

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

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
for the Nine Months Ended September 30, 2023 and 2022**

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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, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, 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 the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. 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 Standards on Auditing of the Republic of China 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 \$105,250 thousand and \$128,252 thousand, constituting 13.88% and 15.27% of consolidated total assets; and the total liabilities amounting to \$109,798 thousand and \$109,661 thousand, constituting 33.05% and 27.38% of consolidated total liabilities as of September 30, 2023 and 2022, respectively, and the total comprehensive income (loss) amounting to \$(10,359) thousand, \$(8,684) thousand, \$(37,071) thousand and \$(19,361) thousand, constituting 172.02%, 835.00%, 166.20% and 151.14% of the absolute value of consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of the Group in its investee companies of \$0 thousand as of September 30, 2022, and its equity in net earnings on the investee companies amounting to \$0 thousand and \$(3,557) thousand for the three months and nine months ended September 30, 2022, 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, 2023 and 2022, and of its consolidated financial performance for the three months and nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 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, 2023

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.)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**Consolidated Balance Sheets****September 30, 2023, December 31, 2022, and September 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (note 6(a))	\$ 124,751	16	101,579	13	106,141	13	2100	Short-term borrowings (notes 6(l) and 7)	\$ 212,520	28	241,358	32	287,362	34
1110	Current financial assets at fair value through profit or loss (note 6(b))	500	-	-	-	-	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	1,840	-	2,842	-	-	-
1170	Notes and accounts receivable, net (note 6(c))	59,045	8	59,034	8	73,810	9	2130	Current contract liabilities (note 6(v))	4,637	1	3,281	-	3,905	1
1200	Other receivables	347	-	377	-	425	-	2170	Notes and accounts payable	53,266	7	14,856	2	16,149	2
1300	Inventories, net (note 6(d))	208,868	28	229,022	30	271,789	32	2200	Other payables (Note 7)	36,691	4	33,941	4	45,884	6
1410	Prepayments	32,312	4	33,780	4	33,893	4	2250	Current provisions (note 6(m))	4,162	1	3,380	-	3,286	-
1470	Other current assets	563	-	2,851	-	9,408	1	2280	Current lease liabilities (note 6(n))	5,776	1	9,549	1	9,428	1
		<u>426,386</u>	<u>56</u>	<u>426,643</u>	<u>55</u>	<u>495,466</u>	<u>59</u>	2300	Other current liabilities	4,698	1	5,933	1	10,213	1
								2530	Bonds payable, current portion (note 6(o))	4,384	1	17,099	2	-	-
Non-current assets:															
1600	Property, plant and equipment (notes 6(h) and 8)	129,321	17	131,950	17	129,732	16	Non-current liabilities:							
1755	Right-of-use assets (note 6(i))	8,480	1	15,328	2	17,414	2	2533	Bonds payable, non-current portion (note 6(o))	-	-	-	-	14,500	2
1760	Investment property, net (notes 6(j) and 8)	159,214	21	160,101	21	160,396	19	2580	Non-current lease liabilities (note 6(n))	3,294	-	6,642	1	8,885	1
1780	Intangible assets (notes (k) and 8)	26,860	4	29,338	4	29,083	3	2600	Other non-current liabilities	906	-	891	-	891	-
1900	Other non-current assets (note 8)	7,942	1	7,593	1	7,570	1			<u>4,200</u>	<u>-</u>	<u>7,533</u>	<u>1</u>	<u>24,276</u>	<u>3</u>
		<u>331,817</u>	<u>44</u>	<u>344,310</u>	<u>45</u>	<u>344,195</u>	<u>41</u>			<u>332,174</u>	<u>44</u>	<u>339,772</u>	<u>43</u>	<u>400,503</u>	<u>48</u>
		Total liabilities													
		Equity attributable to owners of parent:													
		(notes 6(s) and (t))													
3110	Common stock	552,186	73	545,326	71	545,326	65								
3200	Capital surplus	30,596	4	29,328	4	29,328	3								
		Retained earnings:													
3310	Legal reserve	52,704	7	52,704	7	52,704	6								
3320	Special reserve	79,510	10	79,510	10	79,510	10								
3350	Accumulated deficits	(161,378)	(21)	(146,560)	(19)	(137,244)	(16)								
		<u>(29,164)</u>	<u>(4)</u>	<u>(14,346)</u>	<u>(2)</u>	<u>(5,030)</u>	<u>-</u>								
3400	Other equity interest	(113,150)	(15)	(116,038)	(15)	(125,025)	(15)								
3500	Treasury shares	(24,831)	(3)	(24,831)	(3)	(24,831)	(3)								
		<u>415,637</u>	<u>55</u>	<u>419,439</u>	<u>55</u>	<u>419,768</u>	<u>50</u>								
3600	Non-controlling interests	10,392	1	11,742	2	19,390	2								
		<u>426,029</u>	<u>56</u>	<u>431,181</u>	<u>57</u>	<u>439,158</u>	<u>52</u>	Total equity							
		<u>\$ 758,203</u>	<u>100</u>	<u>770,953</u>	<u>100</u>	<u>839,661</u>	<u>100</u>	Total liabilities and equity							
		<u>\$ 758,203</u>	<u>100</u>	<u>770,953</u>	<u>100</u>	<u>839,661</u>	<u>100</u>								

See accompanying notes to consolidated financial statements.

