

# Gudeng Precision Industrial Co., Ltd. and Subsidiaries

## Consolidated Financial Statements and Independent Auditors' Report

For the Nine Months Ended September 30, 2022 and 2021

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*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

## §Table of Content§

ITEM	PAGE	CONSOLIDATED FINANCIAL STATEMENTS NOTE NO.
1. Cover Page	1	-
2. Table of Content	2	-
3. Independent Auditors' Report	3~5	-
4. Consolidated Balance Sheets	6	-
5. Consolidated statements of comprehensive income	7	-
6. Consolidated statements of changes in equity	8	-
7. Consolidated statements of cash flows	9~11	-
8. Notes to the consolidated financial statements		
(I) Company Overview	12	1
(II) Date and Procedures of Authorization of Financial Statements	12	2
(III) Application of New and Amended Standards and Interpretations	12~17	3
(IV) Summary of Significant Accounting Policies	17~18	4
(V) The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions	19	5
(VI) Details of Significant Accounts	19~72	6 -37
(VII) Unrelated parties transaction	72~75	38
(VIII) Pledged Assets	75	39
(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments	76	40
(X) Significant Disaster Loss	-	-
(XI) Significant Events after the Balance Sheet Date	-	-
(XII) Others	76~78	41 and 43
(XIII) Supplementary Disclosures		
1. Information on Significant Transactions	78, 82~90	44
2. Information on Reinvestment	78, 82~90	44
3. Information on Investments in Mainland China	79, 82~83, 91~93	44
4. Information on Major Shareholders	79, 93	44
(XIV) Segment information	79~81	45

## **Independent Auditors' Report**

To: Gudeng Precision Industrial Co., Ltd.

### **Introduction**

We have reviewed the consolidated balance sheets of Gudeng Precision Industrial Co., Ltd. and its subsidiaries as of September 30, 2022 and 2021, the consolidated statements of comprehensive income from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021, the consolidated statements of changes in equity and the consolidated statements of cash flows from January 1 to September 30, 2022 and 2021, and the notes to the consolidated financial statements, including the 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 following paragraph, we conducted our reviews in accordance with Statement of Auditing standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Basis for Qualified Conclusion**

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some non significant subsidiaries included in the consolidated financial statements were unreviewed.

As of September 30, 2022 and 2021, the combined total assets of these non-significant subsidiaries were NT\$1,129,175 thousand and NT\$311,267 thousand, respectively, representing 10.08% and 3.65%, respectively, of the consolidated total assets; the combined total liabilities of these non significant subsidiaries were NT\$382,903 thousand and NT\$77,205 thousand, respectively, representing 6.47% and 1.81%, respectively, of the consolidated total liabilities. For the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, the amounts of the combined comprehensive income of these non significant subsidiaries were NT\$57,662 thousand, NT\$(135) thousand, NT\$127,619 thousand and NT\$29,387 thousand, respectively, representing 20.25%, 0.63%, 19.74% and 40.17% of the consolidated total comprehensive income, respectively. In addition, as disclosed in Note 13 to the consolidated financial statements, the total carrying amounts of the investments accounted for using the equity method were NT\$103,204 thousand and NT\$45,930 thousand as of September 30, 2022 and 2021, respectively. The share of profit of associates accounted for using the equity method was NT\$679 thousand, NT\$4,211 thousand, NT\$5,301 thousand and NT\$7,301 thousand for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, respectively. The amounts of the related equity method investments were based on the equity method investees unreviewed financial statements for the same reporting periods.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other equity method investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the consolidated company as of September 30, 2022 and 2021, and its consolidated financial performance for the three months ended September 30, 2022 and 2021, as well as its consolidated financial performance and its consolidated cash flows for the three months and nine months ended September 30, 2022 and 2021 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.

Deloitte & Touche

CPA-Jian-Ming Zeng

CPA-Pan-Fa Wang

Financial Supervisory Commission

Approval Document No.:

Financial-Supervisory-Securities-Auditing-  
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Financial Supervisory Commission Approval

Document No.:

Financial-Supervisory-Securities-Auditing-11  
00356048

November 9, 2022

**Gudeng Precision Industrial Co., Ltd. and Subsidiaries**

**Consolidated Balance Sheets**

**As of September 30, 2022, December 31, 2021 and September 30, 2021**

Unit: In Thousands of New Taiwan Dollars

Code	Assets	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash and cash equivalents (Note 6)	\$ 1,925,256	17	\$ 1,707,329	18	\$ 1,846,717	22
1110	Financial assets at fair value through profit or loss - current (Note 7)	112,387	1	50,467	1	33,072	-
1136	Financial assets at amortized cost - current (Note 9)	120,750	1	11,500	-	6,500	-
1150	Notes receivable from unrelated parties (Note 10)	1,861	-	252	-	864	-
1160	Notes receivable from related parties (Notes 10 and 38)	928	-	-	-	-	-
1172	Trade receivables from unrelated parties (Note 10)	859,535	8	626,519	7	410,404	5
1181	Trade receivables from related parties (Notes 10 and 38)	435	-	-	-	-	-
1200	Other receivables (Note 10)	1,735	-	2,575	-	3,687	-
1210	Other receivables from related parties (Notes 10 and 38)	135	-	16	-	25	-
1220	Current tax assets (Note 4)	2	-	5	-	5	-
130X	Inventories (Note 11)	1,507,997	13	996,668	10	978,912	12
1410	Prepayments (Note 19)	96,966	1	197,087	2	104,324	1
1479	Other current assets (Note 20)	4,204	-	1,444	-	2,590	-
11XX	Total current assets	<u>4,632,191</u>	<u>41</u>	<u>3,593,862</u>	<u>38</u>	<u>3,387,100</u>	<u>40</u>
	Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current (Note 8)	408,748	4	444,159	5	346,032	4
1535	Financial assets at amortized cost - current (Note 9)	2,542	-	2,542	-	2,542	-
1550	Investments accounted for using the equity method (Note 13)	103,204	1	47,463	1	45,930	1
1600	Property, plant and equipment (Note 14)	3,218,295	29	4,165,116	44	3,392,030	40
1755	Right-of-use assets (Note 15)	82,590	1	68,295	1	69,021	1
1760	Investment properties, net (Note 16)	2,080,105	18	599,959	6	602,097	7
1805	Goodwill (Note 17)	65,383	1	74,583	1	100,318	1
1821	Other intangible assets (Note 18)	103,558	1	107,934	1	108,318	1
1840	Deferred tax assets (Note 4)	40,652	-	26,413	-	53,006	1
1915	Prepayments for equipment (Note 40)	437,535	4	330,181	3	379,730	4
1920	Refundable deposits (Note 37)	30,602	-	32,637	-	32,075	-
1990	Other non-current assets - other (Note 20)	1,265	-	8,172	-	5,960	-
15XX	Total non-current assets	<u>6,574,479</u>	<u>59</u>	<u>5,907,454</u>	<u>62</u>	<u>5,137,059</u>	<u>60</u>
1XXX	Total assets	<u>\$ 11,206,670</u>	<u>100</u>	<u>\$ 9,501,316</u>	<u>100</u>	<u>\$ 8,524,159</u>	<u>100</u>
	Liabilities and equity						
	Current liabilities						
2100	Short-term borrowings (Note 21)	\$ 75,000	1	\$ 179,920	2	\$ 30,496	1
2120	Financial liabilities at fair value through profit or loss - current (Note 7)	2,000	-	-	-	-	-
2150	Notes payable to unrelated parties (Note 23)	18,439	-	90	-	90	-
2160	Notes payable to related parties (Notes 23 and 38)	44	-	-	-	-	-
2170	Trade payables to unrelated parties (Note 23)	521,950	5	412,025	4	336,808	4
2180	Trade payables to related parties (Notes 23 and 38)	16,776	-	18,704	-	29,690	-
2219	Other payables (Note 24)	616,262	6	724,700	8	275,105	3
2230	Current tax liabilities (Note 4)	122,972	1	51,264	-	19,184	-
2250	Provisions - current (Note 25)	-	-	36	-	-	-
2280	Lease liabilities - current (Note 15)	28,690	-	18,150	-	17,129	-
2131	Contract liabilities - current (Notes 28 and 38)	695,398	6	459,559	5	502,090	6
2320	Current portion of Long-term borrowings (Note 21)	103,092	1	164,467	2	171,918	2
2399	Other current liabilities (Note 24)	13,541	-	3,862	-	3,700	-
21XX	Total current liabilities	<u>2,214,164</u>	<u>20</u>	<u>2,032,777</u>	<u>21</u>	<u>1,386,210</u>	<u>16</u>
	Non-current liabilities						
2530	Corporate Bonds payable (Note 22)	951,991	8	-	-	-	-
2540	Long-term borrowings (Note 21)	2,656,770	24	2,875,903	30	2,807,894	33
2570	Deferred tax liabilities (Note 4)	7,107	-	495	-	480	-
2580	Lease liabilities - non-current (Note 15)	55,661	1	30,086	1	31,698	1
2640	Net defined benefit liabilities (Note 4)	26,932	-	26,958	-	18,659	-
2645	Guarantee deposits (Note 38)	8,570	-	9,423	-	9,417	-
25XX	Total non-current liabilities	<u>3,707,031</u>	<u>33</u>	<u>2,942,865</u>	<u>31</u>	<u>2,868,148</u>	<u>34</u>
2XXX	Total liabilities	<u>5,921,195</u>	<u>53</u>	<u>4,975,642</u>	<u>52</u>	<u>4,254,358</u>	<u>50</u>
	Equity attributable to owners of the company (Note 27)						
	Share capital						
3110	Ordinary shares	840,973	7	840,973	9	840,922	10
3140	Share capital collected in advance	-	-	-	-	51	-
3100	Total share capital	<u>840,973</u>	<u>7</u>	<u>840,973</u>	<u>9</u>	<u>840,973</u>	<u>10</u>
3200	Capital surplus	<u>3,215,153</u>	<u>29</u>	<u>3,094,606</u>	<u>33</u>	<u>3,074,803</u>	<u>36</u>
	Retained earnings						
3310	Legal reserve	168,792	1	143,427	1	135,964	1
3320	Special reserve	5,909	-	24,637	-	21,076	-
3350	Unappropriated earnings	868,864	8	338,648	4	222,266	3
3300	Total retained earnings	<u>1,043,565</u>	<u>9</u>	<u>506,712</u>	<u>5</u>	<u>379,306</u>	<u>4</u>
3400	Other equity	( 134,365 )	( 1 )	( 5,909 )	-	( 106,130 )	( 1 )
3500	Treasury stock	-	-	( 15,289 )	-	( 15,289 )	-
31XX	Total equity attributable to owners of the company	<u>4,965,326</u>	<u>44</u>	<u>4,421,093</u>	<u>47</u>	<u>4,173,663</u>	<u>49</u>
36XX	Non-controlling interests (Note 27)	<u>320,149</u>	<u>3</u>	<u>104,581</u>	<u>1</u>	<u>96,138</u>	<u>1</u>
3XXX	Total equity	<u>5,285,475</u>	<u>47</u>	<u>4,525,674</u>	<u>48</u>	<u>4,269,801</u>	<u>50</u>
	Total liabilities and equity	<u>\$ 11,206,670</u>	<u>100</u>	<u>\$ 9,501,316</u>	<u>100</u>	<u>\$ 8,524,159</u>	<u>100</u>

The attached notes are part of this consolidated financial statements.  
(Please refer to Deloitte & Touche's audit report on November 9, 2022)

Chairman: Ming-Chien Chiu

Manager: Tian-Ruei Lin

Accounting Supervisor: Bo-An Lai

**Gudeng Precision Industrial Co., Ltd. and Subsidiaries**

**Consolidated statements of comprehensive income**

**For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021**

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

Unit: In Thousands of New Taiwan Dollars, Except Earnings Per Share in Dollars

Code		From July 1 to September 30, 2022		From July 1 to September 30, 2021		From January 1 to September 30, 2022		From January 1 to September 30, 2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Non-operating income and expenses (Note 28)	\$ 1,069,102	100	\$ 675,047	100	\$ 3,160,547	100	\$ 1,924,390	100
5000	Operating costs (Notes 11, 29 and 38)	<u>535,506</u>	<u>50</u>	<u>437,978</u>	<u>65</u>	<u>1,620,544</u>	<u>51</u>	<u>1,250,990</u>	<u>65</u>
5900	Gross Profit	<u>533,596</u>	<u>50</u>	<u>237,069</u>	<u>35</u>	<u>1,540,003</u>	<u>49</u>	<u>673,400</u>	<u>35</u>
	Operating expenses (Notes 29 and 38)								
6100	Selling and marketing expenses	46,742	4	27,890	4	130,438	4	81,414	4
6200	General and administrative expenses	157,332	15	104,847	16	473,289	15	313,159	16
6300	Research and development expenses	59,166	6	44,467	7	183,432	6	113,175	6
6450	Expected credit loss (profit) recognized on trade receivables	<u>8,811</u>	<u>1</u>	<u>( 4,614)</u>	<u>( 1)</u>	<u>9,499</u>	<u>-</u>	<u>( 8,204)</u>	<u>-</u>
6000	Total operating expenses	<u>272,051</u>	<u>26</u>	<u>172,590</u>	<u>26</u>	<u>796,658</u>	<u>25</u>	<u>499,544</u>	<u>26</u>
6900	Net operating income	<u>261,545</u>	<u>24</u>	<u>64,479</u>	<u>9</u>	<u>743,345</u>	<u>24</u>	<u>173,856</u>	<u>9</u>
	Non-operating income and expenses								
7100	Interest income (Note 29)	315	-	133	-	1,229	-	706	-
7190	Other income (Notes 29 and 38)	17,218	2	17,579	3	67,285	2	37,343	2
7020	Other gains and losses (Note 29)	47,518	4	( 3,819)	( 1)	121,528	4	( 8,109)	-
7050	Finance costs (Note 29)	( 15,022)	( 1)	( 5,431)	( 1)	( 37,494)	( 1)	( 13,976)	( 1)
7060	Share of profit or loss from the associates, and joint ventures accounted for using the equity method	<u>679</u>	<u>-</u>	<u>4,211</u>	<u>1</u>	<u>5,301</u>	<u>-</u>	<u>7,301</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>50,708</u>	<u>5</u>	<u>12,673</u>	<u>2</u>	<u>157,849</u>	<u>5</u>	<u>23,265</u>	<u>1</u>
7900	Net income before tax	312,253	29	77,152	11	901,194	29	197,121	10
7950	Income tax expense (Notes 4 and 30)	( <u>50,178</u> )	( <u>4</u> )	( <u>17,058</u> )	( <u>2</u> )	( <u>126,216</u> )	( <u>4</u> )	( <u>38,914</u> )	( <u>2</u> )
8200	Net income for the year	<u>262,075</u>	<u>25</u>	<u>60,094</u>	<u>9</u>	<u>774,978</u>	<u>25</u>	<u>158,207</u>	<u>8</u>
	Other comprehensive income/(loss)								
8310	Items that will not be reclassified to profit or loss								
8316	Unrealized valuation gain/(loss) on investments in equity instruments at fair value through other comprehensive income	18,951	2	( 81,282)	( 12)	( 134,764)	( 5)	( 81,282)	( 4)
8360	Items that may be reclassified subsequently to profit or loss								
8361	Exchange differences on translating the financial statements of foreign operations	<u>3,777</u>	<u>-</u>	<u>( 211)</u>	<u>-</u>	<u>6,308</u>	<u>-</u>	<u>( 3,772)</u>	<u>-</u>
8300	Total other comprehensive income/(loss) for the year (net of income tax)	<u>22,728</u>	<u>2</u>	( <u>81,493</u> )	( <u>12</u> )	( <u>128,456</u> )	( <u>5</u> )	( <u>85,054</u> )	( <u>4</u> )
8500	Total comprehensive income for the year	<u>\$ 284,803</u>	<u>27</u>	( <u>\$ 21,399</u> )	( <u>3</u> )	<u>\$ 646,522</u>	<u>20</u>	<u>\$ 73,153</u>	<u>4</u>
	Net income attributable to								
8610	Owners of the company	\$ 227,030	21	\$ 58,972	9	\$ 704,783	23	\$ 133,595	7
8620	Non-controlling interests	<u>35,045</u>	<u>4</u>	<u>1,122</u>	<u>-</u>	<u>70,195</u>	<u>2</u>	<u>24,612</u>	<u>1</u>
8600		<u>\$ 262,075</u>	<u>25</u>	<u>\$ 60,094</u>	<u>9</u>	<u>\$ 774,978</u>	<u>25</u>	<u>\$ 158,207</u>	<u>8</u>
	Total comprehensive income/(loss) attributable to								
8710	Owners of the company	\$ 249,758	24	( \$ 22,521)	( 3)	\$ 576,327	18	\$ 48,541	3
8720	Non-controlling interests	<u>35,045</u>	<u>3</u>	<u>1,122</u>	<u>-</u>	<u>70,195</u>	<u>2</u>	<u>24,612</u>	<u>1</u>
8700		<u>\$ 284,803</u>	<u>27</u>	( <u>\$ 21,399</u> )	( <u>3</u> )	<u>\$ 646,522</u>	<u>20</u>	<u>\$ 73,153</u>	<u>4</u>
	Earnings per share (Note 31)								
9750	Basic	<u>\$ 2.70</u>		<u>\$ 0.71</u>		<u>\$ 8.41</u>		<u>\$ 1.60</u>	
9850	Diluted	<u>\$ 2.55</u>		<u>\$ 0.70</u>		<u>\$ 7.96</u>		<u>\$ 1.60</u>	

The attached notes are part of this consolidated financial statements.  
(Please refer to Deloitte & Touche's audit report on November 9, 2022)

Chairman: Ming-Chien Chiu

Manager: Tian-Ruei Lin

Accounting Supervisor: Bo-An Lai

**Gudeng Precision Industrial Co., Ltd. and Subsidiaries**

**Consolidated statements of changes in equity  
From January 1 to September 30, 2022 and 2021**

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

Unit: In Thousands of New Taiwan Dollars

		Attributable to owners of the company												
		Ordinary shares				Retained earnings			Other equity					
									Exchange differences on translating the financial statements of foreign operations	Unrealized appraisal gains and losses of financial assets measured at fair value through other comprehensive gains and losses	Treasury stock	Total	Non-controlling interests	Total equity
Code		Number of Shares	Share capital	Share capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings						
A1	Balance on January 1, 2021	76,059	\$ 760,586	\$ 79,795	\$ 1,396,857	\$ 103,238	\$ 34,374	\$ 400,850	( \$ 16,990 )	( \$ 4,086 )	( \$ 15,289 )	\$ 2,739,335	\$ 71,526	\$ 2,810,861
	Appropriation of earnings for the year 2020													
B1	Appropriation of legal reserve	-	-	-	-	32,726	-	( 32,726 )	-	-	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	-	( 13,298 )	13,298	-	-	-	-	-	-
B5	Cash dividends distributed by the company	-	-	-	-	-	-	( 292,751 )	-	-	-	( 292,751 )	-	( 292,751 )
E1	Share capital collected in advance transferred to ordinary shares	8,033	80,336	( 80,336 )	1,671,575	-	-	-	-	-	-	1,671,575	-	1,671,575
I1	Conversion of convertible corporate bonds	-	-	592	6,371	-	-	-	-	-	-	6,963	-	6,963
D1	Net income for the nine months ended September 30, 2021	-	-	-	-	-	-	133,595	-	-	-	133,595	24,612	158,207
D3	Other comprehensive income/(loss) after tax for the nine months ended September 30, 2021	-	-	-	-	-	-	-	( 3,772 )	( 81,282 )	-	( 85,054 )	-	( 85,054 )
D5	Total comprehensive income/(loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	133,595	( 3,772 )	( 81,282 )	-	48,541	24,612	73,153
Z1	Balance on September 30, 2021	84,092	\$ 840,922	\$ 51	\$ 3,074,803	\$ 135,964	\$ 21,076	\$ 222,266	( \$ 20,762 )	( \$ 85,368 )	( \$ 15,289 )	\$ 4,173,663	\$ 96,138	\$ 4,269,801
A1	Balance on January 1, 2022	84,097	\$ 840,973	\$ -	\$ 3,094,606	\$ 143,427	\$ 24,637	\$ 338,648	( \$ 18,668 )	\$ 12,759	( \$ 15,289 )	\$ 4,421,093	\$ 104,581	\$ 4,525,674
	Appropriation of earnings for the year 2021													
B1	Appropriation of legal reserve	-	-	-	-	25,365	-	( 25,365 )	-	-	-	-	-	-
B3	Appropriation of special reserve	-	-	-	-	-	( 18,728 )	18,728	-	-	-	-	-	-
B5	Cash dividends distributed by the company	-	-	-	-	-	-	( 167,437 )	-	-	-	( 167,437 )	-	( 167,437 )
M7	Changes in percentage of ownership interests in subsidiaries (Note 35)	-	-	-	-	-	-	( 493 )	-	-	-	( 493 )	-	( 493 )
	Other changes in capital surplus:													
C5	Equity component of convertible bonds issued by the Company	-	-	-	42,872	-	-	-	-	-	-	42,872	-	42,872
C7	Changes in associates and joint venture accounted for using the equity method	-	-	-	178	-	-	-	-	-	-	178	147	325
N1	The Company issues employee stock options	-	-	-	77,497	-	-	-	-	-	15,289	92,786	-	92,786
O1	Changes in increase/decrease in non-controlling interests (Note 27)	-	-	-	-	-	-	-	-	-	-	-	168	168
M5	Acquisition of part of the equity of subsidiaries (Note 27)	-	-	-	-	-	-	-	-	-	-	-	145,058	145,058
D1	Net income for the nine months ended September 30, 2022	-	-	-	-	-	-	704,783	-	-	-	704,783	70,195	774,978
D3	Other comprehensive income/(loss) after tax for the nine months ended September 30, 2022	-	-	-	-	-	-	-	6,308	( 134,764 )	-	( 128,456 )	-	( 128,456 )
D5	Total comprehensive income/(loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	704,783	6,308	( 134,764 )	-	576,327	70,195	646,522
Z1	Balance on September 30, 2022	84,097	\$ 840,973	\$ -	\$ 3,215,153	\$ 168,792	\$ 5,909	\$ 868,864	( \$ 12,360 )	( \$ 122,005 )	\$ -	\$ 4,965,326	\$ 320,149	\$ 5,285,475

The attached notes are part of this consolidated financial statements.  
(Please refer to Deloitte & Touche's audit report on November 9, 2022)

