

Stock Code : 1455

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Nine Months Ended September 30, 2022 and 2021
and Independent Auditors' Review Report

Address : 2F., No. 70, Sining N. Rd., Datong Dist., Taipei City

Tel : (02)25557151

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Nine Months Ended September 30, 2022
Table of Contents

| Item | Page |
|-----------------------------------------------------------------------------------|-------|
| Cover | 1 |
| Table of Contents | 2 |
| Independent Auditors' Review Report | 3 |
| Consolidated Balance Sheets | 4 |
| Consolidated Statements of Comprehensive Income | 5 |
| Consolidated Statements of Changes in Equity | 6 |
| Consolidated Statements of Cash Flows | 7 |
| Notes to Consolidated Financial Statements | |
| 1. General Information | 8 |
| 2. The Authorization of Financial Statements | 8 |
| 3. Application of New and Amended Standards and Interpretations | 8~10 |
| 4. Summary of Significant Accounting Policies | 10~13 |
| 5. Major Sources of Critical Accounting Judgments, Estimates and Uncertainties | 13 |
| 6. Description of Significant Accounts | 14~55 |
| 7. Related Party Transactions | 56~58 |
| 8. Pledged Assets | 59 |
| 9. Significant Contingent Liabilities and Unrecognized Contract Commitments | 59 |
| 10. Significant Disaster Losses | 59 |
| 11. Significant Subsequent Events | 59 |
| 12. Others | 60~73 |
| 13. Supplementary disclosures | |
| 13.1 Information on significant transactions | 74 |
| 13.2 Information on investees | 74 |
| 13.3 Information on investment in Mainland China | 82~83 |
| 13.4 Information on major shareholders | 84 |
| 14. Segment Information | 85~87 |

Independent Auditors' Review Report

To : Zig Sheng Industrial Co., Ltd.

Preface

We have reviewed the consolidated financial statements of Zig Sheng Industrial Co., Ltd. and Subsidiaries (the "Group"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, the 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, consolidated statements of changes in equity, and consolidated statements of cash flows for the nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies (together "Consolidated Financial Statements"). Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission R.O.C. (Taiwan). Our responsibility is to express a conclusion on the Consolidated Financial Statements based on our reviews.

Scope

Except for the items mentioned in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Statements". 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 mentioned in Note 4.3-2 of the Consolidated Financial Statements, the amount shown in the financial statements of insignificant subsidiaries included in the Consolidated Financial Statements and the related information disclosed in Note 13 of the Consolidated Financial Statements were prepared based on un-audited financial statements of the respective companies in the corresponding periods. The amount of total assets of such subsidiaries as of September 30, 2022 and 2021 was \$56,602 thousand and \$61,561 thousand, respectively, which accounted for 0.58% and 0.57% of the total consolidated assets, respectively; The amount of total liabilities was \$34,658 thousand and \$38,916 thousand, respectively, which accounted for 1.15% and 1.11% of the total consolidated liabilities, respectively; The amount of total comprehensive income (loss) for three months and nine months ended September 30, 2022

and 2021 was \$171 thousand and \$86 thousand, (\$437) thousand and \$928 thousand, respectively, which accounted for (0.08%) and (0.07%), 0.22% and 0.11% of the total consolidated comprehensive income (loss), respectively.

Qualified Conclusion

Based on our reviews, except for the potential effects of adjustments and disclosures on the Consolidated Financial Statements if the financial statements of the insignificant subsidiaries as mentioned in the Basis for Qualified Conclusion section and the related information disclosed in Note 13 of the Consolidated Financial Statements were reviewed by CPA, nothing has come to our attention that caused us to believe that the accompanying Consolidated Financial Statements do not present fair, in all material respects the consolidated position of the Company as of September 30, 2022 and 2021, and its consolidated financial performance for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 and its consolidated cash flows for the 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 R.O.C. (Taiwan).

The engagement partners on the reviews resulting in this independent auditors’ review report are Hsiao, Ying-Chia and Lin, Chih-Lung.

Crowe (TW) CPAs
Taipei, Taiwan
Republic of China

November 4, 2022

Notice to Readers

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

For the convenience of readers, the independent auditors’ review 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’ review report and Consolidated Financial Statements shall prevail.

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Balance Sheets

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

(September 30, 2022 and 2021 were reviewed only, not audited according to the generally accepted auditing standards)

Unit : Thousands of New Taiwan Dollars

| Code | Assets | September 30, 2022 | | December 31, 2021 | | September 30, 2021 | |
|------|---------------------------------------------------------------------|--------------------|-----|-------------------|-----|--------------------|-----|
| | | Amount | % | Amount | % | Amount | % |
| 11xx | Current Assets | \$ 3,948,667 | 40 | \$ 4,897,722 | 45 | \$ 4,851,752 | 45 |
| 1100 | Cash and cash equivalents (Note 6.1) | 109,520 | 1 | 71,448 | 1 | 91,804 | 1 |
| 1110 | Financial assets at FVTPL - current (Note 6.2) | 555,862 | 6 | 916,107 | 8 | 880,139 | 8 |
| 1150 | Notes receivable, net (Note 6.3) | 64,814 | 1 | 269,770 | 3 | 179,691 | 2 |
| 1170 | Accounts receivable, net (Note 6.4) | 791,657 | 8 | 1,295,846 | 12 | 1,213,419 | 11 |
| 1180 | Accounts receivable - related parties (Note 6.4, 7) | 33,755 | - | 41,820 | - | 14,335 | - |
| 1200 | Other receivables (Note 6.5) | 4,663 | - | 7,513 | - | 68,768 | 1 |
| 1220 | Current-period income tax assets | 6 | - | 29 | - | 36 | - |
| 1310 | Inventories, net (Note 6.6) | 2,362,901 | 24 | 2,247,309 | 21 | 2,356,539 | 22 |
| 1410 | Prepayments (Note 6.7) | 25,489 | - | 47,880 | - | 47,021 | - |
| 15xx | Noncurrent Assets | 5,761,181 | 60 | 5,879,093 | 55 | 5,894,505 | 55 |
| 1517 | Financial assets at FVTOCI - noncurrent (Note 6.8) | 198,653 | 2 | 246,998 | 2 | 252,967 | 2 |
| 1600 | Property, plant and equipment (Note 6.10) | 4,585,344 | 47 | 4,715,038 | 44 | 4,773,138 | 45 |
| 1755 | Right-of-use asset (Note 6.11) | 66,582 | 1 | 74,673 | 1 | 77,991 | 1 |
| 1760 | Investment properties, net (Note 6.12) | 688,668 | 7 | 643,670 | 6 | 641,325 | 6 |
| 1780 | Intangible assets (Note 6.13) | 3,598 | - | 2,133 | - | 758 | - |
| 1840 | Deferred income tax assets | 80,266 | 1 | 76,092 | 1 | 67,811 | 1 |
| 1915 | Prepayments for equipment | 62,276 | 1 | 49,808 | 1 | 12,890 | - |
| 1920 | Guarantee deposits paid (Note 6.14) | 22,970 | - | 23,479 | - | 23,495 | - |
| 1990 | Other noncurrent assets - other (Note 6.15) | 52,824 | 1 | 47,202 | - | 44,130 | - |
| 1xxx | Total Assets | \$ 9,709,848 | 100 | \$ 10,776,815 | 100 | \$ 10,746,257 | 100 |
| Code | Liabilities and Equity | | | | | | |
| 21xx | Current Liabilities | \$ 2,720,860 | 28 | \$ 3,139,025 | 29 | \$ 3,175,533 | 30 |
| 2100 | Short-term loans (Note 6.16) | 1,010,000 | 11 | 1,260,000 | 12 | 1,270,000 | 12 |
| 2110 | Short-term notes and bills payable (Note 6.17) | 699,835 | 7 | 499,845 | 4 | 749,952 | 7 |
| 2120 | Financial liabilities at FVTPL - current (Note 6.18) | - | - | 1,526 | - | 1,044 | - |
| 2130 | Contractual liabilities - current (Note 6.30) | 53,496 | 1 | 54,457 | 1 | 68,551 | 1 |
| 2150 | Notes payable (Note 6.19) | 74,685 | 1 | 217,881 | 2 | 103,167 | 1 |
| 2170 | Accounts payable (Note 6.19) | 513,984 | 5 | 624,095 | 6 | 507,977 | 5 |
| 2180 | Accounts payable - related parties (Note 7) | 198 | - | 82 | - | 113 | - |
| 2200 | Other payables (Note 6.20) | 284,471 | 3 | 409,008 | 4 | 413,159 | 4 |
| 2220 | Other payables - related parties (Note 7) | 63 | - | - | - | - | - |
| 2230 | Current-period income tax liabilities | 39,410 | - | 31,507 | - | 17,995 | - |
| 2250 | Provisions - current (Note 6.21) | 30,980 | - | 25,572 | - | 30,309 | - |
| 2280 | Lease liabilities - current (Note 6.11) | 12,218 | - | 13,448 | - | 12,222 | - |
| 2399 | Other current liabilities - other (Note 6.22) | 1,520 | - | 1,604 | - | 1,044 | - |
| 25xx | Noncurrent Liabilities | 302,015 | 3 | 327,480 | 3 | 332,929 | 3 |
| 2570 | Deferred income tax liabilities | 140,962 | 1 | 137,395 | 1 | 137,421 | 1 |
| 2580 | Lease liabilities - noncurrent (Note 6.11) | 55,042 | 1 | 63,143 | 1 | 66,186 | 1 |
| 2640 | Net defined benefit liability - noncurrent (Note 6.23) | 82,867 | 1 | 103,778 | 1 | 106,158 | 1 |
| 2645 | Guarantee deposits received (Note 6.24) | 23,144 | - | 23,164 | - | 23,164 | - |
| 2xxx | Total Liabilities | 3,022,875 | 31 | 3,466,505 | 32 | 3,508,462 | 33 |
| 31xx | Equity attributable to owners of the parent | | | | | | |
| 3100 | Share capital (Note 6.25) | 5,316,884 | 55 | 5,316,884 | 49 | 5,316,884 | 49 |
| 3110 | Common shares | 5,316,884 | 55 | 5,316,884 | 49 | 5,316,884 | 49 |
| 3200 | Capital surplus (Note 6.26) | 398,835 | 4 | 398,835 | 4 | 398,615 | 4 |
| 3300 | Retained earnings (Note 6.27) | 931,549 | 10 | 1,534,694 | 14 | 1,456,607 | 13 |
| 3310 | Legal reserve | 341,448 | 4 | 249,476 | 2 | 249,476 | 2 |
| 3320 | Special reserve | 321,614 | 3 | 321,614 | 3 | 321,614 | 3 |
| 3350 | Unappropriated retained earnings | 268,487 | 3 | 963,604 | 9 | 885,517 | 8 |
| 3400 | Other equity interest (Note 6.28) | 39,705 | - | 59,897 | 1 | 65,689 | 1 |
| 3410 | Exchange differences from translation of foreign operations | (288) | - | (270) | - | (447) | - |
| 3420 | Unrealized gains or losses on financial assets at FVTOCI (Note 6.8) | 39,993 | - | 60,167 | 1 | 66,136 | 1 |
| 3xxx | Total Equity | 6,686,973 | 69 | 7,310,310 | 68 | 7,237,795 | 67 |
| 3x2x | Total Liabilities and Equity | \$ 9,709,848 | 100 | \$ 10,776,815 | 100 | \$ 10,746,257 | 100 |

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Three Months Ended September 30, 2022 and 2021 and Nine Months Ended June 30, 2022 and 2021
(Reviewed only, not audited according to the generally accepted auditing standards)

| | | Unit : Thousands of New Taiwan Dollars | | | | | | | |
|------|--------------------------------------------------------------------------------------------|----------------------------------------|--------|--------------------|-------|--------------------|-------|--------------------|-------|
| Code | Item | July 1, 2022 to | | July 1, 2021 to | | January 1, 2022 to | | January 1, 2021 to | |
| | | September 30, 2022 | | September 30, 2021 | | September 30, 2022 | | September 30, 2021 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | Operating revenue (Note 6.30) | \$ 2,149,667 | 100 | \$ 2,990,195 | 100 | \$ 7,525,083 | 100 | \$ 8,097,353 | 100 |
| 5000 | Operating costs (Note 6.6, 6.35) | (2,263,559) | (105) | (2,706,018) | (91) | (7,171,842) | (95) | (7,063,714) | (87) |
| 5900 | Gross profit from operations | (113,892) | (5) | 284,177 | 9 | 353,241 | 5 | 1,033,639 | 13 |
| 6000 | Operating expenses (Note 6.35) | (113,097) | (5) | (123,731) | (4) | (376,603) | (5) | (414,907) | (5) |
| 6100 | Selling expenses | (74,417) | (3) | (86,032) | (3) | (247,752) | (3) | (239,874) | (3) |
| 6200 | Administrative expenses | (23,488) | (1) | (23,600) | (1) | (85,295) | (1) | (133,870) | (1) |
| 6300 | Research and development expenses | (15,192) | (1) | (14,099) | - | (43,488) | (1) | (41,163) | (1) |
| 6450 | Loss on expected credit impairment (Note 6.4) | - | - | - | - | (68) | - | - | - |
| 6900 | NET OPERATING INCOME (LOSS) | (226,989) | (10) | 160,446 | 5 | (23,362) | - | 618,732 | 8 |
| | Non-operating income and expenses | | | | | | | | |
| 7100 | Interest income (Note 6.31) | 29 | - | 5 | - | 431 | - | 104 | - |
| 7010 | Other income (Note 6.32) | 54,351 | 2 | 35,528 | 1 | 170,120 | 2 | 115,471 | 1 |
| 7020 | Other gains and losses (Note 6.33) | (83,466) | (4) | (246,546) | (8) | (281,322) | (4) | 200,969 | 2 |
| 7050 | Finance costs (Note 6.34) | (2,568) | - | (2,616) | - | (5,273) | - | (14,534) | - |
| 7000 | Total non-operating income and expenses | (31,654) | (2) | (213,629) | (7) | (116,044) | (2) | 302,010 | 3 |
| 7900 | INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS | (258,643) | (12) | (53,183) | (2) | (139,406) | (2) | 920,742 | 11 |
| 7950 | INCOME TAX EXPENSE (Note 6.37) | 34,172 | 2 | (29,545) | (1) | (38,388) | - | (79,102) | (1) |
| 8200 | NET INCOME (LOSS) | (224,471) | (10) | (82,728) | (3) | (177,794) | (2) | 841,640 | 10 |
| | OTHER COMPREHENSIVE INCOME (LOSS) (Note 6.28) | | | | | | | | |
| | Items that will not be reclassified subsequently to profit or loss | | | | | | | | |
| 8316 | Unrealized measurement gains or losses on equity instruments measured at FVTOCI (Note 6.8) | (2,405) | - | (33,664) | (1) | (20,174) | - | 39,779 | 1 |
| 8310 | Total items that will not be reclassified subsequently to profit or loss | (2,405) | - | (33,664) | (1) | (20,174) | - | 39,779 | 1 |
| | Items that may be reclassified subsequently to profit or loss | | | | | | | | |
| 8361 | Exchange differences from translation of foreign operations | (131) | - | (16) | - | (18) | - | (228) | - |
| 8360 | Total items that may be reclassified subsequently to profit or loss | (131) | - | (16) | - | (18) | - | (228) | - |
| 8300 | Total other comprehensive income (loss) for the period, net of income tax | (2,536) | - | (33,680) | (1) | (20,192) | - | 39,551 | 1 |
| 8500 | TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | (\$ 227,007) | (10) | (\$ 116,408) | (4) | (\$ 197,986) | (2) | \$ 881,191 | 11 |
| 8600 | Net income (loss) attributable to: | | | | | | | | |
| 8610 | Owners of the parent | (\$ 224,471) | (10) | (\$ 82,728) | (3) | (\$ 177,794) | (2) | \$ 841,640 | 10 |
| 8700 | Total comprehensive income (loss) attributable to: | | | | | | | | |
| 8710 | Owners of the parent | (\$ 227,007) | (10) | (\$ 116,408) | (4) | (\$ 197,986) | (2) | \$ 881,191 | 11 |
| | EARNINGS (LOSS) PER SHARE - COMMON SHARES (NT\$) (Note 6.38) | | | | | | | | |
| 9750 | Basic earnings (loss) per share | (\$ 0.42) | | (\$ 0.16) | | (\$ 0.33) | | \$ 1.58 | |
| 9850 | Diluted earnings (loss) per share | | | | | | | \$ 1.58 | |

