

Stock Code: 8374

ACE PILLAR CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditor's Report
For the Years Ended September 30, 2021 and 2020**

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

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Independent Auditor’s Review Report

To the Board of Directors of Ace Pillar Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Ace Pillar Co., Ltd. (“the Company”) and its subsidiaries (“the Group”) as of September 30, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for nine months ended September 30, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 review.

Scope of Review

We conducted our review in accordance with Statement on Auditing Standard No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditor’s review report are Wei-Ming Shih and Mei-Yen Chen.

KPMG
Taipei, Taiwan (Republic of China)
November 3, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial statements of financial position, financial performance and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Accounting Standard 34, “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditor’s 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 auditor’s report and consolidated financial statements, the Chinese version shall prevail.

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

Reviewed only, not audited in accordance with generally accepted auditing standards**ACE PILLAR CO., LTD AND SUBSIDIARIES****Consolidated Balance Sheets****September 30, 2021, December 31, 2020 and September 30, 2020****(Expressed in thousands of New Taiwan dollars)**

		September 30,		December 31,		September 30,				September 30,		December 31,		September 30,	
		2021	%	2020	%	2020	%			2021	%	2020	%	2020	%
Assets		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:															
1100	Cash and cash equivalents (Note 6(a))	\$ 513,982	17	876,458	32	807,709	30	2100	Short-term borrowings (Note6(k) and 8)	\$ 100,447	3	98,876	4	184,253	7
1110	Financial assets at fair value through profit and loss – current (Note6(b))	-	-	-	-	1,258	-	2123	Financial liabilities at fair value through profit and loss – current (Note6(b))	-	-	288	-	665	-
1150-1170	Notes and accounts receivable, net (Note6(d), (r), 7 and 8)	1,188,292	40	907,737	33	859,421	32	2150-2170	Notes and accounts payable (Note7)	494,517	17	395,249	14	311,140	12
1200	Other receivables (Note6(e))	10,145	-	6,412	-	8,527	-	2200	Other payables (Note7)	97,361	3	96,652	4	82,642	3
130X	Inventories (Note6(f))	488,602	16	451,797	16	522,608	19	2230	Current tax liabilities	58,190	2	31,233	1	35,675	2
1461	Non-current assets held for sale – net (Note6(g))	73,452	3	-	-	-	-	2130	Contract liabilities – current (Note6(r))	117,270	4	69,627	3	66,799	2
1410-1470	Prepayments and other current assets	30,137	1	17,700	1	15,810	1	2280	Lease liabilities – Current (Note6(l) and 7)	10,023	1	12,535	-	10,643	-
	Total current assets	2,304,610	77	2,260,104	82	2,215,333	82	2300	Other current liabilities	9,772	-	9,836	-	6,010	-
									Total current liabilities	887,580	30	714,296	26	697,827	26
Non-current assets:															
1600	Property, plant and equipment (Note6(h))	591,520	20	411,767	15	409,895	15	2570	Deferred tax liabilities	61,148	2	61,148	2	51,342	2
1755	Right-of-use assets (Note6(i))	35,395	1	43,488	2	39,534	2	2580	Lease liabilities – non-current (Note6(l) and 7)	9,390	-	14,121	1	12,685	-
1780	Intangible assets (Note6(j))	3,995	-	-	-	-	-		Total non-current liabilities	70,538	2	75,269	3	64,027	2
1840	Deferred tax assets	11,599	-	11,599	-	11,984	-		Total liabilities	958,118	32	789,565	29	761,854	28
1980	Other financial assets – non-current	17,096	1	18,324	1	16,387	1	Equity attributable to owners of parent (Note6 (c) and (o)):							
1990	Other non-current assets	14,260	1	14,698	-	12,227	-	3110	Common stocks	1,122,505	38	1,122,505	41	1,122,505	41
	Total non-current assets	673,865	23	499,876	18	490,027	18	3200	Capital surplus	315,077	10	315,077	11	315,077	12
								3300	Retained earnings	646,527	22	591,473	21	564,972	21
								3400	Other equity	(63,752)	(2)	(58,640)	(2)	(59,048)	(2)
									Total equity	2,020,357	68	1,970,415	71	1,943,506	72
Total assets		\$ 2,978,475	100	2,759,980	100	2,705,360	100		Total liabilities and equity	\$ 2,978,475	100	2,759,980	100	2,705,360	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ACE PILLAR CO., LTD AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Three and Nine Months Ended September 30, 2021 and 2020

(Expressed in thousands of New Taiwan dollars, Except for Earnings Per Share)

	Three Months Ended September 30,				Nine Months Ended September 30,				
	2021		2020		2021		2020		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (Note6(r), 7 and 14)	\$ 910,763	100	647,016	100	2,762,921	100	2,002,338	100
5000	Operating costs (Note6(f) and 7)	(755,497)	(83)	(525,824)	(81)	(2,267,356)	(82)	(1,644,276)	(82)
	Gross profit from operations	155,266	17	121,192	19	495,565	18	358,062	18
	Operating expenses (Note6(d), (h), (i), (j), (l),(m),(s), 7 and 12) :								
6100	Selling expenses	(75,584)	(8)	(68,006)	(10)	(224,963)	(8)	(195,159)	(10)
6200	Administrative expenses	(38,253)	(4)	(35,726)	(6)	(114,106)	(4)	(99,087)	(5)
6450	Gain on reversal of expected credit	2,352	-	20,005	3	4,417	-	24,424	1
	Total operating expenses	(111,485)	(12)	(83,727)	(13)	(334,652)	(12)	(269,822)	(14)
	Net operating income	43,781	5	37,465	6	160,913	6	88,240	4
	Non-operating income and loss (Note6(l), (t) and 7) :								
7100	Interest income	279	-	344	-	729	-	1,720	-
7010	Other income	233	-	452	-	1,605	-	1,945	-
7020	Other gains and losses, net	(566)	-	(1,476)	-	(3,044)	-	(7,713)	-
7050	Finance costs	(1,034)	-	(2,055)	(1)	(3,458)	-	(8,624)	-
	Total non-operating income and loss	(1,088)	-	(2,735)	(1)	(4,168)	-	(12,672)	-
	Income before income tax	42,693	5	34,730	5	156,745	6	75,568	4
7950	Less: Income tax expenses (Note6(n))	(10,735)	(1)	(7,208)	(1)	(34,341)	(2)	(14,889)	(1)
	Net income	31,958	4	27,522	4	122,404	4	60,679	3
	Other comprehensive income (Note6(o)) :								
8310	Items that may not be reclassified subsequently to profit or loss:								
8316	Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	-	-	1,460	-	-	-	1,955	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
		-	-	1,460	-	-	-	1,955	-
8360	Items that may be reclassified subsequently to profit or loss:								
8361	Exchange differences on translation of foreign operations	(1,465)	-	4,693	1	(5,112)	-	(10,471)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
		(1,465)	-	4,693	1	(5,112)	-	(10,471)	-
	Other comprehensive income	(1,465)	-	6,153	1	(5,112)	-	(8,516)	-
	Total comprehensive income	\$ 30,493	4	33,675	5	117,292	4	52,163	3
	Net income attributable to:								
8610	Shareholders of the Company	\$ 31,958	4	27,522	4	122,404	4	60,679	3
	Total comprehensive income attributable to:								
8710	Shareholders of the Company	\$ 30,493	4	33,675	5	117,292	4	52,163	3
	Earnings per share (in New Taiwan dollars) (Note6(q))								
9750	Basic earnings per share	\$ 0.28		0.25		1.09		0.54	
9850	Diluted earnings per share	\$ 0.28		0.25		1.09		0.54	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ACE PILLAR CO., LTD AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