Chairman: Ming-Chien Chiu

Manager: Tian-Ruei Lin

Accounting Supervisor: Bo-An Lai



**Gudeng Precision Industrial Co., Ltd. and Subsidiaries**

**Consolidated statements of cash flows**

**From January 1 to September 30, 2022 and 2021**

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

Unit: In Thousands of New Taiwan Dollars

Code		From January 1 to September 30, 2022	From January 1 to September 30, 2021
	Cash flows from operating activities		
A10000	Net income before tax for the year	\$ 901,194	\$ 197,121
A20010	Adjustments for		
A20100	Depreciation expenses	169,738	125,298
A20200	Amortization expenses	16,999	12,748
A20300	Expected credit losses (or reversal gains)	9,499	( 8,204 )
A20400	Net loss on financial assets and liabilities at fair value through profit or loss	8,498	4,355
A20900	Finance costs	37,494	13,976
A21200	Interest income	( 1,229 )	( 706 )
A21300	Dividend income	( 31,626 )	( 465 )
A21900	Share-based payment compensation	77,497	-
A22300	Share of profit or loss from associates, and joint ventures recognized by equity method	( 5,301 )	( 7,301 )
A22800	Gains on bargain purchase	( 36 )	-
A23200	Gain on disposal of subsidiaries	( 54,936 )	-
A22500	Gain on disposal of property, plant and equipment	( 1,340 )	( 657 )
A22900	Gain on lease amendment	-	( 21 )
A23800	Write-downs of inventories for price loss and obsolescence	23,103	7,272
A29900	Income from odd lot transferred from corporate bonds	-	( 1 )
A30000	Net Changes in operating assets and liabilities		
A31130	Notes receivable	6,011	( 393 )
A31150	Trade receivables	( 200,640 )	18,837
A31180	Other receivables	638	2,129
A31200	Inventories	( 552,139 )	( 171,628 )
A31230	Prepayments	( 5,881 )	( 10,481 )
A31240	Other current assets	( 1,104 )	( 895 )
A32130	Notes payable	( 30,186 )	90
A32150	Trade payables	106,734	143,100
A32180	Other payables	81,342	( 81,436 )
A32200	Provisions	( 36 )	-

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Code		From January 1 to September 30, 2022	From January 1 to September 30, 2021
A32125	Contract liabilities	\$ 248,080	\$ 189,558
A32230	Other current liabilities	5,992	989
A32240	Net defined benefit liabilities	( 26 )	( 96 )
A33000	Cash generated from/(used in) operations	808,339	433,189
A33100	Interest received	1,229	706
A33200	Dividend received	31,626	465
A33300	Interest paid	( 34,038 )	( 13,569 )
A33500	Income tax paid	( 70,258 )	( 158,391 )
AAAA	Net cash inflow from operating activities	<u>736,898</u>	<u>262,400</u>
Cash flows from investing activities			
B00010	Purchase of financial assets at fair value through other comprehensive income	( 67,814 )	( 380,000 )
B00050	Proceeds from sale of financial assets at amortized cost	-	22,000
B00040	Purchase of financial assets at amortized cost	( 98,834 )	( 6,500 )
B00100	Purchase of financial assets at fair value through profit or loss	( 101,046 )	( 37,768 )
B00200	Proceeds from sale of financial assets at fair value through profit or loss	30,408	10,943
B02300	Net cash inflow on disposal of subsidiaries (Note 34)	208,129	-
B02700	Payments for property, plant and equipment	( 685,969 )	( 1,267,268 )
B02800	Proceeds from disposal of property, plant and equipment	9,875	3,471
B03700	Increase in refundable deposits	( 659 )	-
B03800	Decrease in refundable deposits	-	249
B04200	Decrease in other receivables	103,026	-
B04500	Payments for intangible assets	( 12,221 )	( 14,831 )
B06700	(Increase) decrease in other non-current assets	( 838 )	944
B07600	Dividend received from associates	3,500	1,783
B07100	Increase in prepayments for equipment	( 181,397 )	( 337,358 )
B02200	Net cash outflow on acquisition of subsidiaries (Note 33)	( 23,664 )	-
BBBB	Net cash outflow from investment activities	<u>( 817,504 )</u>	<u>( 2,004,335 )</u>
Cash flows from financing activities			
C00100	Proceeds from short-term borrowings	585,984	156,951
C00200	Repayments of short-term borrowings	( 657,568 )	( 457,631 )
C01200	Issuing of bonds	994,720	-

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<u>Code</u>		<u>From January 1 to September 30, 2022</u>	<u>From January 1 to September 30, 2021</u>
C04600	Issuance of ordinary shares for cash	\$ -	\$ 1,671,575
C01600	Proceeds from long-term borrowings	1,136,780	2,083,000
C01700	Repayments of long-term borrowings	( 1,544,958 )	( 998,329 )
C03100	Refund of guarantee deposits	( 384 )	( 874 )
C04020	Return on lease principal	( 15,649 )	( 11,015 )
C05100	Treasury shares purchased by employees	15,289	-
C04500	Cash dividends distribution	( 234,715 )	( 406,630 )
C05800	Changes in non-controlling interests	<u>12,495</u>	<u>-</u>
CCCC	Net cash inflow from financing activities	<u>291,994</u>	<u>2,037,047</u>
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>6,539</u>	( <u>3,899</u> )
EEEE	Net increase in cash and cash equivalents	217,927	291,213
E00100	Cash and cash equivalents at the beginning of the period	<u>1,707,329</u>	<u>1,555,504</u>
E00200	Cash and cash equivalents at the end of the period	<u>\$ 1,925,256</u>	<u>\$ 1,846,717</u>

The attached notes are part of this consolidated financial statements.  
(Please refer to Deloitte & Touche's audit report on November 9, 2022)

Chairman: Ming-Chien Chiu

Manager: Tian-Ruei Lin

Accounting Supervisor: Bo-An Lai

**Gudeng Precision Industrial Co., Ltd. and Subsidiaries**  
**Notes to the consolidated financial statements**  
**From January 1 to September 30, 2022 and 2021**  
**Reviewed, not audited in accordance with generally accepted auditing standards**  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

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**1. Company Overview**

Gudeng Precision Industrial Co., Ltd. (hereinafter "the Company") was a company limited by shares incorporated at New Taipei City in March 1998, and opened for business in March of the same year with primary business of trading and manufacturing of mould and mask package.

Shares of the Company were traded in the over-the-counter (OTC) market at Taipei Exchange (TPEX) in August 2011.

The consolidated financial statements of the Company are presented in the New Taiwan Dollars, the functional currency of the Company.

**2. Date and Procedures of Authorization of Financial Statements**

The accompanying consolidated financial statements were published after being reported to the Board of Directors on November 9, 2022.

**3. Application of New and Amended Standards and Interpretations**

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The first adoption of IFRSs endorsed and issued into effect by the FSC did not result in significant changes on the accounting policies of Gudeng Precision Industrial Co., Ltd. and its subsidiaries (hereinafter referred to as the Consolidated Company).

- b. IFRSs endorsed by the FSC that are applicable in 2023

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 1)
Amendment to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendment to IAS 12 "Deferred income tax related to assets and liabilities arising from a single transaction"	January 1, 2023 (Note 3)

Note 1: The amendment shall be applied to annual reporting periods beginning on or after January 1, 2023.

Note 2: This amendment shall be applied to changes in accounting policies and changes in accounting estimates that occur for annual periods beginning on or after January 1, 2023.

Note 3: This amendment applies to transactions occurring after January 1, 2022, except for the deferred tax recognition of temporary differences in lease and ex-service obligations as of January 1, 2022.

1) Amendment to IAS 1 “Disclosure of Accounting Policies”

The amendment provides that the consolidated company shall determine the material accounting policy information to be disclosed in accordance with the definition of material information. Accounting policy information is material if, when considered together with other information included in the consolidated company’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. This amendment also clarifies that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed by the consolidated company.
- Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

Moreover, this amendment gives examples to explain that it is likely to consider accounting policy information significant to the financial statements if that information relates to significant transactions, other events or conditions and the accounting policy:

- (1) Has changed during the period by the consolidated company, and this change results in a significant change on information of the financial statements;
- (2) Was chosen properly by the consolidated company from alternatives permitted by IFRS Standards;

- (3) Was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS Standard that specifically applies;
- (4) Relates to an area for which the consolidated company is required to make significant judgments and assumptions
- (5) Relates to complex accounting practices, and users of the consolidated company's financial statements would otherwise not understand the relating significant transactions, other events or conditions

2) Amendment to IAS 8 "Definition of Accounting Estimates"

This amendment defines accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". The accounting policy may require items in financial statements to be measured at monetary amounts that cannot be observed directly and must instead be estimated. Therefore, an input or a measurement technique has to be used to develop an accounting estimate to achieve this goal. The changes are considered as changes in accounting estimates while the effects of changes in accounting estimates from changes in an input or a measurement technique do not belong to correction of prior period errors.

3) Amendment to IAS 12 "Deferred income tax related to assets and liabilities arising from a single transaction"

The amendment clarifies that the exemption provisions originally recognized in IAS 12 are not applicable to the transactions of taxable and deductible temporary differences of the same amount resulting at the time of original recognition. The consolidated company will recognize the deferred income tax assets (where taxable income is likely to be used to deduct temporary differences) and deferred income tax liabilities for all deductible and taxable temporary differences related to the lease and decommissioning obligations on January 1, 2022 (the effective date of the earliest period presented), and recognize the cumulative impact as an adjustment to the initial balance of retained earnings on that date. The amendment is deferred for transactions other than lease and decommissioning obligations occurring after January 1, 2022 (the effective date of the earliest period presented).

Besides the abovementioned effects, as of the date the accompanying consolidated financial statements were authorized for issue, the consolidated company

continues in evaluating the impact on its financial position and financial performance as a result of the aforementioned standards or interpretations. The related impact will be disclosed when the evaluation has been completed.

c. IFRSs issued by the IASB but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9—Comparative Information”	January 1, 2023
Amendment to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the aforementioned New, Revised or Amended Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: The seller, who is also the lessee, should retrospectively apply the amendments to IFRS 16 for a sale and leaseback transaction entered into after the date of the initial application of IFRS 16.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendment provides that if the consolidated company sells or invests assets in associates (or joint ventures), or loses control of subsidiaries, but retains material influence (or joint control) over the subsidiary and if the above assets or former subsidiaries meet the definition of “business” in IFRS 3 “business combination,” the consolidated company shall fully recognize the profit or loss arising from such transactions.

In addition, if the consolidated company sells or invests assets in associates (or joint venture), or loses control over a subsidiary in a transaction with associates (or joint venture), but retains material influence (or joint control) over the subsidiary and if the above assets or former subsidiary do not comply with the definition of “business” in IFRS 3, the consolidated

company shall only recognize the profit or loss arising from such transactions within the scope of equity unrelated to the investors' interest in such associates (or joint ventures), namely, the profit or loss attributable to the Company's share shall be written off.

- 2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" (Amendments in 2020) and "Non-current Liabilities with Covenants" (Amendments in 2022)

The amendments in 2020 clarify that whether the consolidated company has the right to defer the settlement period of liabilities at the closing date of the reporting period to at least 12 months after the reporting period when the liabilities are classified as current. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the consolidated company will exercise that right.

The amendments in 2020 also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the consolidated company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The amendments in 2022 further clarify that only the covenants that are required to comply with before the end of the reporting period will affect the classification of liabilities. Although the covenants that must be complied with within 12 months after the reporting period do not affect the classification of liabilities, relevant information must be disclosed so that financial report users can understand that the consolidated company may not be able to comply with the covenants and must repay within 12 months after the reporting period risk.

The amendments in 2020 also stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the consolidated company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the consolidated company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments:



Presentation”, the aforementioned terms would not affect the classification of the liability.

Besides the abovementioned effects, as of the date the accompanying consolidated financial statements were authorized for issue, the consolidated company continues in evaluating the impact on its financial position and financial performance as a result of the aforementioned standards or interpretations. The related impact will be disclosed when the evaluation has been completed.

#### **4. Summary of Significant Accounting Policies**

##### **a. Statement of Compliance**

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial report”, endorsed and issued into effect by the FSC. The consolidated financial statements do not contain all of the disclosures required by IFRSs for the entire annual financial report.

##### **b. Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value and net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the related inputs are observable and based on the significance of the related inputs, are described as follows:

- 1) Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
- 2) Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- 3) Level 3: Inputs are unobservable inputs for the asset or liability.

##### **c. Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries). The consolidated statement of comprehensive income has included the operating profit and loss of subsidiaries that are acquired or disposed of from the acquisition date or until the disposal date in the current period. Adjustments are made to the financial statements of

subsidiaries to bring their accounting policies in line with those used by the consolidated company. When preparing the consolidated financial statements, all intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where the change in the consolidated company's ownership interest in the subsidiary does not result in the loss of control, it shall be treated as an equity transaction. The carrying amounts of the consolidated company and non-controlling interests have been adjusted to reflect the changes in their relative interests in subsidiaries. The difference between the adjustment amount of non-controlling interests and the fair value of consideration paid or collected shall be directly recognized in equity attributable to the owners of the Company.

For details of subsidiaries, ratio of shareholding, and operations, please refer to Note 12 and Table VIII & IX.

d. Other Significant Accounting Policies

Except for the following, for the summary of other significant accounting policies, please refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for and interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

**5. The Primary Sources of Uncertainties in Major Accounting Judgments, Estimates, and Assumptions**

When the consolidated company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors. Actual results might be different from estimates.

The management will constantly review the estimations and underlying assumptions. If the revision of the accounting estimate affects both the current period and the future period, it shall be recognized in the current revised period and the forthcoming period.

**6. Cash and cash equivalents**

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and working capital	\$ 997	\$ 1,000	\$ 1,436
Bank checking and demand deposits	1,804,259	1,686,329	1,825,281
Cash equivalents (investments with original maturity date within 3 months)			
Bank time deposits	120,000	20,000	20,000
	<u>\$ 1,925,256</u>	<u>\$ 1,707,329</u>	<u>\$ 1,846,717</u>

**7. Financial Instruments at Fair Value through Profit or Loss**

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets - current</u>			
Mandatorily at fair value through profit or loss			
Derivatives (not designated for hedging)			
— Foreign exchange forward contracts (I)	\$ 5,646	\$ -	\$ -
— Conversion of options (Note 22)	4,200	-	-
Non-derivative financial assets			
— Domestic publicly traded shares	80,176	28,747	24,462
Hybrid financial assets			
— Structured deposits (II)	22,365	21,720	8,610
	<u>\$ 112,387</u>	<u>\$ 50,467</u>	<u>\$ 33,072</u>
<u>Financial liabilities - current</u>			
Held for trading			
Derivatives (not designated for hedging)			
— Conversion of options (Note 22)	\$ 2,000	\$ -	\$ -

- a. At the end of the balance sheet date, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

September 30, 2022

	Currency	Maturity Date	Contract amount (in thousands)
Buy forward exchange contracts	NTD/USD	From October 2021 to January 2023	NTD 40,909/USD 1,470

The consolidated company entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- b. Structured time deposit contracts entered into between the consolidated company and the banks. The structured time deposits include an embedded derivative that is not closely related to the main contract. Because the main contract included in the hybrid contract is an asset within the scope of IFRS 9, the overall hybrid contract evaluation should mandatorily be classified as measured at fair value through profit or loss.

## **8. Financial assets at fair value through other comprehensive income**

### Investments in equity instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Non-current</u>			
Domestic investment			
Publicly traded placement shares			
Symtek Automation Asia Co., Ltd.	\$ 244,962	\$ 378,886	\$ 298,718
Non-publicly traded shares			
Asia Neo Tech Industrial Co., Ltd.	79,491	-	-
Non-publicly traded shares			
NanoClean Materials Co., Ltd.	2,900	2,900	3,565
MontJade Engineering Co., Ltd.	20,046	20,046	17,085
HIGHLAND APPLIED MATERIALS, INC.	10,595	10,595	4,278
Origin Precision Technology Co., Ltd.	6,080	6,080	3,378
Certain Micro Application Technology Inc.	<u>44,674</u>	<u>25,652</u>	<u>19,008</u>
	<u>\$ 408,748</u>	<u>\$ 444,159</u>	<u>\$ 346,032</u>

The consolidated company invests in domestic publicly and non-publicly traded ordinary shares under the medium and long-term strategy and expects to make profits through long-term investment. The management of the consolidated company considers that the short-term fair value of the investments will be included in the profit or loss and is not consistent with the long-term investment planning mentioned above, and therefore, the designation of such investments is not in line with the fair value of the investment in other comprehensive income.

The shares of Symtek Automation Asia Co., Ltd. held by the consolidated company are private ordinary shares subject to transfer restrictions pursuant to Article 43-8 of the Securities and Exchange Act.

**9. Financial assets at amortized cost**

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Pledged certificate of deposit	\$ 5,000	\$ 11,500	\$ 6,500
Time deposits with an original maturity date more than 3 months	<u>115,750</u>	<u>-</u>	<u>-</u>
	<u>\$ 120,750</u>	<u>\$ 11,500</u>	<u>\$ 6,500</u>
<u>Non-current</u>			
Pledged deposits	<u>\$ 2,542</u>	<u>\$ 2,542</u>	<u>\$ 2,542</u>

Please refer to Note 39 for information on financial assets at amortized cost pledged as collateral.

**10. Notes receivable, Trade receivables, Other receivables, and Collection**

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Notes receivable</u>			
Measured at amortized cost			
Total carrying amount	\$ 1,861	\$ 252	\$ 864
Less: allowance for loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,861</u>	<u>\$ 252</u>	<u>\$ 864</u>
Arising from operations	<u>\$ 1,861</u>	<u>\$ 252</u>	<u>\$ 864</u>
<u>Notes receivable from related parties (Note 38)</u>			
Measured at amortized cost			
Total carrying amount	\$ 928	\$ -	\$ -
Less: allowance for loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 928</u>	<u>\$ -</u>	<u>\$ -</u>

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	September 30, 2022	December 31, 2021	September 30, 2021
<u>Trade receivables</u>			
Measured at amortized cost			
Total carrying amount	\$ 862,441	\$ 629,380	\$ 412,472
Less: allowance for loss	( <u>2,906</u> )	( <u>2,861</u> )	( <u>2,068</u> )
	<u>\$ 859,535</u>	<u>\$ 626,519</u>	<u>\$ 410,404</u>
<u>Trade receivables from related parties (Note 38)</u>			
Measured at amortized cost			
Total carrying amount	\$ 435	\$ -	\$ -
Less: allowance for loss	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 435</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivables</u>			
Other receivable - non-related parties			
Tax refunds of business tax receivable	\$ 221	\$ -	\$ -
Purchase discount receivable	-	1,738	-
Others	<u>1,514</u>	<u>837</u>	<u>3,687</u>
	<u>\$ 1,735</u>	<u>\$ 2,575</u>	<u>\$ 3,687</u>
Other receivable - related parties (Note 38)	<u>\$ 135</u>	<u>\$ 16</u>	<u>\$ 25</u>
<u>Collection</u>			
Measured at amortized cost			
Total carrying amount	\$ 11,741	\$ 2,228	\$ 2,453
Less: allowance for loss	( <u>11,741</u> )	( <u>2,228</u> )	( <u>2,453</u> )
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### Trade receivables

The average credit period of the consolidated company for commodity sales is 60 to 120 days. In assessing the recoverability of trade receivable, the consolidated company considers any change in the credit quality of the trade receivable from the original credit date to the balance sheet date. To mitigate the credit risk, the management of the consolidated company appoints a team solely responsible for determination of credit lines, credit approvals and other monitoring procedures to ensure that appropriate action

has been taken for the collection of overdue receivables. In addition, the consolidated company will review the recoverable amount of the receivables one by one on the balance sheet date to ensure that the unrecoverable receivables have been recognized with appropriate impairment loss. Accordingly, the management of the Company believes that the consolidated company's credit risk is significantly reduced.

The consolidated company applies the simplified approach of IFRS 9 and recognizes allowance for uncollectible accounts for trade receivable as lifetime expected credit losses for the duration of contract. The lifetime expected credit loss is determined the provision matrix which refers to past default records and the current financial condition of the clients and industrial economic conditions. Due to the historical experience of credit losses of the consolidated company, there is no significant difference in the loss patterns of different client's groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of notes receivable and entry days of trade receivable.

The consolidated company directly reclassifies the collection when there is evidence indicating that the debtor is experiencing in severe financial difficulty and there is no realistic prospect of recovery by the consolidated company, such as the counterparty is under liquidation or the aging of the debts is over 365 days. The consolidated company continues to engage in enforcement activity, and the recovered amounts are written off the related collection.

The consolidated company's loss allowance for notes receivable and trade receivable based on the provision matrix were as follows:

Notes receivable

September 30, 2022

	<u>Not overdue</u>
Expected credit loss rate	0%
Total carrying amount	\$ 2,789
Allowance for losses (lifetime expected credit losses)	<u>-</u>
Costs after amortization	<u>\$ 2,789</u>

December 31, 2021

	<u>Not overdue</u>
Expected credit loss rate	0%
Total carrying amount	\$ 252
Allowance for losses (lifetime expected credit losses)	-
Costs after amortization	\$ 252

September 30, 2021

	<u>Not overdue</u>
Expected credit loss rate	0%
Total carrying amount	\$ 864
Allowance for losses (lifetime expected credit losses)	<u>-</u>
Costs after amortization	<u>\$ 864</u>

Trade receivables

September 30, 2022

	<u>1-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>271-365 days</u>	<u>Total</u>
Expected credit loss rate	0.2%	0.9%	1.7%	3.9%	
Total carrying amount	\$ 749,060	\$ 87,840	\$ 18,411	\$ 7,565	\$ 862,876
Allowance for losses (lifetime expected credit losses)	( <u>1,535</u> )	( <u>756</u> )	( <u>320</u> )	( <u>295</u> )	( <u>2,906</u> )
Costs after amortization	<u>\$ 747,525</u>	<u>\$ 87,084</u>	<u>\$ 18,091</u>	<u>\$ 7,270</u>	<u>\$ 859,970</u>

December 31, 2021

	<u>1-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>271-365 days</u>	<u>Total</u>
Expected credit loss rate	0.3%	0.6%	6.5%	39.2%	
Total carrying amount	\$ 597,379	\$ 28,956	\$ 1,131	\$ 1,914	\$ 629,380
Allowance for losses (lifetime expected credit losses)	( <u>1,850</u> )	( <u>186</u> )	( <u>74</u> )	( <u>751</u> )	( <u>2,861</u> )
Costs after amortization	<u>\$ 595,529</u>	<u>\$ 28,770</u>	<u>\$ 1,057</u>	<u>\$ 1,163</u>	<u>\$ 626,519</u>

September 30, 2021

	<u>1-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>271-365 days</u>	<u>Total</u>
Expected credit loss rate	0.3%	1.3%	8%	11%	
Total carrying amount	\$ 369,895	\$ 37,205	\$ 2,718	\$ 2,654	\$ 412,472
Allowance for losses (lifetime expected credit losses)	( <u>1,063</u> )	( <u>494</u> )	( <u>218</u> )	( <u>293</u> )	( <u>2,068</u> )
Costs after amortization	<u>\$ 368,832</u>	<u>\$ 36,711</u>	<u>\$ 2,500</u>	<u>\$ 2,361</u>	<u>\$ 410,404</u>

The above is the aging analysis based on the date of entry.



