nine months ended September 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | **Europe** | **America** | **Taiwan** | **Others** | **Adjustment & Elimination** | **Total** |
| **Revenue** | | | | | | |
| Revenue from external customers | $ 389,969 | 39,856 | 9,445 | 5,704 | - | 444,974 |
| Revenue from segments | 850 | 1,728 | 242,925 | - | (245,503) | - |
| | **$ 390,819** | **41,584** | **252,370** | **5,704** | **(245,503)** | **444,974** |
| **Reportable segment profit (loss)** | **$ 8,507** | **(459)** | **6,577** | **(1,892)** | **(2,048)** | **10,685** |

(Continued)

# ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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| | For the nine months ended September 30, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Europe | America | Taiwan | Others | Adjustment & Elimination | Total |
| **Revenue** | | | | | | |
| Revenue from external customers | $ 304,378 | 41,989 | 12,824 | 11,328 | - | 370,519 |
| Revenue from segments | 8,856 | 678 | 190,358 | 8 | (199,900) | - |
| | **$ 313,234** | **42,667** | **203,182** | **11,336** | **(199,900)** | **370,519** |
| **Reportable segment profit (loss)** | **$ (2,765)** | **(6,147)** | **(25,404)** | **58** | **9,019** | **(25,239)** |