	Equity Attributable to Shareholders of the Company						Other equity		Equity attributable to the shareholders of the company	Total Equity	
	Retained Earnings					Total	Foreign Currency Translation Differences	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income			Total
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						
Balance on January 1, 2020	\$ 1,122,255	314,792	247,286	78,028	190,015	515,329	(48,577)	20,677	(27,900)	1,924,476	1,924,476
Net income for the period	-	-	-	-	60,679	60,679	-	-	-	60,679	60,679
Other comprehensive income for the period	-	-	-	-	-	-	(10,471)	1,955	(8,516)	(8,516)	(8,516)
Total comprehensive income for the period	-	-	-	-	60,679	60,679	(10,471)	1,955	(8,516)	52,163	52,163
Appropriation of earnings											
Cash dividends	-	-	-	-	(33,668)	(33,668)	-	-	-	(33,668)	(33,668)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	22,632	22,632	-	(22,632)	(22,632)	-	-
Employee stock options exercised	250	285	-	-	-	-	-	-	-	535	535
Balance on September 30, 2020	\$ 1,122,505	315,077	247,286	78,028	239,658	564,972	(59,048)	-	(59,048)	1,943,506	1,943,506
Balance on January 1, 2021	\$ 1,122,505	315,077	247,286	78,028	266,159	591,473	(58,640)	-	(58,640)	1,970,415	1,970,415
Net income for the period	-	-	-	-	122,404	122,404	-	-	-	122,404	122,404
Other comprehensive income for the period	-	-	-	-	-	-	(5,112)	-	(5,112)	(5,112)	(5,112)
Total comprehensive income for the period	-	-	-	-	122,404	122,404	(5,112)	-	(5,112)	117,292	117,292
Appropriation of earnings											
Legal reserve	-	-	10,981	-	(10,981)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(67,350)	(67,350)	-	-	-	(67,350)	(67,350)
Balance on September 30, 2021	\$ 1,122,505	315,077	258,267	78,028	310,232	646,527	(63,752)	-	(63,752)	2,020,357	2,020,357

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

ACE PILLAR CO., LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flow

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

	<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Income before income tax	\$ 156,745	75,568
Adjustments for:		
Adjustments to reconcile profit (loss)		
Depreciation expense	20,892	24,390
Amortization expense	851	-
Gain on reversal of impairment loss	(4,417)	(24,424)
Interest expense	3,458	8,624
Interest income	(729)	(1,720)
Loss (Gain) on disposal of property, plant and equipment	334	(406)
Gain on lease changes	(1)	(8)
Total adjustment to reconcile profit	<u>20,388</u>	<u>6,456</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit and loss	-	(1,258)
Notes and accounts receivable	(276,138)	(25,563)
Other receivables	(3,733)	(4,094)
Inventories	(36,805)	63,336
Prepayments and other current assets	(12,385)	4,072
Net change in operating assets	<u>(329,061)</u>	<u>36,493</u>
Changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(288)	665
Notes and accounts payable	99,268	(144,241)
Other payables	849	(10,557)
Contract liabilities	47,643	(5,186)
Other current liabilities	(64)	(1,256)
Net change in operating liabilities	<u>147,408</u>	<u>(160,575)</u>
Total changes in operating assets and liabilities	<u>(181,653)</u>	<u>(124,082)</u>
Total adjustments	<u>(161,265)</u>	<u>(117,626)</u>
Cash outflow generated from operations	(4,520)	(42,058)
Interest received	729	1,720
Income tax paid	(6,877)	(21,024)
Net cash flows from operating activities	<u>(10,668)</u>	<u>(61,362)</u>

(continued)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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ACE PILLAR CO., LTD AND SUBSIDIARIES

Consolidated Statements of Cash Flow (Continued)

For the Nine Months Ended September 30, 2021 and 2020

(Expressed in thousands of New Taiwan dollars)

	Nine Months Ended September 30,	
	2021	2020
Cash flows from investing activities:		
Disposal of financial assets measured at fair value through other comprehensive income	-	26,410
Acquisitions of property, plant and equipment	(264,512)	(1,571)
Disposal of property, plant and equipment	18	775
Acquisitions of intangible assets	(4,846)	-
Decrease in financial assets at amortized cost – current	-	45,326
Decrease (increase) in other financial assets – non-current	1,228	(8)
Decrease (increase) in other non-current assets	438	(2,402)
Net cash flows from investing activities	(267,674)	68,530
Cash flows from financing activities:		
Increase in short-term borrowings	169,418	178,639
Decrease in short-term borrowings	(167,515)	(308,332)
Payment of lease principal	(10,744)	(11,905)
Payment of cash dividends	(67,350)	(33,668)
Employee stock options exercised	-	535
Interest paid	(3,598)	(8,661)
Net cash flows from financing activities	(79,789)	(183,392)
Effect of foreign exchange rate changes	(4,345)	(16,220)
Net decrease in cash and cash equivalents	(362,476)	(192,444)
Cash and cash equivalents at the beginning of period	876,458	1,000,153
Cash and cash equivalents at the end of period	\$ 513,982	807,709

See accompanying notes to consolidated financial statements.

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

ACE PILLAR CO., LTD AND SUBSIDIARIES

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Nine Months Ended September 30, 2021 and 2020

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

(1) Organization and Business

Ace Pillar Co., Ltd. (the Company) was incorporated on March 31, 1984, as a company limited by shares under the laws of the Republic of China (“R.O.C”) and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 2F, No. 7, Lane 83, Sec. 1, Guangfu Rd., Sanchong Dist., New Taipei City 241, Taiwan. The Company and subsidiaries (collectively the “Group”) are engaged in the tests, processing, sales, repairment, as well as the electromechanical integration for the automatic control and industrial transmission system.

(2) Approval Date and Procedures of the Consolidated Financial Statements

These consolidated financial statements were authorized for issue by the Board of Directors on November 3, 2021.

(3) New Standards, Amendments and Interpretations Adopted

- (a) Impact of adoption of new, revised or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)

In preparing the accompanying consolidated financial statements, the Group adopted the following revised International Financial Reporting Standards (“IFRS”) on January 1, 2021, without causing any material impact on the consolidated financial statements.

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
- Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In preparing the accompanying consolidated financial statements, the Group adopted the following revised IFRS on April 1, 2021, without causing any material impact on the consolidated financial statements.

- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC.

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

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

- (c) New standards, amendments and interpretation issued by IASB but not yet endorsed by the FSC
The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to International Accounting Standards (IAS) 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

The Group expects that following new and amended standards, which haven’t yet to be endorsed by the FSC, don’t have a significant impact on its consolidated financial statements.

- Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Insurance Contracts (IFRS 17 and Amendments to IFRS 17)
- The Disclosure of Accounting Policies (Amendments to IAS 1)
- The Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

(4) Summary of Significant Accounting Policies

Except for the following information, the significant accounting policies applied in the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2020. The relevant information in detail can refer to Note 4 of the consolidated financial statements for the year ended December 31, 2020.

- (a) Statement of compliance

The Group’s accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers (the “Regulations”) and IAS 34, Interim Financial Reporting, as endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the disclosures required by IFRS, IAS,

ACE PILLAR CO., LTD AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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interpretation as well as related guidance, which are endorsed by the FSC (collectively as “Taiwan-IFRSs), for the preparation of annual consolidated financial statements.

(b) Basis of consolidation

1. List of subsidiaries in the consolidated financial statements:

Name of Investor	Name of subsidiary	Major business and products	Shareholdings		
			September 30, 2021	December 31, 2020	September 30, 2020
The Company	Cyber South Management Ltd. (Cyber South, Samoa)	Holding activity	100.00%	100.00%	100.00%
The Company/Proton	Tianjin Ace Pillar Co., Ltd. (TJ ACE, China)	Sales of automation mechanical transmission system and component	100.00%	100.00%	100.00%
The Company	Hong Kong Ace Pillar Enterprise Company Limited (HK ACE, Hong Kong)	Sales of automation mechanical transmission system and component	100.00%	100.00%	100.00%
Cyber South	Proton Inc. (Proton, Samoa)	Holding activity	100.00%	100.00%	100.00%
Cyber South	Ace Tek (HK) Holding Co., Ltd. (Ace Tek, Hong Kong)	Holding activity	100.00%	100.00%	100.00%
Cyber South	Suzhou Super Pillar Automation Equipment Co., Ltd. (SZ ACE, China)	Process and technical service for mechanical transmission and control products	100.00%	100.00%	100.00%
Cyber South	Grace Transmission (Tianjin) Co., Ltd. (Grace Transmission, China)	Manufacturer and process of mechanical transmission product	100.00%	100.00%	100.00%
Cyber South	Xuchang Ace AI Equipment Co., Ltd. (Xuchang Ace, China)	Wholesale and retail of industrial robot-related products	100.00%	100.00%	100.00%
Ace Tek	Advancedtek ACE (TJ) Inc. (AD ACE, China)	Integrate the electronic system	100.00%	100.00%	100.00%

2. List of subsidiaries which are not included in the consolidated interim financial statements:
None.

(c) Non-current assets held for sale

Non-current assets or the disposal group, which is made of assets or liabilities, will be classified as non-current assets held for sale when they are expected to sell instead of recovering the carrying amount through the continued usage. Non-current assets or disposal groups that meet the requirement of held for sale can be sold out immediately under the current situation, and the possibility to complete the transaction within one year is high. Non-current assets held for sale are suspended to recognizing the depreciation or amortization, and they are measured at the lower of carrying amount or fair value minus selling costs.