Changes in loss allowance for trade receivable are as follows:

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Beginning Balance	\$ 2,861	\$ 1,923
Add: Impairment loss recognized for the period	9,499	148
Add: Acquisition through business combinations	399	-
Less: Transferred out due to reclassification for the period	( 9,456)	-
Less: Disposal of subsidiaries (Note 34)	( 25)	-
Less: Actual write-off for the period	( 398)	-
Foreign currency translation differences	<u>26</u>	( <u>3</u> )
Ending Balance	<u>\$ 2,906</u>	<u>\$ 2,068</u>

Changes in loss allowance for collection are as follows:

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Beginning Balance	\$ 2,228	\$ 10,835
Add: Transferred in due to reclassification for the period	9,456	-
Less: Reversal on impairment loss for the period	-	( 8,352)
Foreign currency translation differences	<u>57</u>	( <u>30</u> )
Ending Balance	<u>\$ 11,741</u>	<u>\$ 2,453</u>

## 11. Inventories

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 423,818	\$ 191,884	\$ 160,442
Semi-finished products	204,623	128,252	145,141
Work in process	654,000	471,465	461,843
Finished products	204,132	150,699	145,995
Stock in hand	<u>21,424</u>	<u>54,368</u>	<u>65,491</u>
	<u>\$1,507,997</u>	<u>\$ 996,668</u>	<u>\$ 978,912</u>

Nature of cost of goods sold as below:

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Cost of inventory sold	\$ 516,420	\$ 439,359	\$ 1,579,468	\$ 1,242,756
Inventory valuation loss (gain on reversal)	1,001	( 1,149 )	23,103	7,272
Loss for inventory obsolescence	17,107	-	17,107	-
Others	978	( 232 )	866	962
	<u>\$ 535,506</u>	<u>\$ 437,978</u>	<u>\$ 1,620,544</u>	<u>\$ 1,250,990</u>

Please refer to Note 39 for the amount of inventory pledged as collateral for loans.

## 12. Subsidiaries

### Subsidiaries included in consolidated financial statements

The consolidated financial statements are presented as follows:

Name of investor company	Name of Subsidiary	Nature of business	Percentage of equity held			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
Gudeng Precision Industrial Co., Ltd. (hereinafter "the Company")	Gudeng Venture Capital Co., Ltd. (hereinafter "Gudeng Venture")	Venture capital and management consulting business	100%	100%	100%	-
	We Solutions ( previously known as Wei Zhen) Technology Co., Ltd. (hereinafter "We Solutions")	Trading , repair, and maintenance of various precision instruments	100%	100%	100%	Note 1
	Gudeng Automation Corporation (hereinafter "Gudeng Automation")	Manufacture, trading , repair, and maintenance of various precision instruments	50.93%	50.93%	50.87%	Note 2
	Rich Point Global Corp. (hereinafter "Rich Point")	Engaged in various investment business	100%	100%	100%	Note 1
	Partner one Ltd.	Engaged in various investment business	-	-	-	Note 3
	Gudeng Inc.(USA)	Engaged in various electronic components business	100%	100%	-	Note 1 and 5
Gudeng Venture	Jia Shuo Construction (formerly: Daisho Giken), Inc. (hereinafter "Jia Shuo")	Industrial plant, residential and building development and leasing, real estate sales and leasing	100%	100%	100%	Note 1 and 6
	Hengyang Green Energy Co., Ltd. (hereinafter "Hengyang")	Piping works and electrical installations	45%	-	-	Note 10
Rich Point	Sun Park Development Limited (hereinafter "Sun Park")	Engaged in various investment business	100%	100%	100%	Note 1
	Gudeng Investment Co., Ltd. (hereinafter "Gudeng Investment")	Engaged in various investment business	100%	100%	100%	-
Sun Park	Shanghai Gudeng Trading Co., Ltd. (hereinafter "Shanghai Gudeng")	Sales of plastic and electronic products	100%	100%	100%	Note 1
	Suzhou Kun Ju Trading Co., Ltd. (hereinafter "Suzhou Kun Ju")	Sales and maintenance of automobiles, trading of various alcohol and aluminum foil	100%	100%	100%	Note 1

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Name of investor company	Name of Subsidiary	Nature of business	Percentage of equity held			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
Gudeng Investment	Suzhou City Wu Jiang Start-up Automobile Trading Co., Ltd. (hereinafter "Wu Jiang Start-up")	Sales and maintenance of automobiles	-	100%	100%	Note 7
Partner one Ltd.	Gudeng Investment (HK)	Engaged in various investment business	-	-	-	Note 3
Gudeng Investment (HK)	Welton Technology Co., Ltd. (hereinafter "Welton")	Engaged in manufacture of plastic products, electronic and communication equipment, electrical machinery and equipment	-	-	-	Note 4
Gudeng Automation	Showa Precision Co., Ltd. (hereinafter "Showa")	Manufacture, trading, repair, and maintenance of various precision instruments	100%	100%	100%	Note 1
We Solutions	Fu Rui Sheng Industrial Co., Ltd. (hereinafter "Fu Rui Sheng")	Investment and management consulting business	54.94%	-	-	Notes 1 and 8
	Shuoting Precision Industry Co., Ltd. (hereinafter "Shuoting")	Manufacturing and wholesale of mould and manufacturing of machinery and equipment	41.37%	-	-	Notes 1, 2 and 9
Fu Rui Sheng	Bor Sheng Industrial Co., Ltd. (hereinafter "Bor Sheng")	Manufacturing and wholesale of mould and manufacturing of machinery and equipment	93%	-	-	Notes 1 and 8
	Shuoting	Manufacturing and wholesale of mould and manufacturing of machinery and equipment	29.06%	-	-	Notes 1, 2 and 9

Note 1: This is an immaterial subsidiary for which financial statements have not been reviewed by the Company's independent accountants.

Note 2: Please refer to Note 35 for details of change in percentage of equity held by the consolidated company.

Note 3: The company was registered in 2017 with no yet capital investment.

Note 4: Welton is currently in the pre-trial stage of name and has not yet established.

Note 5: The establishment and registration of subsidiaries approved by the Board of Directors in 2019 with investment amounted to US\$350 thousand in capital on November 29, 2021 were completed.

Note 6: Daisho Giken changed its name to Jia Shuo Construction, Inc. on June 29, 2021.

Note 7: The consolidated company signed a 100% equity transfer agreement for Wu Jiang Start-up with Jiaying Fengmiao Trading Co., Ltd. and Suzhou Chengfeng Trading Co., Ltd., and completed the equity transfer on April 25, 2022, resulting in a loss of control over Wu Jiang Start-up. Please refer to Note 34.

Note 8: We Solutions invested NT\$96,551 thousand on July 29, 2022, and acquired 54.94% of Fu Rui Sheng's equity interests and 93% of its subsidiaries' equity interests. Please refer to Note 33.

Note 9: We Solutions acquired Shuoting for NT\$23,860 thousand on July 29, 2022, and the consolidated shareholding ratio was 69.15%, including Fu Rui Sheng's shareholding, with obtaining the control over Shuoting; therefore, it was included to the consolidated entity from July 29, 2022. Please refer to Note 33.

Shuoting handled a cash capital increase of NT\$45,000 thousand on September 29, 2022, but the consolidated company did not subscribe according to the shareholding ratio, resulting in an increase in the consolidated shareholding ratio from 69.15% to 70.43%. Please refer to Note 35.

Note 10: Gudeng Venture invested NT\$54,000 thousand on September 1, 2022 to acquire a 45% equity interests in Hengyang. Since the consolidated company had more than half of the board seats of Hengyang, it had substantial control and was included to the consolidated entity from September 1, 2022. Please refer to Note 33.

### 13. **Investments accounted for using the equity method**

#### Investment in associates

	September 30, 2022	December 31, 2021	September 30, 2021
Significant associates			
Jinhui Technology Co., Ltd.	\$ 49,955	\$ 47,463	\$ 45,930
i Analyzer Incorporation	<u>53,249</u>	<u>-</u>	<u>-</u>
	<u>\$ 103,204</u>	<u>\$ 47,463</u>	<u>\$ 45,930</u>

Significant associates are as follows:

Name of Company	Ratio of equity held and voting right		
	September 30, 2022	December 31, 2021	September 30, 2021
Jinhui Technology Co., Ltd.	35%	35%	35%
i Analyzer Incorporation	23.24%	-	-

The consolidated company had been resolved by the Board of Directors on August 19, 2022 to participate in the cash capital increase of Hengyang Green Energy Co., Ltd. for the year ended December 31, 2022 through acquiring 5,400 thousand ordinary shares of Hengyang Green Energy Co., Ltd. by cash at \$10 per share with a shareholding of 45% and obtained significant influence over the company.

The consolidated company held 10,474 thousand ordinary shares of i Analyzer Incorporation (herein after “i Analyzer”) on February 10, 2022, recognized as financial assets at FVTOCI—non-current, with a book value of NT\$33,970 thousand, and a shareholding ratio of 16.40%. On June 30, 2022, it participated in the cash capital increase of i Analyzer at NT\$3.24 per share and acquired 6,157 thousand shares of common stock for a total of NT\$19,970 thousand. After the acquisition, the shareholding ratio increased to 23.24%. The acquisition had a significant impact on the company, so it was recognized as financial assets at FVTOCI. The fair value at the time of acquisition (NT\$3.24 per share) was transferred and recognized as investments accounted for using the equity method.

Please refer to Table VIII “Names, Locations and Relevant Information of Investee Companies” for nature of business, primary business premises, and countries of company registration of the above-mentioned associates.

The profit or loss and other comprehensive income entitled by the associates accounted for using equity method and the consolidated company were not calculated based on financial statements audited by other certified public accountants.

#### 14. Property, Plant and Equipment

	Self-owned land	Buildings	Machinery equipment	Leasehold improvements	Other equipment	Real property under construction	Total
<u>Cost</u>							
Balance on January 1, 2022	\$ 2,444,861	\$ 677,791	\$ 659,208	\$ 35,899	\$ 924,837	\$ 283,009	\$ 5,025,605
Acquisition through business combinations (Note 33)	4,007	-	265,770	-	39,531	12,008	321,316
Addition	205,000	1,335	79,085	4,804	126,608	37,677	454,509
Disposal	-	-	( 25,375 )	-	( 8,348 )	-	( 33,723 )
Reclassification	-	4,346	50,467	6,790	13,049	1,690	76,342
Reclassified as investment property	( 1,327,972 )	( 15,941 )	-	-	-	-	( 1,343,913 )
Disposal of subsidiaries (Note 34)	-	( 90,783 )	-	-	( 22,546 )	-	( 113,329 )
Net exchange differences	-	3,265	6	16	1,032	-	4,319
Balance on September 30, 2022	<u>\$ 1,325,896</u>	<u>\$ 580,013</u>	<u>\$ 1,029,161</u>	<u>\$ 47,509</u>	<u>\$ 1,074,163</u>	<u>\$ 334,384</u>	<u>\$ 4,391,126</u>
<u>Accumulated depreciation and impairment</u>							
Balance on January 1, 2022	\$ -	\$ 123,893	\$ 278,155	\$ 17,141	\$ 441,300	\$ -	\$ 860,489
Acquisition through business combinations (Note 33)	-	-	235,164	-	33,312	-	268,476
Disposal	-	-	( 16,937 )	-	( 8,251 )	-	( 25,188 )
Depreciation expenses	-	9,930	49,186	3,441	83,632	-	146,189
Reclassification	-	( 40 )	-	-	-	-	( 40 )
Reclassified as investment property	-	( 552 )	-	-	-	-	( 552 )
Disposal of subsidiaries (Note 34)	-	( 73,683 )	-	-	( 5,810 )	-	( 79,493 )
Net exchange differences	-	2,631	2	16	301	-	2,950
Balance on September 30, 2022	<u>\$ -</u>	<u>\$ 62,179</u>	<u>\$ 545,570</u>	<u>\$ 20,598</u>	<u>\$ 544,484</u>	<u>\$ -</u>	<u>\$ 1,172,831</u>
Net Balance on September 30, 2022	<u>\$ 1,325,896</u>	<u>\$ 517,834</u>	<u>\$ 483,591</u>	<u>\$ 26,911</u>	<u>\$ 529,679</u>	<u>\$ 334,384</u>	<u>\$ 3,218,295</u>
Net Balance on December 31, 2021 and January 1, 2022	<u>\$ 2,444,861</u>	<u>\$ 553,898</u>	<u>\$ 381,053</u>	<u>\$ 18,758</u>	<u>\$ 483,537</u>	<u>\$ 283,009</u>	<u>\$ 4,165,116</u>
<u>Cost</u>							
Balance on January 1, 2021	\$ 937,688	\$ 583,884	\$ 492,971	\$ 22,973	\$ 761,532	\$ -	\$ 2,799,048
Addition	1,035,687	32,611	75,921	1,400	103,510	41,718	1,290,847
Disposal	-	-	( 192 )	-	( 7,898 )	-	( 8,090 )
Reclassification	44,240	33,105	1,973	-	17,623	-	96,941
From investment properties	9,938	23,204	-	-	-	-	33,142
Net exchange differences	-	( 1,451 )	-	( 9 )	( 362 )	-	( 1,822 )
Balance on September 30, 2021	<u>\$ 2,027,553</u>	<u>\$ 671,353</u>	<u>\$ 570,673</u>	<u>\$ 24,364</u>	<u>\$ 874,405</u>	<u>\$ 41,718</u>	<u>\$ 4,210,066</u>
<u>Accumulated depreciation and impairment</u>							
Balance on January 1, 2021	\$ -	\$ 105,956	\$ 229,809	\$ 14,285	\$ 365,429	\$ -	\$ 715,479
Disposal	-	-	( 187 )	-	( 5,089 )	-	( 5,276 )
Depreciation expenses	-	12,284	34,637	2,063	58,244	-	107,228
From investment properties	-	1,820	-	-	-	-	1,820
Net exchange differences	-	( 1,092 )	-	( 9 )	( 114 )	-	( 1,215 )
Balance on September 30, 2021	<u>\$ -</u>	<u>\$ 118,968</u>	<u>\$ 264,259</u>	<u>\$ 16,339</u>	<u>\$ 418,470</u>	<u>\$ -</u>	<u>\$ 818,036</u>
Net Balance on September 30, 2021	<u>\$ 2,027,553</u>	<u>\$ 552,385</u>	<u>\$ 306,414</u>	<u>\$ 8,025</u>	<u>\$ 455,935</u>	<u>\$ 41,718</u>	<u>\$ 3,392,030</u>

Depreciation expenses are calculated by straight-light basis using the estimated useful lives as follows:

Buildings	6 to 51 years
Machinery equipment	4 to 16 years
Leasehold improvements	2 to 9 years
Other Assets	1 to 21 years

The consolidated company's significant components of the buildings includes main buildings of plants, improvement of main buildings, roads and walls, etc., and they are depreciated based on the estimated useful lives of 51 years, 21 years, and 20 years, respectively.

Please refer to Note 39 for the amount of property, plant and equipment pledged as collateral for loans.

## 15. Lease Agreements

### a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
Book value of right-of-use assets			
Land	\$ -	\$ 21,000	\$ 20,979
Buildings	71,524	31,476	29,920
Transportation Equipment	<u>11,066</u>	<u>15,819</u>	<u>18,122</u>
	<u>\$ 82,590</u>	<u>\$ 68,295</u>	<u>\$ 69,021</u>
	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022
Additions of right-of-use assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,781</u>
			<u>\$ 28,222</u>
Depreciation expense of right-of-use assets			
Land	\$ -	\$ 166	\$ 170
Buildings	4,193	2,095	9,878
Transportation Equipment	<u>2,450</u>	<u>2,303</u>	<u>6,888</u>
	<u>\$ 6,643</u>	<u>\$ 4,564</u>	<u>\$ 16,936</u>
			<u>\$ 11,656</u>

Except for the addition and recognition of depreciation expenses listed above, there is no significant sublease or impairment of the right-of-use assets of the consolidated company from January 1 to September 30, 2022 and 2021.

### b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount of lease liabilities			
Current	<u>\$ 28,690</u>	<u>\$ 18,150</u>	<u>\$ 17,129</u>
Non-current	<u>\$ 55,661</u>	<u>\$ 30,086</u>	<u>\$ 31,698</u>

Ranges of discount rates for lease liabilities are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Buildings	1.45% ~ 2.72%	1.45% ~ 1.63%	1.45% ~ 1.63%
Transportation Equipment	1.50% ~ 7.90%	1.50% ~ 7.90%	1.50% ~ 7.90%

c. Major lease activities and terms

The consolidated company leases several transportation equipment for operational use with lease terms of 3 to 5 years. At the end of the lease term, the consolidated company has the option to purchase the equipment for its nominal amount at that time.

The consolidated company has also leased certain land for plant use for a period of 5 to 20 years. At the end of the lease terms, the consolidated company has no bargain purchase option over the leasehold land and buildings, and the consolidated company may not sublease or transfer all or part of the underlying lease without the lessor's consent.

d. Other lease information

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Short-term leases expenses	<u>\$ 3,254</u>	<u>\$ 3,158</u>	<u>\$ 9,401</u>	<u>\$ 9,721</u>
Total cash (outflow) for leases			<u>( \$ 25,916 )</u>	<u>( \$ 21,362 )</u>

The consolidated company has elected to apply the recognition exemption on the leases houses and buildings which qualify as short-term leases, and it did not recognize related right-of-use assets and lease liabilities for these leases.

All lease commitments with lease terms beginning after the balance sheet date are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Lease commitments	<u>\$ 1,104</u>	<u>\$ 5,811</u>	<u>\$ -</u>

## 16. Investment properties

	Completed Investment Properties
<u>Cost</u>	
Balance on January 1, 2022	\$ 645,026
Transfer in from property, plant and equipment	1,343,913
Acquisition through business combinations	<u>143,398</u>
Balance on September 30, 2022	<u>\$ 2,132,337</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2022	\$ 45,067
Transfer in from property, plant and equipment	552
Depreciation expenses	<u>6,613</u>
Balance on September 30, 2022	<u>\$ 52,232</u>

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	Completed Investment Properties
Net Balance on September 30, 2022	<u>\$ 2,080,105</u>
Net Balance on December 31, 2021 and January 1, 2022	<u>\$ 599,959</u>
<u>Cost</u>	
Balance on January 1, 2021	\$ 678,168
Reclassified to Property, Plant and Equipment	( <u>33,142</u> )
Balance on September 30, 2021	<u>\$ 645,026</u>
<u>Accumulated depreciation and impairment</u>	
Balance on January 1, 2021	\$ 38,335
Reclassified to Property, Plant and Equipment	( <u>1,820</u> )
Depreciation expenses	<u>6,414</u>
Balance on September 30, 2021	<u>\$ 42,929</u>
Net Balance on September 30, 2021	<u>\$ 602,097</u>

The total amount of lease payments to be collected in the future for investment property on operating lease for the years 2022 and 2021 is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	\$ 34,403	\$ 33,070	\$ 33,322
Year 2	<u>560</u>	<u>16,407</u>	<u>24,607</u>
	<u>\$ 34,963</u>	<u>\$ 49,477</u>	<u>\$ 57,929</u>

Depreciation expenses are calculated by straight-light basis using the estimated useful lives as follows:

Main buildings	51 years
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As of September 30, 2022, the consolidated company has NT\$143,398 thousand in investment properties, which were agricultural land, and the ownership was temporarily registered in the name of a third party, and the trustee had issued a settlement statement.



The fair value of the investment properties of the consolidated company cannot be reliably determined due to the scarcity of nearby buildings, which leads to less frequent comparable market transactions and reliable alternative estimates to replace the fair value.

The consolidated company held freehold interests in all of its investment properties. Please refer to Note 39 for the amount of investment property pledged as collateral for loans.

The consolidated company has no lease commitment commencing after the balance sheet date for the lease term.

## 17. Goodwill

	<u>Amount</u>
<u>Cost</u>	
Balance on January 1, 2022	\$ 98,784
Acquisition through business combination for the current period (Note 33)	40,761
Disposal of subsidiaries (Note 34)	( 49,961 )
Balance on September 30, 2022	<u>\$ 89,584</u>
<u>Accumulated impairment</u>	
Balance on January 1, 2022	( \$ 24,201 )
Balance on September 30, 2022	( <u>\$ 24,201</u> )
Net Balance on September 30, 2022	<u>\$ 65,383</u>
Net Balance on December 31, 2021 and January 1, 2022	<u>\$ 74,583</u>
<u>Cost</u>	
Balance on January 1, 2021	<u>\$ 104,084</u>
Balance on September 30, 2021	<u>\$ 104,084</u>
<u>Accumulated impairment</u>	
Balance on January 1, 2021	( <u>\$ 3,766</u> )
Balance on September 30, 2021	( <u>\$ 3,766</u> )
Net Balance on September 30, 2021	<u>\$ 100,318</u>

On July 29, 2022, the consolidated company acquired Fu Rui Sheng Industrial Co., Ltd. and resulted in goodwill of \$40,761 thousand, which was mainly attributable from the control premium, including merger synergies, revenue growth, and future development which were expected to be generated.