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
Nine Months Ended September 30, 2022 and 2021
(Reviewed only, not audited according to the generally accepted auditing standards)

Unit : Thousands of New Taiwan Dollars

| Code | Item | Retained Earnings | | | | | Other Equity | | | Total Equity |
|------|---------------------------------------------------------------------------|-------------------------------|------------------|------------------|------------------|----------------------------------|-------------------------------------------------------------|----------------------------------------------------------|-----------------|--------------------|
| | | Share Capital - Common Shares | Capital Surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences from translation of foreign operations | Unrealized gains or losses on financial assets at FVTOCI | Treasury Shares | |
| A1 | Balance on January 1, 2021 | \$5,500,014 | \$492,157 | \$249,476 | \$321,614 | \$ 97,046 | (\$ 219) | \$ 26,357 | (\$160,576) | \$6,525,869 |
| | Appropriation and distribution of earnings : | | | | | | | | | |
| B5 | Cash dividends - common shares | - | - | - | - | (53,169) | - | - | - | (53,169) |
| C15 | Cash dividend distribution from capital surplus | - | (106,338) | - | - | - | - | - | - | (106,338) |
| C17 | Unclaimed overdue dividends by shareholders | - | 235 | - | - | - | - | - | - | 235 |
| D1 | Profit (loss) covering January 1 ~ September 30, 2021 | - | - | - | - | 841,640 | - | - | - | 841,640 |
| D3 | Other comprehensive income (loss) covering January 1 ~ June 30, 2021 | - | - | - | - | - | (228) | 39,779 | - | 39,551 |
| L1 | Buy back treasury shares | - | - | - | - | - | - | - | (9,993) | (9,993) |
| L3 | Cancellation of treasury shares | (183,130) | 12,561 | - | - | - | - | - | 170,569 | - |
| Z1 | Balance, September 30, 2021 | <u>\$5,316,884</u> | <u>\$398,615</u> | <u>\$249,476</u> | <u>\$321,614</u> | <u>\$ 885,517</u> | <u>(\$ 447)</u> | <u>\$ 66,136</u> | <u>\$ -</u> | <u>\$7,237,795</u> |
| A1 | Balance, January 1, 2022 | \$5,316,884 | \$398,835 | \$249,476 | \$321,614 | \$ 963,604 | (\$ 270) | \$ 60,167 | \$ - | \$7,310,310 |
| | Appropriation and distribution of earnings : | | | | | | | | | |
| B1 | Set aside legal reserve | - | - | 91,972 | - | (91,972) | - | - | - | - |
| B5 | Cash dividends - common shares | - | - | - | - | (425,351) | - | - | - | (425,351) |
| D1 | Profit (loss) covering January 1 ~ September 30, 2022 | - | - | - | - | (177,794) | - | - | - | (177,794) |
| D3 | Other comprehensive income (loss) covering January 1 ~ September 30, 2022 | - | - | - | - | - | (18) | (20,174) | - | (20,192) |
| Z1 | Balance, September 30, 2022 | <u>\$5,316,884</u> | <u>\$398,835</u> | <u>\$341,448</u> | <u>\$321,614</u> | <u>\$ 268,487</u> | <u>(\$ 288)</u> | <u>\$ 39,993</u> | <u>\$ -</u> | <u>\$6,686,973</u> |

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2022 and 2021
(Reviewed only, not audited according to the generally accepted auditing standards)

| | | Unit : Thousands of New Taiwan Dollars | |
|--------|------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Code | Item | January 1, 2022 to September 30, 2022 | January 1, 2021 to September 30, 2021 |
| AAAA | CASH FLOWS FROM OPERATING ACTIVITIES : | | |
| A00010 | Net profit (loss) before tax from continuing operations | (\$ 139,406) | \$ 920,742 |
| A20000 | Adjustments : | | |
| A20010 | Income/gain or expense/loss items not affecting cash flows | | |
| A20100 | Depreciation expense (including depreciation of right-of-use assets and investment properties) | 307,240 | 351,614 |
| A20200 | Amortization expense | 24,122 | 19,947 |
| A20400 | Net loss (gain) on financial assets and liabilities measured at FVTPL | 297,980 | (46,405) |
| A20900 | Interest expense | 14,424 | 9,871 |
| A21200 | Interest income | (431) | (104) |
| A21300 | Dividend income | (82,022) | (37,059) |
| A22500 | Net loss (gain) on disposal or scrapping of property, plant and equipment | (20,401) | (357) |
| A23100 | Net loss (gain) from disposal of investments | 63,282 | (177,151) |
| A20010 | Total income/gain or expense/loss items not affecting cash flows | <u>604,194</u> | <u>120,356</u> |
| A30000 | Changes in operating assets and liabilities | | |
| A31115 | Decrease (increase) in financial assets mandatorily measured at FVTPL | (12,832) | (55,319) |
| A31130 | Decrease (increase) in notes receivable | 204,956 | 41,539 |
| A31150 | Decrease (increase) in accounts receivable | 504,189 | (237,504) |
| A31160 | Decrease (increase) in accounts receivable - related parties | 8,065 | 31,161 |
| A31180 | Decrease (increase) in other receivables | 3,036 | (5,924) |
| A31200 | Decrease (increase) in inventories | (110,687) | (1,286,157) |
| A31230 | Decrease (increase) in prepayments | 22,391 | (28,034) |
| A32125 | Increase (decrease) in contractual liabilities | (961) | (12,253) |
| A32130 | Increase (decrease) in notes payable | (143,196) | (3,520) |
| A32150 | Increase (decrease) in accounts payable | (110,111) | 136,590 |
| A32160 | Increase (decrease) in accounts payable - related parties | 116 | (82) |
| A32180 | Increase (decrease) in other payables | (108,051) | 56,196 |
| A32190 | Increase (decrease) in other payables - related parties | 63 | - |
| A32200 | Increase (decrease) in provisions | 5,408 | 5,736 |
| A32230 | Increase (decrease) in other current liabilities - other | (84) | 108 |
| A32240 | Increase (decrease) in net defined benefit liabilities | (20,911) | (5,391) |
| A30000 | Total net changes in operating assets and liabilities | <u>241,391</u> | <u>(1,362,854)</u> |
| A33000 | Cash generated from (used in) operations | 706,179 | (321,756) |
| A33100 | Interest received | 245 | 104 |
| A33200 | Dividend received | 82,022 | 37,059 |
| A33300 | Interest paid | (14,285) | (9,800) |
| A33500 | Income tax paid | (31,069) | (226) |
| AAAA | Net cash flows from (used in) operating activities | <u>743,092</u> | <u>(294,619)</u> |

(continue to next page)

(continue from previous page)

| | | | |
|--------|----------------------------------------------------------------------------|-------------------|------------------|
| BBBB | CASH FLOWS FROM INVESTING ACTIVITIES : | | |
| B00010 | Acquisition of financial assets at FVTOCI | - | (13,200) |
| B00030 | Returned capital from FVTOCI financial assets | 28,171 | 8,721 |
| B02700 | Acquisition of property, plant and equipment | (100,089) | (155,174) |
| B02800 | Disposal of property, plant and equipment | 21,700 | 362 |
| B03700 | Increase in refundable deposit paid | (13) | (16) |
| B03800 | Decrease in refundable deposit paid | 522 | 1,464 |
| B04500 | Acquisition of intangible assets | (1,683) | (182) |
| B05400 | Acquisition of investment properties | (48,459) | - |
| B06700 | Increase in other noncurrent assets - other | (28,821) | (30,734) |
| B07100 | Increase in prepayments for equipment | (89,733) | (174,597) |
| BBBB | Net cash flows from (used in) investing activities | (218,405) | (363,356) |
| CCCC | CASH FLOWS FROM FINANCING ACTIVITIES : (Note 6.36) | | |
| C00100 | Increase in short-term loans | 8,965,359 | 8,515,870 |
| C00200 | Decrease in short-term loans | (9,215,359) | (7,955,870) |
| C00500 | Increase in short-term notes and bills payable | 2,400,000 | 3,330,000 |
| C00600 | Decrease in short-term notes and bills payable | (2,200,000) | (3,030,000) |
| C03000 | Increase in guarantee deposits received | 300 | - |
| C03100 | Decrease in guarantee deposits received | (320) | - |
| C04020 | Lease principal repayment | (11,226) | (11,126) |
| C04500 | Distribution of cash dividends | (425,351) | (159,507) |
| C04900 | Cost for buying back treasury shares | - | (9,993) |
| C09900 | Undrawn overdue dividends payable transferred to capital surplus | - | 235 |
| CCCC | Net cash flows from (used in) financing activities | (486,597) | 679,609 |
| DDDD | Effects on cash and cash equivalents due to fluctuations in exchange rates | (18) | (228) |
| EEEE | NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 38,072 | 21,406 |
| E00100 | CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD | 71,448 | 70,398 |
| E00200 | CASH AND CASH EQUIVALENTS, END OF THE PERIOD | <u>\$ 109,520</u> | <u>\$ 91,804</u> |
| E00210 | RECORDED CASH AND CASH EQUIVALENTS ON THE CONSOLIDATED BALANCE SHEET | <u>\$ 109,520</u> | <u>\$ 91,804</u> |

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

Zig Sheng Industrial Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
Nine Months Ended September 30, 2022 and 2021

(Reviewed only, not audited according to the generally accepted auditing standards)
(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)

1. General Information

Zig Sheng Industrial Co., Ltd. (the “Company”) was founded and registered with approval on August 18, 1969 according to the Company Act and other relevant laws and regulations. The principal operating activities of the Company are as following :

- (1) Spinning, weaving, dyeing/finishing, printing, processing, and trading of various filaments, artificial cotton and nylon fiber.
- (2) Production, selling, import/export trading of fiber raw materials for use in the petrochemical industry.

The Company has factories in Guishan District, Guanyin District and Dayuan District, Taoyuan City.

The Company’ s stock began traded in the Taiwan Stock Exchange from October 7, 1993.

The Company is its own ultimate parent company.

The Company ’ s functional currency is New Taiwan Dollar. Since the Company is publicly traded in Taiwan, in order to increase comparability and consistency of the financial statements, these Consolidated Financial Statements are presented in New Taiwan Dollars.

Unless specified otherwise, the Company and the component subsidiaries included in these Consolidated Financial Statements are together called the “Group” hereafter.

2. The Authorization of Financial Statements

The accompanying Consolidated Financial Statements were approved and authorized for issue by the board of directors on November 4, 2022.

3. Application of New Standards, Amendments, and Interpretations

3.1 Effects from application of the newly issued or revised International Financial Reporting Standards endorsed and issued into effect by the Financial Supervisory Commission R. O. C. (Taiwan) (“FSC”) :

According to FSC Jin-Guan-Zheng-Shen No. 1100362952 Order on July 26, 2021, the Group shall, beginning from 2022, prepare its financial statements and apply the International Financial Reporting Standards, International

Accounting Standards, and the related interpretations and announcements released by the International Accounting Standards Board (“IASB”) and endorsed, issued into effect by FSC (together “IFRSs”), and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The following summarizes the newly published, amended or revised IFRSs that are endorsed by FSC and effective for 2022 :

| Newly Issued/Amended/Revised Standards and Interpretations | Effective Date Announced by IASB |
|---------------------------------------------------------------------------------------|-------------------------------------|
| Amendments to IFRS 16 ” Property, Plant and Equipment - Proceeds before Intended Use” | January 1, 2022 |
| Amendments to IFRS 37 ” Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 |
| Amendments to IFRS 3 “Reference to the Conceptual Framework” | January 1, 2022 |
| IFRS 2018–2020 Annual Improvements | January 1, 2022 |

After assessment by the Group, the above standards and interpretations do not have material impact on the consolidated financial position and consolidated financial performance of the Group.