(d) Income taxes

The Company measures and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34, Interim Financial Reporting. Income taxes of the interim financial reporting is multiplying pre-tax income of the interim period by a projected annual effective tax rate, which is the best estimated by the management, and is recognized as current tax expenses.

Income taxes that are recognized directly in equity or other comprehensive income are measured in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases at the tax rates that are expected to be applied in the year in which the asset is realized or the liability is settled.

(e) Intangible assets

Intangible assets acquired by the Group are measured at cost less accumulated amortization and accumulated impairment losses. Amortized amount is using the straight-line method under the estimated useful life to calculate. The amortized amount is recognized as profit and loss: software purchased from outside – three years.

The Group will review the residual value of intangible assets, amortized period, and method at least annually at fiscal year-end; if there are any changes, they will be viewed as the change of accounting estimation.

(5) Major Sources of Accounting Assumptions, Judgements and Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and IAS 34, Interim Financial Reporting, as endorsed and issued into effect 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.

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimations and assumptions uncertainty used by management in the application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of Significant Accounts

Except for the described below, the explanation of significant accounts in consolidated financial statements does not have material variances with the consolidated financial statement for the year ended December 31, 2020. For the relevant information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2020.

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(a) Cash and cash equivalents

	September 30, 2021	December 31, 2020	September 30, 2020
Cash on hand	\$ 332	321	346
Saving accounts and checking accounts	513,650	876,137	747,363
Term deposits within three months	-	-	60,000
	\$ 513,982	876,458	807,709

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

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets at fair value through profit or loss			
Foreign currency forward contracts	\$ -	-	607
Exchange contracts	-	-	651
	\$ -	-	1,258
Financial liabilities at fair value through profit or loss			
Foreign currency forward contracts	\$ -	288	665
	\$ -	288	665

The Group entered into derivatives contracts to manage foreign currency exchange risk resulting from its operating and financing activities. The derivatives financial instruments that did not conform to the criteria for hedge accounting, so it was reported as the financial liabilities as fair value through profit or loss. At the reporting date, the outstanding derivative contracts consisted of the following:

1. Foreign currency forward contracts

	December 31, 2020	
	Contract amount (in thousands)	Maturity
USD Buy / CNY Sell	USD 2,540	January 2021
	September 30, 2020	
	Contract amount (in thousands)	Maturity
USD Buy / CNY Sell	USD 11,868	October 2020 ~ November 2020

2. Exchange contracts

	<u>September 30, 2020</u>	
	<u>Contract amount</u>	
	<u>(in thousands)</u>	<u>Maturity</u>
NTD Buy / USD Sell	USD 3,000	October 2020 ~ November 2020

Refer to note 6(t) for the amount of gain (loss) recognized related to financial assets measured at fair value.

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

The Group disposed of the strategic investment in July 2020 because of the operating strategy. The investment sold for \$26,410; the gain on disposal was \$22,632, transferred from other equity to retained earnings.

(d) Notes and accounts receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable – resulting from the business	\$ 355,593	286,907	290,662
Accounts receivable - measured as amortized cost	861,456	660,591	638,154
Less: loss allowance	<u>(28,757)</u>	<u>(39,761)</u>	<u>(69,395)</u>
	<u>\$ 1,188,292</u>	<u>907,737</u>	<u>859,421</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, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information. Analysis of expected credit losses in Taiwan on notes and accounts receivable was as follows:

	<u>September 30, 2021</u>		
	<u>Gross carrying amount</u>	<u>Weighted expected loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 474,040	0.03%	-
Past due 1 – 90 days	17,079	0.21%~8.12%	-
Past due 91 – 180 days	8	9%~35%	-
Over 271 days past due	<u>3,908</u>	100%	<u>3,908</u>
	<u>\$ 495,035</u>		<u>3,908</u>

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	December 31, 2020		
	Gross carrying amount	Weighted expected loss rate	Loss allowance provision
Current	\$ 387,075	0.045%	176
Past due 1 – 90 days	6,327	0.43%~20%	157
Past due 91 – 180 days	5	21%	1
Past due 181 – 270 days	55	36%~55%	26
Over 271 days past due	<u>6,643</u>	100%	<u>6,643</u>
	<u>\$ 400,105</u>		<u>7,003</u>
	September 30, 2020		
	Gross carrying amount	Weighted expected loss rate	Loss allowance provision
Current	\$ 373,136	0.042%	158
Past due 1 – 90 days	22,712	0.43%~20%	413
Past due 91 – 180 days	55	21%~24%	13
Over 271 days past due	<u>6,767</u>	100%	<u>6,767</u>
	<u>\$ 402,670</u>		<u>7,351</u>

Analysis of expected credit losses in China on notes and accounts receivable was as follows:

	September 30, 2021		
	Gross carrying amount	Weighted expected loss rate	Loss allowance provision
Current	\$ 598,425	0.21%	1,250
Past due 1 – 90 days	100,368	4%~22%	2,367
Past due 91 – 180 days	3,444	34%~70%	1,487
Past due 181 – 270 days	347	79%~100%	315
Over 271 days past due	<u>19,430</u>	100%	<u>19,430</u>
	<u>\$ 722,014</u>		<u>24,849</u>
	December 31, 2020		
	Gross carrying amount	Weighted expected loss rate	Loss allowance provision
Current	\$ 474,796	0.57%	2,711
Past due 1 – 90 days	42,349	9%~19%	4,286
Past due 91 – 180 days	7,197	39%~55%	3,077
Past due 181 – 270 days	1,608	66%~100%	1,241
Over 271 days past due	<u>21,443</u>	100%	<u>21,443</u>
	<u>\$ 547,393</u>		<u>32,758</u>

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	September 30, 2021		
	Gross carrying amount	Weighted expected loss rate	Loss allowance provision
Current	\$ 410,742	0.86%	3,517
Past due 1 – 90 days	62,596	13%~30%	9,326
Past due 91 – 180 days	8,462	54%~79%	5,001
Past due 181 – 270 days	2,789	85%~100%	2,643
Over 271 days past due	41,557	100%	41,557
	<u>\$ 526,146</u>		<u>62,044</u>

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

	Nine Months Ended September 30	
	2021	2020
Balance at January 1	\$ 39,761	114,704
Impairment losses (reverse) recognized	(4,417)	(24,424)
Amounts written off	(6,459)	(18,711)
Effect of exchange rate changes	(128)	(2,174)
Balance at September 30	<u>\$ 28,757</u>	<u>69,395</u>

Refer to Note 8 for the pledged accounts receivable.

(e) Other receivables

	September 30, 2021	December 31, 2020	September 30, 2020
Other receivables	\$ 10,145	6,412	8,527
Less: loss allowance	-	-	-
	<u>\$ 10,145</u>	<u>6,412</u>	<u>8,527</u>

No expected credit loss was provided for other receivables after management's assessment.

(f) Inventories

	September 30, 2021	December 31, 2020	September 30, 2020
Finished goods	<u>\$ 488,602</u>	<u>451,797</u>	<u>522,608</u>

The details of operating cost were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Cost of goods sold	\$ 766,317	531,961	2,314,698	1,668,808
Allowance for inventory valuation loss (Gain on recovery)	(11,163)	(6,137)	(81,704)	(24,532)
Scrap loss	343	-	34,362	-
	<u>\$ 755,497</u>	<u>525,824</u>	<u>2,267,356</u>	<u>1,644,276</u>

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The gain from the inventory recovery was caused by selling the obsolescence inventory, so the gain was recognized within the range of the original inventory amount and the write-down of inventory to net realizable value.

(g) Non-current assets held for sale

On May 21, 2021, the board made a resolution to sell the land and building in Sanchong Dist. and expected to complete the transaction within one year; therefore, the relevant real estate of \$73,452 is transferred to non-current assets held for sale.