## 18. Other Intangible Assets

	Patents	Cost of Computer software	Franchise	Golf membership card	Technique	Client Relationship	Total
<u>Cost</u>							
Balance on January 1, 2022	\$ 97,425	\$ 48,926	\$ 44,158	\$ 8,763	\$ 5,900	\$ 5,300	\$ 210,472
Acquisition through business combinations	-	550	-	-	-	-	550
Acquired separately	-	12,221	-	-	-	-	12,221
Disposal of subsidiaries (Note 34)	-	-	( 45,805 )	-	-	-	( 45,805 )
Net exchange differences	-	-	1,647	-	-	-	1,647
Balance on September 30, 2022	<u>\$ 97,425</u>	<u>\$ 61,697</u>	<u>\$ -</u>	<u>\$ 8,763</u>	<u>\$ 5,900</u>	<u>\$ 5,300</u>	<u>\$ 179,085</u>
<u>Accumulated amortization and impairment</u>							
Balance on January 1, 2022	\$ 22,467	\$ 32,420	\$ 44,158	\$ -	\$ 843	\$ 2,650	\$ 102,538
Acquisition through business combinations	-	148	-	-	-	-	148
Amortization expenses	6,246	8,134	-	-	632	1,987	16,999
Disposal of subsidiaries (Note 34)	-	-	( 45,805 )	-	-	-	( 45,805 )
Net exchange differences	-	-	1,647	-	-	-	1,647
Balance on September 30, 2022	<u>\$ 28,713</u>	<u>\$ 40,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,475</u>	<u>\$ 4,637</u>	<u>\$ 75,527</u>
Net Balance on September 30, 2022	<u>\$ 68,712</u>	<u>\$ 20,995</u>	<u>\$ -</u>	<u>\$ 8,763</u>	<u>\$ 4,425</u>	<u>\$ 663</u>	<u>\$ 103,558</u>
Net Balance on December 31, 2021 and January 1, 2022	<u>\$ 74,958</u>	<u>\$ 16,506</u>	<u>\$ -</u>	<u>\$ 8,763</u>	<u>\$ 5,057</u>	<u>\$ 2,650</u>	<u>\$ 107,934</u>
<u>Cost</u>							
Balance on January 1, 2021	\$ 97,425	\$ 32,451	\$ 44,494	\$ 8,763	\$ 5,900	\$ -	\$ 189,033
Acquired separately	-	14,831	-	-	-	-	14,831
Net exchange differences	-	-	( 732 )	-	-	-	( 732 )
Balance on September 30, 2021	<u>\$ 97,425</u>	<u>\$ 47,282</u>	<u>\$ 43,762</u>	<u>\$ 8,763</u>	<u>\$ 5,900</u>	<u>\$ -</u>	<u>\$ 203,132</u>
<u>Accumulated amortization and impairment</u>							
Balance on January 1, 2021	\$ 14,138	\$ 24,166	\$ 44,494	\$ -	\$ -	\$ -	\$ 82,798
Amortization expenses	6,247	5,869	-	-	632	-	12,748
Net exchange differences	-	-	( 732 )	-	-	-	( 732 )
Balance on September 30, 2021	<u>\$ 20,385</u>	<u>\$ 30,035</u>	<u>\$ 43,762</u>	<u>\$ -</u>	<u>\$ 632</u>	<u>\$ -</u>	<u>\$ 94,814</u>
Net Balance on September 30, 2021	<u>\$ 77,040</u>	<u>\$ 17,247</u>	<u>\$ -</u>	<u>\$ 8,763</u>	<u>\$ 5,268</u>	<u>\$ -</u>	<u>\$ 108,318</u>

The franchise represents the franchise of operation granting to Wu Jiang Start-up to sell Shanghai Volkswagen in Suzhou City. The consolidated company had completed the equity transfer of Wu Jiang Start-up on April 25, 2022. Please refer to Note 34.

Golf membership card of the consolidated company is a right of use and the management of the consolidated company considers that the consolidated company has the intention and ability to extend the useful life continuously, hence it is an intangible asset with indefinite

useful life, and is tested for impairment annually whether or not there is any indication of impairment. Security deposit of golf membership amounted to \$12,000 thousand and recognized as refundable deposits.

Amortization expenses are calculated by straight-line basis using the estimated useful lives as follows:

Cost of Computer software	2 to 9 years
Patents	10 years
Technique	7 years
Client Relationship	2 years

Amortization expenses summarized by function:

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Operating costs	\$ 2,152	\$ 1,816	\$ 6,067	\$ 4,333
Selling and marketing expenses	-	-	-	-
General and administrative expenses	1,446	640	4,221	1,704
Research expenses	<u>2,237</u>	<u>2,237</u>	<u>6,711</u>	<u>6,711</u>
	<u>\$ 5,835</u>	<u>\$ 4,693</u>	<u>\$ 16,999</u>	<u>\$ 12,748</u>

## 19. Prepayments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Advance payment	\$ 68,745	\$ 77,981	\$ 70,668
Prepaid rent	1,415	782	1,325
Prepaid investment	-	85,478	-
Tax overpaid retained for offsetting the future tax payable	5,806	15,883	11,871
Prepaid insurance fee	411	752	842
Other prepayments	<u>20,589</u>	<u>16,211</u>	<u>19,618</u>
	<u>\$ 96,966</u>	<u>\$ 197,087</u>	<u>\$ 104,324</u>

Gudeng Venture of the consolidated company participated in the 2021 annual cash capital increase of Asia Neo Tech Industrial Co., Ltd by the resolution of the Board of Directors on December 27, 2021 to subscribe 3,326,000 shares at \$25.7 per share, and it is recorded under the account of prepaid investment as the relevant legal procedures have not been completed as of December 31, 2021.

## 20. Other Assets

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Other current assets			
Temporary payments	\$ 4,204	\$ 1,337	\$ 2,484
Advances to employees	-	107	106
	<u>\$ 4,204</u>	<u>\$ 1,444</u>	<u>\$ 2,590</u>
<u>Non-current</u>			
Other non-current assets			
Others	<u>\$ 1,265</u>	<u>\$ 8,172</u>	<u>\$ 5,960</u>

## 21. Borrowings

### a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Secured loans (Note 39)</u>			
- Other loans (1)	\$ -	\$ 29,920	\$ 30,496
- Bank loans (2)	<u>75,000</u>	<u>150,000</u>	-
	<u>\$ 75,000</u>	<u>\$ 179,920</u>	<u>\$ 30,496</u>

1) Other borrowings are loans borrowed by Wu Jiang Start-up from SAIC Motor Corporation Ltd. at fixed interest rates of 6.16% and 6.16% as of December 31, 2021 and September 30, 2021, respectively.

2) The interest rates on bank revolving loans were 1.46% ~ 2.15% and 1.28% as of September 30, 2022 and December 31, 2021, respectively.

### b. Long-term Borrowings

The consolidated company's borrowings include:

	Maturity Date	Material terms and conditions	Effective interest rate	September 30, 2022	December 31, 2021	September 30, 2021
<u>Secured loans</u>						
Secured bank loans in New Taiwan Dollars of Taiwan Cooperative Bank	2024.6.30	The borrowing period was from April 5, 2017 to June 30, 2024 with principal due upon maturity.	1.63	\$ 25,000	\$ 25,000	\$ 25,000
Secured bank loans in New Taiwan Dollars of First Bank	2039.8.6	The borrowing period was from August 6, 2019 to August 6, 2039 with principal and interests evenly split and paid monthly, and interests calculated monthly.	1.95	38,504	39,973	40,461
Secured bank loans in New Taiwan Dollars of Bank of Panhsin	2035.2.21	The borrowing period was from February 21, 2020 to February 21, 2035 with principal and interests evenly split into a total of 180 installments, and with fixed annuities.	1.92	43,854	46,229	47,023
Secured bank loans in New Taiwan Dollars of Chang Hwa Bank	2040.3.31	The loan period is from March 31, 2020 to March 31, 2040, with a grace period of 36 installments, which is amortized into 216 installments starting from March 31, 2023, with monthly principal and interest amortized evenly.	1.65	712,861	712,861	712,861
Secure bank loans in New Taiwan Dollars of Mega Bank	2035.9.28	The borrowing period was starting from September 28, 2020 with principal evenly split into a total of 60 installments, and interests calculated monthly.	2.39	12,000	-	-
Secured bank loans in New Taiwan Dollars of Taiwan Cooperative Bank	2041.3.2	The grace period was from March 2, 2021 to March 2, 2024 with interests paid monthly by the amount of the loans during this period, and principal and interests evenly split into a total of 204 installments from March 2, 2024.	1.63	389,000	389,000	389,000
Secured bank loans in New Taiwan Dollars of Taiwan Business Bank	2028.10.4	The borrowing period was from October 4, 2021 to October 4, 2028 with principal and interests evenly split and paid monthly, and interests calculated monthly.	1.63	-	117,143	-

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	Maturity Date	Material terms and conditions	Effective interest rate	September 30, 2022	December 31, 2021	September 30, 2021
Secured bank loans in New Taiwan Dollars of Bank of Panhsin	2041.4.6	The loan period is from April 6, 2021 to April 6, 2041, which is amortized into 240 installments starting from May 6, 2021, with monthly principal and interest amortized evenly.	1.78	59,106	61,164	61,856
Secured bank loans in New Taiwan Dollars of E.SUN Bank	2025.5.19	Starting from June 14, 2021, the principal was amortized and monthly paid for 1.2 million with interests calculated monthly. Starting from June 2022, the principal was amortized into 36 months and monthly paid for 0.85 million with the remaining principal due upon maturity.	1.94	322	-	-
Secured bank loans in New Taiwan Dollars of E.SUN Bank	2025.5.19	Starting from June 14, 2021, the principal was amortized and monthly paid for 1.2 million with interests calculated monthly. Starting from June 2022, the principal was amortized into 36 months and monthly paid for 0.85 million with the remaining principal due upon maturity.	1.82	67,200	-	-
Secured bank loans in New Taiwan Dollars of Taiwan Business Bank	2041.6.25	The grace period was from June 25, 2021 to June 25, 2026 with interests paid monthly by the amount of the loans during this period, and principal and interests evenly split into a total of 180 installments from July 25, 2026.	1.65	728,000	728,000	728,000
Secured bank loans in New Taiwan Dollars of Taiwan Business Bank	2028.7.16	The borrowing period was from July 16, 2021 to July 16, 2028 with principal and interests evenly split and paid monthly, and interests calculated monthly.	1.63	-	158,000	164,000
Secured bank loans in New Taiwan Dollars of First Bank	2028.7.16	The borrowing period was from July 16, 2021 to July 16, 2028 with principal and interests evenly split and paid monthly, and interests calculated monthly.	1.45	-	32,998	34,200
Secured bank loans in New Taiwan Dollars of Chang Hwa Bank	2028.7.16	The borrowing period was from July 16, 2021 to July 16, 2028 with principal and interests evenly split and paid monthly, and interests calculated monthly.	1.63	-	565,736	586,316
Secured bank loans in New Taiwan Dollars of Taiwan Business Bank	2042.1.4	The grace period was from January 4, 2022 to January 4, 2027 with interests paid monthly by the amount of the loans during this period, and principal and interests evenly split into a total of 180 installments from January 4, 2027.	1.65	338,000	-	-
Secured bank loans in New Taiwan Dollars of Taiwan Cooperative Bank	2024.6.30	The borrowing period was from February 25, 2022 to June 30, 2024 with principal due upon maturity.	1.63	8,780	-	-
<u>Line of credit loans</u>						
Line of credit loans in New Taiwan Dollars of Taiwan Cooperative Bank	2024.8.4	Principal was due upon maturity with interests calculated monthly.	1.50	80,000	-	-
Line of credit loans in New Taiwan Dollars of Taiwan Business Bank	2025.2.27	The borrowing period was starting from February 27, 2020 with principal evenly split into a total of 60 installments, and interests calculated monthly.	2.35	4,833	-	-
Line of credit loans in New Taiwan Dollars of Chang Hwa Bank	2025.3.31	The borrowing period was from April 1, 2020 to March 31, 2025 with principal and interests evenly split into a total of 60 installments, and interests calculated monthly.	1.75	39,418	50,581	54,287
Line of credit loans in New Taiwan Dollars of E.SUN Bank	2024.4.26	The borrowing period was starting from April 26, 2020 with principal and interests evenly split and paid monthly.	2.13	3,189	-	-
Line of credit loans in New Taiwan Dollars of Chang Hwa Bank	2025.3.31	The borrowing period was from May 15, 2020 to March 31, 2025 with principal and interests evenly split into a total of 59 installments, and interests calculated monthly.	1.75	20,030	25,699	27,582
<u>Line of credit loans</u>						
Line of credit loans in New Taiwan Dollars of Taiwan Cooperative Bank	2023.6.20	The borrowing period was from June 20, 2020 to June 20, 2023 with principal and interests evenly split and paid monthly, and interests calculated monthly.	2.35	\$ 2,544	\$ -	\$ -
Line of credit loans in New Taiwan Dollars of Taiwan Business Bank	2029.8.4	Principal was evenly split and paid monthly with interests calculated monthly.	1.78	148,214	-	-
Line of credit loans in New Taiwan Dollars of the Shanghai Commercial Bank	2026.7.9	The borrowing period was starting from July 9, 2020 with grace period of 1 year, principal and interests were evenly split on a monthly basis after the grace period, and interests calculated monthly.	2.75	3,771	-	-
Line of credit loans in New Taiwan Dollars of Taiwan Cooperative Bank	2023.7.15	The borrowing period was from July 15, 2020 to July 15, 2023 with principal and interests evenly split into a total of 36 installments, and interests calculated monthly.	1.85	4,236	7,986	9,226
Line of credit loans in New Taiwan Dollars of the Shanghai Commercial Bank	2026.8.10	The borrowing period was starting from August 10, 2020 with grace period of 1 year, principal and interests were evenly split on a monthly basis after the grace period, and interests calculated monthly.	2.75	3,800	-	-
Line of credit loans in New Taiwan Dollars of the Shanghai Commercial Bank	2026.9.10	The borrowing period was starting from September 10, 2020 with grace period of 1 year, principal and interests were evenly split on a monthly basis after the grace period, and interests calculated monthly.	2.75	3,900	-	-
Line of credit loans in New Taiwan Dollars of the Shanghai Commercial Bank	2026.10.10	The borrowing period was starting from October 10, 2020 with grace period of 1 year, principal and interests were evenly split on a monthly basis after the grace period, and interests calculated monthly.	2.75	4,000	-	-
Line of credit loans in New Taiwan Dollars of the Shanghai Commercial Bank	2026.11.10	The borrowing period was starting from November 10, 2020 with grace period of 1 year, principal and interests were evenly split on a monthly basis after the grace period, and interests calculated monthly.	2.75	3,300	-	-
Line of credit loans in New Taiwan Dollars of the Shanghai Commercial Bank	2026.12.10	The borrowing period was starting from December 10, 2020 with grace period of 1 year, principal and interests were evenly split on a monthly basis after the grace period, and interests calculated monthly.	2.75	1,000	-	-
Line of credit loans in New Taiwan Dollars of First Bank	2023.2.3	The borrowing period was from August 5, 2021 to February 3, 2023 with monthly interest and principal due upon maturity.	1.25	-	80,000	100,000
Line of credit loans in New Taiwan Dollars of the Shanghai Commercial Bank	2027.2.15	The borrowing period was starting from February 15, 2022 with grace period of 1 year, principal and interests were amortized and paid based on the variable annuity method after the grace period.	2.87	5,000	-	-
Line of credit loans in New Taiwan Dollars of the Shanghai Commercial Bank	2027.6.28	The borrowing period was starting from June 28, 2022 with grace period of 1 year, principal and interests were amortized and paid based on the variable annuity method after the grace period.	2.87	10,000	-	-
Less: current portion matured in 1 year				2,759,862 ( 103,092 )	3,040,370 ( 164,467 )	2,979,812 ( 171,918 )
Long-term Borrowings				<u>\$ 2,656,770</u>	<u>\$ 2,875,903</u>	<u>\$ 2,807,894</u>

Please refer to Note 39 for the collateral of the above bank loans.

## 22. Corporate Bonds Payable

	September 30, 2022	December 31, 2021	September 30, 2021
Domestic unsecured convertible bonds	\$ 951,991	\$ -	\$ -
Less: current portion matured in 1 year	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 951,991</u>	<u>\$ -</u>	<u>\$ -</u>

### The third domestic secured convertible bonds

On July 7, 2022, the consolidated company issued 10,000 units with 3-year issuance periods of NTD denominated unsecured convertible corporate bonds at a coupon rate of 0% with a principal amounted to \$1,000,000 thousand.

Holders of corporate bonds of each unit are entitled to convert into the ordinary shares of the consolidated company at \$231.4 per share. After such conversion price is determined, if there is an increase in the ordinary shares in issue, the conversion price adjustment formula shall be adjusted.

From the day after the issuance of the convertible corporate bonds for three months to 40 days before the maturity date, if the closing price of the consolidated company's ordinary shares exceeds 30% of the current conversion price for 30 consecutive business days, the consolidated company may, within 30 business days, delivery a "Notice to call back bonds" due in 30 days through registered mails, and call back all the corporate bonds by cash at par value by the end of that period; from the day after the issuance of the convertible corporate bonds for three months to 40 days before the maturity date, if the outstanding balance of the convertible corporate bonds is less than 10% of total initial issue amount, the consolidated company may, at any time after that time, delivery a "Notice to call back bonds" due in 30 days through registered mails, and call back all the corporate bonds by cash at par value by the end of that period.

The date when two years have passed since the issuance of the convertible corporate bonds is the benchmark date for bondholders to sell back the converted corporate bonds in advance. Forty business days before the date, the consolidated company shall send a "Notice of Exercise of Put-back Option" by registered mail to redeem all of its bonds in cash at the face value of the bonds.

This convertible corporate bonds comprise a liability and equity component, and the equity component is presented under equity as capital surplus – share option. The equity component is initially recognized at the effective interest rate of 1.79%.

Movements of the master contracts of debt from the issuance date to September 30, 2022 are as follows:

	<u>Amount</u>
Issue proceeds on July 7, 2022 (less transaction costs of \$5,280 thousand)	\$ 994,720
Equity components (less transaction cost allocated to equity of \$228 thousand)	( 42,871 )
Derivatives components - put right	( 4,500 )
Derivatives components - redemption rights	<u>700</u>
Liability components on issuance date (Derivatives components - redemption rights)	948,049
Interests calculated at the effective interest rate of 1.79%	<u>3,942</u>
Liability components on September 30, 2022	<u>\$ 951,991</u>

#### The second domestic secured convertible bonds

On November 21, 2019, the consolidated company issued 3,000 units with 3-year issuance periods of NTD denominated secured convertible corporate bonds at a coupon rate of 0% with a principal amounted to \$300,000 thousand.

Holders of corporate bonds of each unit are entitled to convert into the ordinary shares of the consolidated company at \$125 per share. After such conversion price is determined, if there is an increase in the ordinary shares in issue, the conversion price adjustment formula shall be adjusted. On September 24, 2019, the Board of Directors of the consolidated company resolved to issue 3,000 thousand new shares with a par value of \$10 per share for the cash capital increase, with the base date of the capital increase of November 26, 2019, and the conversion price of The Company bonds was adjusted to \$124 per share beginning in the record date of that capital increase.

The conversion price of the parent company only Corporate Bonds was adjusted to \$123.3 as per the Adjustment Method on March 18, 2020. The conversion price of the parent company only corporate bonds was adjusted to \$122.8 as per the adjustment formula on August 28, 2020. The conversion price of the parent company only Corporate Bonds was adjusted to \$121.3 as per the Adjustment Method on January 25, 2021. The conversion price of the parent company only Corporate Bonds was adjusted to \$120.7 as per the Adjustment Method on March 17, 2021. The conversion price of the parent company only corporate bonds was adjusted to \$119.1 as per the adjustment method on July 12, 2021. The conversion period was from February 22, 2020 to November 21, 2022. The corporate bonds not converted during the period will be redeemed in cash at par value on November 21, 2022.

From the day after the issuance of the convertible corporate bonds for three months to 40 days before the maturity date, if the closing price of the consolidated company's ordinary shares exceeds 30% of the current conversion price for 30 consecutive business days, the consolidated company may, within 30 business days, delivery a “Notice to call back bonds” due in 30 days through registered mails, and call back all the corporate bonds by cash at par value by the end of that period; from the day after the issuance of the convertible corporate bonds for three months to 40 days before the maturity date, if the outstanding balance of the convertible corporate bonds is less than 10% of total initial issue amount, the consolidated company may, at any time after that time, delivery a “Notice to call back bonds” due in 30 days through registered mails, and call back all the corporate bonds by cash at par value by the end of that period.

On July 13, 2021, the consolidated company exercised the right to recover the bonds in accordance with the issuance and conversion measures, and the base date for recovering the convertible bonds was set at September 1, 2021, which have been fully converted as of December 31, 2021.

This convertible corporate bonds comprise a liability and equity component, and the equity component is presented under equity as capital surplus – share option. The equity component is initially recognized at the effective interest rate of 1.76%.

The contents of the conversion which was fully converted by the consolidated company per the requests of the bond holders as of December 31, 2021 are as follows:

	2021
Total amount of requested conversion of bonds	\$ 7,200
Less: shares capital of ordinary shares issued at the conversion price of the above-mentioned convertible bonds in accordance with issuance regulations	( 592 )
Premium on conversion	6,608
Add: capital surplus – share option	109
Less: discount on corporate bonds payable	( 222 )
Financial assets at fair value through profit or loss	( 14 )
Odd lot transferred into	( 1 )
Ordinary shares Issued and partially transferred to capital surplus - premium on conversion of corporate bonds	<u>\$ 6,480</u>



Movements of the master contracts of debt from the issuance date to December 31, 2021 are as follows:

	<u>Amount</u>
Issue proceeds on November 21, 2019 (less transaction costs of \$ 4,411 thousand)	\$ 295,589
Equity components (less transaction cost allocated to equity of \$171 thousand)	( 11,469 )
Derivatives components - redemption rights	<u>570</u>
Liability components on issuance date (Derivatives components - redemption rights)	284,690
Interests calculated at the effective interest rate of 1.76%	4,273
Ordinary shares converted from corporate bonds payable	( 281,996 )
Liability components on December 31, 2020	<u>\$ 6,967</u>
Liability components on January 1, 2021	\$ 6,967
Interests calculated at the effective interest rate of 1.76%	11
Ordinary shares converted from corporate bonds payable	( 6,978 )
Liability components on December 31, 2021	<u>\$ -</u>

### 23. Note Payables and Trade Payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Notes payable</u>			
Arising from operations - unrelated parties	<u>\$ 18,439</u>	<u>\$ 90</u>	<u>\$ 90</u>
Arising from operations - related parties (Note 38)	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Trade payables</u>			
Arising from operations - unrelated parties	<u>\$ 521,950</u>	<u>\$ 412,025</u>	<u>\$ 336,808</u>
Arising from operations - related parties (Note 38)	<u>\$ 16,776</u>	<u>\$ 18,704</u>	<u>\$ 29,690</u>

The average credit periods of parts of Commodities purchased by the consolidated company are 1 - 3 months, and interests are not added to the trade payables. The consolidated company has financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

**24. Other Liabilities**

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Other payables			
Equipment payment payable	\$ 72,174	\$ 303,634	\$ 44,390
Salaries and bonuses payable	181,934	129,847	73,669
Employee compensation payable	66,679	30,211	16,646
Directors and supervisors remuneration payable	30,927	15,987	6,950
Vacation leave payment payable	21,624	15,199	13,541
Interest payable	1,743	2,155	1,286
Dividends payable	-	67,278	-
Others	<u>241,181</u>	<u>160,389</u>	<u>118,623</u>
	<u>\$ 616,262</u>	<u>\$ 724,700</u>	<u>\$ 275,105</u>
 <u>Other Liabilities</u>			
Temporary received	\$ 663	\$ 535	\$ 531
Received on behalf of others	3,931	3,327	2,716
Others	<u>8,947</u>	<u>-</u>	<u>453</u>
	<u>\$ 13,541</u>	<u>\$ 3,862</u>	<u>\$ 3,700</u>

**25. Provisions**

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Warranty	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ -</u>

Warranty provisions is the present value of the best estimate of the future economic benefits resulted from the consolidated company's management due to warranty obligations according to the agreements of sales contracts of commodities. This estimate is based on the historical experience of warranty and considers the adjustment of new raw materials, changes in manufacturing process, or other factors affecting quality of the products.