3.2 Effects from not yet adopting the newly published, amended or revised International Financial Reporting Standards that have been endorsed and issued into effect by FSC :

The following summarizes the newly published, amended or revised IFRSs that are endorsed by FSC and effective for 2023 :

| Newly Issued/Amended/Revised Standards and Interpretations | Effective Date Announced by IASB |
|---------------------------------------------------------------------------------------------------------|-------------------------------------|
| Amendments to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 |
| Amendments to IAS 8 “Definition of Accounting Estimates” | January 1, 2023 |
| Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 |

After preliminary assessment, application of the above standards and interpretations will not have material impact on the consolidated financial position and consolidated financial performance of the Group. The Group will continue to assess the related amounts from these standards and interpretations, and the related assessment results will be disclosed upon completion of the assessment.

3.3 Effects from the International Financial Reporting Standards issued by IASB but not yet been endorsed and issued into effect by FSC :

The Group does not adopt the following International Financial Reporting Standards issued by IASB but not yet been endorsed by FSC. The actual effective date for adoption shall be based on FSC regulations.

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

Note : IASB currently decides to postpone the effective date of this amendment to after January 1, 2024.

After preliminary assessment, application of the above standards and interpretations will not have material impact on the consolidated financial position and consolidated financial performance of the Group. The Group will continue to assess the related amounts from these standards and interpretations, and the related assessment results will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

Except for the Statement of Compliance, Basis of Preparation, Basis of Consolidation and newly added sections described as followings, the rest of significant accounting policies are the same as those in Note 4 of the 2021 annual consolidated financial statements. These policies have been consistently applied to all of the reporting periods unless otherwise stated.

4.1 Statement of Compliance

1. These interim Consolidated Financial Statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34 “Interim Financial Reporting” endorsed and issued into effect by FSC.

These Consolidated Financial Statements do not include all necessary information that shall be disclosed in the full-year consolidated financial statements prepared according to IFRSs endorsed and issued into effect by FSC.

2. These interim Consolidated Financial Statements shall be read in combination with the 2021 annual consolidated financial statements.

4.2 Basis of Preparation

1. Except for the following material items, the Consolidated Financial Statements have been prepared under the historical cost convention :

(1) Financial assets and financial liabilities (including derivative instruments) at Fair Value Through Profit or Loss (“FVTPL”).

(2) Financial assets at Fair Value Through Other Comprehensive Income (“FVTOCI”).

(3) Liabilities on cash-settled share-based payment arrangements measured at fair value.

(4) Defined benefit liabilities recognized based on the net value of pension fund assets less present value of defined benefit obligation.

2. The preparation of financial statements in conformity with the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The items involving a higher degree of judgment or complexity, or items where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 5.

4.3 Basis of Consolidation

1. Principles for preparing the Consolidated Financial Statements

The principles for preparing the Consolidated Financial Statements are the same as those of the 2021 annual consolidated financial statements. Please refer to Note 4.3-1 of the 2021 annual consolidated financial statements.

2. The subsidiaries in the consolidated financial statements :

| Investor | Subsidiaries | Main Businesses | Percentage of Ownership | | |
|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------|--------------|
| | | | 2022. 9. 30. | 2021. 12. 31. | 2021. 9. 30. |
| Zig Sheng Industrial Co., Ltd. | Nicest Int'L Trading Corp. | According to instructions by management policies of the parent company, conduct investments in various businesses other than Taiwan region | 100% | 100% | 100% |
| Zig Sheng Industrial Co., Ltd. | Ding Sheng Material Technology Corporation Limited | Manufacture of synthetic resin and industrial plastic and the related international trading | 100% | 100% | 100% |
| Nicest Int'L Trading Corp. | Suzhou Hongsheng Trading Co., Ltd. | Engage in wholesale, export/import, commission agent (except for auctions) of plastic materials, chemical products (except for hazardous chemicals), chemical fiber products, textile materials, mechanical and electrical equipment and parts, and the related auxiliary services, technical consulting services, and also provision of on-site repairment services for the mechanical and electrical equipment and parts | 100% | 100% | 100% |
| Ding Sheng Material Technology Corporation Limited | Ding Sheng Material Technology Corporation | General import/export trading | 100% | 100% | 100% |

Since all of the subsidiaries included in the Consolidated Financial Statements do not meet the definition of material subsidiary, all financial statements of the subsidiaries for the nine months ended September 30, 2022 and 2021 were not reviewed by CPA.

3. Increase or decrease in consolidation subsidiaries : None

4. Subsidiaries not included in the consolidated financial statements

As of September 30, 2022, December 31, 2021 and September 30, 2021, the total assets, total liability and total equity of the Group' s invested subsidiary, ZIS Holding Co., Ltd., were all zero, and the subsidiary did not have any income, expenses or losses during the above periods.

Therefore, the subsidiary is not included as a component entity in the Consolidated Financial Statements.

5. Adjustments and treatments for subsidiaries with different accounting period : None

6. Nature and degree of significant restrictions on the ability to transfer funds from subsidiaries to the parent company :

Due to local foreign exchange controls, the cash and bank deposits in Mainland China by the amount of \$15,069 thousand , \$20,328 thousand and \$20,030 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively, were restricted from transferring out of Mainland China (except for normal dividends or business transactions (trading)).

7. Subsidiaries that have non-controlling interests that are material to the Group : None

4.4 Defined benefit post-employment benefits

The pension cost during the interim period was computed using the pension cost rate determined by the actuary for the ending date of last year and based on the period covering the beginning of the year until the end of the current period. Adjustments are made to address significant market fluctuations and material amendment, repayment or other significant one-time event of the plan, with relevant information disclosed.

4.5 Income tax

Income tax expense is the summary of the current-period income tax and deferred income tax. The income tax in the interim period is assessed based on annual basis and computed using the applicable tax rate for the expected annual gross profit and on the earnings before tax during the interim period.

5. Major Sources of Critical Accounting Judgments, Estimates and Uncertainties

The major sources of critical accounting judgments, estimates and uncertainties adopted by the Consolidated Financial Statements do not have material change from those of the 2021 annual consolidated financial statements. Please refer to Note 5 of the 2021 annual consolidated financial statements for related information.

6. Description of Significant Accounts

6.1 Cash and cash equivalents

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Cash on hand and petty cash | \$ 2,010 | \$ 2,011 | \$ 2,022 |
| Checking account | 6,383 | 22,938 | 14,410 |
| Demand deposits | 96,207 | 31,729 | 60,735 |
| Time deposits with original maturities within 3 months | 4,920 | 14,770 | 14,637 |
| Total | <u>\$ 109,520</u> | <u>\$ 71,448</u> | <u>\$ 91,804</u> |

1. The Group does not have cash and cash equivalents pledged to others.
2. As of September 30, 2022, December 31, 2021 and September 30, 2021, the range of market interest rates for the Group's time deposits with original maturities within 3 months was all 1.755%.

6.2 FVTPL financial assets - current

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------------|-----------------------|----------------------|-----------------------|
| Mandatorily measured at FVTPL | | | |
| Listed stocks | \$ 550,728 | \$ 916,083 | \$ 880,107 |
| Derivatives - foreign exchange swap | 5,134 | 24 | 32 |
| Total | <u>\$ 555,862</u> | <u>\$ 916,107</u> | <u>\$ 880,139</u> |

1. Regarding details for the financial assets mandatorily measured at FVTPL (not including derivative instruments), please refer to Note 13(1) (2)-3.
2. The net (loss) gain (not including derivative instruments) recorded in profit or loss for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were (\$120,436) thousand, (\$243,149) thousand, (\$366,396) thousand and \$224,567 thousand, respectively.

3. The purpose for the Group to engage in transactions in derivative instruments is to avoid risks on foreign-currency assets or liabilities due to exchange fluctuations, however, without adopting hedge accounting. As of September 30, 2022, December 31, 2021 and September 30, 2021, the existing contract assets (liabilities) for the derivative instruments are as following :

| Financial Instrument | Buy/Sell Currency | Contract Amount | Fair Value | Contract Period Until Expiration |
|-------------------------|----------------------|----------------------|------------|-------------------------------------|
| (1)September 30, 2022 : | | | | |
| Foreign exchange swap | USD/NTD | USD 9,420/NTD294,122 | \$ 5,134 | 2022.10.5. ~ 2022.10.25. |
| (2)December 31, 2021 : | | | | |
| Buy forward exchange | JPY/NTD | JPY107,000/NTD27,264 | (\$ 1,526) | 2022.1.21. |
| Foreign exchange swap | USD/NTD | USD 3,980/NTD110,122 | \$ 24 | 2022.1.10. ~ 2022.1.14. |
| (3)September 30, 2021 : | | | | |
| Buy forward exchange | USD/NTD | JPY192,500/NTD49,040 | (\$ 1,044) | 2021.12.21. ~ 2022.1.21 |
| Foreign exchange swap | USD/NTD | USD 1,600/NTD44,554 | \$ 32 | 2021.10.5. |

The recorded net gain (loss) for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 due to the Group' s engagement in derivative contractual transactions were \$6,358 thousand, (\$418) thousand, \$9,585 thousand and (\$5,234) thousand, respectively.

4. The Group does not have FVTPL financial assets - current pledged to others.

6.3 Notes receivable

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------------------|-----------------------|----------------------|-----------------------|
| Notes receivable | \$ 64,814 | \$ 269,770 | \$ 179,691 |
| Less: Allowance for losses | - | - | - |
| Net amount | \$ 64,814 | \$ 269,770 | \$ 179,691 |

1. All of the Group' s notes receivable are not overdue; the expected rate of credit loss is 0%.

2. The Group does not have notes receivable pledged to others.

6.4 Accounts receivable (including related parties)

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------------------|-----------------------|----------------------|-----------------------|
| Accounts receivable | \$ 791,657 | \$ 1,295,846 | \$ 1,213,419 |
| Less : Allowance for losses | - | - | - |
| Subtotal | 791,657 | 1,295,846 | 1,213,419 |
| Accounts receivable - related parties | 33,755 | 41,820 | 14,335 |
| Less : Allowance for losses | - | - | - |
| Subtotal | 33,755 | 41,820 | 14,335 |
| Net amount | \$ 825,412 | \$ 1,337,666 | \$ 1,227,754 |

1. The loss allowances for accounts receivable (including related parties) measured according to the provision matrix are as following :

| Aging | September 30, 2022 | | | December 31, 2021 | | |
|------------------------|--------------------|----------------------|------------|-------------------|----------------------|-------------|
| | Total amount | Allowance for losses | Net amount | Total amount | Allowance for losses | Net amount |
| Not overdue | \$ 814,206 | \$ - | \$ 814,206 | \$1,214,213 | \$ - | \$1,214,213 |
| Overdue 1 ~ 30 days | 10,481 | - | 10,481 | 119,625 | - | 119,625 |
| Overdue 31 ~ 90 days | 675 | - | 675 | 3,760 | - | 3,760 |
| Overdue 91 ~ 180 days | 50 | - | 50 | - | - | - |
| Overdue 181 ~ 365 days | - | - | - | - | - | - |
| Overdue over 365 days | - | - | - | 68 | - | 68 |
| Total | \$ 825,412 | \$ - | \$ 825,412 | \$1,337,666 | \$ - | \$1,337,666 |

| Aging | September 30, 2021 | | |
|------------------------|--------------------|----------------------|-------------|
| | Total amount | Allowance for losses | Net amount |
| Not overdue | \$1,213,593 | \$ - | \$1,213,593 |
| Overdue 1 ~ 30 days | 11,763 | - | 11,763 |
| Overdue 31 ~ 90 days | 2,324 | - | 2,324 |
| Overdue 91 ~ 180 days | - | - | - |
| Overdue 181 ~ 365 days | 6 | - | 6 |
| Overdue over 365 days | 68 | - | 68 |
| Total | \$1,227,754 | \$ - | \$1,227,754 |

The above analysis is based on the number of days overdue.

The expected rate of credit loss for the above respective account aging intervals (excluding abnormal receivables that are recognized 100%), Not

overdue and Overdue within 90 days : 0% ~ 5%, Overdue 91 ~ 365 days : 25% ~ 50%, Overdue 365 or more days : 100%. The risk of expected credit loss for the Group' s non-overdue accounts receivable is very low ; For the part of overdue accounts receivable as of the balance sheet date, after considering other credit enhancing guarantees, subsequent receipts and offset conditions and other reasonable and verifiable information, the Group determines that there is no material change in the credit quality, and there is also no significant increase in credit risk after initial recognition. Therefore, the Group' s management expects that such accounts receivable are not subjected to material credit loss due to default from the transaction parties. Therefore, allowance for losses was not adjusted.

2. The Group adopts the simplified method in applying IFRS 9 and recognizes allowance for the uncollectable accounts based on the expected credit loss during the existing period. The expected credit loss during the existing period is computed using provision matrix, after considering the customer' s past defaulted records, history of past receipts, condition of increase in deferred payments that exceed the average credit period, the customer' s present financial condition, and changes and prospective of observable country-wide or regional economic conditions and other prospective considerations. Since the Group' s past credit loss experience shows that there was no significant difference in the types of loss among the different groups of customers, the provision matrix does not further distinguish these customer groups but only sets the expected rate of credit loss based on number of overdue days of the accounts receivable and actual conditions. The Group does not hold any collateral for the accounts receivable.

If there is evidence shows that the transaction party has severe financial difficulties, and the Group could not be reasonably expected to recover the amounts, the Group would recognize 100% loss allowance or direct write off of the related accounts receivable. However, the Group would still continue the collection activities, and any recovered amount is recorded in profit or loss.