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

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2023 and 2022

(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				
	2023		2022		2023		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenues, net (note 6(v)):								
4110	\$ 133,023	99	145,381	99	380,184	99	452,295	99	
4310	Rental income (note 6(p))	<u>1,343</u>	<u>1</u>	<u>1,287</u>	<u>1</u>	<u>3,921</u>	<u>1</u>	<u>3,916</u>	<u>1</u>
		134,366	100	146,668	100	384,105	100	456,211	100
5000	Operating costs (notes 6(d), (q) and 12)								
5950	Gross profit from operations	<u>53,270</u>	<u>40</u>	<u>50,896</u>	<u>35</u>	<u>153,817</u>	<u>40</u>	<u>149,717</u>	<u>33</u>
	Operating expenses (notes 6(q) and 12):								
6100	Selling expenses (note 6(n))	31,363	23	32,536	22	97,459	25	98,099	22
6200	Administrative expenses (notes 6(n) and (t))	19,979	15	19,076	13	54,379	14	53,802	12
6300	Research and development expenses	<u>8,449</u>	<u>7</u>	<u>7,358</u>	<u>5</u>	<u>28,003</u>	<u>7</u>	<u>18,336</u>	<u>4</u>
		<u>59,791</u>	<u>45</u>	<u>58,970</u>	<u>40</u>	<u>179,841</u>	<u>46</u>	<u>170,237</u>	<u>38</u>
	Net operating loss	<u>(6,521)</u>	<u>(5)</u>	<u>(8,074)</u>	<u>(5)</u>	<u>(26,024)</u>	<u>(6)</u>	<u>(20,520)</u>	<u>(5)</u>
	Non-operating income and expenses:								
7100	Interest income	36	-	12	-	344	-	436	-
7190	Other income	75	-	126	-	395	-	375	-
7225	Gains on disposals of investments (note 6(e))	-	-	-	-	-	-	3,687	1
7230	Foreign exchange gains, net (note 6(x))	1,277	1	3,217	2	3,013	1	3,516	1
7235	Gains (losses) on financial assets at fair value through profit or loss	(491)	-	3,494	2	(1,560)	-	7,925	2
7510	Interest expense (notes 6(n) and 7)	(1,724)	(2)	(1,849)	(1)	(5,796)	(2)	(4,060)	(1)
7590	Miscellaneous expenditures	(13)	-	-	-	(13)	-	-	-
7610	Losses on disposals of property, plant and equipment	-	-	-	-	(13)	-	-	-
7770	Share of losses of associates and joint ventures accounted for using the equity method (Note 6(e))	-	-	-	-	-	-	(3,557)	(1)
		<u>(840)</u>	<u>(1)</u>	<u>5,000</u>	<u>3</u>	<u>(3,630)</u>	<u>(1)</u>	<u>8,322</u>	<u>2</u>
7900	Loss before tax	<u>(7,361)</u>	<u>(6)</u>	<u>(3,074)</u>	<u>(2)</u>	<u>(29,654)</u>	<u>(7)</u>	<u>(12,198)</u>	<u>(3)</u>
7950	Less: Income tax expenses (note 6(r))	<u>420</u>	-	<u>596</u>	-	<u>1,509</u>	-	<u>1,771</u>	-
	Loss	<u>(7,781)</u>	<u>(6)</u>	<u>(3,670)</u>	<u>(2)</u>	<u>(31,163)</u>	<u>(7)</u>	<u>(13,969)</u>	<u>(3)</u>
8300	Other comprehensive income:								
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign financial statements	<u>1,758</u>	<u>1</u>	<u>2,632</u>	<u>2</u>	<u>8,857</u>	<u>2</u>	<u>1,159</u>	-
8300	Other comprehensive income, net	<u>1,758</u>	<u>1</u>	<u>2,632</u>	<u>2</u>	<u>8,857</u>	<u>2</u>	<u>1,159</u>	-
8500	Total comprehensive income (loss)	<u>\$ (6,023)</u>	<u>(5)</u>	<u>(1,038)</u>	-	<u>(22,306)</u>	<u>(5)</u>	<u>(12,810)</u>	<u>(3)</u>
	Total net loss, attributable to:								
8610	Profit, attributable to owners of parent	\$ (3,986)	(3)	1,136	1	(14,818)	(3)	(4,443)	(1)
8620	Profit, attributable to non-controlling interests (note 6(g))	<u>(3,795)</u>	<u>(3)</u>	<u>(4,806)</u>	<u>(3)</u>	<u>(16,345)</u>	<u>(4)</u>	<u>(9,526)</u>	<u>(2)</u>
		<u>\$ (7,781)</u>	<u>(6)</u>	<u>(3,670)</u>	<u>(2)</u>	<u>(31,163)</u>	<u>(7)</u>	<u>(13,969)</u>	<u>(3)</u>
	Comprehensive income (loss) attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ (2,228)	(2)	3,768	3	(5,961)	(1)	(3,284)	(1)
8720	Comprehensive income, attributable to non-controlling interests (Note 6(g))	<u>(3,795)</u>	<u>(3)</u>	<u>(4,806)</u>	<u>(3)</u>	<u>(16,345)</u>	<u>(4)</u>	<u>(9,526)</u>	<u>(2)</u>
		<u>\$ (6,023)</u>	<u>(5)</u>	<u>(1,038)</u>	-	<u>(22,306)</u>	<u>(5)</u>	<u>(12,810)</u>	<u>(3)</u>
	Earnings per share (Note 6(u))								
9750	Basic earnings (losses) per share (NT dollars)	<u>\$ (0.08)</u>		<u>0.02</u>		<u>(0.29)</u>		<u>(0.09)</u>	
9850	Diluted earnings (losses) per share (NT dollars)	<u>\$ (0.08)</u>		<u>0.02</u>		<u>(0.29)</u>		<u>(0.09)</u>	

See accompanying notes to consolidated financial statements.

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

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Retained earnings			Exchange differences on translation of foreign financial statements	Other equity interest			Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Accumulated deficits		Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned employee benefits	Total other equity interest				
Balance at January 1, 2022	\$ 546,246	29,249	52,704	79,510	(132,801)	(88,885)	(33,710)	(6,897)	(129,492)	(24,831)	420,585	-	420,585
Loss for the nine months ended September 30, 2022	-	-	-	-	(4,443)	-	-	-	-	-	(4,443)	(9,526)	(13,969)
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	1,159	-	-	1,159	-	1,159	-	1,159
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	(4,443)	1,159	-	-	1,159	-	(3,284)	(9,526)	(12,810)
Other changes in capital surplus:													
Share-based payment transactions	(920)	79	-	-	-	-	-	3,308	3,308	-	2,467	-	2,467
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	28,916	28,916
Balance at September 30, 2022	\$ 545,326	29,328	52,704	79,510	(137,244)	(87,726)	(33,710)	(3,589)	(125,025)	(24,831)	419,768	19,390	439,158
Balance at January 1, 2023	\$ 545,326	29,328	52,704	79,510	(146,560)	(79,626)	(33,710)	(2,702)	(116,038)	(24,831)	419,439	11,742	431,181
Loss for the nine months ended September 30, 2023	-	-	-	-	(14,818)	-	-	-	-	-	(14,818)	(16,345)	(31,163)
Other comprehensive income for the nine months ended September 30, 2023	-	-	-	-	-	8,857	-	-	8,857	-	8,857	-	8,857
Total comprehensive income for the nine months ended September 30, 2023	-	-	-	-	(14,818)	8,857	-	-	8,857	-	(5,961)	(16,345)	(22,306)
Other changes in capital surplus:													
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	665	-	-	-	-	-	-	-	-	665	-	665
Share-based payment transactions	6,860	603	-	-	-	-	-	(5,969)	(5,969)	-	1,494	-	1,494
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	14,995	14,995
Balance at September 30, 2023	\$ 552,186	30,596	52,704	79,510	(161,378)	(70,769)	(33,710)	(8,671)	(113,150)	(24,831)	415,637	10,392	426,029

See accompanying notes to consolidated financial statements.

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

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30,	
	2023	2022
Cash flows from (used in) operating activities:		
Loss before tax	\$ (29,654)	(12,198)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	11,043	9,411
Amortization expense	5,321	3,539
Expected credit loss (reversal gain)	(22)	7
Gains (losses) on financial assets or liabilities at fair value through profit or loss	1,560	(7,925)
Interest expense	5,796	4,060
Interest income	(344)	(436)
Share-based payments transactions cost	1,494	2,467
Share of loss of associates and joint ventures accounted for using the equity method	-	3,557
Loss on disposal of property, plan and equipment	13	-
Gain on disposal of investments	-	(3,687)
Other revenue	665	-
Total adjustments to reconcile profit (loss)	25,526	10,993
Changes in operating assets and liabilities:		
Decrease (increase) in current financial liabilities at fair value through profit or loss	(775)	7,925
Decrease (increase) in notes and accounts receivable	11	(10,336)
Decrease (increase) in other receivables	(142)	42
Decrease (increase) in inventories	20,154	(12,501)
Decrease in prepayments	290	2,814
Decrease (increase) in other current assets	2,288	(3,186)
Dncrease in other operating assets	595	-
Increase in contract liabilities	1,356	3,645
Increase (decrease) in notes and accounts payable	38,410	(58,683)
Increase in other payables	2,740	1,334
Increase in provisions	765	250
Increase (decrease) in other current liabilities	(1,235)	5,302
Total changes in operating assets and liabilities	64,457	(63,394)
Total adjustments	89,983	(52,401)
Cash inflows (outflows) generated from operations	60,329	(64,599)
Interest received	344	905
Interest paid	(5,756)	(4,101)
Income taxes paid	(187)	(4,429)
Net cash flows from (used in) operating activities	54,730	(72,224)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(430)	(5,205)
Decrease (increase) in refundable deposits	59	(3,028)
Acquisition of intangible assets	(2,843)	(923)
Acquisition of right-of-use assets	-	(170)
Decrease (increase) in prepayments for business facilities	(1,003)	2,544
Net cash inflows from acquisition	-	4,000
Net cash flows used in investing activities	(4,217)	(2,782)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowings	(28,838)	80,231
Increase in guarantee deposits received	15	-
Increase in bonds payable	-	14,500
Payment of lease liabilities	(7,367)	(6,099)
Net cash flows from (used in) financing activities	(36,190)	88,632
Effect of exchange rate changes on cash and cash equivalents	8,849	1,149
Net increase (decrease) in cash and cash equivalents	23,172	14,775
Cash and cash equivalents at beginning of period	101,579	91,366
Cash and cash equivalents at end of period	\$ 124,751	106,141

See accompanying notes to consolidated financial statements.