(h) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Transportati on equipment and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:					
Balance at January 1, 2021	\$ 89,594	202,638	72,479	228,086	592,797
Additions	181,650	79,483	3,379	-	264,512
Disposals	-	-	(6,459)	-	(6,459)
Reclassified to held for use	(51,476)	(35,159)	-	-	(86,635)
Effect of change in exchange rates	-	(1,052)	(331)	(1,164)	(2,547)
Balance at September 30, 2021	<u>\$ 219,768</u>	<u>245,910</u>	<u>69,068</u>	<u>226,922</u>	<u>761,668</u>
Balance at January 1, 2020	\$ 89,594	203,909	85,314	226,545	605,362
Additions	-	-	1,490	81	1,571
Disposals	-	-	(12,749)	-	(12,749)
Effect of change in exchange rates	-	(2,025)	(732)	(2,233)	(4,990)
Balance at September 30, 2020	<u>\$ 89,594</u>	<u>201,884</u>	<u>73,323</u>	<u>224,393</u>	<u>589,194</u>
Accumulated depreciation:					
Balance at January 1, 2021	\$ -	(118,226)	(62,804)	-	(181,030)
Depreciation	-	(6,787)	(2,617)	-	(9,404)
Disposals	-	-	6,107	-	6,107
Reclassified to held for use	-	13,183	-	-	13,183
Effect of change in exchange rates	-	710	286	-	996
Balance at September 30, 2021	<u>\$ -</u>	<u>(111,120)</u>	<u>(59,028)</u>	<u>-</u>	<u>(170,148)</u>
Balance at January 1, 2020	\$ -	(109,880)	(74,326)	-	(184,206)
Depreciation	-	(6,755)	(2,553)	-	(9,308)
Disposals	-	-	12,380	-	12,380
Effect of change in exchange rates	-	1,200	635	-	1,835
Balance at September 30, 2020	<u>\$ -</u>	<u>(115,435)</u>	<u>(63,864)</u>	<u>-</u>	<u>(179,299)</u>

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Carrying amounts:	Land	Buildings	Transportation		Total
			equipment and other equipment	Construction in progress	
Balance at January 1, 2021	\$ 89,594	84,412	9,675	228,086	411,767
Balance at September 30, 2021	\$ 219,768	134,790	10,040	226,922	591,520
Balance at January 1, 2020	\$ 89,594	94,029	10,988	226,545	421,156
Balance at September 30, 2020	\$ 89,594	86,449	9,459	224,393	409,895

Refer to note 12 (a) for the depreciation expense; refer to note 6(g) for other information of the consolidated financial statements for the year ended December 31, 2020.

(i) Right-of-use assets

	Land	Buildings	Transportation equipment	Total
Cost:				
Balance at January 1, 2021	\$ 17,723	39,772	2,674	60,169
Additions	-	5,953	2,323	8,276
Disposals	-	(9,292)	(1,943)	(11,235)
Effect of change in exchange rates	(151)	(108)	(9)	(268)
Balance at September 30, 2021	\$ 17,572	36,325	3,045	56,942
Balance at January 1, 2020	\$ 17,991	56,823	1,491	76,305
Additions	-	4,507	1,182	5,689
Disposals	-	(15,953)	-	(15,953)
Effect of change in exchange rates	(291)	(433)	(5)	(729)
Balance at September 30, 2020	\$ 17,700	44,944	2,668	65,312
Accumulated depreciation:				
Balance as of January 1, 2021	\$ 856	14,268	1,557	16,681
Depreciation	320	10,330	838	11,488
Disposals	-	(5,033)	(1,517)	(6,550)
Effect of change in exchange rates	(12)	(65)	5	(72)
Balance at September 30, 2021	\$ 1,164	19,500	883	21,547
Balance as of January 1, 2020	\$ 434	25,011	629	26,074
Depreciation	321	14,093	668	15,082
Disposals	-	(15,183)	-	(15,183)
Effect of change in exchange rates	(7)	(187)	(1)	(195)
Balance at September 30, 2020	\$ 748	23,734	1,296	25,778
Carrying amount:				
Balance at January 1, 2021	\$ 16,867	25,504	1,117	43,488
Balance at September 30, 2021	\$ 16,408	16,825	2,162	35,395
Balance at January 1, 2020	\$ 17,557	31,812	862	50,231
Balance at September 30, 2020	\$ 16,952	21,210	1,372	39,534

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(j) Intangible assets

	Software
Cost:	
Balance at January 1, 2021	\$ -
Acquisition	4,846
Balance at September 30, 2021	\$ 4,846
Amortization and impairment loss:	
Balance at January 1, 2021	\$ -
Amortization	851
Balance at September 30, 2021	\$ 851
Carrying amount:	
Balance at January 1, 2021	\$ -
Balance at September 30, 2021	\$ 3,995

(k) Short-term borrowings

	September 30, 2021	December 31, 2020	September 30, 2020
Unsecured bank loans	\$ 70,847	59,318	26,860
Secured bank loans	29,600	39,558	157,393
	\$ 100,447	98,876	184,253
Unused credit facilities	\$ 1,834,052	1,816,947	961,491
Range of interest rates	0.88%~4.25%	0.75%~4%	0.75%~4.3%

Refer to note 8 for the Group's pledged assets as collateral to secure the bank loans.

(l) Lease liabilities

Lease liabilities of the Group carrying amounts were as follows: :

	September 30, 2021	December 31, 2020	September 30, 2020
Current	\$ 10,023	12,535	10,643
Non-current	\$ 9,390	14,121	12,685

Please refer to note 6 (u) for the maturity analysis.

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The amounts recognized in profit or loss were as follows:

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	2021	2020	2021	2020
Interest on lease liabilities	<u>\$ 173</u>	<u>246</u>	<u>563</u>	<u>775</u>
Expenses relating to short-term leases	<u>\$ 2,546</u>	<u>718</u>	<u>6,886</u>	<u>3,218</u>
Expenses relating to leases of low value	<u>\$ -</u>	<u>14</u>	<u>-</u>	<u>41</u>

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

	<u>Nine Months Ended September 30</u>	
	2021	2020
Total cash outflow for leases	<u>\$ 18,193</u>	<u>15,939</u>

1. Real estate leases

The Group leases land and buildings for its office, storage, and factory. The lease term of land is 50 years, and that of office, factory, and storage are 3 to 5 years.

2. Other leases

The Group leases transportation equipment for 1 to 3 years. In addition, regarding the lease of short-term transportation equipment and low-value office equipment, the Group has chosen to apply for exemption and not to recognize right-of-use assets and lease liabilities.

(m) Employee benefits

The Company contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act ("Defined Contribution Plan"). Foreign subsidiaries comply with local regulations to contribute to employee's pensions. Under these plans, the Group contributes a fixed amount based on the related policy; the Group does not pay for the extra regulated amount or presumed obligation.

For the three months ended September 30, 2021, and 2020 and for the nine months ended September 30, 2021, and 2020, the Group set aside \$4,087, \$1,143, \$11,917 and \$4,669, respectively, under the defined contribution plan to the Bureau of the Labor Insurance.

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(n) Income taxes

1. Income tax expense recognized in profits or losses

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Current income tax expenses	\$ 10,735	7,208	34,341	14,889

2. For nine months ended September 30, 2021 and 2020, there was no income tax recognized directly in equity or other comprehensive income of the Group.

3. The Company's tax returns for the years through 2019 were examined and approved by the Taipei National Tax Administration.

(o) Capital and other equity

Except for described below, the capital and other equity of the Group for nine months ended September 30, 2021 and 2020 did not have significant changes. Please refer to note 6(m) of the consolidated financial statements for the year ended December 31, 2020.

1. Common stock

As of September 30, 2021, December 31, 2020 and September 30, 2020, the Company's authorized shares of common stock consisted of 200,000,000 shares, of which 112,250,000 shares were issued and outstanding. The par value of the Company's common stock is \$10 (dollars) per share.