3. Analysis information for changes in recorded loss allowances on accounts receivable (including related parties)

| Item | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|----------------------------------------|-------------------------|-------------------------|
| Beginning balance | \$ - | \$ - |
| Plus: Record impairment loss | 68 | - |
| Less: Impairment loss reversal | - | - |
| Less: Write off uncollectable accounts | (68) | - |
| Foreign exchange effect | - | - |
| Ending balance | <u>\$ -</u> | <u>\$ -</u> |

4. The Group does not have accounts receivable (including related parties) pledged to others.

6.5 Other receivables

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|------------------------------------------|-----------------------|----------------------|-----------------------|
| Interest receivable | \$ 186 | \$ - | \$ - |
| Tax refund receivable | 2,195 | 4,073 | 21,049 |
| Discount receivable | - | 1,302 | - |
| Government grants receivable | 150 | 150 | 350 |
| Receivable from settlement of investment | - | - | 44,871 |
| Others | 2,132 | 1,988 | 2,498 |
| Total | <u>\$ 4,663</u> | <u>\$ 7,513</u> | <u>\$ 68,768</u> |

6.6 Inventories

| Item | September 30, 2022 | | | December 31, 2021 | | |
|---------------------------------------|--------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
| | Cost | Valuation allowance | Book value | Cost | Valuation allowance | Book value |
| Raw materials | \$ 387,457 | \$ 23,008 | \$ 364,449 | \$ 392,513 | \$ 25,458 | \$ 367,055 |
| Supplies | 127,547 | 6 | 127,541 | 123,937 | 302 | 123,635 |
| Work in process | 155,706 | 6,486 | 149,220 | 186,993 | 6,186 | 180,807 |
| Finished goods | 1,759,185 | 135,508 | 1,623,677 | 1,352,311 | 74,330 | 1,277,981 |
| Finished goods purchased from outside | 44,143 | 7,042 | 37,101 | 49,577 | 12,413 | 37,164 |
| In-transit raw materials | 60,913 | – | 60,913 | 260,667 | – | 260,667 |
| Total | \$2,534,951 | \$ 172,050 | \$2,362,901 | \$2,365,998 | \$ 118,689 | \$2,247,309 |

| Item | September 30, 2021 | | |
|---------------------------------------|--------------------|---------------------|--------------------|
| | Cost | Valuation allowance | Book value |
| Raw materials | \$ 645,878 | \$ 11,199 | \$ 634,679 |
| Supplies | 109,446 | 49 | 109,397 |
| Work in process | 187,023 | 2,528 | 184,495 |
| Finished goods | 1,385,239 | 48,277 | 1,336,962 |
| Finished goods purchased from outside | 33,027 | 7,285 | 25,742 |
| In-transit raw materials | 65,264 | – | 65,264 |
| Total | \$2,425,877 | \$ 69,338 | \$2,356,539 |

1. Cost of goods sold and other operating costs :

| Item | 2022. 7. 1 ~ 9. 30 | 2021. 7. 1 ~ 9. 30 | 2022. 1. 1 ~ 9. 30 | 2021. 1. 1 ~ 9. 30 |
|-----------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Cost of goods sold | \$ 2,057,668 | \$ 2,665,823 | \$ 6,920,498 | \$ 6,975,908 |
| Plus : Outsourced processing costs | 1,037 | 7,516 | 4,817 | 23,010 |
| Plus : Unallocated labor and overheads | 104,837 | 26,219 | 220,891 | 88,834 |
| Plus : Loss on scrapping of inventories | 157 | 872 | 919 | 2,365 |
| Plus : Loss from price decline of inventories | 108,404 | 15,318 | 53,361 | - |
| Plus : Loss on inventory counts, net | 7 | - | 9 | 9 |
| Less : Scrap sales | (8,551) | (9,730) | (28,653) | (26,412) |
| Operating costs recorded | <u>\$ 2,263,559</u> | <u>\$ 2,706,018</u> | <u>\$ 7,171,842</u> | <u>\$ 7,063,714</u> |

2. For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the Group recorded \$108,404 thousand, \$15,318 thousand, \$53,361 thousand and \$0 of loss from price decline (gain from price recovery) on net realizable value of inventories, respectively, mainly due to price recovery/decline of inventories and consumption/addition of sluggish stocks.

3. The Group does not have inventories pledged to others.

6.7 Prepayments

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------|-----------------------|----------------------|-----------------------|
| Prepayments for materials | \$ 18,198 | \$ 40,761 | \$ 38,162 |
| Prepaid insurance | 2,811 | 610 | 2,312 |
| Office supplies | 301 | 282 | 286 |
| Input VAT | 2,851 | 511 | 461 |
| Excess sales tax paid | 247 | 395 | 124 |
| Others | 1,081 | 5,321 | 5,676 |
| Total | <u>\$ 25,489</u> | <u>\$ 47,880</u> | <u>\$ 47,021</u> |

6.8 FVTOCI financial assets - noncurrent

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Domestic unlisted stocks | | | |
| Lilyent Corp. | \$ 28,812 | \$ 28,812 | \$ 28,812 |
| Yen Hsing Textile Co., Ltd. | 72,626 | 90,090 | 90,090 |
| Yi Tong Fiber Co., Ltd. | 13,093 | 19,800 | 19,800 |
| Chu Sing Industrial Co., Ltd. | 700 | 700 | 700 |
| Ability I Venture Capital Corp. | 14,229 | 14,229 | 14,229 |
| Ability Asia Capital Corp. | 16,000 | 20,000 | 20,000 |
| Domestic limited partnership | | | |
| Ability Asia Capital II Outstanding Transformation Growth Limited Partnership | 13,200 | 13,200 | 13,200 |
| Subtotal | 158,660 | 186,831 | 186,831 |
| Plus : Valuation adjustment | 39,993 | 60,167 | 66,136 |
| Net amount | <u>\$ 198,653</u> | <u>\$ 246,998</u> | <u>\$ 252,967</u> |

1. The Group's above investments are not held for short-term profit. The management thinks that if fluctuations in short-term fair value of such investments are recorded in profit or loss, the accounting treatment would not be consistent with the investment planning. Therefore, it is determined that these investments are designated as measured at FVTOCI.
2. In July 2021, the Group made \$13,200 thousand of new equity investment in Ability Asia Capital II Outstanding Transformation Growth Limited Partnership; As of September 30, 2022 and December 31, 2021, the Group had \$13,200 thousand of accumulated equity investment in the above limited partnership, which accounted for 1.58% of the total subscription amount. The Group plans to make \$40,000 thousand of total investment in the limited partnership.
3. Using March 9, 2022 as the base date, Ability Asia Capital Corp. reduced its capital by cash and cancelled 38,540 thousand shares of its common shares, totaled \$385,400 thousand, with capital reduction rate of 20%. 400 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$4,000 thousand.

4. Using May 3, 2022 as the base date, Yen Hsing Textile Co., Ltd. reduced its capital by cash and cancelled 12,486 thousand shares of its common shares, totaled \$124,865 thousand, with capital reduction rate of 20%. 1,747 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$17,464 thousand.
5. Using May 15, 2022 as the base date, Yi Tong Fiber Co., Ltd. reduced its capital by cash and cancelled 44,265 thousand shares of its common shares, totaled \$442,649 thousand, with capital reduction rate of 50%. 670 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$6,707 thousand.
6. Using June 10, 2021 as the base date, Ability I Venture Capital Corp. reduced its capital by cash and cancelled 29,070 thousand shares of its common shares, totaled \$290,700 thousand, with capital reduction rate of 38%. 872 thousand shares held by the Group were cancelled due to the capital reduction, and the returned capital was \$8,721 thousand.
7. The Group's investments in structural individual entities are limited partnership equity interests in nature, therefore, there was no transaction quantity or unit transaction price. In addition, the Group only bears the rights and obligations to the extent of the scope of investment contracts and does not have significant influence over those investments. Therefore, the largest risk exposure amounts as of the balance sheet date were the book value of those investments.
8. For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the net gain (loss) due to fair-value fluctuations was (\$2,405) thousand, (\$33,664) thousand, (\$20,174) thousand, and \$39,779 thousand, respectively, and was recorded in other comprehensive income and accumulated in other equity; The amount directly transferred to retained earnings from accumulated profit or loss from disposal of investments was zero for both periods.
9. None of the Group's held FVTOCI financial assets is offered as collateral or pledged to others.

6.9 Investments accounted for using the equity method

1. Invested subsidiaries/Subsidiaries not included in Consolidated Financial Statements

| Subsidiaries | September 30, 2022 | | December 31, 2021 | | September 30, 2021 | |
|-----------------------|--------------------|-----------|-------------------|-----------|--------------------|-----------|
| | Book value | Holding % | Book value | Holding % | Book value | Holding % |
| ZIS Holding Co., Ltd. | \$ - | 100% | \$ - | 100% | \$ - | 100% |

2. ZIS Holding Co., Ltd. is the Group' s 100% foreign investee company. The Group invested 5,400 thousand shares of the company at USD1.00 per share, totaled USD5,400 thousand. The investment had been approved by the Investment Commission, MOEA with Jing-Shen-Er-Zi No. 091018941 Letter on August 1, 2002.

3. The shares of profit (loss) and other comprehensive income from the subsidiaries under equity method for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were evaluated and recognized according to the reviewed financial statements of the investee companies in the respective periods.

4. None of investments under equity method held by the Group were pledged to others.

5. Regarding the business nature, main operating locations, country of business registration of the above subsidiaries and their investments in Mainland China, please refer to Note 13.1, 2-10, and Note 13.3.

6. The Group' s invested subsidiary, ZIS Holding Co., Ltd., mainly conducts investments in various businesses other than Taiwan region according to instructions by management policies of the parent company. As of September 30, 2022, December 31, 2021 and September 30, 2021, the total assets, total liability and total equity of the Group' s invested subsidiary, ZIS Holding Co., Ltd., were all zero, and the subsidiary did not have any income, expenses or losses during the above periods. Therefore, the subsidiary is not included as a component entity in the Consolidated Financial Statements.

6.10 Property, plant and equipment

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Land | \$ 1,786,837 | \$ 1,786,837 | \$ 1,786,837 |
| Buildings | 2,994,155 | 2,980,375 | 2,974,814 |
| Machinery | 9,258,819 | 9,379,348 | 9,362,078 |
| Transportation equipment | 81,298 | 80,913 | 82,810 |
| Other equipment | 339,263 | 335,014 | 267,718 |
| Equipment to be inspected and construction in progress | 79,291 | 64,934 | 134,994 |
| Total cost | 14,539,663 | 14,627,421 | 14,609,251 |
| Less : Accumulated depreciation | (9,952,144) | (9,910,208) | (9,833,938) |
| Less : Accumulated impairment | (2,175) | (2,175) | (2,175) |
| Net amount | \$ 4,585,344 | \$ 4,715,038 | \$ 4,773,138 |

| Item | Land | Buildings | Machinery | Transportation equipment | Other equipment | Equipment to be inspected and construction in progress | Total |
|-------------------------------------------|--------------|--------------|--------------|--------------------------|-----------------|--------------------------------------------------------|---------------|
| Cost : | | | | | | | |
| 2022. 1. 1. Balance | \$ 1,786,837 | \$ 2,980,375 | \$ 9,379,348 | \$ 80,913 | \$ 335,014 | \$ 64,934 | \$ 14,627,421 |
| Additions | - | 9,547 | 17,224 | 1,530 | 3,172 | 61,869 | 93,342 |
| Disposals | - | - | (247,773) | (1,280) | (3,702) | - | (252,755) |
| Reclassification (Note) | - | 4,233 | 110,020 | 135 | 4,779 | (47,512) | 71,655 |
| 2022. 9. 30. Balance | \$ 1,786,837 | \$ 2,994,155 | \$ 9,258,819 | \$ 81,298 | \$ 339,263 | \$ 79,291 | \$ 14,539,663 |
| Accumulated depreciation and impairment : | | | | | | | |
| 2022. 1. 1. Balance | \$ - | \$ 1,617,973 | \$ 8,006,830 | \$ 75,365 | \$ 212,215 | \$ - | \$ 9,912,383 |
| Depreciation expense | - | 73,379 | 207,932 | 1,317 | 10,764 | - | 293,392 |
| Disposals | - | - | (246,474) | (1,280) | (3,702) | - | (251,456) |
| Reclassification | - | - | - | - | - | - | - |
| 2022. 9. 30. Balance | \$ - | \$ 1,691,352 | \$ 7,968,288 | \$ 75,402 | \$ 219,277 | \$ - | \$ 9,954,319 |

| Item | Land | Buildings | Machinery | Transportation equipment | Other equipment | Equipment to be inspected and construction in progress | Total |
|-------------------------|--------------|--------------|--------------|--------------------------|-----------------|--------------------------------------------------------|---------------|
| Cost : | | | | | | | |
| 2021. 1. 1. Balance | \$ 1,786,837 | \$ 2,939,680 | \$ 8,983,012 | \$ 80,624 | \$ 258,297 | \$ 270,825 | \$ 14,319,275 |
| Additions | - | 1,889 | 21,646 | 2,061 | 8,212 | 141,918 | 175,726 |
| Disposals | - | (5) | (81,877) | - | (3,189) | - | (85,071) |
| Reclassification (Note) | - | 33,250 | 439,297 | 125 | 4,398 | (277,749) | 199,321 |
| 2021. 9. 30. Balance | \$ 1,786,837 | \$ 2,974,814 | \$ 9,362,078 | \$ 82,810 | \$ 267,718 | \$ 134,994 | \$ 14,609,251 |

| Item | Land | Buildings | Machinery | Transportation equipment | Other equipment | Equipment to be inspected and construction in progress | Total |
|-------------------------------------------|------|--------------|--------------|--------------------------|-----------------|--------------------------------------------------------|--------------|
| Accumulated depreciation and impairment : | | | | | | | |
| 2021. 1. 1. Balance | \$ - | \$ 1,523,869 | \$ 7,782,420 | \$ 75,122 | \$ 201,991 | \$ - | \$ 9,583,402 |
| Depreciation expense | - | 69,948 | 257,724 | 1,698 | 8,407 | - | 337,777 |
| Disposals | - | - | (81,877) | - | (3,189) | - | (85,066) |
| Reclassification | - | - | - | - | - | - | - |
| 2021. 9. 30. Balance | \$ - | \$ 1,593,817 | \$ 7,958,267 | \$ 76,820 | \$ 207,209 | \$ - | \$ 9,836,113 |

Note: The net increase from reclassifications of inventories for the nine months ended September 30, 2022 and 2021 were \$10,383 thousand and \$15,908 thousand, respectively ; reclassifications from prepayments for equipment were \$61,977 thousand and \$183,873 thousand, respectively ; reclassifications to intangible assets were \$705 thousand and \$460 thousand, respectively.