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

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 30, 2023 and 2022

(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 (1) research, development and sale of LCD monitors, and related components, (2) sale of medical equipment, (3) real estate rental business and (4) research and development, manufacture and sale of medical equipment and health care products.

(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 9, 2023.

(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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the following new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(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 Group does not expect the following 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 IAS21 “Lack of Exchangeability”

(4) Summary of material 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 material accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

- (b) Basis of consolidation

List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	AG Neovo International Ltd. (AG Neovo International)	Investment	100 %	100 %	100 %	(Note 1)
The Company	AG Neovo Technology B.V. (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)
The Company	Taiwan Biophotonic Co. (tBPC)	Research and development, manufacture and sale of medical equipment and health care products	62.03 %	34.72 %	34.72 %	(Note 1, 2, 3)

(Continued)

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
AG Neovo Investment	AG Neovo Technology (Shanghai) Co., Ltd. (AG Neovo Shanghai)	Sale of LCD monitors	100 %	100 %	100 %	(Note 1)
AG Neovo International	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: In April 2022, the Company increased its investment in the secured convertible bonds of tBPC. After considering the comprehensive shareholding ratio of potentially ordinary shares, and the fact that the Company simultaneously dominates tBPC's operating and financial activities, the Company assessed that it has substantial control over tBPC, and therefore, tBPC was included in subsidiaries in the consolidated financial statements since the date of acquisition of substantial control.

Note 3: In April, June and July of 2023, the Company exercised its right to convert the convertible bonds issued by tBPC, respectively, and obtained a total of 123,840 thousand shares the Company's shareholding ratio is 62.03%.

(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 measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. 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, 2022. For related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2022.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(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 2022 consolidated financial statements. Please refer to note 6 of the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Petty cash, checking accounts and demand deposits	\$ 107,851	98,679	103,241
Time deposits	<u>16,900</u>	<u>2,900</u>	<u>2,900</u>
	<u>\$ 124,751</u>	<u>101,579</u>	<u>106,141</u>

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

(b) Financial assets and liabilities at fair value through profit or loss-current

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Mandatorily measured at fair value through profit or loss			
Derivative instruments not used for hedging			
Forward exchange contracts	\$ <u>500</u>	<u>-</u>	<u>-</u>
Financial liabilities designated at fair value through profit or loss-current			
Component of convertible bonds	\$ <u>1,840</u>	<u>2,842</u>	<u>-</u>

- (i) 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:

	<u>September 30, 2023</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Financial assets:			
Forward exchange sold	EUR <u>315</u>	EUR to USD	2023.10.11~2023.10.17

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(ii) tBPC, a subsidiary of the Group, issued convertible bonds including the main contract debt instrument and the conversion right derivatives. As of September 30, 2023, the fair value of the conversion right amounting to \$1,840 was recognized as financial liabilities at fair value through profit or loss.

(c) Notes and accounts receivable

	September 30, 2023	December 31, 2022	September 30, 2022
Notes receivable from operating activities	\$ 977	-	-
Accounts receivable-measured as amortized cost	<u>58,127</u>	<u>59,115</u>	<u>73,877</u>
	59,104	59,115	73,877
Less: Loss allowance	<u>(59)</u>	<u>(81)</u>	<u>(67)</u>
	<u>\$ 59,045</u>	<u>59,034</u>	<u>73,810</u>

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 was determined as follows:

	September 30, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 50,532	0%	-
Less than 30 days past due	7,244	0.41%	30
31 to 90 days past due	1,297	1.54%	20
91 to 180 days past due	<u>31</u>	29.03%	<u>9</u>
	<u>\$ 59,104</u>		<u>59</u>
	December 31, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 44,559	0%	-
Less than 30 days past due	12,829	0.20%	26
31 to 90 days past due	1,718	3.03%	52
91 to 180 days past due	<u>9</u>	33.33%	<u>3</u>
	<u>\$ 59,115</u>		<u>81</u>

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

	September 30, 2022		
	Gross carrying amount	Weighted- average loss rate	Loss allowance
Current	\$ 67,426	0%	-
Less than 30 days past due	5,662	0.79%	45
31 to 90 days past due	728	0.41%	3
91 to 180 days past due	60	30.00%	18
181 to 360 days past due	1	100.00%	1
	\$ 73,877		67

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

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 81	60
Impairment losses recognized	-	7
Impairment losses reversed	(22)	-
Balance at September 30	\$ 59	67

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any of the aforementioned notes and accounts receivable as collaterals for its loans.

(d) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Finished goods	\$ 2,235	2,286	2,238
Work in progress	3,108	1,442	982
Raw materials	3,490	4,755	10,790
Merchandise inventories	200,035	220,539	257,779
	\$ 208,868	229,022	271,789

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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The details of cost of sales for the three months and nine months ended September 30, 2023 and 2022, were as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cost of goods sold and expenses	\$ 79,539	95,346	226,532	303,868
Inventory valuation loss and obsolescence	1,155	26	2,555	1,427
	<u>\$ 80,694</u>	<u>95,372</u>	<u>229,087</u>	<u>305,295</u>

For the three months and nine months ended September 30, 2023 and 2022, the write-down of inventories to net realizable value amounted to \$1,155, \$2,555, \$26 and \$1,427.

As of September 30, 2023, December 31 and September 30, 2022, the Group did not provide any inventories as collaterals for its loans.

(e) 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	December 31,	September
	30, 2023	2022	30, 2022
Associates	\$ -	-	-

(i) Associates

The details of the material associates 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, 2023	December 31, 2022	September 30, 2022
tBPC	Shareholder with significant influence	Taiwan	Note	Note	Note

Note: Subsidiary included in the consolidated financial statements since April 2022.

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

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

1) Summarized financial information of tBPC

	For the three months ended March 31, 2022
Operating revenue	<u>\$ 743</u>
Loss from continuing operations (equal to comprehensive loss)	<u>\$ (10,245)</u>
Total consolidated loss attributable to owners of the associate	<u>\$ (10,245)</u>
	September 30, 2022
Share of net assets of the associate as of January 1	\$ 18,936
Comprehensive loss attributable to the Group	(3,557)
Written off by combination	<u>(15,379)</u>
Share of net assets of the associate as of September 30	<u>\$ -</u>

- (ii) The Company has acquired substantial control over tBPC since April 2022, tBPC became a subsidiary and is included in the consolidated financial statements. The equity investment by using the equity method should be regarded as disposal at fair value with IFRS, and a disposal gain of \$3,687 was recognized, please refer to note 6(f).

(f) Acquisition of subsidiary

(i) Acquisition of subsidiary

In April 2022, the Company increased investment in the secured convertible bonds of tBPC, after considering the comprehensive shareholding ratio of potentially ordinary shares and the intention to dominate tBPC's operating and financial activities. The Company's interest in tBPC remains at 34.72%. The main business of tBPC is the research and development, manufacture and sale of medical equipment and health care products.

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

1) Identifiable assets acquired and liabilities assumed

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$	4,000
Inventories		10,210
Accounts receivable and other receivables		5
Prepayment		5,055
Other current assets		4,788
Property, plant and equipment (note 6(h))		11,893
Right-of-use assets (note 6(i))		8,903
Intangible assets (note 6(k))		30,849
Other non-current assets		1,766
Other short-term borrowings		(6,100)
Other payables		(5,142)
Other current liabilities		(14,366)
Non-current liabilities		(7,567)
Others		<u>278</u>
The fair value of net identifiable assets acquired	\$	<u>44,572</u>

Acquisition of subsidiary tBPC in 2022. Please refer to note 6(f) of the 2022 annual consolidated financial statements for other related information.