**26. Benefits after retirement**

Employee benefits expense in respect of the consolidated company's defined benefit plans was NT\$33 thousand, NT\$14 thousand, NT\$98 thousand and NT\$41 thousand for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, respectively, and were calculated using the prior year's actuarially determined pension cost discount rate as of December 31, 2022 and 2021, respectively.

## 27. Equity

### a. Ordinary shares

	September 30, 2022	December 31, 2021	September 30, 2021
Nominal shares (in thousand shares)	<u>150,000</u>	<u>150,000</u>	<u>100,000</u>
Nominal share capital	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and payments received in full (in thousand shares)	<u>84,097</u>	<u>84,097</u>	<u>84,092</u>
Share capital issued	<u>\$ 840,973</u>	<u>\$ 840,973</u>	<u>\$ 840,922</u>
Share capital collected in advance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51</u>

### b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Used to offset deficit, distribute cash, or replenish share capital</u> (1)			
Premium on issuance of shares	\$ 2,696,145	\$ 2,696,145	\$ 2,593,056
Premium on conversion of convertible corporate bonds	275,497	275,497	275,497
Treasury shares transactions	200,461	103,161	103,161
Changes in net equity values of associates and joint venture accounted for using the equity method	178	-	-
<u>Only to offset deficit</u>			
Invalid employees stock options	-	-	763
<u>Not to be used for any purposes</u>			
Employees stock options	-	19,803	84,971
Stock option	<u>42,872</u>	<u>-</u>	<u>17,355</u>
	<u>\$ 3,215,153</u>	<u>\$ 3,094,606</u>	<u>\$ 3,074,803</u>

- 1) This type of capital surplus may be used to offset deficit or issue cash or replenish share capital when there are no loss, but share capital replenishment is restricted to the ratio of actual share capital stock each year.

c. Retained Earnings and Dividends Policy

According to the surplus distribution policy of the Company's articles of association, the Company's earning distribution or appropriation for deficits shall be made after the end of the half-year period in a fiscal year. As in the form of new share issuance, the proposal shall be resolved in the shareholders' meeting before the distribution; as in the form of cash, the proposal shall be resolved by the Board of Directors and then reported in the shareholders' meeting.

According to the surplus distribution policy of the company's articles of association, if there is a surplus in the annual final accounts, taxes shall be paid in accordance with the law, and after the accumulated losses are made up, another 10% shall be allocated as the statutory surplus reserve, and the rest shall be set aside or reversed to special surplus reserves as required by law and order; if there is a balance and accumulated undistributed surplus, the board of directors shall draw up a surplus distribution proposal and submit it to the shareholders' meeting for resolution to distribute dividends and bonuses to shareholders. For the policies on employees' compensation and remuneration of directors and supervisors, which is stipulated in the Company's Articles of Incorporation, please refer to Note 29(7).

The legal reserve shall be allocated until it reaches the balance of the Company's paid-in capital. The legal reserve can be used to offset deficit. When the Company has no loss, the part of the legal capital reserve exceeding 25% of the total paid-in capital may be distributed in cash in addition to being appropriated as share capital.

The Company has set aside and reversed the special surplus reserve in accordance with the provisions of Financial Supervisory Securities Letter No. 1010012865 and No. 1090150022. If there is a subsequent reversal of the net reduction of other shareholders' equity, the surplus may be allocated in respect of the reserved portion of the reserved special surplus reserve.

The board of directors of the Company has decided on the surplus distribution plan for the half year of 2022 as follows:

	<u>From January 1 to June 30, 2022</u>
Date of the resolution of the Board of Directors Meeting	November 9, 2022
Legal reserve	<u>\$ 47,775</u>
Special reserve	<u>\$ 151,184</u>
Cash dividends	<u>\$ 336,998</u>
Cash dividend per share (NT\$)	<u>\$ 4.0</u>

The board of directors of the Company has decided on the surplus distribution plan for the year 2021 as follows:

	<u>From July 1 to December 31, 2021</u>	<u>From January 1 to June 30, 2021</u>
Date of the resolution of the Board of Directors Meeting	March 7, 2022	November 5, 2021
Legal reserve	<u>\$ 25,365</u>	<u>\$ 7,463</u>
Special reserve	<u>(\$ 18,728)</u>	<u>\$ 3,561</u>
Cash dividends	<u>\$ 167,437</u>	<u>\$ 67,278</u>
Cash dividend per share (NT\$)	<u>\$ 2.0</u>	<u>\$ 0.8</u>

The above-mentioned cash dividend was resolved by the Board of Directors to distribute, and the remaining earnings distribution items were also resolved at the regular shareholders' meeting held on May 27, 2022.

The board of directors of the Company has decided on the surplus distribution plan for the year 2020 as follows:

	<u>From July 1 to December 31, 2020</u>	<u>From January 1 to June 30, 2020</u>
Date of the resolution of the Board of Directors Meeting	March 12, 2021	December 25, 2020
Legal reserve	<u>\$ 32,726</u>	<u>\$ 13,119</u>
Special reserve	<u>(\$ 13,298)</u>	<u>\$ 6,128</u>
Cash dividends	<u>\$ 292,751</u>	<u>\$ 113,879</u>
Cash dividend per share (NT\$)	<u>\$ 3.5</u>	<u>\$ 1.36</u>

The above-mentioned cash dividend was resolved by the Board of Directors to distribute, and the remaining earnings distribution items were also resolved at the regular shareholders' meeting held on July 30, 2021.

d. Non-controlling interests

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Beginning Balance	\$ 104,581	\$ 71,526
Net income for the year	70,195	24,612
Adjustments of changes in capital surplus of associates accounted for using the equity method	147	-
Increase in non-controlling interests from acquisition of subsidiaries (Note 33)	132,563	-
Increase in non-controlling interests from acquisition of subsidiaries' capital increase	12,495	-
Increase in non-controlling interests from acquisition of subsidiaries based on non-shareholding ratio	168	-
Ending Balance	<u>\$ 320,149</u>	<u>\$ 96,138</u>

e. Treasury stock

Reason for buy-back	Shares transferred to employees (in Thousand Shares)	Buy-back for Cancellation (in Thousand Shares)	Shares of parent company held by subsidiaries (in Thousand Shares)	Total (in Thousand Shares)
Number of shares on January 1, 2022	449	-	-	449
Decrease for the period	( 449 )	-	-	( 449 )
Number of shares on September 30, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares on January 1, 2021	<u>449</u>	<u>-</u>	<u>-</u>	<u>449</u>
Number of shares on September 30, 2021	<u>449</u>	<u>-</u>	<u>-</u>	<u>449</u>

In January 2022, the Company transferred treasury shares to employees with transferred treasury shares of 70 thousand shares at a total buy-back cost of \$2,384 thousand. The record date of the employee shares subscription for these treasury shares was December 27, 2021 and the date to deliver the shares to employees was January 26, 2022.

In June 2022, the Company transferred treasury shares to employees with transferred treasury shares of 120 thousand shares at a total buy-back cost of \$4,086 thousand. The record date of the employee shares subscription for these treasury shares was April 29, 2022 and the date to deliver the shares to employees was June 10, 2022.

In July 2022, the Company transferred treasury shares to employees with transferred treasury shares of 259 thousand shares at a total buy-back cost of \$8,819 thousand. The record date of the employee shares subscription for these treasury shares was May 27, 2022 and the date to deliver the shares to employees was July 1, 2022.

The Company received NT\$15,289 thousand for the transfer of treasury stock and also recognized capital surplus - treasury shares transaction of NT\$97,300 thousand on the date of share delivery to employees, please refer to Note 32.

Treasury shares held by the Company shall not be pledged as collateral in accordance with the Securities and Exchange Act, nor shall it be entitled to dividend distribution and voting rights.

## 28. Revenue

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Revenue from customer contracts				
Sales Revenue of Commodities	<u>\$ 1,069,102</u>	<u>\$ 675,047</u>	<u>\$ 3,160,547</u>	<u>\$ 1,924,390</u>

### a. Explanation of customer contracts

#### Sales Revenue of Commodities

The sales revenue of commodities comes from the manufacturing of mask packages, its service of design, and the sales of semiconductor related products. Upon shipping of the products, the clients have the right to set prices and to use the merchandise as well as the major responsibility of reselling, and bear the risk of obsolescence. The consolidated company recognizes revenue and trade receivable at that point in time.

### b. Balance of contracts

	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Trade receivable (Note 10)	<u>\$ 859,535</u>	<u>\$ 626,519</u>	<u>\$ 410,404</u>	<u>\$ 421,004</u>
Trade receivables from related parties (Note 10)	<u>\$ 435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities – Unearned sales revenue				
Sales of Commodities	<u>\$ 695,398</u>	<u>\$ 459,559</u>	<u>\$ 502,090</u>	<u>\$ 312,532</u>

The contract liabilities from the beginning of the year and from previous periods whose performance obligations were fulfilled were recognized as revenue for the year amounted to \$459,559 thousand.

c. Breakdown of revenue from customer contracts

Please refer to Note 45 for information on the breakdown of revenue.

**29. Net income before tax**

a. Interest income

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Bank deposits	\$ 294	\$ 115	\$ 1,172	\$ 647
Imputed interest on deposits	<u>21</u>	<u>18</u>	<u>57</u>	<u>59</u>
	<u>\$ 315</u>	<u>\$ 133</u>	<u>\$ 1,229</u>	<u>\$ 706</u>

b. Other income

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Rental income				
Investment properties	\$ 9,059	\$ 8,456	\$ 27,179	\$ 25,543
Other rental	<u>490</u>	<u>1,133</u>	<u>2,157</u>	<u>3,151</u>
	<u>9,549</u>	<u>9,589</u>	<u>29,336</u>	<u>28,694</u>
Dividend income				
Financial assets at fair value through profit or loss	4,985	465	6,417	465
Investments in equity instruments at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>25,209</u>	<u>-</u>
	<u>4,985</u>	<u>465</u>	<u>31,626</u>	<u>465</u>
Others	<u>2,684</u>	<u>7,525</u>	<u>6,323</u>	<u>8,184</u>
	<u>\$ 17,218</u>	<u>\$ 17,579</u>	<u>\$ 67,285</u>	<u>\$ 37,343</u>

c. Other gains and (losses)

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Gain (loss) of financial assets and financial liabilities				
Financial assets and liabilities mandatorily classified as at fair value through profit or loss	\$ 2,265	( \$ 4,675 )	( \$ 8,498 )	( \$ 4,355 )

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	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Net gain (loss) on foreign exchange	45,282	770	74,255	( 3,021 )
Gains on bargain purchase - acquisition of subsidiaries (Note 33)	36	-	36	-
Gain on disposal of property, plant and equipment	443	235	1,340	657
Gain on disposal of subsidiaries (Note 34)	-	-	54,936	-
Gain on lease amendment	-	-	-	21
Others	( <u>508</u> )	( <u>149</u> )	( <u>541</u> )	( <u>1,411</u> )
	<u>\$ 47,518</u>	<u>( \$ 3,819 )</u>	<u>\$ 121,528</u>	<u>( \$ 8,109 )</u>

d. Finance costs

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Interest on bank loans	\$ 12,275	\$ 8,649	\$ 41,531	\$ 17,445
Interest on convertible corporate bonds	3,942	1	3,942	11
Interest on lease liabilities	454	236	866	626
Imputed interest on deposits	4	4	14	11
Other interest expenses	1	147	35	1,251
Less: Amount included in the cost of key assets	( <u>1,654</u> )	( <u>3,606</u> )	( <u>8,894</u> )	( <u>5,368</u> )
	<u>\$ 15,022</u>	<u>\$ 5,431</u>	<u>\$ 37,494</u>	<u>\$ 13,976</u>

Information on interest capitalization is as follows:

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Amount of capitalized interest	\$ 1,654	\$ 3,606	\$ 8,894	\$ 5,368
Capitalized interest rate	1.33%	0.82%	1.33%	0.82%

e. Depreciation and amortization expenses

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Depreciation expenses summarized by function				
Operating costs	\$ 41,501	\$ 30,777	\$ 117,235	\$ 88,325
Operating expenses	<u>18,908</u>	<u>12,541</u>	<u>52,503</u>	<u>36,973</u>
	<u>\$ 60,409</u>	<u>\$ 43,318</u>	<u>\$ 169,738</u>	<u>\$ 125,298</u>
Amortization expenses summarized by function				
Operating costs	\$ 2,152	\$ 1,816	\$ 6,067	\$ 4,333
Operating expenses	<u>3,683</u>	<u>2,877</u>	<u>10,932</u>	<u>8,415</u>
	<u>\$ 5,835</u>	<u>\$ 4,693</u>	<u>\$ 16,999</u>	<u>\$ 12,748</u>

f. Employee benefits expenses

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Benefits after retirement				
Defined contribution plans	\$ 7,123	\$ 4,033	\$ 16,649	\$ 11,094
Defined benefit plans (Note 26)	<u>33</u>	<u>14</u>	<u>98</u>	<u>41</u>
	7,156	4,047	16,747	11,135
Share-based payment				
Equity settlement	-	-	77,497	-
Other employee benefits	<u>260,085</u>	<u>144,111</u>	<u>700,459</u>	<u>411,066</u>
Total employee benefit expenses	<u>\$ 267,241</u>	<u>\$ 148,158</u>	<u>\$ 794,703</u>	<u>\$ 422,201</u>
Summarized by function				
Operating costs	\$ 107,834	\$ 63,854	\$ 293,125	\$ 167,865
Operating expenses	<u>159,407</u>	<u>84,304</u>	<u>501,578</u>	<u>254,336</u>
	<u>\$ 267,241</u>	<u>\$ 148,158</u>	<u>\$ 794,703</u>	<u>\$ 422,201</u>

g. Remunerations of employees, directors and supervisors

The Company allocates the employees' compensation and remuneration of directors and supervisors for not less than 3% and not more than 3%, respectively, of the income before tax before deducting the distributed the employees' compensation and the remuneration of directors and supervisors in the current year.

The employees' compensation and remuneration of directors and supervisors for the nine months ended September 30, 2022 and 2021, were as follows:

Estimated ratio

	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Employees' compensation	5%	5%
Remuneration of directors and supervisors	3%	3%

Amount

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Employees' compensation	<u>\$ 14,223</u>	<u>\$ 4,057</u>	<u>\$ 43,146</u>	<u>\$ 8,647</u>
Remuneration of directors and supervisors	<u>\$ 8,533</u>	<u>\$ 2,434</u>	<u>\$ 25,887</u>	<u>\$ 5,188</u>

If there is any change in the amount after the date of issuance of the annual consolidated financial statements, it shall be treated according to the change in accounting estimates and adjusted and recorded in the next year.

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were resolved and approved by the Board of Directors on March 7, 2022 and March 12, 2021, respectively, were as follows:

Amount

	2021		2020	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 19,042	\$ -	\$ 30,944	\$ -
Remuneration of directors and supervisors	13,285	-	18,565	-

There was no difference between the actual amount paid of employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020 and the amount recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

### 30. Income tax

#### a. Income Tax Recognized in profit or loss

The main components of income tax expenses are as follows:

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Current income tax				
Incurred for the period	\$ 50,598	\$ 16,242	\$ 148,051	\$ 40,264
Adjustments from prior years	<u>-</u> 50,598	<u>-</u> 16,242	( <u>20,003</u> ) 128,048	<u>206</u> 40,470
Deferred income tax				
Incurred for the period	( <u>420</u> )	<u>816</u>	( <u>1,832</u> )	( <u>1,556</u> )
Income tax expense recognized in profit or loss	<u>\$ 50,178</u>	<u>\$ 17,058</u>	<u>\$ 126,216</u>	<u>\$ 38,914</u>

#### b. Income tax assessments

The annual income tax return of a profit-seeking enterprise of the Company, Gudeng Automation, Gudeng Venture, We Solutions, Jia Shuo, Showa, Fu Rui Sheng, Bor Sheng, Shuoting, and Hengyang have been assessed by the tax authorities, through the 2020 annual income tax return of a profit-seeking enterprise.

### 31. Earnings per Share

Weighted average of ordinary shares and earnings used for calculating earnings per share are as follows:

#### Net income for the year

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Net income used for calculating basic earnings per share	\$ 227,030	\$ 58,972	\$ 704,783	\$ 133,595
Impacts of potential ordinary shares with dilution effect:				
Convertible corporate bond interest and conversion option evaluation gains and losses	( <u>1,646</u> )	<u>2</u>	( <u>1,646</u> )	<u>-</u>
Net income used for calculating diluted earnings per share	<u>\$ 225,384</u>	<u>\$ 58,974</u>	<u>\$ 703,137</u>	<u>\$ 133,595</u>

## Number of Shares

	Unit: Thousand shares			
	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Weighted average of ordinary shares used for calculating basic earnings per share	84,097	83,648	83,847	83,640
Impacts of potential ordinary shares with dilution effect:				
Employees' compensation	153	37	170	62
Convertible corporate bonds	<u>4,271</u>	<u>3</u>	<u>4,271</u>	<u>-</u>
Weighted average of ordinary shares used for calculating dilutive earnings per share	<u>88,521</u>	<u>83,688</u>	<u>88,288</u>	<u>83,702</u>

If the consolidated company has the option to issue the employee bonus in stocks or cash when calculating the diluted earnings per share, it is assumed that the employee bonus will adopt the method of issuing stocks, and the weighted average number of outstanding shares will be included in the calculation of diluted earnings per share when the potential ordinary shares are diluted. While determining diluted earnings per share before distributing shares to employees as compensations in the following year, dilutive effects of such potential ordinary shares should still be considered.

### 32. Share-based Payment Agreement

#### a. The first transfer of treasury shares to employees in 2021

The regulations of transfer of treasury shares of the Company were approved by the Board of Directors on March 23, 2019, pursuant to which the employees are entitled to subscribe for such shares, and was considered and approved by the Remuneration Committee on December 27, 2021 to purchase 70 thousand of treasury shares at the subscription price of \$34.05. Recipients include employees that meet specific conditions within the Company.

The information on employee share options of treasury shares is as follows:

Employee share options of treasury shares	From January 1 to September 30, 2022	
	Unit (Thousands)	Weighted-Average Exercise price (NT\$)
Outstanding at the beginning of the period	70	\$ 34.05
Granted for the period	-	-
Exercised for the period	( <u>70</u> )	34.05
Outstanding at the end of the period	<u>-</u>	
Weighted-average fair value of the employee share options of treasury shares granted for the period (NT\$)	<u>\$ -</u>	

The Company priced the granted employee share options by the Black-Scholes option valuation model, and the inputs used for the valuation model are as below:

	Treasury shares transferred to employees
Number of Shares	<u>70 thousand shares</u>
Restricted transfer period	Unrestricted
Share price on the grant date	NT\$317
Exercised price	NT\$34.05
Expected Volatility	50.64%
Duration	12 days
Risk-free Interest Rate	0.24%

Cost of compensation recognized for the year ended December 31, 2021 amounted to \$19,803 thousand.

b. The first transfer of treasury shares to employees in 2022

The regulations of transfer of treasury shares of the Company were approved by the Board of Directors on March 23, 2019, pursuant to which the employees are entitled to subscribe for such shares, and was considered and approved by the Remuneration Committee on April 29, 2022 to purchase 120 thousand of treasury shares at the subscription price of \$34.05. Recipients include employees that meet specific conditions within the Company.

The information on employee share options of treasury shares is as follows:

	<u>From January 1 to September 30, 2022</u>	
Employee share options of treasury shares	Unit (Thousands)	Weighted-Average Exercise price (NT\$)
Outstanding at the beginning of the period	-	\$ -
Granted for the period	120	34.05
Exercised for the period	( <u>120</u> )	34.05
Outstanding at the end of the period	<u>-</u>	
Weighted-average fair value of the employee share options of treasury shares granted for the period (NT\$)	<u>\$ 180.9</u>	

The Company priced the granted employee share options by the Black-Scholes option valuation model, and the inputs used for the valuation model are as below:

	Treasury shares transferred to employees
Number of Shares	120 thousand shares
Restricted transfer period	Unrestricted
Share price on the grant date	NT\$215
Exercised price	NT\$34.05
Expected Volatility	48.16%
Duration	20 days
Risk-free Interest Rate	0.44%
Cost of compensation recognized for the nine months ended September 30, 2022 amounted to NT\$21,708 thousand.	

c. The second transfer of treasury shares to employees in 2022

The regulations of transfer of treasury shares of the Company were approved by the Board of Directors on March 23, 2019, pursuant to which the employees are entitled to subscribe for such shares, and was considered and approved by the Remuneration Committee on May 27, 2022 to purchase 259 thousand of treasury shares at the subscription price of \$34.05. Recipients include employees that meet specific conditions within the Company.

The information on employee share options of treasury shares is as follows:

	From January 1 to September 30, 2022	Weighted-Average Exercise price (NT\$)
Employee share options of treasury shares	Unit (Thousands)	
Outstanding at the beginning of the period	-	\$ -
Granted for the period	259	34.05
Exercised for the period	( 259 )	34.05
Outstanding at the end of the period	=	
Weighted-average fair value of the employee share options of treasury shares granted for the period (NT\$)	\$ 215.4	

The Company priced the granted employee share options by the Black-Scholes option valuation model, and the inputs used for the valuation model are as below:

	Treasury shares transferred to employees
Number of Shares	259 thousand shares
Restricted transfer period	Unrestricted
Share price on the grant date	NT\$249.5
Exercised price	NT\$34.05
Expected Volatility	43.17%
Duration	22 days
Risk-free Interest Rate	0.52%

Cost of compensation recognized for the nine months ended September 30, 2022 amounted to NT\$55,789 thousand.