1. The Group' s property, plant and equipment are mainly for self-use.

2. Reconciliation between the additions of property, plant and equipment in the current period and those in the statements of cash flows :

| Item | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|------------------------------------------------------|-------------------------|-------------------------|
| Increase in property, plant and equipment | \$ 93,342 | \$ 175,726 |
| Plus : Decrease (increase) in payables for equipment | 6,747 | (20,552) |
| Cash payment | <u>\$ 100,089</u> | <u>\$ 155,174</u> |

3. The amount of capitalized borrowing cost and interest interval of property, plant and equipment : None

4. Material components of property, plant and equipment are depreciated at straight-line method based on the following useful lives :

(1) Buildings

| | | | |
|------------------------|-------------|------------------------------------|-------------|
| Main factory buildings | 20~60 years | Warehouses and dorms | 10~60 years |
| Auxiliary buildings | 5~60 years | Electric water purification equip. | 9~40 years |
| Others | 5~50 years | | |

(2) Machinery

| | | | |
|-----------------------|------------|--------------------------------|------------|
| Manufacturing equip. | 5~25 years | Auxiliary manufacturing equip. | 3~21 years |
| Electric power equip. | 8~18 years | Air conditioner and boilers | 5~16 years |
| Auto-storage equip. | 9~16 years | | |

(3) Transportation equipment

| | | | |
|-------------------|------------|-----------------------|------------|
| For manufacturing | 6~18 years | For non-manufacturing | 5~11 years |
|-------------------|------------|-----------------------|------------|

(4) Other equipment

| | | | |
|------------------|------------|--------|------------|
| Office equipment | 3~21 years | Others | 7~25 years |
|------------------|------------|--------|------------|

5. Since part of the Group' s machinery could not be utilized to its full capacity, the expected future cash flows from the manufacturing machinery are reduced, which led to its recoverable amount smaller than its book value. After careful assessment by the Group, as of September 30, 2022, December 31, 2021 and September 30, 2021, the Group recorded

\$2,175 thousand of accumulated impairment loss on property, plant and equipment for all of the periods.

6. No property, plant and equipment held by the Group were pledged to others.

6.11 Leases

1. Right-of-use assets

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------------------|-----------------------|----------------------|-----------------------|
| Buildings | \$ 79,536 | \$ 77,746 | \$ 77,727 |
| Machinery | 34,868 | 34,717 | 34,717 |
| Total cost | 114,404 | 112,463 | 112,444 |
| Less : Accumulated depreciation | (47,822) | (37,790) | (34,453) |
| Less : Accumulated impairment | - | - | - |
| Net amount | \$ 66,582 | \$ 74,673 | \$ 77,991 |
| Item | Buildings | Machinery | Total |
| Cost : | | | |
| 2022.1.1. Balance | \$ 77,746 | \$ 34,717 | \$ 112,463 |
| Addition/Remeasurement | 1,730 | 151 | 1,881 |
| Disposal/Write-offs | - | - | - |
| Foreign exchange effect | 60 | - | 60 |
| 2022.9.30. Balance | \$ 79,536 | \$ 34,868 | \$ 114,404 |
| Accumulated depreciation and impairment : | | | |
| 2022.1.1. Balance | \$ 16,974 | \$ 20,816 | \$ 37,790 |
| Depreciation expense | 4,735 | 5,251 | 9,986 |
| Disposal/Write-offs | - | - | - |
| Foreign exchange effect | 46 | - | 46 |
| 2022.9.30. Balance | \$ 21,755 | \$ 26,067 | \$ 47,822 |

| Item | Buildings | Machinery | Total |
|-------------------------------------------|-----------|-----------|------------|
| Cost : | | | |
| 2021.1.1. Balance | \$ 68,195 | \$ 34,734 | \$ 102,929 |
| Addition/Remeasurement | 9,562 | (17) | 9,545 |
| Disposal/Write-offs | - | - | - |
| Foreign exchange effect | (30) | - | (30) |
| 2021.9.30. Balance | \$ 77,727 | \$ 34,717 | \$ 112,444 |
| Accumulated depreciation and impairment : | | | |
| 2021.1.1. Balance | \$ 10,632 | \$ 13,863 | \$ 24,495 |
| Depreciation expense | 4,762 | 5,215 | 9,977 |
| Disposal/Write-offs | - | - | - |
| Foreign exchange effect | (19) | - | (19) |
| 2021.9.30. Balance | \$ 15,375 | \$ 19,078 | \$ 34,453 |

2. Lease liabilities

| Item | September 30, 2022 | | December 31, 2021 | | September 30, 2021 | |
|-----------|--------------------|------------|-------------------|------------|--------------------|------------|
| | Current | Noncurrent | Current | Noncurrent | Current | Noncurrent |
| Buildings | \$ 4,460 | \$ 53,242 | \$ 5,838 | \$ 56,059 | \$ 4,628 | \$ 57,341 |
| Machinery | 7,758 | 1,800 | 7,610 | 7,084 | 7,594 | 8,845 |
| Total | \$ 12,218 | \$ 55,042 | \$ 13,448 | \$ 63,143 | \$ 12,222 | \$ 66,186 |

| Item | Buildings | Machinery | Total |
|---------------------------|-----------|-----------|-----------|
| Lease liabilities : | | | |
| 2022.1.1. Balance | \$ 61,897 | \$ 14,694 | \$ 76,591 |
| Addition/Remeasurement | 1,730 | 151 | 1,881 |
| Disposal/Write-offs | - | - | - |
| Lease principal repayment | (5,939) | (5,287) | (11,226) |
| Foreign exchange effect | 14 | - | 14 |
| 2022.9.30. Balance | \$ 57,702 | \$ 9,558 | \$ 67,260 |

| Item | Buildings | Machinery | Total |
|---------------------------|-----------|-----------|-----------|
| Lease liabilities : | | | |
| 2021.1.1. Balance | \$ 58,335 | \$ 21,665 | \$ 80,000 |
| Addition/Remeasurement | 9,562 | (17) | 9,545 |
| Disposal/Write-offs | - | - | - |
| Lease principal repayment | (5,917) | (5,209) | (11,126) |
| Foreign exchange effect | (11) | - | (11) |
| 2021.9.30. Balance | \$ 61,969 | \$ 16,439 | \$ 78,408 |

(1) Lease periods and range of discount rates for lease liabilities are shown as below :

| Item | Expected lease period (including renewal rights) | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------|--------------------------------------------------|--------------------|-------------------|--------------------|
| Buildings | 3~15 years | 0.17%~1.42% | 0.17%~1.42% | 0.17%~1.42% |
| Machinery | 5 years | 1.00% | 1.00% | 1.00% |

(2) Maturity analysis for the Group' s lease liabilities :

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------------------------|--------------------|-------------------|--------------------|
| Within 1 year | \$ 13,091 | \$ 14,414 | \$ 13,224 |
| Over 1 year but within 5 years | 24,795 | 29,379 | 31,275 |
| Over 5 years but within 10 years | 27,626 | 27,626 | 27,625 |
| Over 10 years but within 15 years | 6,906 | 11,050 | 12,431 |
| Over 15 years but within 20 years | - | - | - |
| Over 20 years | - | - | - |
| Undiscounted total lease payments | \$ 72,418 | \$ 82,469 | \$ 84,555 |

3. Material leasing activities and terms

(1) The Group leases buildings, machinery equipment and transportation equipment, etc. Upon termination of the leases, the Group does not have favorable renewal rights toward the target leased assets. Part of the leases are attached with renewal rights upon maturities. Lease contracts are individually negotiated with different terms and conditions, and the lease payments for part of lease contracts may

be adjusted according to Consumer Price Index. Except that the leased targets shall not be used as collaterals for borrowings, without consent from the lessors, the Group shall not sublease or transfer all or part of the leased targets. No other restriction applies.

(2) Option to extend leases

Part of the lease targets in the Group's lease contract contain enforceable option for the Group to extend the leases. Such clauses are general practices of the lessors to enable the Group to have more flexibility in business operations and use the assets more efficiently. When the Group determines the lease periods, all facts and situations of economic incentives generated from exercising the right to extend the leases are considered. When events occurred which materially affect the assessment on the enforcement of extension option or non-exercising of the termination option, the lease periods would be re-estimated.

4. Sublease : None

5. Other relevant information on leases

For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, based on the operating lease contracts, the Group recorded rental income of \$19,126 thousand, \$18,664 thousand, \$57,377 thousand and \$55,991 thousand, respectively, none of which was gain from variable lease payments.

Regarding the Group's agreements for leasing out investment properties under operating lease, please refer to Note 6.12-6.

(1) Income and loss items related to lease contracts :

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|------------------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Short-term lease expense | \$ 162 | \$ 135 | \$ 454 | \$ 405 |
| Low-value-assets lease expense | - | - | - | - |
| Expense on variable lease payments | - | - | - | - |
| Total | \$ 162 | \$ 135 | \$ 454 | \$ 405 |
| Interest expense on lease liabilities | \$ 242 | \$ 274 | \$ 740 | \$ 837 |
| Gain (loss) generated from sale and leaseback transactions | \$ - | \$ - | \$ - | \$ - |
| Gain (loss) generated from amendment of lease transactions | \$ - | \$ - | \$ - | \$ - |

The Group chooses to adopt exemption treatment for recording short-term leases and low-value-assets liabilities that meet the criteria and does not record right-of-use assets and lease liabilities for these leases.

(2) For the nine months ended September 30, 2022 and 2021, the total cash outflows were \$12,420 thousand and \$12,368 thousand, respectively.

(3) After careful assessment on the right-of-use assets, none of right-of-use assets were impaired.

6.12 Investment properties

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|------------------------------------------|-----------------------|----------------------|-----------------------|
| Land | \$ 583,429 | \$ 583,429 | \$ 583,429 |
| Land improvements | 418,966 | 418,746 | 418,746 |
| Investment properties under construction | 52,271 | 3,631 | - |
| Subtotal | 1,054,666 | 1,005,806 | 1,002,175 |
| Less : Accumulated depreciation | (365,998) | (362,136) | (360,850) |
| Less : Accumulated impairment | - | - | - |
| Net amount | \$ 688,668 | \$ 643,670 | \$ 641,325 |

| Item | Land | Land improvements | Investment properties under construction | Total |
|--------------------|------------|-------------------|------------------------------------------|--------------|
| Cost : | | | | |
| 2022.1.1. Balance | \$ 583,429 | \$ 418,746 | \$ 3,631 | \$ 1,005,806 |
| Additions | - | 220 | 48,640 | 48,860 |
| Disposals | - | - | - | - |
| Reclassification | - | - | - | - |
| 2022.9.30. Balance | \$ 583,429 | \$ 418,966 | \$ 52,271 | \$ 1,054,666 |

| | | | | |
|-------------------------------------------|------|------------|------|------------|
| Accumulated depreciation and impairment : | | | | |
| 2022.1.1. Balance | \$ - | \$ 362,136 | \$ - | \$ 362,136 |
| Depreciation expense | - | 3,862 | - | 3,862 |
| Disposals | - | - | - | - |
| Reclassification | - | - | - | - |
| 2022.9.30. Balance | \$ - | \$ 365,998 | \$ - | \$ 365,998 |

| Item | Land | Land improvements | Investment properties under construction | Total |
|--------------------|------------|-------------------|------------------------------------------|--------------|
| Cost : | | | | |
| 2021.1.1. Balance | \$ 583,429 | \$ 418,746 | \$ - | \$ 1,002,175 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| Reclassification | - | - | - | - |
| 2021.9.30. Balance | \$ 583,429 | \$ 418,746 | \$ - | \$ 1,002,175 |

Accumulated
depreciation and
impairment :

| | | | | | | | | |
|-------------------------|----|---|----|---------|----|---|----|---------|
| 2021.1.1. Balance | \$ | - | \$ | 356,990 | \$ | - | \$ | 356,990 |
| Depreciation expense | | - | | 3,860 | | - | | 3,860 |
| Disposals | | - | | - | | - | | - |
| Reclassification | | - | | - | | - | | - |
| 2021.9.30. Balance | \$ | - | \$ | 360,850 | \$ | - | \$ | 360,850 |

1. Additions in this period include non-cash items, its reconciliations with the acquisition of investment properties on the statements of cash flows are shown as following :

| Item | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|----------------------------------------------------------|-------------------------|-------------------------|
| Increase in investment properties | \$ 48,860 | \$ - |
| Less : Increase in payables for investment properties | (401) | - |
| Cash payment amount | \$ 48,459 | \$ - |

2. Amount and range of interest rates of capitalized borrowing cost of investment properties : None

3. Rental income from investment properties and direct operating expenses arising from investment property are shown below :

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Rental income from investment properties | \$ 19,104 | \$ 18,642 | \$ 57,312 | \$ 55,926 |
| Direct operating expenses arising from the investment properties that generated rental income during the period | \$ 3,177 | \$ 3,110 | \$ 9,504 | \$ 9,307 |
| Direct operating expenses arising from the investment properties that did not generate rental income during the period | \$ - | \$ - | \$ - | \$ - |

4. The Group' s investment properties are located at Meishi Section of Yangmei District in Taoyuan City, Chungxing Section of Pingzhen District in Taoyuan City and Beigang Section of Dayuan District in Taoyuan City. Since those sections are located in industrial area, the transactions in the comparable market are infrequent, and reliable estimates of fair value are not available, the fair value could not be reliably determined.