(g) Material non-controlling interests of subsidiaries

The Company exercised its rights to convert the 2nd of three, 1st of four and 2nd of four batches of matured convertible bonds issued by tBPC in April, June and July of 2023, with the convertible prices of \$0.3 New Taiwan dollars, \$0.2 New Taiwan dollars and \$0.2 New Taiwan dollars per share, at the book values of \$8,640 (including interest receivable of \$640), \$12,528 (including interest receivable of \$928) and \$6,480 (including interest receivable of \$480), resulting in the acquisition of 28,800 thousand, 62,640 thousand and 32,400 thousand shares, respectively, totaling 123,840 thousand shares the Company's shareholding ratio is 62.03%.

The difference in book value due to the conversion of tBPC convertible bonds into common stock (including other bondholders) resulted in the Group's capital surplus to increase by \$665 for the nine months ended September 30, 2023.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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The material non-controlling interests of subsidiaries were as follows:

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests</u>		
		<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Taiwan Biophotonic Co. (tBPC)	Taiwan	37.97 %	65.28 %	65.28 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

(i) tBPC collective financial information

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	
Current assets	\$ 36,589	38,489	50,055	
Non-current assets	46,606	53,161	50,522	
Current liabilities	(52,517)	(68,454)	(24,937)	
Non-current liabilities	(3,309)	(5,210)	(45,939)	
Net assets	<u>\$ 27,369</u>	<u>17,986</u>	<u>29,701</u>	
Non-controlling interests	<u>\$ 10,392</u>	<u>11,742</u>	<u>19,389</u>	
	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the six months ended September 30, 2022
Sales revenue	<u>\$ 165</u>	<u>1,685</u>	<u>1,716</u>	<u>4,170</u>
Net loss (as same as Comprehensive income)	<u>\$ (9,994)</u>	<u>(7,363)</u>	<u>(33,925)</u>	<u>(14,593)</u>
Loss, attributable to non- controlling interests	<u>\$ (3,795)</u>	<u>(4,806)</u>	<u>(16,345)</u>	<u>(9,526)</u>
Total comprehensive loss, attributable to non- controlling interests	<u>\$ (3,795)</u>	<u>(4,806)</u>	<u>(16,345)</u>	<u>(9,526)</u>

(Continued)

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

	For the nine months ended September 30, 2023	For the six months ended September 30, 2022
Net cash flows used in operating activities	\$ (27,688)	(5,815)
Net cash flows used in investing activities	(1,858)	(2,796)
Net cash flows from financing activities	30,533	29,070
Net increase in cash and cash equivalents	<u>\$ 987</u>	<u>20,459</u>

(h) Property, plant and equipment

The movements of cost and depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 2023 and 2022, were as follows:

		Land	Buildings and building improvement	Machinery and R&D equipment	Molding equipment and other equipment	Transportation equipment	Equipment to be accepted	Total
Cost:								
Balance on January 1, 2023	\$	95,104	29,484	6,810	23,910	502	6,653	162,463
Additions for the period		-	-	-	430	-	-	430
Disposals		-	-	-	(632)	-	-	(632)
Effect of movements in exchange rates		-	-	112	190	26	-	328
Balance on September 30, 2023	\$	<u>95,104</u>	<u>29,484</u>	<u>6,922</u>	<u>23,898</u>	<u>528</u>	<u>6,653</u>	<u>162,589</u>
Balance on January 1, 2022	\$	95,104	29,484	4,942	14,681	-	-	144,211
Acquisition through a business combination (note 6(f))		-	-	265	8,344	-	3,284	11,893
Additions for the period		-	-	1,156	1,299	-	2,750	5,205
Disposals		-	-	-	(170)	-	-	(170)
Transferred in (out)		-	-	88	-	-	(2,632)	(2,544)
Effect of movements in exchange rates		-	-	287	39	-	-	326
Balance on September 30, 2022	\$	<u>95,104</u>	<u>29,484</u>	<u>6,738</u>	<u>24,193</u>	<u>-</u>	<u>3,402</u>	<u>158,921</u>
Depreciation:								
Balance on January 1, 2023	\$	-	9,307	5,275	15,876	55	-	30,513
Depreciation for the period		-	694	277	1,978	126	-	3,075
Disposals		-	-	-	(619)	-	-	(619)
Effect of movements in exchange rates		-	-	112	178	9	-	299
Balance on September 30, 2023	\$	<u>-</u>	<u>10,001</u>	<u>5,664</u>	<u>17,413</u>	<u>190</u>	<u>-</u>	<u>33,268</u>
Balance on January 1, 2022	\$	-	8,292	4,756	13,723	-	-	26,771
Depreciation for the period		-	761	157	1,391	-	-	2,309
Disposals		-	-	-	(170)	-	-	(170)
Effect of movements in exchange rates		-	-	283	(4)	-	-	279
Balance on September 30, 2022	\$	<u>-</u>	<u>9,053</u>	<u>5,196</u>	<u>14,940</u>	<u>-</u>	<u>-</u>	<u>29,189</u>
Book value:								
Balance on January 1, 2023	\$	<u>95,104</u>	<u>20,177</u>	<u>1,535</u>	<u>8,034</u>	<u>447</u>	<u>6,653</u>	<u>131,950</u>
Balance on September 30, 2023	\$	<u>95,104</u>	<u>19,483</u>	<u>1,258</u>	<u>6,485</u>	<u>338</u>	<u>6,653</u>	<u>129,321</u>
Balance on January 1, 2022	\$	<u>95,104</u>	<u>21,192</u>	<u>186</u>	<u>958</u>	<u>-</u>	<u>-</u>	<u>117,440</u>
Balance on September 30, 2022	\$	<u>95,104</u>	<u>20,431</u>	<u>1,542</u>	<u>9,253</u>	<u>-</u>	<u>3,402</u>	<u>129,732</u>

As of September 30, 2023, December 31 and September 30, 2022, the property, plant and equipment has been pledged as collateral for short-term borrowings and credits. Please refer to note 8.

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(i) Right-of-use assets

The Group leases many assets including buildings and transportation. The movements of cost and depreciation of those assets were as below:

	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 34,798	15,354	50,152
Effect of change in foreign exchange rates	<u>1,090</u>	<u>566</u>	<u>1,656</u>
Balance at September 30, 2023	<u>\$ 35,888</u>	<u>15,920</u>	<u>51,808</u>
Balance at January 1, 2022	\$ 24,028	14,667	38,695
Acquisition through a business combination (note 6(f))	8,903	-	8,903
Additions for the period	170	-	170
Effect of change in foreign exchange rates	<u>1,390</u>	<u>44</u>	<u>1,434</u>
Balance at September 30, 2022	<u>\$ 34,491</u>	<u>14,711</u>	<u>49,202</u>
Depreciation:			
Balance at January 1, 2023	\$ 23,244	11,580	34,824
Depreciation for the period	5,359	1,722	7,081
Effect of change in foreign exchange rates	<u>975</u>	<u>448</u>	<u>1,423</u>
Balance at September 30, 2023	<u>\$ 29,578</u>	<u>13,750</u>	<u>43,328</u>
Balance at January 1, 2022	\$ 15,619	8,839	24,458
Depreciation for the period	4,557	1,658	6,215
Effect of change in foreign exchange rates	<u>1,053</u>	<u>62</u>	<u>1,115</u>
Balance at September 30, 2022	<u>\$ 21,229</u>	<u>10,559</u>	<u>31,788</u>
Carrying amounts:			
Balance at January 1, 2023	<u>\$ 11,554</u>	<u>3,774</u>	<u>15,328</u>
Balance at September 30, 2023	<u>\$ 6,310</u>	<u>2,170</u>	<u>8,480</u>
Balance at January 1, 2022	<u>\$ 8,409</u>	<u>5,828</u>	<u>14,237</u>
Balance at September 30, 2022	<u>\$ 13,262</u>	<u>4,152</u>	<u>17,414</u>

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

(j) Investment property

Details of the investment property were as follows:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Total</u>
Book value:			
Balance on January 1, 2023	\$ <u>111,400</u>	<u>48,701</u>	<u>160,101</u>
Balance on September 30, 2023	\$ <u>111,400</u>	<u>47,814</u>	<u>159,214</u>
Balance on January 1, 2022	\$ <u>111,400</u>	<u>49,884</u>	<u>161,284</u>
Balance on September 30, 2022	\$ <u>111,400</u>	<u>48,996</u>	<u>160,396</u>

There were no significant additions, disposals, or recognitions and reversals of impairment losses of investment property for the nine months ended September 30, 2023 and 2022. Information on depreciation for the periods is disclosed in note 12(a). Please refer to note 6(j) of the 2022 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(j) of the consolidated financial statements for the year ended December 31, 2022.