### 33. **Business combinations**

#### a. Acquisition of subsidiaries

	Primary operating activities	Date of Acquisition	Ownership equity and the proportion of acquisitions with voting rights (%)	Transfer consideration
Fu Rui Sheng and its subsidiary, Bor Sheng	Investment and management consulting business	July 29, 2022	54.94%	<u>\$ 96,551</u>
Shuoting Precision Industry Co., Ltd.	Manufacturing and wholesale of mould and manufacturing of machinery and equipment	July 29, 2022	69.15%	<u>\$ 23,860</u>
Hengyang Green Energy Co., Ltd.	Piping works and electrical installations	September 1, 2022	45%	<u>\$ 54,000</u>

The consolidated company acquired Fu Rui Sheng and Shuoting for the year ended December 31, 2022 to continue to expand the operations of the consolidated company.



b. Transfer consideration

	<u>Fu Rui Sheng</u>
Cash	<u>\$ 96,551</u>
	<u>Shuoting</u>
Cash	<u>\$ 23,860</u>
	<u>Hengyang</u>
Cash	<u>\$ 54,000</u>

c. Assets acquired and liabilities assumed on the acquisition date

	<u>Fu Rui Sheng and its subsidiary, Bor Sheng</u>
Current assets	
Cash and cash equivalents	\$ 22,663
Financial assets mandatorily classified as at fair value through profit or loss - current	2,329
Financial assets at amortized cost - current	8,916
Notes receivable	2,695
Trade receivables and other receivables	87,376
Inventories	65,770
Other current assets	1,476
Non-current assets	
Property, Plant and Equipment	\$ 3,710
Guarantee deposits	470
Right-of-use assets	18,638
Current liabilities	
Bank loans	( 18,519 )
Trade payables and other payables	( 39,905 )
Notes payable	( 21,224 )
Other current liabilities	( 11,433 )
Non-current liabilities	
Other non-current liabilities	( 16,935 )
	<u>\$ 106,027</u>

	<u>Shuoting</u>
Current assets	
Cash and cash equivalents	\$ 8,994
Financial assets mandatorily classified as at fair value through profit or loss - current	1,500
Notes receivable	5,853
Trade receivables and other receivables	60,675
Inventories	19,711
Prepayments	4,349
Other current assets	200
Non-current assets	
Property, Plant and Equipment	37,122
Other Intangible Assets	402
Right-of-use assets	27,194
Investment properties	143,398
Deferred tax assets	6,045
Refundable deposits	2,052
Other non-current assets	4
Current liabilities	
Notes payable	(\$ 27,355)
Bank loans	( 28,103)
Trade payables and other payables	( 68,132)
Other current liabilities	( 10,601)
Non-current liabilities	
Long-term Borrowings	( 107,269)
Other non-current liabilities	( 19,255)
	<u>\$ 56,784</u>
	<u>Hengyang</u>
Current assets	
Cash and cash equivalents	\$ 119,090
Prepayments	97
Non-current assets	
Property, Plant and Equipment	12,008
Current liabilities	
Other payables	( 11,115)
	<u>\$ 120,080</u>

If the measurement of identifiable assets acquired and liabilities assumed from business combination has not been completed, the balance sheet date shall be recognized with the provisional sum, and retroactive adjustment or additional assets

or liabilities shall be recognized during the measurement period to reflect the new information about the actual facts and conditions on the acquisition date.

d. Goodwill arising from acquisition or gains on bargain purchase

	Fu Rui Sheng and its subsidiary, Bor Sheng	Shuoting	Hengyang
Transfer consideration	\$ 96,551	\$ 23,860	\$ 54,000
Less: Fair value of identifiable net assets acquired	( 106,027 )	( 56,784 )	( 120,080 )
Add: Fair value of original shareholding held by Fu Rui Sheng	-	16,642	-
Add: Non-controlling interests	<u>50,237</u>	<u>16,282</u>	<u>66,044</u>
Goodwill arising from acquisition (gains on bargain purchase)	<u>\$ 40,761</u>	<u>\$ -</u>	<u>( \$ 36 )</u>

The goodwill arising from the acquisition of Fu Rui Sheng mainly comes from control of premium. In addition, the consideration paid for the combination includes the expected synergies of the merger, revenue growth, future market development, and employee's value of Showa. However, such benefits do not meet the recognition criteria of identifiable intangible assets, so they are not recognized separately.

Goodwill arising from the business combination is not expected to be a tax deduction item.

e. Net cash outflow on acquisition of subsidiaries

	Fu Rui Sheng and its subsidiary, Bor Sheng	Shuoting	Hengyang
Consideration paid in cash	\$ 96,551	\$ 23,860	\$ 54,000
Less: Cash and cash equivalents acquired	( <u>22,663</u> )	( <u>8,994</u> )	( <u>119,090</u> )
	<u>\$ 73,888</u>	<u>\$ 14,866</u>	<u>( \$ 65,090 )</u>

### 34. Disposal of subsidiaries

The Group signed a 100% equity transfer agreement for Wu Jiang Start-up with Jiaying Fengmiao Trading Co., Ltd. and Suzhou Chengfeng Trading Co., Ltd., and completed the equity transfer on April 25, 2022, resulting in a loss of control over Wu Jiang Start-up.

a. Consideration received

	<u>Wu Jiang Start-up</u>
Cash and cash equivalents	\$ 211,145
Total consideration received	<u>\$ 211,145</u>

b. Analysis of assets and liabilities from a loss of control

	<u>Wu Jiang Start-up</u>
Current assets	
Cash and cash equivalents	\$ 3,016
Net trade receivables (including loss allowance of NT\$25 thousand)	2,505
Other receivables	212
Inventories	83,737
Prepayments	24,969
Other current assets	20
Non-current assets	
Property, Plant and Equipment	\$ 33,836
Right-of-use assets	21,610
Goodwill	49,961
Other non-current assets	7,749
Refundable deposits	5,216
Current liabilities	
Short-term borrowings	( 60,668)
Other payables	( 3,244)
Prepayments	( 12,241)
Guarantee deposits	( 469)
Net assets disposed	<u>\$ 156,209</u>

c. Gain on disposal of subsidiaries

	<u>Wu Jiang Start-up</u>
Consideration received	\$ 211,145
Net assets disposed	( 156,209)
Gain on disposal of subsidiaries	<u>\$ 54,936</u>

d. Net cash inflow on disposal of subsidiaries

	<u>Wu Jiang Start-up</u>
Consideration received by cash and cash equivalents	\$ 211,145
Less: Balance on cash and cash equivalents from disposal	( 3,016)
Net cash inflow on disposal of subsidiaries	<u>\$ 208,129</u>

### 35. Equity transactions with non-controlling interests

On October 1, 2021, the consolidated company did not acquired shares of Gudeng Automation in proportion to the shareholding ratio resulting in an increase on the shareholding ratio from 50.87% to 50.93%.

As the above-mentioned transaction for the year ended December 31, 2021 did not change the control over the subsidiary, the consolidated company treated the transaction as an equity transaction.

	(October 1, 2021) Gudeng Automation
Cash consideration paid	(\$ 169)
Carrying amount of the subsidiary's net assets to be transferred out of non-controlling interest with calculations based on the changes in equity	114
Difference in equity transactions	(\$ 55)
<u>Adjustment account for difference in equity transactions</u>	
Unappropriated earnings	(\$ 55)

On September 29, 2022, the consolidated company did not acquired shares of Shuoting in proportion to the shareholding ratio resulting in an increase on the shareholding ratio from 69.15% to 70.43%.

As the above-mentioned transaction did not change the control over the subsidiary, the consolidated company treated the transaction as an equity transaction.

	September 29, 2022 (Shuoting)
Cash consideration paid	(\$ 21,000)
Debt-to-equity swaps	( 11,505)
Carrying amount of the subsidiary's net assets to be transferred out of non-controlling interest with calculations based on the changes in equity	32,337
Difference in equity transactions	(\$ 168)
<u>Adjustment account for difference in equity transactions</u>	
Unappropriated earnings	(\$ 493)
Capital surplus - recognized changes in percentage of ownership interests in subsidiaries	\$ 325

### 36. Capital Risk Management

The consolidated company is currently in stable operations, and it conducts management of risks in capital to ensure that it would continue as a going concern with the premise of optimizing the balances of debt and equity, and to maximize shareholders' equity.

The consolidated company adopts a prudent risk management strategy which is reviewed on a regular basis and makes overall planning in accordance with its business development strategies and operational requirements to determine the appropriate capital structure of the consolidated company.

### 37. Financial instruments

#### a. Fair value information - financial instruments not measured at fair value

The carrying amounts of financial assets and financial liabilities not measured at fair value, except for the following table, are considered to be close to the fair value by the management of the consolidated company.

#### b. Fair value information - Fair value of financial instruments measured at fair value on a recurring basis

##### 1) Fair Value Hierarchy

September 30, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value</u> <u>through profit or loss</u>				
Derivatives	\$ -	\$ 9,846	\$ -	\$ 9,846
Domestic publicly traded shares	80,176	-	-	80,176
Structured deposits	-	22,365	-	22,365
Total	<u>\$ 80,176</u>	<u>\$ 32,211</u>	<u>\$ -</u>	<u>\$ 112,387</u>
<u>Financial assets at fair value</u> <u>through other</u> <u>comprehensive income</u>				
Investments in equity instruments				
— Domestic publicly traded shares	\$ 79,491	\$ 244,962	\$ -	\$ 324,453
— Domestic non-publicly traded shares	-	-	84,295	84,295
	<u>\$ 79,491</u>	<u>\$ 244,962</u>	<u>\$ 84,295</u>	<u>\$ 408,748</u>
<u>Financial liabilities at fair</u> <u>value through profit or loss</u>				
Derivatives	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through profit or loss</u>				
Domestic publicly traded shares	\$ 28,747	\$ -	\$ -	\$ 28,747
Structured deposits	-	21,720	-	21,720
Total	<u>\$ 28,747</u>	<u>\$ 21,720</u>	<u>\$ -</u>	<u>\$ 50,467</u>
<u>Financial assets at fair value</u> <u>through other</u> <u>comprehensive income</u>				
Investments in equity instruments				
— Domestic publicly traded shares	\$ -	\$ 378,886	\$ -	\$ 378,886
— Domestic non-publicly traded shares	-	-	65,273	65,273
	<u>\$ -</u>	<u>\$ 378,886</u>	<u>\$ 65,273</u>	<u>\$ 444,159</u>

September 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value</u> <u>through profit or loss</u>				
Domestic publicly traded shares	\$ 24,462	\$ -	\$ -	\$ 24,462
Structured deposits	-	8,610	-	8,610
Total	<u>\$ 24,462</u>	<u>\$ 8,610</u>	<u>\$ -</u>	<u>\$ 33,072</u>
<u>Financial assets at fair value</u> <u>through other</u> <u>comprehensive income</u>				
Investments in equity instruments				
— Domestic publicly traded shares	\$ -	\$ 298,718	\$ -	\$ 298,718
— Domestic non-publicly traded shares	-	-	47,314	47,314
	<u>\$ -</u>	<u>\$ 298,718</u>	<u>\$ 47,314</u>	<u>\$ 346,032</u>

There was no transfer between Level 1 and Level 2 fair value measurements for the nine months ended September 30, 2022 and 2021.

2) Valuation techniques and inputs applied to Level 2 fair value measurement

Financial Instruments Classification	Valuation Techniques and Inputs
Structured deposits	Discounted cash flow: future cash flows are estimated based on end-of-period observable interest rates, discounted at market rates.
Derivatives - foreign exchange forward contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives – the fair value of redemption of options of convertible corporate bonds were estimated by the binary tree model for convertible corporate bonds valuation, and the significant unobservable inputs used are stock price volatility.	When share price volatility increases, the fair value of these derivatives will increase.
Domestic publicly traded securities	Private equity investments of the consolidated company are financial commodities that have an active market but cannot be sold subject to a lock-up period, and the consolidated company determines the fair value of such financial commodities based on the relevant market price.

3) Reconciliation of financial instruments at Level 3 fair value measurement

From January 1 to September 30, 2022

Financial assets	Measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
	Derivatives	Equity instruments	Total
Beginning Balance	\$ -	\$ 65,273	\$ 65,273
Components recognized in other comprehensive income	-	19,022	19,022
Addition	-	33,970	33,970
Transferred from level 3	-	( 33,970 )	( 33,970 )
Ending Balance	<u>\$ -</u>	<u>\$ 84,295</u>	<u>\$ 84,295</u>
Change of unrealized loss in the current period related to assets held by the end of the period and recognized as gains and losses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



From January 1 to September 30, 2021

	Measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	
Financial assets	Derivatives	Equity instruments	Total
Beginning Balance	\$ 48	\$ 47,314	\$ 47,362
Recognized in profit or loss (Other gain and loss)	( 34 )	-	( 34 )
Addition	( 14 )	-	( 14 )
Ending Balance	<u>\$ -</u>	<u>\$ 47,314</u>	<u>\$ 47,314</u>
Change of unrealized loss in the current period related to assets held by the end of the period and recognized as gains and losses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

4) Valuation techniques and inputs applied to Level 3 fair value measurement

The fair value of no publicly quoted shares is determined by using the market-based method of valuation – price-to-earnings ratio and share-price-to-net ratio to reasonably assess the fair value.

c. Classification of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Measured at fair value through profit or loss			
Mandatorily measured at fair value through profit or loss	\$ 112,387	\$ 50,467	\$ 33,072
Financial assets at amortized cost (Note 1)	2,943,779	2,383,370	2,302,814
Financial assets at fair value through other comprehensive income			
Investments in equity instruments	408,748	444,159	346,032
<u>Financial liabilities</u>			
Measured at fair value through profit or loss			
Held for trading	2,000	-	-
Measured at amortized cost (Note 2)	4,968,894	4,385,232	3,661,418

Note 1: The balance refers to financial assets at amortized cost, including cash and cash equivalents, notes receivable (including related parties), trade receivable (including related parties), financial assets at amortized cost, other receivables (including related parties), and refundable deposits.

Note 2: The balance refers to the financial liabilities measured at amortized cost, including short-term borrowings, note payables (including related parties), trade payables (including related parties), other payables, guarantee deposits, current portion of long-term borrowings and corporate bonds payables, and long-term borrowings.

d. Objectives and policy of financial risk management

The consolidated company's main financial instruments include equity instrument investment, trade receivables, trade payables, corporate bonds payables, and borrowings. The above financial instruments are subject to financial risk, (including foreign exchange rates, interest rates and other price risks), credit risk and liquidity risk in relation to operations.

1) Market Risks

The consolidated company's activities expose it primarily to the financial risks of changes in foreign exchange rates (see (1) below) and the changes in interest rates (see (2) below).

There is no change in the consolidated company's exposure to market risks of financial instruments and how such exposure is managed and measured.

(1) Exchange Rate Risks

Several subsidiaries of the Company's sales and purchase transactions are denominated in foreign currency; as a consequence, the consolidated company is exposed to the risk of fluctuation in the exchange rate. The management of the consolidated company's exchange rate exposure is to use foreign exchange forward contracts and options to manage risks within the scope permitted by the policy.

Please refer to Note 43 for the carrying amount of monetary assets and monetary liabilities of the consolidated company denominated in non-functional currencies on the balance sheet date (including monetary items denominated in a non-functional currency in the consolidated financial statements).

### Sensitivity analysis

The consolidated company is mostly affected by the fluctuation of the USD and JPY exchange rate.

The following table details the sensitivity analysis of the consolidated company when the exchange rate of the New Taiwan dollar (functional currency) increases and decreases by 1% against the relevant foreign currencies. A sensitivity rate of 1% is used internally when reporting to management from the group on exchange rate risks. It represents management's assessment on reasonably possible scope of foreign exchange rates.

	Effect of USD currency		(i)	Effect of JPY currency		(ii)	Effect of JPY currency		(iii)
	From January	From January		From January	From January		From January	From January	
	1 to	1 to		1 to	1 to		1 to	1 to	
	September	September		September	September		September	September	
	30, 2022	30, 2021		30, 2022	30, 2021		30, 2022	30, 2021	
Gains and losses	\$ 7,455	\$ 3,662		\$ 432	\$ 136		( \$ 142 )	( \$ 204 )	

- (i) It is mainly derived from USD-denominated bank deposits, forward foreign exchanges, receivables, and payables that are still outstanding on the balance sheet date of the consolidated company without cash flow hedging.
- (ii) It is mainly derived from JPY-denominated receivables and payables that are still outstanding on the balance sheet date of the consolidated company without cash flow hedging.
- (iii) It is mainly derived from RMB-denominated bank deposits, receivables, and payables that are still outstanding on the balance sheet date of the consolidated company without cash flow hedging.

### (2) Interest Rate Risks

The entities of the consolidated company have been exposed to interest rate risk through its fixed and floating-rate borrowings.

The carrying amounts of the consolidated company's financial assets and financial liabilities subject to interest rate exposure on the balance sheet date are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
With interest rate risk of fair value			
– Financial assets	\$ 120,000	\$ 20,000	\$ 20,000
– Financial liabilities	1,036,342	48,236	-
Interest rate risk with cash flows			
– Financial assets	1,927,551	1,700,371	1,834,323
– Financial liabilities	2,836,605	3,222,445	3,011,594

### Sensitivity analysis

The following sensitivity analysis is based on the interest rate exposure of derivative and non-derivative instruments on the balance sheet date. For floating rate liabilities, the analysis is based on the assumption that the amount of liabilities outstanding on the balance sheet date is circulated during the reporting period. The rate of change used internally in reporting interest rates to the management from the group is the 0.25% increase or decrease in interest rates, which also represents the management's evaluation of the reasonable range of possible changes in interest rates.

If the interest rate increased/ decreased by 25% and all other variables were held constant, the consolidated company's net income before tax for the nine months ended September 30, 2022 and 2021 would have decreased/ increased by NT\$1,704 thousand and NT\$2,207 thousand, respectively.

### (3) Other Price Risks

The consolidated company has equity price exposure arising from the investments in equity securities, and the management of the consolidated company manage the risks by holding different risk investment portfolios.

### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the balance sheet date.

If the monetary fund price increased/ decreased by 10%, income before tax for the nine months ended September 30, 2022 and 2021 would have increased/ decreased by \$8,018 thousand and \$2,446 thousand, respectively, due to an increase/ decrease in the fair value of financial assets at fair value through profit or loss. The pre-tax other comprehensive income for the nine months ended September 30, 2022 and 2021 would have increased/

decreased by \$40,875 thousand and \$34,603 thousand, respectively, due to an increase/ decrease in fair value of financial assets at fair value through other comprehensive income.

The increased sensitivity of the consolidated company to price risk during this period was mainly due to its participation in the private subscription of publicly traded shares.

## 2) Credit Risks

Credit risk refers to the risk of financial loss of the Group caused by the counterparty's default of contractual obligations. As of the balance sheet date, the consolidated company's maximum credit risk exposure that may cause financial losses due to the failure of the counterparty to fulfill the obligation and the financial guarantee provided by the consolidated company is mainly from:

- (1) The carrying amount of financial assets recognized in the Consolidated Balance Sheets.
- (2) The amount of contingent liabilities generated from providing a financial guarantee by the consolidated company.

The policies adopted by the consolidated company are to trade only with well-reputed counterparties, and, as it is necessary, sufficient collateral must be obtained to reduce the risk of financial losses. To mitigate the credit risk, the management of the consolidated company appoints a team solely responsible for determination of credit lines, credit approvals and other monitoring procedures to ensure that appropriate action has been taken for the collection of overdue receivables. In addition, the consolidated company will review the recoverable amount of the receivables one by one on the balance sheet date to ensure that the unrecoverable receivables have been recognized with appropriate impairment loss. Accordingly, the management of the Company believes that the consolidated company's credit risk is significantly reduced. Therefore, the credit risk is limited.

The consolidated company's credit risks are concentrated on the biggest client, and the ratio of trade receivables from the above-mentioned client as of September 30, 2022, December 31, 2021 and September 30, 2021 were 23%, 56% and 36%, respectively.

### 3) Liquidity Risks

The consolidated company manages and maintains sufficient positions in cash and cash equivalents to support the consolidated company's operations and to mitigate the impact of cash flow fluctuations. The management of the consolidated company supervises the use of the bank's financing line and ensures compliance with the terms of the loans contract.

The bank loans are an important source of liquidity for the consolidated company. Please refer to the following (2) description of financing lines for the unused financing lines of the consolidated company as of September 30, 2022, December 31, 2021 and September 30, 2021.

#### (1) Liquidity of non-derivative financial liabilities

The remaining contractual maturity analysis for non-derivative financial liabilities is prepared based on the undiscounted cash flows (including principal and estimated interest) of financial liabilities based on the earliest date on which the consolidated company can be required to pay. Therefore, the consolidated company's bank borrowings with repayment on demand clause are included in the earliest duration in below table regardless of the probability of the banks choosing to exercise their rights immediately. The analysis of maturity dates for other non-derivative financial liabilities is based on the agreed repayment dates.

#### September 30, 2022

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	5 years and above	Total
<u>Non-derivative financial liabilities</u>						
Notes payable	\$ 18,483	\$ -	\$ -	\$ -	\$ -	\$ 18,483
Trade payables	538,726	-	-	-	-	538,726
Other payables	614,519	-	-	-	-	614,519
Lease liabilities	31,241	24,328	16,731	10,920	5,875	89,095
Guarantee deposits	-	8,570	-	-	-	8,570
Other current liabilities	13,541	-	-	-	-	13,541
Borrowings	179,859	247,184	168,905	2,240,657	-	2,836,605
Convertible corporate bonds	-	-	1,000,000	-	-	1,000,000
	<u>\$1,396,369</u>	<u>\$ 280,082</u>	<u>\$1,185,636</u>	<u>\$2,251,577</u>	<u>\$ 5,875</u>	<u>\$5,119,539</u>

Further information on the maturity analysis of lease liabilities is as follows:

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	5 years and above
Lease liabilities	<u>\$ 31,241</u>	<u>\$ 24,328</u>	<u>\$ 16,731</u>	<u>\$ 10,920</u>	<u>\$ 5,875</u>

## December 31, 2021

	Less than 1 year	1 to 2 years	2 to 3 years	3 years and above	Total
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ 90	\$ -	\$ -	\$ -	\$ 90
Trade payables	430,729	-	-	-	430,729
Other payables	722,545	-	-	-	722,545
Lease liabilities	21,344	13,441	7,633	6,724	49,142
Guarantee deposits	-	9,423	-	-	9,423
Other current liabilities	3,862	-	-	-	3,862
Borrowings	<u>346,542</u>	<u>162,747</u>	<u>185,135</u>	<u>2,528,021</u>	<u>3,222,445</u>
	<u>\$ 1,525,112</u>	<u>\$ 185,611</u>	<u>\$ 192,768</u>	<u>\$ 2,534,745</u>	<u>\$ 4,438,236</u>

Further information on the maturity analysis of lease liabilities is as follows:

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	5 years and above
Lease liabilities	<u>\$ 21,344</u>	<u>\$ 13,441</u>	<u>\$ 7,633</u>	<u>\$ 6,724</u>	<u>\$ -</u>

## September 30, 2021

	Less than 1 year	1 to 2 years	2 to 3 years	3 years and above	Total
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ 90	\$ -	\$ -	\$ -	\$ 90
Trade payables	366,498	-	-	-	366,498
Other payables	273,819	-	-	-	273,819
Lease liabilities	21,855	16,099	9,204	8,044	55,202
Other current liabilities	3,700	-	-	-	3,700
Borrowings	<u>203,700</u>	<u>146,476</u>	<u>142,599</u>	<u>2,518,819</u>	<u>3,011,594</u>
	<u>\$ 869,662</u>	<u>\$ 162,575</u>	<u>\$ 151,803</u>	<u>\$ 2,526,863</u>	<u>\$ 3,710,903</u>

Further information on the maturity analysis of lease liabilities is as follows:

	Less than 1 year	1 to 2 years	2 to 3 years	3 to 5 years	5 years and above
Lease liabilities	<u>\$ 21,855</u>	<u>\$ 16,099</u>	<u>\$ 9,204</u>	<u>\$ 8,044</u>	<u>\$ -</u>

## (2) Liquidity of derivative financial liabilities

For the liquidity analysis of derivative financial instruments, the derivatives are netted on the basis of undiscounted net cash inflows and outflows of the contracts. For derivatives with total delivery, they are unfolded, and the current total cash inflows and outflows are based total undiscounted cash inflow and outflow. When the amount payable or receivable is not fixed, the amount disclosed is determined based on the estimated interest rate projected by the yield curve on the balance sheet date.