2. Capital surplus

	September 30, 2021	December 31, 2020	September 30, 2020
New stocks issued at premium	\$ 278,081	278,081	278,081
Employee stock options	7,354	7,354	7,354
Unclaimed share dividends transfer to capital surplus	107	107	107
Treasury stocks transactions	29,454	29,454	29,454
Others	81	81	81
	\$ 315,077	315,077	315,077

3. Retained earnings

The Company's article of incorporation stipulate that at least 10% of annual net income after deducting an accumulated deficit, if any, must be retained as legal reserve until such retention equals the amount of paid-in capital. In addition, a special reserve should be set aside or reversed in accordance with applicable laws and regulations. The remaining balance of the annual net income, together with unappropriated earnings from previous years, if any, can be distributed as dividends after the earnings distribution plan proposed by the Board of Directors is approved during the stockholders' meeting.

According to the Company's article of incorporation amended on June 12, 2020, the abovementioned

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distribution of earnings by way of cash dividends should be approved by the Company's Board of Directors and should be reported to the Company's shareholders in its meeting.

The Company's earning distribution policy is based on the demand for operating and growth, and considers the future capital expenditures and capital needs, of which the cash dividend shall not be less than 20% of the total distribution.

According to the requirement of the new article amended on August 24th, 2021, the earning distribution policy shall be in line with the Company's operation and growth needs, considering capital expenditures and capital needs in the future. When the Company has earnings of final general accounts and the distributable earnings reach 2% of capital amount in the current year, the distributable dividends shall not be lower than 10% of distributable earnings in the current year, of which the proportion of cash dividends shall not be lower than the total amount of 20%.

The amount of cash dividends of appropriations of earnings for 2020 and 2019 that had been approved in the meeting of the board of directors on April 29, 2021 and June 12, 2020, respectively. The resolved appropriation of the dividend per share were as follows:

	2020		2019	
	Dividend per share (dollars)	Amount	Dividend per share (dollars)	Amount
Appropriation to ordinary shareholders:				
Cash	\$ 0.6	<u><u>67,350</u></u>	0.3	<u><u>33,668</u></u>

The above earnings distribution information can be searched on the Market Observation Post System.

4. Other equity, net of tax

	Foreign currency translation differences	Unrealized gains (losses) on financial assets measured at FVOCI
Balance at January 1, 2021	\$ (58,640)	-
Exchange differences on foreign operations	(5,112)	-
Balance at September 30, 2021	<u><u>\$ (63,752)</u></u>	<u><u>-</u></u>
Balance at January 1, 2020	\$ (48,577)	20,677
Exchange differences on foreign operations	(10,471)	-
Unrealized gains (losses) on financial assets measured at FVOCI	-	1,955
Disposal of financial assets measured at FVOCI	-	(22,632)
Balance at September 30, 2020	<u><u>\$ (59,048)</u></u>	<u><u>-</u></u>

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(p) Share-based payment

The Company issued 3,000 units of the employee stock options in August 2014, and each unit is 1,000 shares. For relevant information, please refer to note 6(n) of the consolidated financial statements for the year ended December 31, 2020.

The information of employee stock options outstanding are as follows:

	Nine Months Ended September 30, 2020	
	Number (unit)	Weighted - average Exercise price per share
Outstanding, beginning of year	958	\$ 21.40
Invalidated	(933)	21.40
Exercised	(25)	21.40
Exercisable, end of year	-	

The aforementioned employee stock options program ended in August 2020 because of the termination of the contract.

(q) Earnings per share

1. Basic earnings per share

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Profit attributable to common stockholders of the Company	\$ 31,958	27,522	122,404	60,679
Weighted average number of ordinary shares (thousands)	112,250	112,237	112,250	112,229
Basic earnings per share (dollars)	\$ 0.28	0.25	1.09	0.54

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2. Diluted earnings per share

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Profit attributable to common stockholders of the Company	<u>\$ 31,958</u>	<u>27,522</u>	<u>122,404</u>	<u>60,679</u>
Weighted-average number of ordinary shares (thousands)	112,250	112,237	112,250	112,229
Effect of dilutive potential common stock:				
Effect of employee share compensations	-	12	-	-
Weighted-average number of ordinary shares (thousands) (including effect of dilutive potential common stock)	<u>104</u>	<u>58</u>	<u>126</u>	<u>58</u>
Diluted earnings per share (dollar)	<u>112,354</u>	<u>112,307</u>	<u>112,376</u>	<u>112,287</u>
	<u>\$ 0.28</u>	<u>0.25</u>	<u>1.09</u>	<u>0.54</u>

(r) Revenue from contracts with customers

1. Disaggregation of revenue

	Three Months Ended September 30, 2021			
	Taiwan operating segment	China operating segment	Other segment	Total
Major product/services:				
Automatic control	\$ 326,805	191,163	-	517,968
Industrial transmission	81,107	309,229	1,329	391,665
Others	835	295	-	1,130
	<u>\$ 408,747</u>	<u>500,687</u>	<u>1,329</u>	<u>910,763</u>
	Three Months Ended September 30, 2020			
	Taiwan operating segment	China operating segment	Other segment	Total
Major product/services:				
Automatic control	\$ 252,839	130,566	-	383,405
Industrial transmission	51,469	211,157	171	262,797
Others	622	192	-	814
	<u>\$ 304,930</u>	<u>341,915</u>	<u>171</u>	<u>647,016</u>

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	Nine Months Ended September 30, 2021			
	Taiwan operating segment	China operating segment	Other segment	Total
Major product/services:				
Automatic control	\$ 985,772	594,557	-	1,580,329
Industrial transmission	229,697	943,994	4,751	1,178,442
Others	2,668	1,482	-	4,150
	\$ 1,218,137	1,540,033	4,751	2,762,921
	Nine Months Ended September 30, 2020			
	Taiwan operating segment	China operating segment	Other segment	Total
Major product/services:				
Automatic control	\$ 757,429	406,830	-	1,164,259
Industrial transmission	240,473	591,274	3,436	835,183
Others	2,337	559	-	2,896
	\$ 1,000,239	998,663	3,436	2,002,338

2. Contract balance

	September 30, 2021	December 31, 2020	September 30, 2020
Notes and accounts receivable	\$ 1,217,049	947,498	928,816
Less: loss allowance	(28,757)	(39,761)	(69,395)
Total	\$ 1,188,292	907,737	859,421
	September 30, 2021	December 31, 2020	September 30, 2020
Contracts liabilities – advance receipt	\$ 117,270	69,627	66,799

Refer to note 6(d) for notes and accounts receivable and the impairment.

The amount of revenue recognized for the years ended September 30, 2021, and 2020 that were included in the contract liability balance on January 1, 2021, and 2020 were \$50,127 and \$46,733, respectively.

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(s) Rewards of employees, directors and supervisors

The Company's amended article of incorporation requires that earnings (income after deducting the remuneration of employees and directors and before income tax expenses) shall first to be offset against any deficit, including unadjusted undistributed surplus, then, a range from 2% to 20% will be distributed as remuneration to its employees and no more than 1% to its directors. Employees are entitled to receive the abovementioned employee remuneration in shares or cash, while the directors are entitled to receive the remuneration in cash.

For three months ended September 30, and nine months ended September 30 2021, and 2020, the Company estimated its remuneration to employees amounting to \$826, \$711, \$3,164, and \$1,545, respectively, and the remuneration to directors and supervisors amounting to \$413, \$356, \$1,582, and \$773, respectively. The abovementioned estimated amounts are calculated based on the income before tax (after deducting the remuneration to employees, directors, and supervisors) and multiplied by a certain percentage of the remuneration to employees, directors, and supervisors following the article of incorporation. The amount shall be reported as operating expenses. If the actual amounts differ from the estimated amounts, the differences shall be accounted as changes in accounting estimates and recognized as profit or loss in next year. If the board of directors decides to use stocks to pay employees' remuneration, the basis for calculating the number of shares for stock compensation is based on the closing price of common stocks on the day before the board of directors' resolutions.

For the year ended December 31, 2020, the Company estimated its remuneration to employees and the remuneration to directors and supervisors amounting to \$2,221 and \$1,110, respectively, there is no difference from the actual distribution. Since 2019 was the operating deficit, the Company did not estimate the remuneration of employees and directors. The related information can refer to the Market Observation Post System.