As of September 30, 2023, December 31 and September 30, 2022, the investment property has been pledged as collateral for short-term borrowings and credits. Please refer to note 8.

(k) Intangible Assets

	<u>Patent</u>	<u>Computer software and others</u>	<u>Total</u>
Cost:			
Balance on January 1, 2023	\$ 31,467	15,092	46,559
Addition for the period	<u>2,353</u>	<u>490</u>	<u>2,843</u>
Balance on September 30, 2023	\$ <u>33,820</u>	<u>15,582</u>	<u>49,402</u>
Balance on January 1, 2022	\$ -	12,801	12,801
Acquisition through a business combination (note 6(f))	30,766	83	30,849
Addition for the period	<u>-</u>	<u>923</u>	<u>923</u>
Balance on September 30, 2022	\$ <u>30,766</u>	<u>13,807</u>	<u>44,573</u>

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

	<u>Patent</u>	<u>Computer software and others</u>	<u>Total</u>
Amortization:			
Balance on January 1, 2023	\$ 4,343	12,878	17,221
Amortization for the period	<u>4,361</u>	<u>960</u>	<u>5,321</u>
Balance on September 30, 2023	<u>\$ 8,704</u>	<u>13,838</u>	<u>22,542</u>
Balance on January 1, 2022	\$ -	11,951	11,951
Amortization for the period	<u>2,506</u>	<u>1,033</u>	<u>3,539</u>
Balance on September 30, 2022	<u>\$ 2,506</u>	<u>12,984</u>	<u>15,490</u>
Book value:			
Balance on January 1, 2023	<u>\$ 27,124</u>	<u>2,214</u>	<u>29,338</u>
Balance on September 30, 2023	<u>\$ 25,116</u>	<u>1,744</u>	<u>26,860</u>
Balance on January 1, 2022	<u>\$ -</u>	<u>850</u>	<u>850</u>
Balance on September 30, 2022	<u>\$ 28,260</u>	<u>823</u>	<u>29,083</u>

As of September 30, 2023, December 31 and June 30, 2022, the patent has been pledged as collateral for convertible bonds. Please refer to note 8.

(l) Short-term borrowings

The details of short-term borrowings were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unsecured bank loans	\$ 67,520	79,044	137,048
Secured bank loans	145,000	156,000	144,000
Other short-term borrowings	<u>-</u>	<u>6,314</u>	<u>6,314</u>
Total	<u>\$ 212,520</u>	<u>241,358</u>	<u>287,362</u>
Unused credit lines for short-term borrowings	<u>\$ 266,480</u>	<u>236,922</u>	<u>197,952</u>
Range of interest rates	<u>2.06%~7.01%</u>	<u>1.53%~6.51%</u>	<u>1.06%~5.66%</u>

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

The condition of the Group borrowed with related parties, please refer to note 7.

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

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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(m) Provisions — warranties

There were no significant changes in provisions for the nine months ended September 30, 2023 and 2022. Please refer to note 6(m) of the 2022 annual consolidated financial statements for the related information.

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

(n) Lease liabilities

The details of lease liabilities were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	\$ <u>5,776</u>	<u>9,549</u>	<u>9,428</u>
Non-current	\$ <u>3,294</u>	<u>6,642</u>	<u>8,885</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	\$ <u>65</u>	<u>112</u>	<u>232</u>	<u>293</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>1,468</u>	<u>1,583</u>	<u>4,296</u>	<u>4,103</u>
Expenses relating to short-term leases	\$ <u>378</u>	<u>355</u>	<u>1,031</u>	<u>788</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow from leases	\$ <u>12,926</u>	<u>11,283</u>

(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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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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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.

(o) Bonds Payable

The Group's Bonds payable was determined as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Domestic secured convertible Bonds Payable	\$ 42,300	52,400	40,100
components of the conversion option	(1,916)	(9,281)	-
Elimination through consolidation	<u>(36,000)</u>	<u>(26,020)</u>	<u>(25,600)</u>
Balance on September 30, 2023	<u>\$ 4,384</u>	<u>17,099</u>	<u>14,500</u>

Please refer to Note 6 (b) for the components of the conversion option issued in 2022.

The consolidated subsidiary, tBPC, converted its secured convertible bonds into ordinary shares, wherein parts of which matured in April, June and July 2023. Moreover, the Company subscribed the 170 units and 130 units of tBPC's secured convertible bonds in May and September 2023, at a par value of \$100 per unit, resulting in tBPC to be eliminated in the consolidated financial statements of the Group.

The holder of each unit of bonds has the right to convert each unit of bonds into shares of common stock of tBPC at a price equal to the net worth per share of tBPC 's most recently unaudited and unreviewed financial statements as of the date of issuance, adjusted to the net worth per share of tBPC 's most recently unaudited and unreviewed financial statements as of the date of conversion or the net worth in the tBPC's unaudited and unreviewed financial statements, one month before the shareholders' meeting for the issuance of convertible bonds using the following formula: Adjusted Conversion Price=Conversion price before adjustment x (the net worth per share reflected in the tBPC's unaudited and unreviewed financial statements one month before the date of conversion, or the net worth in the tBPC's unaudited and unreviewed financial statements one month before the shareholders' meeting for the issuance of convertible bonds, divided by the net worth per share in the tBPC's unaudited and unreviewed financial statements one month before date of issuance, or the net worth in the tBPC's unaudited and unreviewed financial statements one month before the shareholders' meeting for the issuance of convertible bonds). The conversion period is from the day following the expiration date, three months after the issue date to expiry date. If the bonds are not converted at that time, they will be repaid in cash at 8% of the par value of the bonds, plus accrued interest on the expiry date.

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

(p) Operating lease

The Group leases out its investment property. 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(j) 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, 2023	December 31, 2022	September 30, 2022
Less than one year	\$ 1,286	5,143	5,143
One to two years	-	-	1,286
Total undiscounted lease payments	<u>\$ 1,286</u>	<u>5,143</u>	<u>6,429</u>

(q) Employee benefits

The Company and tBPC allocated 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 and tBPC allocated 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		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Operating cost	\$ 9	34	25	67
Selling expenses	537	826	1,605	1,944
Administrative expenses	541	738	1,565	1,595
Research and development expenses	286	417	864	856
Total	<u>\$ 1,373</u>	<u>2,015</u>	<u>4,059</u>	<u>4,462</u>

(Continued)

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

(r) Income taxes

(i) Income tax expenses

The amount of income tax was as follows:

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Current income tax expenses	\$ 420	596	1,509	1,771

(ii) The Company's income tax returns for the years through 2022 have been examined by the tax authorities.

(s) Capital and other equities

(i) Ordinary shares

As of September 30, 2023 and 2022, the Company's authorized common stocks were consisting of 200,000 thousand shares with a par value of \$10 New Taiwan dollars per share amounted to \$2,000,000 of which 55,219 thousand shares and 54,533 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for September 30, 2023 and 2022 were as follows:

	Unit: in thousand shares	
	For the nine months ended	
	2023	2022
Balance on January 1	54,533	54,625
Issuance of new restricted employee shares	1,300	-
Cancellation of new restricted employee shares	(614)	(92)
Balance on September 30	55,219	54,533

The Company awarded 1,300 thousand shares of employee restricted shares in April 2023. Please refer to note 6(t) for the related information.