	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 year(s)	5 years and above
Net settlement					
Foreign exchange forward contracts	\$ 5,613	\$ 31,152	\$ 4,145	\$ -	\$ -

### (3) Financing line

	September 30, 2022	December 31, 2021	September 30, 2021
Credit line of unsecured bank overdraft (to be extended with agreement between two parties)			
Amount used	\$ 353,780	\$ 245,000	\$ 265,000
Amount unused	1,058,220	620,000	300,000
	<u>\$ 1,412,000</u>	<u>\$ 865,000</u>	<u>\$ 565,000</u>
Credit line of secured bank loans (to be extended with agreement between two parties)			
Amount used	\$ 2,511,400	\$ 3,246,400	\$ 2,976,400
Amount unused	1,422,500	705,000	470,000
	<u>\$ 3,933,900</u>	<u>\$ 3,951,400</u>	<u>\$ 3,446,400</u>

## 38. Unrelated parties transaction

Transactions, balances, income and expenses between the Company and its subsidiaries (related parties of the Company) are eliminated in full on consolidation and therefore are not disclosed in this note. Transactions between the consolidated company and other related parties are as follows:

### a. Name and relationship of Related party

Name of related party	Relationship with the consolidated company
Jin Peng Investment Co., Ltd. (hereinafter "Jin Peng")	Substantial related party
Sheng Jie Investment Co., Ltd. (hereinafter "Sheng Jie")	Substantial related party
Yun Sheng Investment Co., Ltd. (hereinafter "Yun Sheng")	Substantial related party
Onore King Taiwan International Marketing Co., Ltd. (hereinafter "Onore King")	Substantial related party
Ting Shan Enterprise Co., Ltd. (hereinafter "Ting Shan")	Substantial related party
Shuo Great Co., Ltd. (hereinafter "Shuo Great")	Substantial related party
JIN HUI Technology Co., Ltd. (hereinafter "JIN HUI")	Associates



b. Purchase

Item	Name of related party	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Cost of goods sold (including processing fee)	JIN HUI	<u>\$ 5,481</u>	<u>\$ 780</u>	<u>\$ 35,891</u>	<u>\$ 3,252</u>

c. Receivables from related parties (excluding loans to related parties)

Item	Name of related party	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	Ting Shan	\$ 28	\$ -	\$ -
Related party	Shuo Great	<u>900</u>	<u>-</u>	<u>-</u>
		<u>\$ 928</u>	<u>\$ -</u>	<u>\$ -</u>
Trade receivables	Ting Shan	\$ 273	\$ -	\$ -
Related party	Shuo Great	<u>162</u>	<u>-</u>	<u>-</u>
		<u>\$ 435</u>	<u>\$ -</u>	<u>\$ -</u>
Other receivables	JIN HUI	\$ 10	\$ 16	\$ 25
Related party	Ting Shan	<u>125</u>	<u>-</u>	<u>-</u>
		<u>\$ 135</u>	<u>\$ 16</u>	<u>\$ 25</u>

d. Lease agreements as a lessee

Lease expenses

Lessor	Underlying subject	Rental and Payment Method of Rent	Lease expenses			
			From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Sheng Jie	Employee dorm	The monthly rent for each room is NT\$9-23 thousand, which shall be paid on a monthly basis.	<u>\$ 368</u>	<u>\$ 349</u>	<u>\$ 1,065</u>	<u>\$ 1,035</u>
Yun Sheng	Warehouse	The monthly rent for each room is NT\$150 thousand, which shall be paid on a monthly basis.	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ 900</u>	<u>\$ -</u>

e. Lease agreements as a lessor

1. Other prepayments (recognized as contract liabilities) are summarized as follows:

Name of related party	September 30, 2022	December 31, 2021	September 30, 2021
Sheng Jie	\$ 3	\$ -	\$ 3
Yun Sheng	3	-	3
Jin Peng	3	-	3
Onore King	<u>1</u>	<u>-</u>	<u>-</u>
	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ 9</u>

2. The total amount of lease payments received in the future is summarized as follows:

Name of related party	September 30, 2022	December 31, 2021	September 30, 2021
Sheng Jie	\$ 3	\$ 8	\$ 11
Yun Sheng	3	8	11
Jin Peng	3	8	11
Onore King	<u>1</u>	<u>-</u>	<u>-</u>
	<u>\$ 10</u>	<u>\$ 24</u>	<u>\$ 33</u>

3. Guarantee deposits is summarized as follows:

Name of related party	September 30, 2022	December 31, 2021	September 30, 2021
Sheng Jie	\$ 2	\$ 2	\$ 2
Yun Sheng	2	2	2
Jin Peng	<u>2</u>	<u>2</u>	<u>2</u>
	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 6</u>

4. Rental income is summarized as follows:

Lessee	Underlying subject	Rental and Payment Method of Rent	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Sheng Jie	Office	Rent amounted to \$1 thousand per month with monthly payment.	\$ 3	\$ 3	\$ 9	\$ 9
Yun Sheng	Office	Rent amounted to \$1 thousand per month with monthly payment.	3	3	9	9
Jin Peng	Office	Rent amounted to \$1 thousand per month with monthly payment.	3	3	9	9
Onore King	Office	Rent amounted to \$1 thousand per month with monthly payment.	<u>3</u>	<u>-</u>	<u>11</u>	<u>-</u>
			<u>\$ 12</u>	<u>\$ 9</u>	<u>\$ 38</u>	<u>\$ 27</u>

f. Payable to related party (excluding loans to related parties)

Item	Name of related party	September 30, 2022	December 31, 2021	September 30, 2021
Notes payable - related parties	Shuo Great	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ -</u>
Trade payable - related parties	JIN HUI	<u>\$ 16,776</u>	<u>\$ 18,704</u>	<u>\$ 29,690</u>

The outstanding balance of payables to related parties is not collateralized.

g. Other Related Party Transactions

Item	Name of related party	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Other income	JIN HUI	<u>\$ 22</u>	<u>\$ 24</u>	<u>\$ 95</u>	<u>\$ 39</u>

h. Remuneration of key management

	From July 1 to September 30, 2022	From July 1 to September 30, 2021	From January 1 to September 30, 2022	From January 1 to September 30, 2021
Short-term employee benefits	<u>\$ 9,552</u>	<u>\$ 7,994</u>	<u>\$ 59,192</u>	<u>\$ 52,804</u>

The remuneration of directors and other members of key management, was determined by the remuneration committee based on the individual performance and market trends.

### 39. **Pledged Assets**

The following assets were pledged as collateral for financing loans:

	September 30, 2022	December 31, 2021	September 30, 2021
Pledged time deposits (recognized as financial assets measured at amortized cost - current)	\$ 5,000	\$ 11,500	\$ 6,500
Pledged deposits (recognized as financial assets measured at amortized cost - non-current)	2,542	2,542	2,542
Inventories	-	35,200	35,878
Self-owned land	1,069,188	2,311,490	1,894,853
Buildings, net	481,854	492,665	508,044
Investment properties	<u>1,936,707</u>	<u>599,959</u>	<u>602,097</u>
	<u>\$ 3,495,291</u>	<u>\$ 3,453,356</u>	<u>\$ 3,049,914</u>

#### **40. Significant Contingent Liabilities and Unrecognized Contract Commitments**

Except for those disclosed in other notes, significant commitments and contingencies of the consolidated company on the balance sheet date are as follows:

##### **a. Significant Commitments**

- 1) As of September 30, 2022, guarantee notes issued by the consolidated company for financing facilities applied from financial institutions (including long-term and short-term borrowings) amounted to NT\$250,900 thousand.
- 2) As of September 30, 2022, the guarantee notes issued by the consolidated company for application of research grants amounted to NT\$27,000 thousand.
- 3) As of September 30, 2022, guarantee notes received by the consolidated company for the outsourced construction works amounted to NT\$156,435 thousand.
- 4) The consolidated company has contracted with various manufacturers to purchase equipment. The total contract price is NT\$1,450,090 thousand. As of September 30, 2022, it has paid NT\$437,535 thousand (prepaid equipment payment), and the remaining NT\$1,012,555 thousand has not been paid.

##### **b. Contingency**

Entegris Inc. in the US filed a confirmation lawsuit with the Intellectual Property Court of the Intellectual Property and Commercial Court on the grounds that the Company's patent of Republic of China No. I238804 was invalid. The Company received the copy of the complaint on November 30, 2021 and was aware of the case. A lawyer has been appointed to deal with it; in order to safeguard the "validity of the patent in dispute" and the "company rights and interests", it has filed a lawsuit of penalty for damages and others for damages caused by infringement of the Company's patent rights due to Entegris Inc. and others in Intellectual Property and Commercial Courts. This case has not yet been certain, and it has no significant impact on the operation of finance and business sales function through evaluation.

#### **41. Other Matters**

The impact of the COVID-19 pandemic on the consolidated company is assessed as follows:

##### **Assumption to continue as a going concern:**

The consolidated company's primary business is the manufacturing and trading of semiconductor mask and wafer carrier, due to the substantial demand from the conversion of semiconductor EUV production process from semiconductor manufacturers, the product revenue remains robust and profitability of the products is steady. Therefore, COVID-19

pandemic has no significant impact on the assumption of the consolidated company's ability to continue as a going concern.

**42. Significant Events after the Balance Sheet Date: None.**

**43. Information on Foreign Currency Assets and Liabilities with Significant Effect**

The following information is summarized and expressed in foreign currencies other than the functional currency of each entity of the consolidated company, and the disclosed exchange rate refers to the exchange rate converted from such foreign currencies to the functional currency. Foreign currency assets and liabilities with significant influence are as follows:

September 30, 2022

	Foreign Currency	Exchange Rate	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 29,770	31.75 (USD:NTD)	\$ 945,198
JPY	251,156	0.2201 (JPY:NTD)	55,279
RMB	58	4.473 (RMB:NTD)	259
			<u>\$ 1,000,736</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	6,290	31.75 (USD:NTD)	\$ 199,708
JPY	54,737	0.2201 (JPY:NTD)	12,048
RMB	3,230	4.473 (RMB:NTD)	14,448
			<u>\$ 226,204</u>

December 31, 2021

	Foreign Currency	Exchange Rate	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 19,777	27.68 (USD:NTD)	\$ 547,427
JPY	42,510	0.2405 (JPY:NTD)	10,224
RMB	16	4.344 (RMB:NTD)	70
			<u>\$ 557,721</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	5,780	27.68 (USD:NTD)	\$ 159,990
JPY	34,495	0.2405 (JPY:NTD)	8,296
RMB	4,350	4.344 (RMB:NTD)	18,896
			<u>\$ 187,182</u>

September 30, 2021

	Foreign Currency	Exchange Rate	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 17,270	27.85 (USD:NTD)	\$ 480,970
JPY	61,947	0.2490 (JPY:NTD)	15,425
RMB	16	4.305 (RMB:NTD)	69
			<u>\$ 496,464</u>
Foreign currency liabilities			
<u>Monetary items</u>			
USD	4,121	27.85 (USD:NTD)	\$ 114,770
JPY	7,200	0.2490 (JPY:NTD)	1,793
RMB	4,752	4.305 (RMB:NTD)	20,457
			<u>\$ 137,020</u>

The net foreign exchange gain or loss (realized and unrealized) of the consolidated company for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 were a gain of NT\$45,282 thousand, a gain of NT\$770 thousand, a gain of NT\$74,255 thousand and a loss of NT\$(3,021) thousand, respectively. Due to the variety of foreign currency transactions and functional currencies of the group individual entities, the exchange gains or losses could not be disclosed according to the foreign currencies with significant impact.

#### **44. Supplementary Disclosures**

a. Information on significant transactions and b. reinvestment:

No.	Item	Description
1	Loans to others.	Table I
2	Endorsements/guarantees to others.	Table II
3	MARKETABLE SECURITIES HELD AT THE END OF THE PERIOD. (excluding investment in subsidiaries, associates, and joint ventures)	Table III
4	The cumulative purchase or sale of the same securities amounted to NT\$300 million or 20% and above of the paid-in capital.	None
5	The amount of property acquired reached NT\$300 million or 20% and above of the paid-in capital.	Table IV
6	The amount of property disposal reached NT\$300 million or 20% and above of the paid-in capital.	None
7	The amount of purchases or sales with related parties reached NT\$100 million or 20% and above of the paid-in capital.	Table V
8	Receivables from related parties amounted to NT\$100 million or 20% and above of paid-in capital.	Table VI
9	Engaged in derivative products transactions.	Note 9
10	Others: the business relationships and significant transactions and amounts between parent and subsidiaries and between subsidiaries.	Table VII
11	Investee information	Table VIII

c. Information on Investments in Mainland China:

No.	Item	Description
1	Name of the investee in mainland China, primary business, paid-in capital, investment method, outward and inward remittance of the fund, shareholding ratio, investment gain (loss) recognized for the period, carrying amount of the investment at the end of the period, repatriation of investment profit or loss and investment limit in mainland China.	Table IX
2	The following significant transactions with the mainland investee, directly or indirectly through the third region, and their prices, payment terms, unrealized gain or loss:	
	(1) Purchase amount and percentage, ending balance and percentage of payables.	Table X
	(2) Sales amount and percentage, ending balance and percentage of receivables.	Table X
	(3) The amount of property transactions and the amount of profit or loss generated.	None
	(4) The ending balance and the purpose of bill endorsement, or provision of collateral.	Table II
	(5) The maximum balance, ending balance, Interest rate interval and total amount of current interest of financing.	Table I
	(6) Other transactions that have a significant effect on the current profit or loss or financial situation, such as the provision or acceptance of services.	None

d. Information of major shareholder: list of all shareholders with ownership of 5 % or greater showing the names and the number of shares and percentage of ownership held by each shareholder. (Table XI)

**45. Segment information**

The information provided to the key business decision-makers is for resource allocation and performance evaluation of the segments, focusing on types of each product provided and service offered. The consolidated company shall report the segment as follows:

Semiconductor products - manufacturer.

Motor vehicles – direct sales and maintenance.

Others

a. Segment revenue and results of operations

The revenue and operating results of the consolidated company reported by the segment were analyzed as follows:

From January 1 to September 30, 2022					
	Semiconductor manufacturing	Motor vehicles trading	Others	Reconciliation and elimination	Total
Revenue					
Revenue from external clients	\$ 2,343,564	\$ 89,490	\$ 727,493	\$ -	\$ 3,160,547
Intersegment revenue	303,591	-	60,714	( 364,305)	-
Interest income	516	44	669	-	1,229
Total revenue	<u>\$ 2,647,671</u>	<u>\$ 89,534</u>	<u>\$ 788,876</u>	<u>( \$ 364,305)</u>	<u>\$ 3,161,776</u>
Interest Expense	<u>\$ 36,466</u>	<u>\$ 35</u>	<u>\$ 1,025</u>	<u>( \$ 32)</u>	<u>\$ 37,494</u>
Depreciation and amortization	<u>\$ 164,574</u>	<u>\$ 1,728</u>	<u>\$ 23,523</u>	<u>( \$ 3,088)</u>	<u>\$ 186,737</u>
Segment (loss) profit	<u>\$ 781,733</u>	<u>( \$ 3,989)</u>	<u>\$ 212,897</u>	<u>( \$ 215,663)</u>	<u>\$ 774,978</u>

  

From January 1 to September 30, 2021					
	Semiconductor manufacturing	Motor vehicles trading	Others	Reconciliation and elimination	Total
Revenue					
Revenue from external clients	\$ 1,116,474	\$ 364,998	\$ 442,918	\$ -	\$ 1,924,390
Intersegment revenue	104,975	-	30,438	( 135,413)	-
Interest income	343	154	508	( 299)	706
Total revenue	<u>\$ 1,221,792</u>	<u>\$ 365,152</u>	<u>\$ 473,864</u>	<u>( \$ 135,712)</u>	<u>\$ 1,925,096</u>
Interest Expense	<u>\$ 12,607</u>	<u>\$ 1,598</u>	<u>\$ 150</u>	<u>( \$ 379)</u>	<u>\$ 13,976</u>
Depreciation and amortization	<u>\$ 125,582</u>	<u>\$ 4,680</u>	<u>\$ 10,872</u>	<u>( \$ 3,088)</u>	<u>\$ 138,046</u>
Segment (loss) profit	<u>\$ 138,651</u>	<u>( \$ 14,178)</u>	<u>\$ 66,124</u>	<u>( \$ 32,390)</u>	<u>\$ 158,207</u>

b. Segment assets and liabilities

September 30, 2022					
	Semiconductor manufacturing	Motor vehicles trading	Others	Reconciliation and elimination	Total
Segment assets	<u>\$10,138,640</u>	<u>\$ -</u>	<u>\$ 3,045,051</u>	<u>( \$ 1,977,021)</u>	<u>\$11,206,670</u>
Segment liabilities	<u>\$ 4,830,078</u>	<u>\$ -</u>	<u>\$ 1,281,447</u>	<u>( \$ 190,330)</u>	<u>\$ 5,921,195</u>

  

September 30, 2021					
	Semiconductor manufacturing	Motor vehicles trading	Others	Reconciliation and elimination	Total
Segment assets	<u>\$ 7,793,527</u>	<u>\$ 214,008</u>	<u>\$ 1,961,706</u>	<u>( \$ 1,445,082)</u>	<u>\$ 8,524,159</u>
Segment liabilities	<u>\$ 3,504,337</u>	<u>\$ 52,579</u>	<u>\$ 770,034</u>	<u>( \$ 72,592)</u>	<u>\$ 4,254,358</u>

For the purposes of monitoring segment performance and allocating resources between each segment:

- 1) All assets are evenly allocated to reportable segments other than associates accounted for using the equity method, other financial assets and current and deferred income tax assets. Goodwill has been allocated to reportable segments.



Assets used jointly by reportable segments are allocated on the basis of the separate revenues earned by individual reportable segments; and

- 2) All liabilities are evenly allocated to reportable segments other than borrowings, other financial liabilities and current and deferred income tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

**Table I****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****Financing provided to others****From January 1 to September 30, 2022**

Unit: In thousands of NT\$ and foreign currency, unless otherwise specified

No. (Note 1)	Financing Company	Counterparty	Transaction Item	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 2)	Business Interaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 3)	Total financing limits (Note 3)	Note
													Name	Value			
0	Gudeng Precision Industrial Co., Ltd.	We Solution Technology Co., Ltd.	Other receivable - related parties	Y	\$ 30,000	\$ 30,000	\$ -	3%	2	\$ -	Operating capital	\$ -	Promissory note	\$ 30,000	\$ 1,986,130	\$ 1,986,130	
0	Gudeng Precision Industrial Co., Ltd.	Gudeng Investment Co., Ltd.	Other receivable - related parties	Y	30,000	30,000	-	3%	2	-	Operating capital	-	Promissory note	30,000	1,986,130	1,986,130	
1	Shanghai Gudeng Trading Co., Ltd.	Suzhou Kunju Trading Co., Ltd.	Other receivable - related parties	Y	31,311 (RMB 7,000)	31,311 (RMB 7,000)	- (RMB -)	3%	2	-	Operating capital	-	Promissory note	31,311 (RMB 7,000)	1,986,130	1,986,130	
2	Suzhou Kunju Trading Co., Ltd.	Shanghai Gudeng Trading Co., Ltd.	Other receivable - related parties	Y	31,311 (RMB 7,000)	31,311 (RMB 7,000)	- (RMB -)	3%	2	-	Operating capital	-	Promissory note	31,311 (RMB 7,000)	1,986,130	1,986,130	
3	Gudeng Investment Co., Ltd.	Gudeng Precision Industrial Co., Ltd.	Other receivable - related parties	Y	30,000	30,000	-	3%	2	-	Operating capital	-	Promissory note	30,000	1,986,130	1,986,130	
4	We Solution Technology Co., Ltd.	Fu Rui Sheng Industrial Co., Ltd.	Other receivable - related parties	Y	15,000	15,000	-	3%	2	-	Operating capital	-	Promissory note	15,000	104,191	104,191	
4	We Solution Technology Co., Ltd.	Shuoting Precision Industry Co., Ltd.	Other receivable - related parties	Y	15,000	15,000	-	3%	2	-	Operating capital	-	Promissory note	15,000	104,191	104,191	

Note 1: The No. column is filled as follows:

- (1) Fill in 0 for issuer.
- (2) Investee companies are numbered in order starting from Arabic numeral 1 by company.

Note 2: The nature of the financing are explained as follows:

- (1) Fill in 1 for any business interaction.
- (2) Fill in 2 for any needs in short-term financing.

Note 3: The methods of calculation and amounts for financing limits.

1. Financing limits for each borrowing company:
  - (1) The Company's financing limits for each borrowing company for is limited to 40% of the Company's current net worth (2022.9.30) in compliance with the Company's regulations of procedures for financing.
  - (2) The investee company's financing limits for each borrowing company for is limited to 40% of the Company's current net worth (2022.9.30) in compliance with the Company's regulations of procedures for financing.
2. Total financing limits:
  - (1) The Company's aggregate financing limits for external parties for is limited to 40% of the Company's current net worth (2022.9.30) in compliance with the Company's regulations of procedures for financing.
  - (2) The investee company's aggregate financing limits for external parties for is limited to 40% of the Company's current net worth (2022.9.30) in compliance with the Company's regulations of procedures for financing.
3. The Company's financing limits are calculated based on the net worth of the Company's financial statements audited by the certified public accountants; the investee company's financing limits are calculated based on the net worth of the Company's foreign currency financial statements audited by the certified public accountants.

Note 4: Financing between the Company and foreign companies whose 100% voting rights held directly or indirectly by the Company is not restricted to the financing limits stated in Note 3.