(t) Non-operating income and loss

1. Interest income

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Interest income from bank deposit	\$ 279	344	729	1,720

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2. Other income

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Others	\$ 233	452	1,605	1,945

3. Other gains and losses, net

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Foreign currency exchange gains (losses)	\$ (326)	15,072	(1,595)	2,943
Loss on financial instruments at fair value through profit or loss	-	(16,471)	(500)	(9,207)
Others	(240)	(77)	(949)	(1,449)
	\$ (566)	(1,476)	(3,044)	(7,713)

4. Other gains and losses, net

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Interest expense of bank loans	\$ (861)	(1,809)	(2,895)	(7,849)
Interest expense on lease liabilities	(173)	(246)	(563)	(775)
	\$ (1,034)	(2,055)	(3,458)	(8,624)

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(u) Financial instruments

Except for the following, the Group's fair value of financial instruments and the exposure to credit risk and market risk due to financial instruments have no significant fluctuations. For relevant information, please refer to note 6(s) and (t) of the consolidated financial statements for the year ended December 31, 2020.

1. Categories of financial instruments

1) Financial assets

	September 30, 2021	December 31, 2020	September 30, 2020
Financial assets measured at fair value through profit or loss:			
Foreign currency forward contracts	\$ -	-	607
Exchange rate	-	-	651
Financial assets at amortized cost:			
Cash and cash equivalents	513,982	876,458	807,709
Financial assets measured at amortized cost – current			
Notes and accounts receivable	1,188,292	907,737	859,421
Other receivables	10,145	6,412	8,527
	17,096	18,324	16,387
	\$ 1,729,515	1,808,931	1,693,302

2) Financial liabilities

	September 30, 2021	December 31, 2020	September 30, 2020
Financial liabilities measured at fair value through profit or loss:			
Foreign currency forward contracts	\$ -	288	665
Financial liabilities at amortized cost:			
Short-term borrowings	100,447	98,876	184,253
Notes and accounts payable	494,517	395,249	311,140
Other payables	97,361	96,652	82,642
Lease liabilities (including current and non-current)	19,413	26,656	23,328
	\$ 711,738	617,721	602,028

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2. Fair value information

1) Financial instruments not measured at fair value

The Group considers that the carrying amount of financial assets and financial liabilities measured at amortized cost approximate their fair value.

2) Financial instruments measured at fair value

When measuring the fair value of financial instruments, the Group usually uses market observable data. The table below analyze financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

		December 31, 2020				
		Book Value	Fair Value			Total
		Level 1	Level 2	Level 3		
Financial liabilities at fair value through profit or loss						
Derivative instrument - Foreign currency forward contracts		\$ (288)	-	(288)	-	(288)
		September 30, 2020				
		Book Value	Fair Value			Total
		Level 1	Level 2	Level 3		
Financial assets at fair value through other comprehensive income						
Derivative instrument - Foreign currency forward contracts		\$ 607	-	607	-	607
Derivative instrument - Exchange rate		651	-	651	-	651
		<u>\$ 1,258</u>	<u>-</u>	<u>1,258</u>	<u>-</u>	<u>1,258</u>
Financial liabilities at fair value through profit or loss						
Derivative instrument - Foreign currency forward contracts		\$ (665)	-	(665)	-	(665)

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3) Valuation techniques and assumptions used in fair value measurement

a) Derivative financial instrument

The fair value of derivative financial instruments is determined using a valuation technique, with estimates and assumptions consistent with those used by market participants and that are readily available to the Group. The fair value of foreign currency forward contracts is valued by the current forward rate.

3. Credit Risk

For the credit exposure of notes and accounts receivables, please refer to note 6(d). For the financial assets measured at amortized cost, including other receivables and certificate of deposit (reported at Financial assets at amortized cost – current); since the financial assets are low credit risk, the loss allowance are measured using 12-months ECL. Please refer to note 6(e) for the ECL.

4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in settling its financial liabilities by delivering cash or other financial assets. The Group manages liquidity risk by monitoring regularly the current and mid to long-term cash demand, maintaining adequate cash and banking facilities, and ensuring compliance with the terms of the loan agreements. As of September 30, 2021, December 31, 2020, and September 30, 2020, the Group had unused credit facilities of \$1,834,052, \$1,816,947 and \$961,491, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including principal and interest:

	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
September 30, 2021					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 100,951	100,951	-	-	-
Notes and accounts payable	494,517	494,517	-	-	-
Other payables	97,361	97,361	-	-	-
Lease liabilities (including current and non-current)	20,095	10,508	7,246	2,341	-
	\$ 712,924	703,337	7,246	2,341	-
December 31, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 100,336	100,336	-	-	-
Notes and accounts payable	395,249	395,249	-	-	-
Other payables	96,652	96,652	-	-	-
Lease liabilities (including current and non-current)	27,722	13,223	13,967	532	-
Derivative financial liabilities:					
Foreign currency forward contract:					
Outflow	73,003	73,003	-	-	-
Inflow	(72,715)	(72,715)	-	-	-
	288	288	-	-	-
	\$ 620,247	605,748	13,967	532	-

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	Contractual cash flows	Within 1 year	1-2 years	2-5 years	More than 5 years
September 30, 2020					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 184,498	184,498	-	-	-
Notes and accounts payable	311,140	311,140	-	-	-
Other payables	82,642	82,642	-	-	-
Lease liabilities (including current and non-current)	24,575	11,363	12,489	723	-
	\$ 602,855	589,643	12,489	723	-
Derivative financial liabilities:					
Foreign currency forward contract:					
Outflow	\$ 348,880	348,880	-	-	-
Inflow	(348,822)	(348,822)	-	-	-
Exchange rate:					
Outflow	87,375	87,375	-	-	-
Inflow	(88,026)	(88,026)	-	-	-
	\$ (593)	(593)	-	-	-

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

5. Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The functional currencies of the Group entities are mainly the New Taiwan Dollar and China Yuan; the transactions of the non-functional currencies are the mainly the US Dollar, Japanese Yen, and China Yuan.

At the reporting date, the carrying amount of the Group's significant monetary assets and liabilities denominated in a currency other than the respective functional currencies of Group entities were as follows (including the monetary items that have been eliminated in the accompanying consolidated financial statements):

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September 30, 2021					
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Change in magnitude	Effect on profit or loss (before tax)
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 4,647	4.30	19,982	1%	200
USD	8,660	27.84	241,094	1%	2,411
JPY	55,767	0.2488	13,875	1%	139
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	7,816	27.84	217,597	1%	2,176
JPY	15,449	0.2488	3,844	1%	38
December 31, 2020					
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Change in magnitude	Effect on profit or loss (before tax)
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 21,057	4.32	90,966	1%	910
USD	6,878	28.35	194,991	1%	1,950
JPY	66,283	0.2749	18,221	1%	182
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	6,424	28.35	182,120	1%	1,821
JPY	23,251	0.2749	6,392	1%	64
September 30, 2020					
	Foreign currency (thousands of dollars)	Exchange rate	TWD	Change in magnitude	Effect on profit or loss (before tax)
<u>Financial assets</u>					
<u>Monetary items</u>					
CNY	\$ 37,478	4.27	160,031	1%	1,600
USD	6,665	29.13	194,151	1%	1,942
JPY	140,435	0.28	39,322	1%	393
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD	10,482	29.13	305,341	1%	3,053
JPY	122,777	0.28	34,378	1%	344

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As the Group deal in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended September 30, 2021, and 2020 were \$(1,595) and \$2,943, respectively.

(v) Financial risk management

There were no significant changes in the Group objectives and policies applied in the financial risk management as compared to Note 6(t) of the annual financial statements for the year ended December 31, 2020.

(w) Capital management

The Group's objectives, policies, and procedures for capital management were consistent with the consolidated financial statements for the year ended December 31, 2020. There were no significant changes in the quantified factors of capital management as compared to the consolidated financial statements for the year ended December 31, 2020. For other information about capital management, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2020.

(x) Financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes			September 30, 2021
			Effect of foreign exchange rate	Lease liabilities increase	Lease liabilities decrease	
Short-term borrowings	\$ 98,876	1,903	(332)	-	-	100,447
Lease liabilities	26,656	(10,744)	(89)	8,276	(4,686)	19,413
Total	\$ 125,532	(8,841)	(421)	8,276	(4,686)	119,860

	January 1, 2020	Cash flows	Non-cash changes			September 30, 2020
			Effect of foreign exchange rate	Lease liabilities increase	Lease liabilities decrease	
Short-term borrowings	\$ 322,075	(129,693)	(8,129)	-	-	184,253
Lease liabilities	30,578	(11,905)	(256)	5,689	(778)	23,328
Total	\$ 352,653	(141,598)	(8,385)	5,689	(778)	207,581

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(7) Related-Party Transactions

(a) Parent company and ultimate controlling party

DFI Inc. (“DFI”) has become the Company’s parent company and holds outstanding common stocks of 48.06% and 32.41% , respectively for the years ended September 30, 2021, and 2020; Qisda Corporation (“Qisda”) is the ultimate controlling party of the Company. DFI and Qisda have prepared the consolidated financial reports for the public use.