614 thousand and 92 thousand shares of employee restricted shares were repurchased by the Company in September 30, 2023 and 2022, respectively, as certain employees of the Company did not meet the vesting requirements, and the cancellation procedure had been completed.

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

(ii) Capital surplus

The balances of capital surplus were as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Additional paid-in capital	\$ 20,106	20,106	20,986
Restricted employee shares	(302)	(905)	(1,785)
Employee stock options-expired	5,343	5,343	5,343
Donation from shareholders	1,615	1,615	1,615
Changes in equity of associates	3,169	3,169	3,169
Changes in equity in subsidiaries	<u>665</u>	<u>-</u>	<u>-</u>
	<u>\$ 30,596</u>	<u>29,328</u>	<u>29,328</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) 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 stockholder's meeting held on June 20, 2023 and June 22, 2022, respectively, there are no earnings could be distributed in 2022 and 2021, respectively, the related information can be accessed through the Market Observation Post System website.

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

(t) Share-based payment

Except for the following disclosures, there were no significant changes in share-based payment for the nine months ended September 30, 2023 and 2022. Please refer to note 6(t) of the 2022 annual consolidated financial statements for the related information.

On June 22, 2022, the Company's shareholders decided to award 1,350 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 March 15, 2023, the Board of Directors decided to issue 1,300 thousand shares. The effective date was April 20, 2023.

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

	Unit: in thousand shares	
	For the nine months ended	
	September 30,	
	2023	2022
Outstanding units on January 1	1,118	2,154
Granted during the year	1,300	-
Forfeited during the year	(614)	(92)
Exercised during the year	-	(891)
Outstanding units on September 30	1,804	1,171

As of September 30, 2023 and 2022, the unearned employee compensation balances were \$8,671 and \$3,589, respectively. A total of 614 and 92 thousand employee restricted shares were retrieved and cancelled due to failure or loss of qualifications to meet the vesting requirements for the years ended September 30, 2023 and 2022, respectively. The effective date of capital reduction was March 15, 2023 and March 16, 2022, and the related registration procedures have been completed.

The expenses incurred by the Company for employee restricted shares were \$1,494 and \$2,467 for the nine months ended September 30, 2023 and 2022, respectively.

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

(u) Earnings per share

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Basic earnings per share				
Belong to parent company net profit (loss)	\$ <u>(3,986)</u>	<u>1,136</u>	<u>(14,818)</u>	<u>(4,443)</u>
Common shares issued on January 1	50,655	49,885	50,655	49,885
Weighted-average number of outstanding shares (in thousands)	<u>50,655</u>	<u>49,885</u>	<u>50,655</u>	<u>49,885</u>
Basic earnings per share (dollars)	\$ <u>(0.08)</u>	<u>0.02</u>	<u>(0.29)</u>	<u>(0.09)</u>
Diluted earnings per share				
Weighted average number of outstanding common shares (in thousands)	\$ 50,655	49,885	50,655	49,885
Employee restricted shares	-	122	-	-
Weighted average number of outstanding common shares (after adjusting for the dilutive potential common share impact)	<u>50,655</u>	<u>50,007</u>	<u>50,655</u>	<u>49,885</u>
Diluted earnings per share (dollars)	\$ <u>(0.08)</u>	<u>0.02</u>	<u>(0.29)</u>	<u>(0.09)</u>

For the three months ended September 30, 2023 and nine months ended September 30, 2023 and 2022, the employee restricted shares had an anti-dilutive effect; hence, no diluted earnings per share was required to be computed.

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

(v) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Primary geographical markets:				
Netherlands	\$ 9,021	17,363	47,230	56,178
Germany	49,488	55,878	121,344	146,171
Switzerland	13,449	11,617	25,565	36,747
United States	24,357	18,520	68,843	64,727
Others	<u>38,051</u>	<u>43,290</u>	<u>121,123</u>	<u>152,388</u>
	<u>\$ 134,366</u>	<u>146,668</u>	<u>384,105</u>	<u>456,211</u>
Major products / services lines:				
LED monitors	\$ 130,406	139,910	371,409	438,674
Medical equipment	80	205	889	2,057
Other accessories	2,537	5,266	7,886	11,564
Rental revenues	<u>1,343</u>	<u>1,287</u>	<u>3,921</u>	<u>3,916</u>
	<u>\$ 134,366</u>	<u>146,668</u>	<u>384,105</u>	<u>456,211</u>

(ii) Contract balances

- 1) For details on notes and accounts receivable and allowance for impairment, please refer to note 6(c).
- 2) Contract liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Contract liabilities (Receipt in advance)	<u>\$ 4,637</u>	<u>3,281</u>	<u>3,905</u>

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.

The amount of revenue recognized for the nine months ended September 30, 2023 and 2022, that included in the contract liability balance at the beginning of the periods were \$1,228 and \$1,341, respectively.

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(w) Employees' compensation and directors' 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 employees' 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.

Due to loss before tax for the nine months ended September 30, 2023 and 2022, no employees' compensation and directors' remuneration was recognized.

(x) 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(y) of the 2022 annual consolidated financial statements for other related information.

(i) Credit risk of Receivables and debt securities

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

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:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 years</u>
September 30, 2023				
Non-derivative financial liabilities:				
Bonds payable, current portion	\$ 4,384	(4,388)	(4,388)	-
Short-term borrowings	212,520	(213,256)	(213,256)	-
Notes and accounts payable	53,266	(53,266)	(53,266)	-
Lease liabilities (including current and non-current)	9,070	(9,286)	(5,931)	(3,355)
Other payables	36,691	(36,691)	(36,691)	-
Guarantee deposits	906	(906)	-	(906)
Derivative financial liabilities:				
Forward exchange contracts				
Convertible bonds-conversion right (recognized as financial liabilities at fair value through profit or loss)	1,840	(1,840)	(1,840)	-
	<u>\$ 318,677</u>	<u>(319,633)</u>	<u>(315,372)</u>	<u>(4,261)</u>

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 years</u>
December 31, 2022				
Non-derivative financial liabilities:				
Bonds payable, current portion	\$ 17,099	(17,908)	(17,908)	-
Short-term borrowings	241,358	(243,124)	(243,124)	-
Notes and accounts payable	14,856	(14,856)	(14,856)	-
Lease liabilities (including current and non-current)	16,191	(16,676)	(9,862)	(6,814)
Other payables	33,941	(33,941)	(33,941)	-
Guarantee deposits	891	(891)	-	(891)
Derivative financial liabilities:				
Convertible bonds-conversion right (recognized as financial liabilities at fair value through profit or loss)	<u>2,842</u>	<u>(2,842)</u>	<u>(2,842)</u>	<u>-</u>
	<u>\$ 327,178</u>	<u>(330,238)</u>	<u>(322,533)</u>	<u>(7,705)</u>
September 30, 2022				
Non-derivative financial liabilities:				
Short-term borrowings	\$ 287,362	(288,027)	(288,027)	-
Notes and accounts payable	16,149	(16,149)	(16,149)	-
Lease liabilities (including current and non-current)	18,313	(18,856)	(9,757)	(9,099)
Other payables	45,884	(45,884)	(45,884)	-
Bonds payable, non-current portion	14,500	(15,220)	(15,220)	-
Guarantee deposits	<u>891</u>	<u>(891)</u>	<u>-</u>	<u>(891)</u>
	<u>\$ 383,099</u>	<u>(385,027)</u>	<u>(375,037)</u>	<u>(9,990)</u>

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

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(iii) Market risk

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

The Group's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	September 30, 2023			December 31, 2022			September 30, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets									
Monetary items									
USD	\$	782 USD/NTD =32.27	25,235	2,141 USD/NTD =30.71	65,750		2,043 USD/NTD =31.75		64,865
USD		46 USD/EUR =1.0508	48	38 USD/EUR =1.0655	40		47 USD/EUR =0.9846		46
Financial liabilities									
Monetary items									
USD		1,614 USD/NTD =32.27	52,084	762 USD/NTD =30.71	23,401		544 USD/NTD =31.75		17,272
USD		196 USD/EUR =1.0508	206	2 USD/EUR =1.0655	2		31 USD/EUR =0.9846		31

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 September 30, 2023 and 2022 would have been affected as follows:

	September 30, 2023	September 30, 2022
USD (against NTD)		
Appreciate 5%	\$ (1,342)	2,380
Depreciate 5%	1,342	(2,380)
USD (against EUR)		
Appreciate 5%	(8)	1
Depreciate 5%	8	(1)

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

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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, 2023 and 2022, the foreign exchange gains, including realized and unrealized ones, amounted to \$1,277, \$3,217, \$3,013 and \$3,516, respectively.