5. After careful assessment by the Group, the investment properties are not impaired.

6. All investment properties held by the Group were self-owned and not pledged to others.

7. Lease agreements - the Group as lessor

The lease contract periods of the Group' s leased out investment property (including land, the attached improvements, etc.) range from 3~18 years, upon termination of the leases, the lessors do not have favorable lease rights toward the leased assets. Rents are collected according to the contracts, most of the lease contracts can be renewed according to market prices upon termination of the leases and include clauses which adjust rents according to market environment each year. The minimum collectable amount of total lease payments in the future are as following :

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------|-----------------------|----------------------|-----------------------|
| 1st year | \$ 58,418 | \$ 76,416 | \$ 75,954 |
| 2nd year | 66,243 | 28,076 | 42,578 |
| 3rd year | 66,468 | 18,858 | 18,723 |
| 4th year | 66,468 | 18,948 | 18,948 |
| 5th year | 66,776 | 18,948 | 18,948 |
| Over 5 years | 241,645 | 224,484 | 229,221 |
| Total | <u>\$ 566,018</u> | <u>\$ 385,730</u> | <u>\$ 404,372</u> |

6.13 Intangible assets

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|------------------------------------|-----------------------|----------------------|-----------------------|
| Cost of computer software | \$ 5,417 | \$ 7,022 | \$ 5,404 |
| Less : Accumulated amortization | (1,819) | (4,889) | (4,646) |
| Less : Accumulated impairment | - | - | - |
| Net amount | <u>\$ 3,598</u> | <u>\$ 2,133</u> | <u>\$ 758</u> |

| Item | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|-----------------------------|-------------------------|-------------------------|
| Cost of computer software : | | |
| Beginning balance | \$ 7,022 | \$ 6,284 |
| Addition - from individual | 1,683 | 182 |
| Disposal / Write-off | (3,993) | (1,522) |
| Reclassification (Note) | 705 | 460 |
| Ending balance | <u>\$ 5,417</u> | <u>\$ 5,404</u> |

Accumulated depreciation and impairment :

| | | |
|----------------------|-----------------|-----------------|
| Beginning balance | \$ 4,889 | \$ 5,233 |
| Amortization expense | 923 | 935 |
| Disposal / Write-off | (3,993) | (1,522) |
| Reclassification | - | - |
| Ending balance | <u>\$ 1,819</u> | <u>\$ 4,646</u> |

Note : Net increased amount in reclassification was transferred from property, plant and equipment.

1. The amount of capitalized borrowing cost and range of interest rates of intangible assets : None
2. The Group’ s intangible assets are amortized at straight-line method based on the following useful life :

| | |
|-------------------|---------|
| Computer software | 3 years |
|-------------------|---------|
3. After careful assessment by the Group, the Group’ s intangible assets are not impaired.
4. No intangible assets held by the Group were pledged to others.
5. Amortization of intangible assets by function :

| Item | 2022.7.1 ~ 9.30. | 2021.7.1 ~ 9.30. | 2022.1.1. ~ 9.30. | 2021.1.1. ~ 9.30. |
|------------------------|---------------------|---------------------|----------------------|----------------------|
| Operating cost | \$ 196 | \$ 72 | \$ 442 | \$ 259 |
| Operating expense | | | | |
| Sales expense | - | - | - | - |
| Administration expense | 122 | 50 | 366 | 650 |
| R&D expense | 38 | 26 | 115 | 26 |
| Subtotal | 160 | 76 | 481 | 676 |
| Total | \$ 356 | \$ 148 | \$ 923 | \$ 935 |

6.14 Guarantee deposits paid

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------|-----------------------|----------------------|-----------------------|
| Rental deposits - lessee | \$ 289 | \$ 298 | \$ 291 |
| Deposits for natural gas | 22,071 | 22,572 | 22,572 |
| Membership deposits | 500 | 500 | 500 |
| Others | 110 | 109 | 132 |
| Total | \$ 22,970 | \$ 23,479 | \$ 23,495 |

6.15 Other noncurrent assets - other

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------------------|-----------------------|----------------------|-----------------------|
| Long-term prepaid expenses | \$ 1,560 | \$ 449 | \$ 1,176 |
| Pallets | 51,264 | 46,753 | 42,954 |
| Total | \$ 52,824 | \$ 47,202 | \$ 44,130 |

| Item | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|--------------------------------------|-------------------------|-------------------------|
| Other noncurrent assets - other : | | |
| Beginning balance | \$ 47,202 | \$ 32,408 |
| Addition - from individual | 28,821 | 30,734 |
| Amortization expense | (23,199) | (19,012) |
| Ending balance | <u>\$ 52,824</u> | <u>\$ 44,130</u> |

6.16 Short-term borrowings

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------|-----------------------|----------------------|-----------------------|
| Credit loans | <u>\$ 1,010,000</u> | <u>\$ 1,260,000</u> | <u>\$ 1,270,000</u> |
| Interest rates | <u>0.95%~1.35%</u> | <u>0.52%~0.91%</u> | <u>0.52%~0.91%</u> |

The Group issued promising notes by the amounts equal to the above loans to the banks as collaterals for the short-term borrowing contracts.

6.17 Short-term notes and bills payable

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------------------|-----------------------|----------------------|-----------------------|
| Commercial paper | \$ 700,000 | \$ 500,000 | \$ 750,000 |
| Less : Unamortized discount | (165) | (155) | (48) |
| Net amount | <u>\$ 699,835</u> | <u>\$ 499,845</u> | <u>\$ 749,952</u> |
| Interest rates | <u>0.86%~1.25%</u> | <u>0.58%~0.69%</u> | <u>0.43%~0.69%</u> |

The commercial papers of the Group were issued with guarantees by the security firms or banks, and promising notes by the amounts equal to the loans were issued as collaterals for repayment of the loans.

6.18 Financial liabilities measured at fair value through profit or loss - current

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------------------------|-----------------------|----------------------|-----------------------|
| Mandatorily measured at FVTPL | | | |
| Derivatives - forward exchange contracts | <u>\$ -</u> | <u>\$ 1,526</u> | <u>\$ 1,044</u> |

Please refer to Note 6.2-3 for details.

6.19 Notes and accounts payable

The recorded notes and accounts payable are mainly from business operations. The Group has an established financial risk management policy for ensuring all payables are repaid within the credit deadlines agreed previously.

6.20 Other payables

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------------------------------|-----------------------|----------------------|-----------------------|
| Payroll and bonus payable | \$ 127,006 | \$ 185,589 | \$ 128,597 |
| Employees compensation payable | - | 21,149 | 19,385 |
| Directors' and supervisor' s remuneration payable | - | 31,723 | 29,077 |
| Interest payable | 466 | 317 | 241 |
| Insurance payable | 15,245 | 15,003 | 14,901 |
| Transportation fees payable | 5,023 | 8,821 | 6,969 |
| Utilities payable | 54,156 | 45,590 | 54,638 |
| Export fees payable | 13,079 | 22,711 | 28,983 |
| Processing outsourcing fees payable | 129 | 502 | 523 |
| Professional service fees payable | 998 | 1,337 | 1,002 |
| Taxes payable | 11,292 | 7,079 | 10,651 |
| Sales tax payable | 406 | 4,063 | - |
| Payables for equipment | 27,414 | 34,161 | 57,802 |
| Payable for investment properties | 401 | - | - |
| Investment proceeds payable | - | 10,289 | 44,845 |
| Others | 28,856 | 20,674 | 15,545 |
| Total | <u>\$ 284,471</u> | <u>\$ 409,008</u> | <u>\$ 413,159</u> |

6.21 Provisions - current

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------------|-----------------------|----------------------|-----------------------|
| Employee benefits - paid leaves | <u>\$ 30,980</u> | <u>\$ 25,572</u> | <u>\$ 30,309</u> |

1. Provisions for employee benefits - current are estimation of employees' vested rights for paid leaves. In most cases, sick leaves,

maternity leaves or paternity leaves are contingent in nature, which are determined by future events and not from accruals. Therefore, such costs are recognized at the time when occurred.

2. Movement in provisions for employee benefits - current

| Item | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|-------------------|-------------------------|-------------------------|
| Beginning balance | \$ 25,572 | \$ 24,573 |
| Addition | 20,188 | 19,243 |
| Used amount | (14,780) | (13,507) |
| Reversal amount | - | - |
| Ending balance | \$ 30,980 | \$ 30,309 |

6.22 Other current liabilities - other

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|------------------------|-----------------------|----------------------|-----------------------|
| Receipts under custody | \$ 1,520 | \$ 1,604 | \$ 1,044 |

6.23 Pension benefit plans

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------|-----------------------|----------------------|-----------------------|
| Defined benefit plan | \$ 77,455 | \$ 98,383 | \$ 100,858 |
| Defined contribution plan | 5,412 | 5,395 | 5,300 |
| Total | \$ 82,867 | \$ 103,778 | \$ 106,158 |

1. Defined benefit plan

(1)The Company of the Group have a defined benefit pension plan in accordance with the “Labor Standards Act” , which applies to service years of all full-time employees prior to the effective date of “Labor Pension Act” on July 1, 2005 and to the subsequent service years of the employees who chose to continue to adopt Labor Standards Act after the effective of “Labor Pension Act” . Pension benefits are based on the number of units accrued (within 15 service years, 2 units are given for each year; 1 unit is given for each year over 15 service years, and the overall accrued units is limited to 45) and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2.5% of the employees’ monthly salaries and wages to the pension fund

deposited in Bank of Taiwan, the trustee, under the name of the independent pension fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of each year. If the account balance is not enough to pay the pension to the labors expected to be qualified for retirement in the following year, the Company will make contribution for the deficit by next March.

(2) Since there was no significant market fluctuation, shrinkage, repayment or other significant one-time event after the ending date of the previous financial year, the Company measures and discloses the pension cost for the interim periods using the pension cost determined by actuary as of December 31, 2021 and 2020. Please refer to Note 6.23-1 of the 2021 annual consolidated financial statements for details.

(3) The net amounts of defined benefit pension costs under the above defined benefit plan recognized in profit or loss are shown by function as below :

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Operating cost | \$ 152 | \$ 93 | \$ 454 | \$ 274 |
| Operating expense | | | | |
| Sales expense | 4 | 3 | 15 | 10 |
| Administration expense | 9 | 7 | 29 | 25 |
| R&D expense | 4 | 2 | 11 | 6 |
| Subtotal | 17 | 12 | 55 | 41 |
| Total | \$ 169 | \$ 105 | \$ 509 | \$ 315 |

2. Defined contribution plan

(1) The employee pension plan under the “Labor Pension Act” is a defined contribution plan applicable to employees holding R. O. C. citizenship. Pursuant to the plan, to the portion of applicable labor pensions chosen under the Labor Pension Act by the employees, the Company and its domestic subsidiaries make monthly contributions of 6% of each individual employee’ s salary or wage to employees’ pension accounts. The employees’ pensions, according to their respective pension accounts and accumulated profit amount, will be paid either in a lump sum amount or paid monthly. That is, no additional statutory or

presumed obligation to make additional payment after the Company and its domestic subsidiaries make the fixed amounts of monthly contributions to the Bureau of Labor Insurance.

(2) In accordance with the local government regulations, the Group's overseas subsidiaries pay pension insurance premiums or make pension fund contributions based on the local employees' salaries. The pensions of each employee are organized and managed by the governments, and the overseas subsidiaries does not have further obligation except for making the monthly or annual contributions or payments according to the local government regulations.

(3) The above amounts of pension costs under defined contribution plan recognized in profit or loss are shown by function as below :

| Item | 2022.7.1 ~ 9.30. | 2021.7.1 ~ 9.30. | 2022.1.1. ~ 9.30. | 2021.1.1. ~ 9.30. |
|------------------------|---------------------|---------------------|----------------------|----------------------|
| Operating cost | \$ 6,773 | \$ 6,576 | \$ 20,224 | \$ 19,471 |
| Operating expense | | | | |
| Sales expense | 438 | 447 | 1,331 | 1,293 |
| Administration expense | 586 | 542 | 1,721 | 1,559 |
| R&D expense | 326 | 316 | 983 | 917 |
| Subtotal | 1,350 | 1,305 | 4,035 | 3,769 |
| Total | \$ 8,123 | \$ 7,881 | \$ 24,259 | \$ 23,240 |

6.24 Guarantee deposits received

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|----------------------------|-----------------------|----------------------|-----------------------|
| Rental deposits - rent out | \$ 22,594 | \$ 22,614 | \$ 22,614 |
| Others | 550 | 550 | 550 |
| Total | \$ 23,144 | \$ 23,164 | \$ 23,164 |

6.25 Share capital

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|---------------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Authorized number of shares (thousands of shares) | 800,000 | 800,000 | 800,000 |
| Authorized capital | \$ 8,000,000 | \$ 8,000,000 | \$ 8,000,000 |
| Issued shares with proceeds fully received (thousands of shares) | 531,688 | 531,688 | 531,688 |
| Raised capital | \$ 5,316,884 | \$ 5,316,884 | \$ 5,316,884 |

1. The par value of each issued common stock is NT\$10, each share has 1 voting right and right of receiving dividend.
2. The main reason for the change in the Company' s capital in this period was due to cancellation of treasury shares, please refer to Note 6.29-2 for details.

6.26 Capital surplus

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------------------------------|-----------------------|----------------------|-----------------------|
| Additional paid-in capital | \$ 210,318 | \$ 210,318 | \$ 210,318 |
| Surplus from treasury stock transactions | 188,021 | 188,021 | 188,021 |
| Uncollected overdue dividends by shareholders | 496 | 496 | 276 |
| Total | <u>\$ 398,835</u> | <u>\$ 398,835</u> | <u>\$ 398,615</u> |

According to the Company Act, in addition to offsetting against accumulated loss, when a company does not have accumulated loss, the capital surplus from additional paid-in capital in excess of par during stock issuance and from gifts received may be distributed to shareholders in form of new shares or cash according to their respective shareholding ratios. And according to the Securities and Exchange Act, when reinvest the above capital surplus as additional capital, the total amount is limited to 10% of the received capital. Unless when profit surplus is insufficient to offset loss, a company shall not replenish with capital surplus. In addition, regarding uncollected overdue dividends, since such capital surplus are different from the capital surplus as defined in Article 239 of Company Act in nature, they shall not be used for any purpose.