(b) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Qisda Corporation	The Company’s ultimate controlling party
DFI Inc.	The Company’s parent company
Qisda Optronics (Suzhou) Co., Ltd.	Qisda’s subsidiary
BenQ Material Corp.	Qisda’s subsidiary
BenQ Co., Ltd. (“BQC”)	Qisda’s subsidiary
BenQ Technology (Shanghai) Co., Ltd. (“BQIS”)	Qisda’s subsidiary
BenQ Asia Pacific Corp.	Qisda’s subsidiary
BenQ Healthcare Corporation	Qisda’s subsidiary
BenQ Esco Corp.	Qisda’s subsidiary
Guru Systems (Suzhou) Co., Ltd.	Qisda’s subsidiary
SYSAGE TECHNOLOGY CO., LTD.(“STC”)	Qisda’s subsidiary
ADVANCEDTEK INTERNATIONAL CORP.	Qisda’s subsidiary
Darfon Electronics Corp.	Qisda’s associate
AU Optronics Corp. (“AU”)	Related enterprise of Qisda/Corporate director valuing Qisda under equity approach (Note)
AU Optronics (Kunshan) Co., Ltd	AU’ subsidiary(Note)
AU Optronics (Xiamen) Corp.	AU’ subsidiary(Note)
AU Optronics (Suzhou) Corp., Ltd.	AU’ subsidiary(Note)
AUO Crystal Corp.	AU’ subsidiary(Note)
Yan Ying Hao Trading (Shenzhen) Co., Ltd.	DFI’ subsidiary
Darfon Electronics (Suzhou) Co., Ltd.	Darfon’s subsidiary
GLOBAL INTELLIGENCE NETWORK CO., LTD.	STC’s subsidiary

Note: AU has been the director of Qisda using the equity method since May 12th, 2021.

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(c) Related-party transactions

1. Sales revenue

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
	Other related parties	\$ 1,578	9,977	6,367

The above-mentioned related parties' sales price and transaction conditions depend on the economic environment and market competition in each region, so they cannot compare with normal sales price and transaction conditions.

2. Purchases

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
	Parent company	\$ 2,436	2,553	5,569
Other related parties	3,243	4,338	9,759	19,716
	\$ 5,679	6,891	15,328	24,689

There were no significant differences between the purchase prices of related parties and those for third-party vendors. The payment terms of 2 months showed no significant difference between related parties and third-party vendors.

3. Receivables from related parties

Account item	Related-party categories	September 30, 2021	December 31, 2020	September 30, 2020
Accounts receivable	Ultimate controlling party	\$ -	2,279	-
	Other related parties	2,752	4,880	12,205
		\$ 2,752	7,159	12,205

4. Payables to related parties

Account item	Related-party categories	September 30, 2021	December 31, 2020	September 30, 2020
Accounts payable	Parent company	\$ 1,316	589	1,865
	Other related parties	2,961	4,742	2,810
Other payables	Ultimate controlling party	-	593	415
	Parent company	700	700	700
	Other related parties	60	182	94
		\$ 5,037	6,806	5,884

5. Lease

The Company leased an office from BQC in June 2019, and the rent is paid monthly with reference to the nearby office rental rates. For the three months and nine months ended September 30, 2021 and 2020, the interest amounted to \$25, \$37, \$86 and \$50, as of September 30, 2021 and 2020, the lease liabilities were \$2,090 and \$3,248, respectively.

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(d) Transactions with key management personnel

Key management personnel compensation comprised:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Short-term employee benefits	\$ 6,194	5,518	18,035	14,825
Post-employment benefits	72	72	217	214
	\$ 6,266	5,590	18,252	15,039

(8) Restricted Assets

The following assets were restricted in use:

Assets	Purpose of Pledge	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable	Short-term borrowings	\$ 29,600	39,558	99,141

(9) Significant Contingencies and Commitments

On September 30, 2021, December 31, 2020, and September 30, 2020, the Group issued the secured promissory note of \$1,589,200, \$1,270,000 and \$638,252, respectively, as collateral for obtaining credit facilities from banks.

(10) Significant Catastrophic Losses: None.

(11) Significant Subsequent Events: None.

(12) Others

- (a) Employee benefits, depreciation, and amortization expenses, categorized as operating cost or expense, were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Employee benefits				
Salary	\$ 62,538	55,160	181,850	156,525
Labor and health insurance	6,000	5,535	17,962	16,022
Pension	4,087	1,143	11,917	4,669
Others employee benefits	2,504	2,281	6,392	5,768
Depreciation	6,934	7,082	20,892	24,390
Amortization	404	-	851	-

- (b) Seasonality of operations:

The operations of the Group are not affected by seasonal or cyclical factors.

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(13) Additional disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollar)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	TJ ACE	Other receivable from related parties	Yes	250,560	250,560	167,040	0%-4.35%	2	-	Operating requirements	-		-	404,071	808,143
0	The Company	SZ ACE	Other receivable from related parties	Yes	28,530	27,840	27,840	0%	2	-	Operating requirements	-		-	404,071	808,143
1	Cyber South	SZ ACE	Other receivable from related parties	Yes	15,692	-	-	1.15%	2	-	Operating requirements	-		-	623,588	623,588
2	Grace Transmission	AD ACE	Other receivable from related parties	Yes	2,602	2,580	2,580	1.8%	2	-	Operating requirements	-		-	39,052	39,052
2	Grace Transmission	TJ ACE	Other receivable from related parties	Yes	13,008	12,899	12,899	1.8%	2	-	Operating requirements	-		-	39,052	39,052
3	HK ACE	TJ ACE	Other receivable from related parties	Yes	17,344	17,198	17,198	1.8%	2	-	Operating requirements	-		-	39,646	39,646

Note 1: The aggregate financing amount of the Company to others shall not exceed 40% of the most recent worth of the Company; the individual financing amount of the Company to foreign subsidiaries shall not exceed 20% of the most recent worth of the Company.

Note 2: The aggregate financing amount of subsidiaries to others shall not exceed 10% of the most recent worth of the subsidiary; the individual financing amount of the subsidiaries to others shall not exceed 5% of the most recent worth of the subsidiary.

Note 3: For foreign subsidiaries that directly or indirectly hold 100% by the Company and the parent company that directly or indirectly holds 100% of the Company, due to the necessity of financing funds, the amount is not subject to the Note 1 and 2.

However, the aggregate financing amounts and the individual financing amount shall not exceed the most recent worth of the subsidiary.

Note 4: Purposes of fund financing are as follows:

1. Business transaction purpose.
2. Short-term financing purpose.

Note 5: The above loans have been eliminated when preparing the consolidated financial statements.

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(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollar)

No	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for 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	TJ ACE	2	808,143	327,500	189,200	27,947	-	9.36%	1,010,179	Y	N	Y

Note 1: The aggregate endorsement / guarantee amount provide by the Company and its subsidiaries shall not exceed 50% of the most recent worth of the company; the amount to the individual entity shall not exceed 40% of the most recent worth of the company.

Note 2: Relationship between the guarantor and guarantee:

2. Companies that directly or indirectly hold 50% by the Company

(iii) Securities held as of September 30, 2021 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities for which the accumulated purchase or sale amounts for the year exceed \$300 million or 20% of the paid-in capital stock: None.

(v) Acquisition of individual real estate which exceeds \$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollar)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and Building	2021/7/7	262,270	Paid off	Zhongmao Asset Development Limited Company	-	-	-	-	-	Negotiating according to the appraisal report	Office	None

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(vi) Disposal of individual real estate which exceeds \$300 million or 20% of the paid-in capital stock:
None.