**Table II****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****Endorsements/guarantees to others****From January 1 to September 30, 2022**

Unit: In thousands of NT\$ and foreign currency, unless otherwise specified

No. (Note 1)	Name of the endorser's company	Endorsement object		Limit of endorsement for single enterprise (Note 3)	Maximum endorsement balance for the current period	Ending endorsement balance	Amount Actually Drawn	Amount of endorsement secured by property	Ratio of accumulated endorsement amount to net value of latest financial statement (%)	Maximum limit of endorsement (Note 3)	Endorsement of the parent company to the subsidiary company	Endorsement of the subsidiary company to the parent company	Endorsement to Mainland China	Note
		Name of Company	Relationship (Note 2)											
2	Suzhou Kunju Trading Co., Ltd.	Gudeng Investment Co., Ltd.	(3)	\$ 993,065	\$ 22,530 (RMB 5,000)	\$ 22,365 (RMB 5,000)	\$ 22,365 (RMB 5,000)	\$ -	0.45%	\$ 2,482,663	N	N	N	

Note 1: The No. column is filled as follows:

- (1) Fill in 0 for issuer.
- (2) Investee companies are numbered in order starting from Arabic numeral 1 by company.

Note 2: The relationship between the endorsement and the endorsed object is as follows:

- (1) The companies with business relationships.
- (2) The subsidiaries that directly hold more than 50% of the common stock.
- (3) The investee company in which the parent company and its subsidiary indirectly hold more than 50% of the common stock.
- (4) A parent company that owns more than 50% of its common stock, either directly or indirectly through a subsidiary.

Note 3: Calculation method and amount of endorsement limit:

## 1. Limit of endorsement for single enterprise:

- (1) The limit of the company's endorsement for a single company is in accordance with the company's endorsement operating procedures, and the limit shall not exceed 20% of the company's current net value (2022.9.30).
- (2) The limit of the company's endorsement for an overseas single affiliated company is in accordance with the company's endorsement operating procedures, and the limit shall not exceed 20% of the company's current net value (2022.9.30).

## 2. Maximum limit of endorsement:

- (1) The limit of the company's cumulative endorsement is in accordance with the company's endorsement operating procedures, and the limit shall not exceed 50% of the company's current net value (2022.9.30).

Note 4: An inter-company endorsement in which the company directly or indirectly holds 100% of the voting shares is not subject to the endorsement limit of Note 3.

**Table III****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****Marketable securities held at the end of the period****September 30, 2022**

Unit: In Thousands of New Taiwan Dollars, Except Shares

Name of Held Company	Type and Name of Marketable Securities (Note 1)	Relationship with the issuer of securities	Financial Statement Account	End of the Period				Note
				Number of Shares	Carrying amount	Percentage of Ownership	Fair Value	
Gudeng Precision Industrial Co., Ltd.	Listed companies							
	Symtek Automation Asia Co., Ltd.	None	Financial assets at fair value through other comprehensive income — non-current	4,000,000	<u>\$ 244,962</u>	5.60	<u>\$ 244,962</u>	Note 2
Gudeng Investment Co., Ltd.	Non-publicly traded company							
	Yinsmart Technology Co., Ltd.	None	Financial assets at fair value through profit or loss - current	25,000	\$ -	5.00	\$ -	—
	Listed companies							
	Elan Microelectronics Corporation	None	"	25,000	2,080	0.01	2,080	—
	Taiwan Semiconductor Manufacturing Co. Ltd.	None	"	42,000	17,724	-	17,724	—
	Symtek Automation Asia Co., Ltd.	None	"	588,000	50,215	0.82	50,215	—
	Foxsemicon Integrated Technology Inc.	None	"	23,000	4,244	0.02	4,244	—
	Fitipower Integrated Technology Inc.	None	"	20,902	1,948	0.01	1,948	—
	Advanced Wireless Semiconductor Company	None	"	22,000	1,340	0.01	1,340	—
	WinWay Technology Co., Ltd.	None	"	7,000	2,625	0.02	2,625	—
	Gudeng Precision Industrial Co., Ltd.	None	Financial assets at fair value through other comprehensive income — non-current	3,326,000	<u>79,491</u>	10.30	<u>79,491</u>	—
					<u>\$ 159,667</u>		<u>\$ 159,667</u>	
	Non-publicly traded company							
	NanoClean Materials Co., LTD.	None	Financial assets at fair value through other comprehensive income — non-current	500,000	\$ 2,900	10.00	\$ 2,900	—
	MontJade Engineering Co., Ltd.	None	"	1,340,000	20,046	6.09	20,046	—
	Jiurun Precision Technology Co., Ltd.	None	"	372,000	10,595	16.00	10,595	—
	Origin Precision Technology Co., Ltd.	None	"	500,000	6,080	16.67	6,080	—
	Certain Micro Application Technology Inc.	None	"	1,595,495	<u>44,674</u>	9.91	<u>44,674</u>	—
					<u>\$ 84,295</u>		<u>\$ 84,295</u>	
Shanghai Gudeng Trading Co., Ltd.	Guaranteed financial products of Fubon Bank (China)	None	Financial assets at fair value through profit or loss - current	-	<u>\$ 22,365</u>	-	<u>\$ 22,365</u>	—
Bor Sheng Industrial Co., Ltd.	Non-publicly traded company							
	Ting Shan Enterprise Co., Ltd.	Yes	Financial assets at fair value through other comprehensive income — non-current	300,000	<u>\$ -</u>	9.58	<u>\$ -</u>	—

Note 1: The marketable securities stated in this table is defined as shares, bonds, and beneficiary certificates in the scope of IFRS 9 "Financial Instruments," and the marketable securities derived from the above-mentioned items.

Note 2: It refers to private ordinary shares which are financial commodities that have an active market but cannot be sold subject to a lock-up period, the fair value of which is determined based on the relevant market price.

Note 3: The negotiable securities held by the consolidated company are not subject to any guarantee, pledge or other restrictions as agreed except as disclosed in the remarks.

**Table IV****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital****From January 1 to September 30, 2022**

Unit: In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Name of Acquiring Company	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counterparty	Relationship	Information on Prior Transaction for the Counterparty of Related Party				Reference for price determination	Purpose of acquisition and situation of usage	Other agreements
							Owner	Relationship with the Issuer	Transfer Date	Amount			
Gudeng Precision Industrial Co., Ltd.	Self-owned Land and Buildings	2022.3.7	\$ 205,000	Paid in full	Yung Ming Precast Concrete Co., Ltd.	Non-related party	-	-	-	\$ -	Referred to market prices and property valuation reports from real estate appraisers, and the appraised value amounted to \$217,424 thousand.	Self-usage in operation	None

Note 1: If the acquired assets should be appraised in accordance with the regulations, the appraisal result shall be indicated in the “Reference Basis for Price Determination” column.

Note 2: The paid-in capital is the paid-in capital of the parent company. For issuers with shares of no-par value or of par value which is not NT\$10 per share, the regulation regarding the 20% of the paid-in capital is calculated by the 10% equity attributable to owners of the parent company on the balance sheet.

Note 3: Date of occurrence: The date of contract signing, date of payment, dates of boards of directors' resolutions, date of transfer, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

**Table V****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****Amount of purchases or sales with related parties amounted to NT\$100 million or 20% and above of the paid-in capital****From January 1 to September 30, 2022**

Unit: In Thousands of New Taiwan Dollars, Unless Specified Other

Buyer/Seller	Name of Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/ Trade receivable (payable)		Note
			Purchase (Sale)	Amount	Ratio to Total Purchase (Sales)	Credit Terms	Unit Price	Credit Terms	Balance	Ratio to Total Notes or Trade Receivable (payable)	
Gudeng Precision Industrial Co., Ltd.	Shanghai Gudeng Trading Co., Ltd.	The same affiliate	Sales	\$ 149,827	6	120 days monthly settlement	-	-	\$ 160,428	24	
	We Solution Technology Co., Ltd.	The same affiliate	Purchase	145,642	17	35 days	-	-	( 2,810)	( 1)	

**Table VI**

**Gudeng Precision Industrial Co., Ltd. and Subsidiaries**  
**Receivables from related parties amounted to NT\$100 million or 20% and above of the paid-in capital**  
**September 30, 2022**  
Unit: In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Company Name	Name of Counterparty	Relationship	Balance of receivables from related parties	Turnover Rate	Overdue		Amount of Receivables from Related Parties Collected Subsequent to the Balance Sheet Date	Allowance for Impairment Loss
					Amount	Actions Taken		
Gudeng Precision Industrial Co., Ltd.	Shanghai Gudeng Trading Co., Ltd.	The same affiliate	Trade receivables \$ 160,428	1.92	\$ -	—	\$ 25,102	\$ -

**Table VII****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****Situations of business relationship and important transactions between parent company and subsidiaries****From January 1 to September 30, 2022**

Unit: In Thousands of New Taiwan Dollars, Unless Specified Otherwise

No. (Note 1)	Name of Trader	Name of Counterparty	Relationship with the Trader (Note 2)	Situations of Transactions			
				Account	Amount	Transaction Terms (Note 4)	Ratio to Consolidated Total Revenue or Total Assets (Note 3)
0	Gudeng Precision Industrial Co., Ltd.	Shanghai Gudeng Trading Co., Ltd.	1	Sales	\$ 149,827	—	5
			1	Service fees	42,269	—	1
			1	Purchase	95	—	-
			1	Trade receivables - related parties	160,428	—	1
		Gudeng Investment Co., Ltd. Gudeng Automation Co., Ltd.	1	Trade payable - related parties	105	—	-
			1	Other payable - related parties	14,279	—	-
			1	Rental income	360	—	-
			1	Sales	8,122	—	-
			1	Rental income	3,009	—	-
			1	Other income	1,228	—	-
			1	Purchase	1,500	—	-
			1	Guarantee deposits	669	—	-
			1	Trade receivables - related parties	2,294	—	-
			1	Other receivable - related parties	2,062	—	-
			1	Trade payable - related parties	181	—	-
			1	Unearned rent	1,003	—	-
		We Solution Technology Co., Ltd.	1	Trade payable - related parties	2,810	—	-
			1	Other receivable - related parties	147	—	-
			1	Purchase	145,606	—	5
			1	Other income	48	—	-
		Rich Point Global Corp. Sun Park Development Limited Jia Shuo Construction, Inc.	1	Other receivable - related parties	304	—	-
			1	Other receivable - related parties	77	—	-
			1	Guarantee deposits	2	—	-
			1	Rental income	9	—	-
		Gudeng Inc.	1	Unearned rent	3	—	-
			1	Other payable - related parties	4,517	—	-
			1	Service fees	16,366	—	-
			1	Other receivable - related parties	288	—	-
1	Rich Point Global Corp.	Gudeng Investment Co., Ltd.	3	Other receivable - related parties	288	—	-
2	Suzhou Wujiang Xinchuang Automobile Trade Co., Ltd.	Suzhou Kunju Trading Co., Ltd.	3	Other expenses	299	—	-
3	Gudeng Automation Co., Ltd.	Gudeng Inc.	3	Purchase	105	—	-



Note 1: The information on business interaction between the parent company and subsidiaries should be remarked in the column of No., and the instructions for filling out No. are as below:

1. Fill in 0 for parent company
2. Subsidiary are numbered in order starting from Arabic numeral 1 by company.

Note 2: Three types of the relationship with the trader as below and remark it by type only:

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

Note 3: For calculation on the ratio of transaction amount to consolidated total revenue or total assets, ending balance to consolidated total assets is used to calculate for those belongs to accounts on the balance sheet; mid-term cumulative balance to consolidated total revenue is used to calculate for those belongs to accounts on the income statement.

Note 4: The sales or purchase transaction price between parent company and subsidiary follows the terms of the contract, and the collection term is 90 days after monthly closing date, considering as capital usage and adjustment of affiliated companies. Other transactions are determined by negotiation between two parties due to no relevant similar transaction for reference.

Note 5: This table discloses one-way information on the transactions only, and the above-mentioned transactions are wholly eliminated when preparing consolidated financial statements.

**Table VIII****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****NAMES, LOCATIONS AND RELEVANT INFORMATION OF INVESTEE COMPANIES****From January 1 to September 30, 2022**

Unit: In Thousands of New Taiwan Dollars and Foreign Currencies, Except Shares

Name of investor company	Name of Investee Company	Location	Main Business Activities	Original Investment Amount		Held at the End of The Period			Net Income (Loss) of the Investee	Investment Profit (Loss) Recognized in the Current Period	Note
				End of the Current Period	Year-end of the last year	Number of Shares	Ratio (%)	Carrying amount			
Gudeng Precision Industrial Co., Ltd.	Rich Point Global Corp.	Equity Trust Chambers, P. O. Box 3269, Apia, Samoa	Engaged in reinvestment of various business	\$ 289,824	\$ 289,824	-	100	\$ 338,608	\$ 69,102	\$ 69,102	Note 2
	Gudeng Investment Co., Ltd.	8F.-5, No. 2, Sec. 4, Zhongyang Rd., Tucheng Dist., New Taipei City	Venture capital and management consulting business	577,000	417,000	53,700,000	100	536,035	( 12,579 )	( 12,579 )	Note 1 and 2
	We Solution Technology Co., Ltd.	No. 207, Fuxing 2nd Rd., Zhubei City, Hsinchu County	Trading , repair, and maintenance of various precision instruments	248,825	198,825	25,000,000	100	260,478	76,950	76,950	Note 2
	Gudeng Automation Co., Ltd.	No. 106, Sec. 2, Fuxing 3rd Rd., Zhubei City, Hsinchu County	Manufacture, trading , repair, and maintenance of various precision instruments	35,359	35,359	8,433,600	50.93	177,681	135,985	69,374	Note 1 and 2
	Gudeng Inc.	1798 Technology DR, #298 San Jose, CA, 95110	Engaged in various electronic components business	USD 850	USD 350	850,000	100	34,411	12,936	12,936	Note 2
Rich Point Global Corp.	Sun Park Development Limited	Suite 2302-6 23/F Great Eagle CTR 23 Harbour RD Wanchai H.K.	Engaged in reinvestment of various business	RMB 14,020	RMB 14,020	-	100	RMB 22,519	RMB 3,484	RMB 3,484	Note 2
	Gudeng Investment Co., Ltd.	TMF Chambers, P. O. Box 3269, Apia, Samoa	Engaged in reinvestment of various business	RMB 50,549	RMB 50,549	-	100	RMB 53,181	RMB 12,058	RMB 12,058	Note 1 and 2
Gudeng Investment Co., Ltd.	Jia Shuo Construction, Inc.	8F.-5, No. 2, Sec. 4, Zhongyang Rd., Tucheng Dist., New Taipei City	Industrial plant, residential and building development and leasing, real estate sales and leasing	135,100	135,100	13,510,000	100	131,427	( 3,239 )	( 3,239 )	Note 2
	Jinhui Technology Co., Ltd.	No. 43, Jingjian 4th Rd., Guanyin Dist., Taoyuan City	Surface treatment and thermal treatment, wholesale of chemical materials, manufacture of other chemical materials and other metals, wholesale of pollution prevention equipment, wholesale of recycled materials	35,000	35,000	3,500,000	35	49,955	17,119	5,991	Note 3
Gudeng Automation Co., Ltd.	i Analyzer Incorporation	7F-8, No. 200, Sec. 1, Dunhua S. Rd., Da'an Dist., Taipei City	Manufacture, trading , repair, and maintenance of various precision instruments	53,940	-	16,631,503	23.24	53,249	( 13,025 )	( 691 )	Note 3
	Hengyang Green Energy Co., Ltd.	2F, No. 50, Yongkehuan Rd., Wangxing Vil., Yongkang Dist., Tainan City	Piping works and electrical installations	54,000	-	5,400,000	45	54,035	162	( 1 )	Note 2 and 3
	Shenghe Precision Technology Co., Ltd.	8F.-6, No. 100, Sec. 1, Jiafeng 11th Rd., Zhubei City, Hsinchu County	Design and transformation of semiconductor and panel PVD vacuum technology related platform	70,000	70,000	1,977,686	100	72,991	21,329	18,709	Note 2 and 3
	Fu Rui Sheng Industrial Co., Ltd.	16F-3, No. 598, Sec. 1, Dunhua Rd., Houzhuang Vil., Beitun Dist., Taichung City	Investment and management consulting business	96,551	-	3,218,361	54.94	101,070	37,580	4,341	Note 2 and 3
Fu Rui Sheng Industrial Co., Ltd.	Shuoting Precision Industry Co., Ltd.	1F, No. 8, Ln. 64, Sec. 2, Gansu Rd., Dahe Vil., Xitun Dist., Taichung City	Manufacturing and wholesale of mould and manufacturing of machinery and equipment	44,860	-	4,486,026	41.37	43,444	( 4,333 )	( 924 )	Note 2 and 3
	Shuoting Precision Industry Co., Ltd.	1F, No. 8, Ln. 64, Sec. 2, Gansu Rd., Dahe Vil., Xitun Dist., Taichung City	Manufacturing and wholesale of mould and manufacturing of machinery and equipment	31,505	-	3,150,483	29.06	27,695	( 4,333 )	( 775 )	Note 2 and 3
	Bor Sheng Industrial Co., Ltd.	1F, No. 45, Dawei Rd., Dayuan Vil., Dali Dist., Taichung City	Manufacturing and wholesale of mould and manufacturing of machinery and equipment	16,740	-	1,674,000	93	68,306	45,547	8,794	Note 2 and 3

Note 1: Net income (loss) of the investee and investment profit (loss) recognized in the current period are the amounts audited by the certified public accountants.

Note 2: Wholly eliminated when preparing consolidated financial statements.

Note 3: Net income (loss) of the investee and investment profit (loss) recognized in the current period are the amounts unaudited by the certified public accountants.

Note 4: Please refer to Table VII for the information about investments in Mainland China.

**Table IX****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****Information on Investments in Mainland China****From January 1 to September 30, 2022**

Unit: In thousands of NT\$ and foreign currency, unless otherwise specified

Investee Company In Mainland China	Main Business Activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated amount of investment remitted out of Taiwan at the beginning of the period	Remitted or repatriated amount of investment for the period		Accumulated amount of investment remitted out of Taiwan at the end of the period	Net Income (Loss) of the Investee	Ratio of Shareholding (%) of the direct or indirect investment of the Company	Investment Profit (Loss) Recognized in Current Period (Note 2)	Carrying amount of the investment at the end of the period	Investment income repatriated by the year end of the period	Note
					Remitted	Repatriated							
Shanghai Gudeng Trading Co., Ltd.	Wholesale, import and export, commission agency and related ancillary services of plastic products, power products and hardware & electric materials	USD 1,000	(2) Investor company: Sun Park Development Limited	\$ 31,750 (USD 1,000)	\$ -	\$ -	\$ 31,750 (USD 1,000)	\$ 16,109 (RMB 3,638)	100	\$ 16,109 (RMB 3,638) (2)C	\$ 63,450 (RMB 14,185)	\$ -	
Suzhou Wujiang Xinchuang Automobile Trade Co., Ltd.	Motor vehicles trading	RMB 15,750	(2) Investor company: Gudeng Investment Co., Ltd.	229,479 (RMB 45,000) (USD 888)	-	-	229,479 (RMB 45,000) (USD 888)	( 4,006) (RMB -905)	-	( 4,984) (RMB -1,126) (2)B	- RMB -	39,022 (RMB 8,724)	
Suzhou Kunju Trading Co., Ltd.	Sales of automobiles, after-sales services and technical consulting services related to automobile repair	RMB 7,645	(2) Investor company: Sun Park Development Limited	38,354 (USD 1,208)	-	-	38,354 (USD 1,208)	( 677) (RMB -153)	100	( 677) (RMB -153) (2)C	37,350 (RMB 8,350)	-	

Accumulated amount of investment remitted out of Taiwan to Mainland China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Upper Limit on Investment in mainland China regulated by the Investment Commission of the Ministry of Economic Affairs
NTD 299,583 ( USD 3,096 ) ( RMB 45,000 )	NTD 423,794 ( USD 5,388 ) ( RMB 56,500 )	NTD 2,979,174 ( USD 93,832 )

Note 1: The methods of investment are classified as below five types:

- (1) Direct investment in Mainland China.
- (2) Reinvestment in Mainland China through companies registered in a third region. (please specify the investment company in a third region).
- (3) Other method.

Note 2: In the column of investment profit (loss) recognized for the period:

- (1) If the company is in preparation status without investment profit (loss), it shall be remarked.
- (2) Recognized basis of investment profit (loss) includes below three types and shall be remarked.
  - A. Financial statements audited and certified by international accounting firms in cooperation with accounting firms of Republic of China.
  - B. The financial statements had been audited and certified by the parent company's certified public accountant in Taiwan.
  - C. Other - Based on the financial statements unaudited by the certified public accountants.

Note 3: Amounts related to this table are listed in New Taiwan Dollars, and any foreign currencies are converted into New Taiwan Dollars with spot exchange rate on the financial report date. (USD spot exchange rate of 31.75; RMB spot exchange rate of 4.473; RMB profit and loss exchange rate of 4.428 on September 30, 2022).

**Table X**

**Gudeng Precision Industrial Co., Ltd. and Subsidiaries**  
**Significant transactions with investee companies in mainland China incurred directly or indirectly through a third region, and their prices, payment terms, unrealized gain or loss, and other relevant information**  
**From January 1 to September 30, 2022**  
Unit: In Thousands of New Taiwan Dollars, Unless Specified Otherwise

Investee Company In Mainland China	Type of Transaction	Purchases, Sales, and Service fees		Price	Transaction Terms		Notes/ Trade receivable (payable)		Unrealized gain (loss)	Note
		Amount	Percentage		Payment Terms	Compared with normal transactions	Amount	Percentage		
Shanghai Gudeng Trading Co., Ltd.	Sales	\$ 149,827	6	Same as normal clients	Same as normal clients	Same as normal clients	\$ 160,428	24	\$ -	
"	Service fees	42,269	7	Same as normal clients	Same as normal clients	Same as normal clients	( 14,279 )	2	-	
"	Purchase	95	7	Same as normal clients	Same as normal clients	Same as normal clients	( 105 )	2	-	

**Table XI****Gudeng Precision Industrial Co., Ltd. and Subsidiaries****Information on Major Shareholders****September 30, 2022**

Name of Major Shareholders	Shareholding	
	Number of Shares Held	Percentage of Ownership
Ming-Lang Zhuang	8,168,563	9.71%
Ming-Chien Chiu	6,647,037	7.90%
Tien-Jui Lin	4,546,853	5.40%

Note 1: Information on major shareholders in this table is information on 5% and above of the total of the ordinary shares and preference shares held by shareholders without physical registration (including treasury shares) and calculated on the last business day of each quarter by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of different basis of preparation.