6.27 Retained earnings

1. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
2. The Company's dividend policy is as following:
The Company shall consider changes in business environment, considers future operating funds required from life cycles of various products and services and the effects of tax rules, in the goal of sustaining stable dividend distributions, dividends are distributed according to the set ratios under the corporate charter. After measuring the required funds in future years, profitability, financial structure, and dilution effects on shares, and other factors, the Board of Directors develops an appropriate ratio of dividends in cash and in stocks and submits for approval at the shareholders' meeting. The Company would distribute cash dividends as priority. If there are major investment plans or needs for improving financial structure, part of dividends would be distributed in stocks. In order to avoid over-inflation of share capital and affect the level of dividend distribution in future years, 0%-60% of the Company's distributable current-year earnings are appropriated as dividends.
3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is limited to the portion in excess of 25% of the Company's paid-in capital.
4. Upon earnings distribution, in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1090150022, dated March 31, 2021 and regulations under "Q&A on Recording Special Reserve After Adopting IFRSs", the Company shall set aside or reverse special reserve. When the net deduction item on other equity later is reversed, the reversed amount could be included in the distributable earnings.

5. The appropriations of 2021 and 2020 earnings have been approved by the board of directors and the shareholders' meetings on June 8, 2022 and July 23, 2021, respectively. The appropriations and dividends per share were as follows :

| Distribution item | Appropriation of Earnings | | Dividends Per Share (NT\$) | |
|----------------------------------|---------------------------|----------------------|-------------------------------|----------------------|
| | For Fiscal Year 2021 | For Fiscal Year 2020 | For Fiscal Year 2021 | For Fiscal Year 2020 |
| | | | | |
| Record legal reserve | \$ - | \$ - | \$ - | \$ - |
| Record (reverse) special reserve | - | - | - | - |
| Cash dividends | 425,351 | 53,169 | 0.80 | 0.10 |
| Stock dividends | - | - | - | - |

In addition, on July 23, 2021, the shareholders' annual meeting passed a resolution to distribute cash from additional paid-in capital - common share premium (NT\$0.2 per common share), totaled NT\$106,338 thousand. Information on the resolution of the board of directors' and shareholders' meetings regarding the appropriation of earnings is available from the Market Observation Post System on the website of the TWSE.

6.28 Other equity item

| Item | Exchange differences from translation of foreign operations | Unrealized gains or losses for financial assets measured at FVTOCI | Total |
|------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------|------------------|
| 2022.1.1. Balance | (\$ 270) | \$ 60,167 | \$ 59,897 |
| Directly Recognized as other equity adjustment items | (18) | (20,174) | (20,192) |
| Transferred to profit or loss item | - | - | - |
| Transferred to retained earnings | - | - | - |
| Shares recognized under equity method | - | - | - |
| Income tax related to other equity items | - | - | - |
| 2022.9.30. Balance | <u>(\$ 288)</u> | <u>\$ 39,993</u> | <u>\$ 39,705</u> |

| Item | Exchange differences from translation of foreign operations | Unrealized gains or losses for financial assets measured at FVTOCI | Total |
|------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------|------------------|
| 2021.1.1. Balance | (\$ 219) | \$ 26,357 | \$ 26,138 |
| Directly Recognized as other equity adjustment items | (228) | 39,779 | 39,551 |
| Transferred to profit or loss item | - | - | - |
| Transferred to retained earnings | - | - | - |
| Shares recognized under equity method | - | - | - |
| Income tax related to other equity items | - | - | - |
| 2021.9.30. Balance | <u>(\$ 447)</u> | <u>\$ 66,136</u> | <u>\$ 65,689</u> |

The exchange differences generated from translating the functional currencies of net assets of the foreign operations to the reporting currency of the Group (that is, NTD) are directly recognized as exchange differences from translation of foreign operations in other comprehensive income or loss.

6.29 Treasury shares

- Reason for redemption of shares and the changes are summarized as following : (2022. 1. 1. ~ 9. 30. : None)

2021. 1. 1. ~ 9. 30.

| Reason for redemption | Beginning balance | | Increase in this period | | Decrease in this period | | Ending balance | |
|--------------------------------------------------|-------------------|------------|-------------------------|----------|-------------------------|------------|------------------|--------|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount |
| Maintain company credit and shareholders' rights | 17,305 | \$ 160,576 | 1,008 | \$ 9,993 | 18,313 | \$ 170,569 | - | \$ - |

- On November 13, 2020, the board of directors passed a resolution that, in order to maintain company credit and the shareholders' rights, from November 16, 2020 to January 12, 2021, the Group would buy back 30,000 thousand shares of the Company at NT\$6.04~NT\$12.52 from the stock exchange market. In order to maintain both the market transaction mechanism and overall shareholders' rights, treasury shares were bought back in batches depending on changes in stock price and transaction volume. Considering that the stock price had been stabilized during the buy-back period, the buy-back plan was not executed in full, where the Group only bought back 18,313 thousand shares from the stock exchange market, with buy-back cost of \$170,569 thousand. Using January 20, 2021 as the capital-reduction base date, the Group cancelled the bought 18,313 thousand of treasury shares, with par value of NT\$10 per share, totaled \$183,130 thousand and the amendment registration had been completed. When cancelling the treasury shares, the difference of the par value of cancelled shares over the book value of treasury shares by the amount of \$12,561 thousand was transferred to additional paid-in capital - surplus from treasury stock transactions.
- According to the Securities and Exchange Act, the Group shall not buy back more than 10% of its total outstanding shares ; the total dollar amount of buy-back shares shall not exceed the summary of retained earnings, additional paid-in capital in excess of par and realized capital surplus. The Group used the board of directors resolution date and met the regulations under Securities and Exchange Act.
- According to the Securities and Exchange Act, the purchased shares due to maintaining company credit and the shareholders' rights shall be cancelled and registration filed within 6 months.

5. According to Securities and Exchange Act, the Group' s held treasury shares shall not be pledged or entitled to receive dividends or voting rights, etc.

6.30 Operating revenue

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|---------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Revenue from contracts with customers | | | | |
| Sales revenue | \$ 2,148,273 | \$ 2,980,298 | \$ 7,518,185 | \$ 8,068,534 |
| Service revenue | 1,394 | 9,897 | 6,898 | 28,819 |
| Total | <u>\$ 2,149,667</u> | <u>\$ 2,990,195</u> | <u>\$ 7,525,083</u> | <u>\$ 8,097,353</u> |

1. Breakdown of revenue from contracts with customers

The Group' s revenue comes from transfer of goods or services at certain points of time. The revenue can be broken down into the following major types of goods and services :

| Major types of goods and services | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|---------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Sales revenue | | | | |
| Textured yarn | \$ 746,163 | \$ 964,524 | \$ 2,535,218 | \$ 2,553,955 |
| Polyester yarn | 337 | 1,114 | 10,089 | 4,807 |
| Nylon fiber | 336,516 | 451,336 | 1,040,487 | 1,211,852 |
| Nylon chips | 886,147 | 1,365,182 | 3,411,033 | 3,711,538 |
| Composite materials | 175,121 | 195,769 | 514,852 | 581,040 |
| Trading of raw materials | 3,989 | 2,373 | 6,506 | 5,342 |
| Subtotal | <u>2,148,273</u> | <u>2,980,298</u> | <u>7,518,185</u> | <u>8,068,534</u> |
| Service revenue | | | | |
| Revenue from outsourced manufacturing | 1,394 | 9,897 | 6,898 | 28,819 |
| Subtotal | <u>1,394</u> | <u>9,897</u> | <u>6,898</u> | <u>28,819</u> |
| Total | <u>\$ 2,149,667</u> | <u>\$ 2,990,195</u> | <u>\$ 7,525,083</u> | <u>\$ 8,097,353</u> |

2. Contract balance

The contractual assets and liabilities for the recorded revenue from contracts with customers are as following :

| Item | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-----------------------------------|-----------------------|----------------------|-----------------------|
| Contractual assets : None | | | |
| Contractual liabilities - current | | | |
| Sale of goods | \$ 53,496 | \$ 54,457 | \$ 68,551 |

(1)Material changes in contractual assets and liabilities

Changes in contract liabilities of the Group as of September 30, 2022 compared to those by the end of last year and to the comparable period last year mainly come from timing differences when the contractual obligations are fulfilled and when the customers make the payment.

(2)Beginning contractual liabilities that are recorded as revenue in this period

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|------------------------------------------------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Beginning balance of contractual liabilities that are recorded as revenue in this period | | | | |
| Sale of goods | \$ 9,215 | \$ 3,405 | \$ 41,985 | \$ 75,594 |

(3)Fulfilled contractual obligations in the previous period but with the related revenue recorded in this period

For the nine months ended September 30, 2022 and 2021, the Group did not have contractual obligations that were fulfilled (or partly fulfilled) in the previous period. Nor there was any adjustment made to the recorded current-period revenue due to changes in the transaction prices or restrictions in recording variable consideration.

(4)Unfulfilled contracts with customers

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group does not have any unfulfilled sales contracts with customers, the expected remaining periods for the existing contracts are within

one year and are expected to be fulfilled and recognized as revenue within one year.

3. Assets related to contractual costs : None

6.31 Interest income

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|---------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Interest on bank deposits | \$ 29 | \$ 5 | \$ 431 | \$ 104 |

6.32 Other income

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|---------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Dividend income | \$ 23,872 | \$ 9,290 | \$ 82,022 | \$ 37,059 |
| Rental income | 19,126 | 18,664 | 57,377 | 55,991 |
| Subsidies income | - | - | - | 18 |
| Income from scrap sales | 3,402 | 3,535 | 13,515 | 10,137 |
| Income from sample sales | 788 | 722 | 2,112 | 2,652 |
| Income from recovery of packaging materials | 511 | 528 | 1,574 | 2,102 |
| Income from sale of renewable energy | 6,214 | 1,929 | 12,313 | 4,218 |
| Net income from water testing | - | 475 | - | 1,730 |
| Others | 438 | 385 | 1,207 | 1,564 |
| Total | \$ 54,351 | \$ 35,528 | \$ 170,120 | \$ 115,471 |

6.33 Other gains and losses

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|---------------------------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Net gains (losses) on financial and assets and liabilities at FVTPL | (\$ 55,713) | (\$ 322,060) | (\$ 297,980) | \$ 46,405 |
| Gains (losses) on disposal of property, plant and equipment | - | 362 | 20,401 | 357 |
| Gains (losses) on disposal of investments | (59,795) | 77,008 | (63,282) | 177,151 |
| Net non-financial foreign currency exchange gains (losses) | 36,462 | 1,695 | 72,764 | (12,085) |
| Direct operating expenses of investment properties | (3,177) | (3,110) | (9,504) | (9,307) |
| Depreciation of renewable energy equipment | (1,233) | (430) | (3,697) | (1,288) |
| Others | (10) | (11) | (24) | (264) |
| Total | (\$ 83,466) | (\$ 246,546) | (\$ 281,322) | \$ 200,969 |

6.34 Financial cost

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|--------------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Interest expense | | | | |
| Interest on borrowing from financial institutions | \$ 5,053 | \$ 3,489 | \$ 12,837 | \$ 8,677 |
| Imputed interest on deposits | 23 | 23 | 68 | 69 |
| Interest on lease liabilities | 242 | 274 | 740 | 837 |
| Other | 37 | 83 | 779 | 288 |
| Subtotal | 5,355 | 3,869 | 14,424 | 9,871 |
| Fees related to issuing CP | 159 | 487 | 488 | 899 |
| Net financial foreign currency exchange (gains) losses | (2,946) | (1,740) | (9,639) | 3,764 |
| Less : Capitalized amount | - | - | - | - |
| Total | \$ 2,568 | \$ 2,616 | \$ 5,273 | \$ 14,534 |

6.35 Employee benefits, depreciation and amortization expense

| By nature | 2022.7.1~ 9.30. | | | 2021.7.1~ 9.30. | | |
|-----------------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | \$ 179,201 | \$ 37,768 | \$ 216,969 | \$ 173,531 | \$ 32,469 | \$ 206,000 |
| Labor and health insurance | 16,660 | 3,274 | 19,934 | 16,116 | 3,246 | 19,362 |
| Pension expense | 6,925 | 1,367 | 8,292 | 6,669 | 1,317 | 7,986 |
| Other benefits | 7,083 | (4,901) | 2,182 | 6,267 | 77 | 6,344 |
| Depreciation expense (Note) | 88,898 | 3,757 | 92,655 | 100,117 | 4,043 | 104,160 |
| Amortization expense | 7,906 | 323 | 8,229 | 6,458 | 334 | 6,792 |
| Total | <u>\$ 306,673</u> | <u>\$ 41,588</u> | <u>\$ 348,261</u> | <u>\$ 309,158</u> | <u>\$ 41,486</u> | <u>\$ 350,644</u> |

| By nature | 2022.1.1.~ 9.30. | | | 2021.1.1.~ 9.30. | | |
|-----------------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | \$ 528,673 | \$ 101,892 | \$ 630,565 | \$ 531,545 | \$ 138,072 | \$ 669,617 |
| Labor and health insurance | 49,254 | 12,153 | 61,407 | 48,103 | 10,054 | 58,157 |
| Pension expense | 20,678 | 4,090 | 24,768 | 19,745 | 3,810 | 23,555 |
| Other benefits | 24,155 | 4,449 | 28,604 | 17,127 | 22,725 | 39,852 |
| Depreciation expense (Note) | 288,410 | 11,271 | 299,681 | 334,155 | 12,311 | 346,466 |
| Amortization expense | 22,993 | 1,129 | 24,122 | 18,535 | 1,412 | 19,947 |
| Total | <u>\$ 934,163</u> | <u>\$ 134,984</u> | <u>\$1,069,147</u> | <u>\$ 969,210</u> | <u>\$ 188,384</u> | <u>\$1,157,594</u> |

Note : The depreciation expenses for renewable energy equipment (recorded in property, plant and equipment) for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were \$1,233 thousand, \$430 thousand, \$3,697 thousand and \$1,288 thousand, respectively, and recorded as non-operating income and expenses - other ; the depreciation expenses of investment properties for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were \$1,289 thousand, \$1,286 thousand, \$3,862

thousand and \$3,860 thousand, and recorded as non-operating income and expenses - other (direct operating expenses for investment properties).