(vii) Related-party transactions for purchases and sales with amounts exceeding \$100 million or 20% of the paid-in capital stock:

(In Thousands of New Taiwan Dollar)

Name of Company	Related Parties	Nature of Relationship	Transaction details				Transactions with terms different from others		Notes/ Accounts receivables (payables)		Note
			Purchase /Sale	Amount	Percentage of total purchases /sales	Payment term	Unit price	Payment terms	Ending Balance	Percentage of total notes /accounts receivables (payables)	
AD ACE	TJ ACE	Affiliates	(Sales)	(349,324)	(100.00)%	T/T 30	-		99,675	98.63%	
TJ ACE	AD ACE	Affiliates	Purchase	349,324	34.25%	T/T 30	-		(99,675)	(44.55)%	

(viii) Receivables from related parties which amount exceeds \$100 million or 20% of the paid-in capital stock:

(In Thousands of New Taiwan Dollar)

Name of Company	Related Parties	Nature of Relationship	Ending Balance	Turnover days	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	TJ ACE	Parent/Subsidiary	167,272	-	-		-	-

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount (Note 3)	Trading terms	Percentage of the consolidated net revenue or total assets (Note 4)
0	The Company	TJ ACE	1	Other Receivable-loan	167,272	One year	5.62%
1	AD ACE	TJ ACE	3	Revenue	349,324	T/T 30	12.64%
1	AD ACE	TJ ACE	3	Accounts Receivable	99,675	T/T 30	3.35%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" represent the Company
2. Subsidiaries are numbered from "1"

Note 2: The relationships with counter party are as follows:

No. "1" represents the transactions from the Company to the subsidiary.

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No. "2" represents the transactions from the subsidiary to the Company.

No. "3" represents the transactions between subsidiaries.

Note 3: Intercompany relationship and significant intercompany transactions are only disclosed only for the sales and accounts receivable that account for more than 1%(inclusive) of consolidated operating revenue or consolidated assets. The corresponding purchases and accounts payables are not disclosed.

Note 4: Base on the transaction amount divided by consolidated operating revenue or consolidated assets.

Note 5: The above intercompany transactions have been eliminated when preparing the consolidated financial statements.

(b) Information on investees:

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

(In Thousands of New Taiwan Dollar)

Name of Company	Name of investee	Location	Main business and product	Original investment amount (note)		Balance as of September 30, 2021			Net income (loss) of investee	Share of profit/loss of investee	Note
				September 30, 2021	December 31, 2020	Shares (thousands)	Investee	Carrying Value			
The Company	Cyber South	SAMOA	Investment and holding activity	107,041	107,041	4,669	100.00%	623,588	57,884	57,884	
The Company	HK ACE	Hong Kong	Sales of automation mechanical transmission system and component	5,120	5,120	1,200	100.00%	39,646	(622)	(622)	
Cyber South	Proton Inc.	SAMOA	Investment and holding activity	527,665	527,665	17,744	100.00%	498,739	46,102	46,102	
Cyber South	Ace Tek (HK) Holding Co., Ltd.	Hong Kong	Investment and holding activity	4,938	4,938	150	100.00%	(1,478)	2,768	2,768	

Note: Original investment amount included surplus capital increase.

Note 1: The investment below has been eliminated when preparing the consolidated financial statements.

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(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollar)

Name of Investee	Main business and product	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2021 (Note1)	Net income (looses) of the investee	Percentage of ownership	Investment income (looses)	Book value on September 30,2021	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Tianjin Ace Pillar Co., Ltd.	Sales of mechanical transmission system and component	USD 34,180,000	Direct and Indirect investment	54,288 (USD 1,950,000)	-	-	54,288 (USD 1,950,000)	57,550	100.00 %	57,550	575,181	125,533
Grace Transmission (Tianjin) Co., Ltd.	Manufacture and process of mechanical transmission product	CNY 1,670,000	Indirect Investment	4,454 (USD 160,000)	-	-	4,454 (USD 160,000)	1,062	100.00 %	1,062 (USD 38,000)	39,052 (USD1,403,000)	-
Advancedtex Ace (TJ) Inc..	Integrate the electronic system	USD 300,000	Indirect Investment	4,176 (USD 150,000)	-	-	4,176 (USD 150,000)	2,768	100.00 %	2,768 (USD 99,000)	(1,503) (USD 54,000)	-
Suzhou Super Pillar Automation Equipment Co., Ltd.	Process and technical service for mechanical transmission and control products	USD 1,450,000	Indirect Investment	(Note 2)	-	-	(Note 2)	9,411	100.00 %	9,411 (USD 335,000)	96,433 (USD 3,464,000)	-
Xuchang Ace AI Equipment Co., Ltd.	Wholesale and retail of industrial robot-related products	USD 300,000	Indirect Investment	(Note 2)	-	-	(Note 2)	(311)	100.00 %	(311) (USD 11,000)	2,529 (USD 91,000)	-

(Note 1) Including the amount remitted through the overseas holding company.
The exchange rate of US dollar to Taiwan dollar is 1:27.84.

(Note 2) It was reinvested and established by Cyber South.

(Note 3) It is a limited company with no share data.

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(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of September 30, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
142,513 (USD 5,119,000)	142,513 (USD 5,119,000)	1,212,214

Note: The investment of Delta Greentech (China) Co., Ltd was authorized by MOEA to invest USD 2,859,000. The Company's shares of the company were sold in 2011, and submitted to the MOEA on August 5, 2011 to complete the filing. However, the investment quota has not yet been cancelled.

(iii) Significant transactions

The Company's significant transactions with investees in Mainland China, please refer to Note13(a).

(d) Major shareholders

Shareholding	Shares	Percentage
Shareholder's Name		
DFI Inc.	53,958,069	48.06%
Hanyu Investment Co., Ltd.	10,176,013	9.06%
Qifu Investment Co., Ltd.	7,329,443	6.52%
Ruiduo Investment Co., Ltd.	5,711,538	5.08%

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(14) Segment Information

(a) General information

The Group's reportable segments are Taiwan operating segment and China operating segment. Taiwan operating segment is responsible for selling the variable-frequency driver, automatic driver, and transmission system as an agent in Taiwan. China operating segment acts as an agent in China to sell the automatic system of machinery transmission and the industrial robots of wholesale and retail. Other segments, which do not meet the quantitative reporting threshold, mainly engage in acting as agents in other regions to sell the automatic control system of machinery transmission.

The Group's the organizational operation of the business activities is divided by the sales regions. Since customer attribution and the marketing strategy's need is different in each sales region, the Group manages them respectively.

There was no material inconsistency between the accounting policies adopted for the operating segments and the accounting policies described in note 4. The operating segment's profit or loss is measured at income before tax and use as the basis of evaluating performance. The reporting amount is the same as the management's report. In the Group, the transaction and transfer between the segments are viewed as third-party transactions.

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

	Three Months Ended September 30, 2021				
	Taiwan operating segment	China operating segment	Other segment	Adjustment and elimination	Total
External revenue	\$ 408,747	500,687	1,329	-	910,763
In-group revenue	1,976	160,796	-	(162,772)	-
Total segment revenue	\$ 410,723	661,483	1,329	(162,772)	910,763
Segment profit (loss)	\$ 29,935	13,627	(166)	(703)	42,693

	Three Months Ended September 30, 2020				
	Taiwan operating segment	China operating segment	Other segment	Adjustment and elimination	Total
External revenue	\$ 304,930	341,915	171	-	647,016
In-group revenue	4,277	72,481	-	(76,758)	-
Total segment revenue	\$ 309,207	414,396	171	(76,758)	647,016
Segment profit (loss)	\$ 189	36,096	(350)	(1,178)	34,730

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	Nine Months Ended September 30, 2021				
	Taiwan operating segment	China operating segment	Other segment	Adjustment and elimination	Total
External revenue	\$ 1,218,137	1,540,033	4,715	-	2,762,921
In-group revenue	6,403	369,172	-	(366,575)	-
Total segment revenue	\$ 1,224,540	1,900,205	4,715	(366,575)	2,762,921
Segment profit (loss)	\$ 86,051	73,792	(622)	(2,476)	156,745

	Nine Months Ended September 30, 2020				
	Taiwan operating segment	China operating segment	Other segment	Adjustment and elimination	Total
External revenue	\$ 1,000,239	998,663	3,436	-	2,002,338
In-group revenue	20,902	123,167	-	(144,069)	-
Total segment revenue	\$ 1,021,141	1,121,830	3,436	(144,069)	2,002,338
Segment profit (loss)	\$ 53,679	23,633	(909)	(835)	75,568