(iv) Interest rate analysis

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

	Carrying amount		
	September 30, 2023	December 31, 2022	September 30, 2022
Variable rate instruments:			
Financial assets	\$ 110,099	75,120	49,777
Financial liabilities	(212,520)	(241,358)	(287,362)

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 net loss before tax would have increased or decreased by \$192 and \$445 for the nine months ended September 30, 2023 and 2022, respectively, which would mainly result from the bank savings, time deposits 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).

(Continued)

ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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- c) Level 3: inputs for the assets or liabilities that are not based on observable market data.

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, 2023				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 124,751	-	-	-	-
Notes and accounts receivable	59,045	-	-	-	-
Other receivables	347	-	-	-	-
Restricted deposits (recognized as other non-current assets)	2,444	-	-	-	-
Guaranteed deposits (recognized as other non-current assets)	3,044	-	-	-	-
	<u>\$ 189,631</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 1,840	-	-	1,840	1,840
Financial liabilities measured at amortized cost:					
Convertible bonds - debt component	4,384	-	-	-	-
Short-term borrowing	212,520	-	-	-	-
Notes and accounts payable	53,266				
Lease liabilities (current and non-current)	9,070	-	-	-	-
Other payables	36,691				
Guaranteed deposits	906				
	<u>316,837</u>				
	<u>\$ 318,677</u>				

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	December 31, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 101,579	-	-	-	-
Notes and accounts receivable	59,034	-	-	-	-
Other receivables	377	-	-	-	-
Restricted deposits (recognized as other non-current assets)	2,444	-	-	-	-
Guaranteed deposits (recognized as other non-current assets)	<u>3,102</u>	-	-	-	-
	<u>\$ 166,536</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>2,842</u>	-	-	2,842	2,842
Financial liabilities measured at amortized cost:					
Convertible bonds - debt component	17,099	-	-	-	-
Short-term borrowing	241,358	-	-	-	-
Notes and accounts payable	14,856				
Lease liabilities (current and non-current)	16,191	-	-	-	-
Other payables	33,941				
Guaranteed deposits	<u>891</u>				
	<u>324,336</u>				
	<u>\$ 327,178</u>				

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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	September 30, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Financial assets measured at amortized cost:					
Cash and cash equivalents	\$ 106,141	-	-	-	-
Notes and accounts receivable	73,810	-	-	-	-
Other receivables	425	-	-	-	-
Restricted deposits (recognized as other non-current assets)	2,444	-	-	-	-
Guaranteed deposits (recognized as other non-current assets)	<u>3,010</u>	-	-	-	-
	<u>185,830</u>				
	<u>\$ 185,830</u>				
Financial liabilities measured at amortized cost:					
Convertible bonds - debt component	14,500	-	-	-	-
Short-term borrowing	287,362	-	-	-	-
Notes and accounts payable	16,149				
Lease liabilities (current and non-current)	18,313	-	-	-	-
Other payables	45,884				
Guaranteed deposits	<u>891</u>				
	<u>\$ 383,099</u>				

- 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.

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

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, 2023 and 2022.

5) Reconciliation of level 3 financial assets

	Non derivative mandatorily measured at fair value through profit or loss
Balance on January 1, 2023 (same as Balance on September 30, 2023)	\$ <u><u>-</u></u>
Balance on January 1, 2022	\$ 7,113
Elimination through consolidation	<u>(7,113)</u>
Balance on September 30, 2022	\$ <u><u>-</u></u>

(y) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note 6(z) of the 2022 annual consolidated financial statements.

(z) 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, 2022. 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, 2022. Please refer to note 6(aa) of the 2022 annual consolidated financial statements for other related information.

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

(aa) 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, 2023 and 2022 were as follows: The acquisition of right-of-use assets by lease, please refer to note 6(i).
- (ii) Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2023	Cash flows	Non-cash changes			September 30, 2023
			Changes in non-controlling interests	Others	Effect of change in exchange rates	
Short-term borrowings	\$ 241,358	(28,838)	-	-	-	212,520
Bonds payable	17,099	-	(14,995)	2,280	-	4,384
Deposits received	891	15	-	-	-	906
Lease liabilities	16,191	(7,367)	-	-	246	9,070
Total liabilities from financing activities	<u>\$ 275,539</u>	<u>(36,190)</u>	<u>(14,995)</u>	<u>2,280</u>	<u>246</u>	<u>226,880</u>

	January 1, 2022	Cash flows	Non-cash changes			September 30, 2022
			Acquisition through business combination	Effect of change in exchange rates		
Short-term borrowings	\$ 201,031	80,231	6,100	-	287,362	
Bonds payable	-	14,500	-	-	14,500	
Deposits received	891	-	-	-	891	
Lease liabilities	14,738	(6,099)	9,352	322	18,313	
Total liabilities from financing activities	<u>\$ 216,660</u>	<u>88,632</u>	<u>15,452</u>	<u>322</u>	<u>321,066</u>	

(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.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Taiwan Biophotonic Corporation (tBPC)	An associate (note1)
Yu-Teng, Li	Essential related party (tBPC director)(note2)

note1: Listed as the subsidiaries of consolidated financial statements since April, 2022.

note2: The individual was no longer a related party since April 2023.

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

(b) Significant transactions with related parties

(i) Borrow from related party and interest

<u>Account</u>	<u>Category of related party</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Short-term borrowings	Substantial related party	\$ -	5,175	5,175
		For the three months ended September 30,	For the nine months ended September 30,	
		<u>2023</u>	<u>2022</u>	<u>2023</u>
Interest expense		\$ -	52	52
				<u>60</u>

The interest rate of the Group's unsecured borrowings from related party, which was negotiated by both parties, had been fully paid in June 2023.

(c) Key management personnel transactions

Key management personnel compensation comprised :

	For the three months ended September 30,		For the nine months ended September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 3,537	3,450	11,280	12,269
Post-employment benefits	152	99	445	357
	<u>\$ 3,689</u>	<u>3,549</u>	<u>11,725</u>	<u>12,626</u>

(8) Assets pledged as security:

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Land and buildings	Guarantee for short-term loans and credit line	\$ 114,587	115,281	115,535
Investment property	"	159,214	160,101	160,396
Restricted deposits (recongized as other non-current assets)	Warranty guarantee	2,444	2,444	2,444
Intangible assets	Bonds payable	1,442	765	795
		<u>\$ 277,687</u>	<u>278,591</u>	<u>279,170</u>

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

(9) Significant commitments and contingencies:

As of September 30, 2023, December 31 and September 30, 2022, the unused balance of the Group's letters of credit amounted to \$0, \$7,034 and \$0 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:

By function	For the three months ended September 30,					
	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	147	30,624	30,771	616	29,942	30,558
Labor and health insurance	25	3,423	3,448	76	2,522	2,598
Pension	9	1,364	1,373	34	1,981	2,015
Others	1	747	748	-	849	849
Depreciation	997	2,620	3,617	1,088	2,491	3,579
Amortization	318	1,578	1,896	176	1,468	1,644

By function	For the nine months ended September 30,					
	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	439	84,232	84,671	1,214	83,241	84,455
Labor and health insurance	83	10,452	10,535	154	8,691	8,845
Pension	25	4,034	4,059	67	4,395	4,462
Others	(7)	2,229	2,222	-	2,245	2,245
Depreciation	3,161	7,882	11,043	2,388	7,023	9,411
Amortization	585	4,736	5,321	410	3,129	3,539

Note: The depreciation for the three months and nine months ended September 30, 2023 and 2022 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 cyclicity factors.

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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, 2023:

- (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	415,637	150,000	150,000	444	-	36.09 %	415,637	Yes	No	No
0	The Company	AG Neovo USA	100% owned subsidiary	415,637	40,000	40,000	9,520	-	9.62 %	415,637	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, 2023				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	-	4.53 %	-	Note 1
The Company	Convertible bonds (tBPC)	-	Financial assets measured at fair value through profit or loss-non-current	360	36,000	- %	36,000	Note 2

Note 1: Stocks are comprised of 552 thousand preferred shares and 5,473 thousand common shares at the reporting date.

Note 2: The left transactions have been eliminated in the preparation of consolidated financial statements.

- (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.

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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)	(182,782)	(48) %	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, 2023, the amount of receipt in advance was \$69,086.

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			Percentage of the consolidated net revenue or total assets
				Accounts	Amount	Terms	
0	The Company	AG Neovo B.V	1	Operating revenues	182,782	The price is marked up based on the cost; and the payment terms depends on the capital demand.	47.59 %
0	The Company	AG Neovo B.V	1	Receipt in advance	69,086	The price is marked up based on the cost; and the payment terms depends on the capital demand.	9.11 %
0	The Company	AG Neovo USA	1	Operating revenues	37,843	The price is marked up based on the cost; and the payment terms depends on the capital demand.	9.85 %
0	The Company	AG Neovo USA	1	Receipt in advance	24,920	The price is marked up based on the cost; and the payment terms depends on the capital demand.	3.29 %

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.

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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, 2023 (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, 2023			Net income (loss) of the Investee (Note2)	Investment income (loss) recognized by the investor (Note2)	Remark
				September 30, 2023 (Note 1)	December 31, 2022 (Note 1)	Shares	Percentage of ownership	Carrying value (Note 1)			
The Company	AG Neovo International	British Virgin Islands	Investment	343,957	343,957	0.8	100 %	30,759	(1,639)	(1,639)	Note 3
The Company	AG Neovo B.V	Netherlands	Sales of LCD monitors	187,013	187,013	4.8	100 %	214,695	1,840	1,840	"
The Company	AG Neovo Investment	British Virgin Islands	Investment	14,796	14,796	0.5	100 %	2,401	(1,667)	(1,667)	"
The Company	Taiwan Biophotonic Corporation	Taiwan	Research and development, manufacture and sale of medical equipment and health care products	119,975	92,327	133,934	62 %	16,905	(33,925)	(16,190)	Note 4
AG Neovo International	AG Neovo USA	U.S.A.	Sales of LCD monitors and medical equipment	96,810 (US\$3,000)	96,810 (US\$3,000)	702	100 %	27,725 (US\$859)	(1,002) (US\$32)	Recognized by shareholding percentage by AG Neovo International	Note 3

Note 1: The amounts in New Taiwan Dollars were translated at the exchange rates of USD32.27 at reporting date.

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD30.9436 based on the average exchange rate at reporting date.

Note 3: The left transactions have been eliminated in the preparation of the consolidated financial statements.

Note 4: The total amount included the reversal of bonds valuation loss of \$1,390.

(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, 2023 (Note 2)	Investment		Accumulated outflow of investment from Taiwan as of September 30, 2023 (Note 2)	Net income (loss) of the investee company (Note 3)	Percentage of ownership	Investment income (loss) recognized (Notes 3 and 5)	Carrying value as of September 30, 2023 (Note 2)	Accumulated remittance of earnings as of September 30, 2023
					Outflow	Inflow						
AG Neovo (Shanghai)	Sales of LCD monitors	16,135 (US\$500)	Note 1	16,135 (US\$500)	-	-	16,135 (US\$500)	(1,667) (US\$54)	100%	(1,667) (US\$54)	2,401 (US\$74)	-

(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, 2023 (Notes 2 and 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 2 and 4)	Upper Limit on Investment
130,242 (US\$4,036)	130,242 (US\$4,036)	249,382

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 USD32.27 at reporting date.

Note 3: The amounts in New Taiwan Dollars were translated at the exchange rates of USD30.9436 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.

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
CTBC in custody for Top Group Holdings, Ltd.		8,011,294	14.50 %
David Pi		3,502,541	6.34 %

(14) Segment information:

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

	For the three months ended September 30, 2023					
	Europe	America	Taiwan	Others	Adjustment & Elimination	Total
Revenue						
Revenue from external customers	\$ 105,077	24,435	4,567	287	-	134,366
Revenue from segments	<u>59</u>	<u>890</u>	<u>82,516</u>	<u>-</u>	<u>(83,465)</u>	<u>-</u>
Total revenue	<u>\$ 105,136</u>	<u>25,325</u>	<u>87,083</u>	<u>287</u>	<u>(83,465)</u>	<u>134,366</u>
Reportable segment profit (loss)	<u>\$ 783</u>	<u>6</u>	<u>(5,970)</u>	<u>(8,241)</u>	<u>6,061</u>	<u>(7,361)</u>
Reportable segment assets						<u>\$ 758,203</u>
	For the three months ended September 30, 2022					
	Europe	America	Taiwan	Others	Adjustment & Elimination	Total
Revenue						
Revenue from external customers	\$ 121,408	18,584	4,023	2,653	-	146,668
Revenue from segments	<u>6,243</u>	<u>-</u>	<u>78,646</u>	<u>68</u>	<u>(84,957)</u>	<u>-</u>
Total revenue	<u>\$ 127,651</u>	<u>18,584</u>	<u>82,669</u>	<u>2,721</u>	<u>(84,957)</u>	<u>146,668</u>
Reportable segment profit (loss)	<u>\$ 81</u>	<u>(1,080)</u>	<u>643</u>	<u>(7,558)</u>	<u>4,840</u>	<u>(3,074)</u>
Reportable segment assets						<u>\$ 839,661</u>
	For the nine months ended September 30, 2023					
	Europe	America	Taiwan	Others	Adjustment & Elimination	Total
Revenue						
Revenue from external customers	\$ 301,698	67,955	12,756	1,696	-	384,105
Revenue from segments	<u>1,581</u>	<u>890</u>	<u>220,625</u>	<u>36</u>	<u>(223,132)</u>	<u>-</u>
Total revenue	<u>\$ 303,279</u>	<u>68,845</u>	<u>233,381</u>	<u>1,732</u>	<u>(223,132)</u>	<u>384,105</u>
Reportable segment profit (loss)	<u>3,324</u>	<u>(3,371)</u>	<u>(20,548)</u>	<u>(28,105)</u>	<u>19,046</u>	<u>(29,654)</u>
Reportable segment assets						<u>\$ 758,203</u>

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ASSOCIATED INDUSTRIES CHINA, INC. AND SUBSIDIARIES
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	For the nine months ended September 30, 2022					
	<u>Europe</u>	<u>America</u>	<u>Taiwan</u>	<u>Others</u>	<u>Adjustment & Elimination</u>	<u>Total</u>
Revenue						
Revenue from external customers	\$ 371,982	64,794	13,658	5,777	-	456,211
Revenue from segments	<u>13,558</u>	<u>-</u>	<u>263,886</u>	<u>68</u>	<u>(277,512)</u>	<u>-</u>
Total revenue	<u>\$ 385,540</u>	<u>64,794</u>	<u>277,544</u>	<u>5,845</u>	<u>(277,512)</u>	<u>456,211</u>
Reportable segment profit (loss)	<u>\$ (183)</u>	<u>(2,381)</u>	<u>(6,721)</u>	<u>(13,959)</u>	<u>11,046</u>	<u>(12,198)</u>
Reportable segment assets						<u>\$ 839,661</u>