1. According to the corporate charter, if the Company has profit in a year, it shall allocate 2% as employees' compensation and may allocate no more than 3% as remuneration for directors and supervisors. but if the Company has accumulated losses, the profit shall first reserve for offsetting losses.
2. Regarding estimation of the payable compensation to employees, directors and supervisors, based on profitability in the current year, along with considerations on the expected distribution amount, the upper and lower percentage limits under corporate charter and other factors, the Company's management estimates the compensation according to the current-period profit amount before deducting income tax, compensation to employees and directors' remuneration. For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the Company estimates (\$2,508) thousand, (\$1,122) thousand, \$0 and \$19,385 thousand of compensation to employees, respectively and (\$3,762) thousand, (\$1,684) thousand, \$0 and \$29,077 thousand of directors' and supervisors' remuneration, respectively. However, before the issuance date of these financial statements and after resolution by the board of directors, if there is material change in the distribution amount, the change would be adjusted in the current-year expense ; if subsequently, the actual distribution amounts after the issuance date of these financial statements are different from the above amounts, the difference would be adjusted and treated as changes in accounting estimates in the next year.
3. On March 11, 2022 and March 26, 2021, the Company's board of directors had passed resolution to distribute \$21,149 thousand and 0 of compensation to employees for 2021 and 2020, respectively ; \$31,723 thousand and 0 of remuneration to directors and supervisors for 2021 and 2020, respectively. The aforementioned distribution amounts are not different from those estimated in 2021 and 2020 financial statements, and the compensation and remuneration will be distributed in cash.

4. Information on employees' compensation and remuneration for directors and supervisors of the Company as resolved by the meeting of board of directors is available from the "Market Observation Post System" at the website of the TWSE.

6.36 Changes in liabilities from financing activities

| Item | Short-term borrowings | Short-term notes payable | Lease liabilities | Guarantee deposits received |
|------------------------------------------------|-----------------------|--------------------------|-------------------|-----------------------------|
| January 1, 2022 | \$1,260,000 | \$ 499,845 | \$ 76,591 | \$ 23,164 |
| Net changes in financing cash flows | (250,000) | 200,000 | (11,226) | (20) |
| Noncash changes - lease addition/remeasurement | - | - | 1,881 | - |
| Noncash changes - note discounts | - | (10) | - | - |
| Noncash changes - foreign exchange effect | - | - | 14 | - |
| September 30, 2022 | \$1,010,000 | \$ 699,835 | \$ 67,260 | \$ 23,144 |

| Item | Short-term borrowings | Short-term notes payable | Lease liabilities | Guarantee deposits received |
|------------------------------------------------|-----------------------|--------------------------|-------------------|-----------------------------|
| January 1, 2021 | \$ 710,000 | \$ 449,934 | \$ 80,000 | \$ 23,164 |
| Net changes in financing cash flows | 560,000 | 300,000 | (11,126) | - |
| Noncash changes - lease addition/remeasurement | - | - | 9,545 | - |
| Noncash changes - note discounts | - | 18 | - | - |
| Noncash changes - foreign exchange effect | - | - | (11) | - |
| September 30, 2021 | \$1,270,000 | \$ 749,952 | \$ 78,408 | \$ 23,164 |

6.37 Income tax

1. Components of income tax expense (benefit):

(1) Income tax expense recognized in profit or loss

| Item | 2022.7.1 ~ 9.30. | 2021.7.1 ~ 9.30. | 2022.1.1. ~ 9.30. | 2021.1.1. ~ 9.30. |
|-------------------------------------------------------------------|---------------------|---------------------|----------------------|----------------------|
| Current income tax | (\$ 16,818) | \$ 18,018 | \$ 39,444 | \$ 18,050 |
| Deferred income tax expense (benefit) | | | | |
| Initial occurrence and reversals of temporarily differences | (17,354) | 11,527 | (607) | 61,052 |
| Net (increase) decrease in deferred income tax | (17,354) | 11,527 | (607) | 61,052 |
| Adjustments in respect of prior years | - | - | (449) | - |
| Income tax expense (benefit) recognized in profit or loss | (\$ 34,172) | \$ 29,545 | \$ 38,388 | \$ 79,102 |

The income tax rate for the Group entities under the tax laws of Republic of China is 20% ; The applicable tax rate for the subsidiaries in Mainland China is 25% ; The tax amounts in other regions are computed according to the tax rates applicable in the respective regions.

(2) Income tax recorded in other comprehensive income or loss : None

2. The Group' s domestic income tax returns through 2020 had been assessed and approved by the tax authority.

6.38 Earnings per share

The Company' s basic earnings per share is computed using the current-period net income (loss), divided by the weighted average number of outstanding common shares ; The new shares from capital increases from un-distributed earnings or capital surplus are retrospectively computed. If the Company may choose to distribute employees compensation with either stocks or cash, then the diluted earnings per share, assuming the compensation is distributed in stocks, is computed using the potential additional shares which would dilute the weighted average number of outstanding common shares. When determining the number of shares issued

for employees compensation in the next year, the potential dilution effects are continuously considered.

| | 2022.7.1~ 9.30. | | | 2021.7.1~ 9.30. | | |
|------------------------------------------------------------|------------------|-----------------------------------------------------------------------------|--------------------------------------------------|------------------|-----------------------------------------------------------------------------|--------------------------------------------------|
| | After-tax amount | Weighted average number of shares outstanding for the period (in thousands) | Basic loss per share, after tax (in dollars) | After-tax amount | Weighted average number of shares outstanding for the period (in thousands) | Basic earnings per share, after tax (in dollars) |
| Basic earnings (loss) per share : | | | | | | |
| Net income (loss) attributable to owners of parent company | (\$ 224,471) | 531,688 | (\$ 0.42) | (\$ 82,728) | 531,688 | (\$ 0.16) |
| | | | | | | |
| | 2022.1.1.~ 9.30. | | | 2021.1.1.~ 9.30. | | |
| | After-tax amount | Weighted average number of shares outstanding for the period (in thousands) | Basic earnings per share, after tax (in dollars) | After-tax amount | Weighted average number of shares outstanding for the period (in thousands) | Basic earnings per share, after tax (in dollars) |
| Basic earnings (loss) per share : | | | | | | |
| Net income (loss) attributable to owners of parent company | (\$ 177,794) | 531,688 | \$(0.33) | \$ 841,640 | 531,729 | \$ 1.58 |
| Effects from potential diluting common shares | | | | | | |
| Employees compensation | | | | | 908 | |
| Diluted earnings per share : | | | | | | |
| Net income (loss) attributable to owners of parent company | | | | | | |
| After effects from potential diluting common shares | | | | \$ 841,640 | 532,637 | \$ 1.58 |

7. Related Party Transactions

7.1 Parent company and the ultimate controlling party

The Company is the ultimate controlling party of the Group.

7.2 Name of related party and relationship

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|----------------------------------------------------------|-------------------------------------------------------|
| Yen Hsing Textile Co., Ltd. | Company that key management has significant influence |
| Su, Liao Hsiu Chin and 2 other individuals | Substantial related party |
| All directors, general manager and vice general managers | Key management |

7.3 Significant transactions with related parties

All significant transactions, account balances, revenue/gains and expenses/losses among the Company and subsidiaries (that is, the related parties of the Company) had been eliminated, therefore, not disclosed in these notes. Please refer to Note 13.1,2-11 for the related-party transactions within the Group. The transactions between the Group and other related parties are as following :

1. Sales

| <u>Related party category</u> | <u>2022. 7. 1 ~ 9. 30.</u> | <u>2021. 7. 1 ~ 9. 30.</u> | <u>2022. 1. 1. ~ 9. 30.</u> | <u>2021. 1. 1. ~ 9. 30.</u> |
|-------------------------------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Company that key management has significant influence | \$ 63,566 | \$ 59,630 | \$ 171,399 | \$ 162,815 |

The transaction prices and sales terms of goods sold to the Group' s related parties are similar to those of ordinary non-related parties.

2. Purchases

| <u>Related party category</u> | <u>2022. 7. 1 ~ 9. 30.</u> | <u>2021. 7. 1 ~ 9. 30.</u> | <u>2022. 1. 1. ~ 9. 30.</u> | <u>2021. 1. 1. ~ 9. 30.</u> |
|-------------------------------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Company that key management has significant influence | \$ 270 | \$ 176 | \$ 727 | \$ 751 |

The transaction prices and purchase terms of goods purchased from the Group' s related parties are similar to those of ordinary non-related parties.

3. Lease agreement (lessee)

(1) Right-of-use assets

| Related party category | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------------------------|-----------------------|----------------------|-----------------------|
| Su, Liao Hsiu Chin and 2 other individuals | \$ 33,262 | \$ 35,479 | \$ 36,218 |

(2) Lease liabilities – current

| Related party category | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------------------------|-----------------------|----------------------|-----------------------|
| Su, Liao Hsiu Chin and 2 other individuals | \$ 1,989 | \$ 2,784 | \$ 1,950 |

(3) Lease liabilities – noncurrent

| Related party category | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------------------------|-----------------------|----------------------|-----------------------|
| Su, Liao Hsiu Chin and 2 other individuals | \$ 31,246 | \$ 33,363 | \$ 34,059 |

(4) Interest expense

| Related party category | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|--------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Su, Liao Hsiu Chin and 2 other individuals | \$ 128 | \$ 138 | \$ 385 | \$ 414 |

(5) For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the total amount of rents that the Group had paid to Su, Liao Hsiu Chin and 2 other individuals were \$824 thousand, \$824 thousand, \$2,473 thousand and \$2,473 thousand, respectively.

(6) The Group has signed house lease contracts with Su, Liao Hsiu Chin and 2 other individuals for future years. As of September 30, 2022, December 31, 2021 and September 30, 2021, according to the agreement, the Group had issued post-dated notes (not listed) of 0, 0, and \$2,898 thousand, respectively, as payments for future transactions.

(7) Lease contracts and the rents were determined based on mutual agreements according to the market prices, and post-dated notes were issued and cashed for the rents over to the lease period.

4. Claims and debts between the Group and the related parties (all interest free) :

(1) Accounts receivable

| Related party category | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Company that key management has significant influence | \$ 33,755 | \$ 41,820 | \$ 14,335 |

(2) Accounts payable

| Related party category | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Company that key management has significant influence | \$ 198 | \$ 82 | \$ 113 |

(3) Other payables

| Related party category | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|-------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Company that key management has significant influence | \$ 63 | \$ - | \$ - |

5. Others

| Item | Related party category | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|-------------------------------------------|-------------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Sale of defect products | Company that key management has significant influence | \$ 245 | \$ 176 | \$ 793 | \$ 370 |
| Purchase of leftover yarn and empty tubes | Company that key management has significant influence | \$ 189 | \$ 151 | \$ 663 | \$ 827 |

7.4 Key management compensation

| Item | 2022. 7. 1 ~ 9. 30. | 2021. 7. 1 ~ 9. 30. | 2022. 1. 1. ~ 9. 30. | 2021. 1. 1. ~ 9. 30. |
|-------------------------------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Salaries and other short-term employee benefits | \$ 4,689 | \$ 851 | \$ 19,148 | \$ 53,550 |
| Termination benefits | - | - | - | - |
| Post-employment benefits | 18 | 10 | 54 | 30 |
| Other long-term benefits | - | - | - | - |
| Share-based payments | - | - | - | - |
| Total | \$ 4,707 | \$ 861 | \$ 19,202 | \$ 53,580 |

8. Pledged Assets : None

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

9.1 Endorsements and guarantees : None

9.2 Guarantee notes issued

As of September 30, 2022, December 31, 2021 and September 30, 2021, due to entering of comprehensive credit contracts, the Group had issued \$900,000 thousand, \$800,000 thousand and \$800,000 thousand, respectively, of guarantee notes to the financial institutions on the above dates.

9.3 Guarantee notes received

To ensure collectability for contracts signed, equipment warranty and guarantees for sales contracts, the Group received guarantee notes of \$681,851 thousand, \$576,045 thousand and \$561,382 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

9.4 As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's issued but unused letters of credit are as follows : (Units : Thousand dollars)

| Date | Balances of issued yet unused letters of credit |
|--------------------|------------------------------------------------------|
| September 30, 2022 | NTD215,000, EUR1,051, USD7,351, CNY24,000, JPY42,500 |
| December 31, 2021 | NTD394,000, EUR609, USD14,694 |
| September 30, 2021 | NTD274,000, EUR366, USD5,740, JPY192,500 |

9.5 As of September 30, 2022, December 31, 2021 and September 30, 2021, the significant capital expenditures on property, plant and equipment, etc., committed but not yet paid were NTD245,194 thousand, NTD29,900 thousand and NTD61,496 thousand, respectively.

10. Significant Disaster Losses : None

11. Significant Subsequent Events : None

12. Others

12.1 Explanation for seasonal or periodical interim operations

The Group' s operations are not affected by seasonal or periodical factors.

12.2 Capital risk management

The goal, policy and procedures of Group' s capital risk management do not have material change in this period and are consistent with those disclosed in the 2021 annual consolidated financial statements. Please refer to Note 12.2 of the 2021 annual consolidated financial statements.

12.3 Financial instruments

1. Types of financial instruments

| Financial assets | September 30, 2022 | December 31, 2021 | September 30, 2021 |
|--------------------------------------------------------------|-----------------------|----------------------|-----------------------|
| FVTPL financial assets | | | |
| Mandatorily measured at FVTPL | \$ 555,862 | \$ 916,107 | \$ 880,139 |
| FVTOCI financial assets | | | |
| Investments in equity instruments | 198,653 | 246,998 | 252,967 |
| Financial assets measured at amortized cost | | | |
| Cash and cash equivalents | 109,520 | 71,448 | 91,804 |
| Notes and accounts receivable (including related parties) | 890,226 | 1,607,436 | 1,407,445 |
| Other receivables (including related parties) | 4,663 | 7,513 | 68,768 |
| Refundable deposits paid | 22,970 | 23,479 | 23,495 |

Financial liabilities

Financial liabilities measured at FVTPL

| | | | |
|-----------------------------------------------------------|-----------|-----------|-----------|
| Mandatorily measured at FVTPL | – | 1,526 | 1,044 |
| Financial liabilities measured at amortized cost | | | |
| Short-term borrowings | 1,010,000 | 1,260,000 | 1,270,000 |
| Short-term notes payable | 699,835 | 499,845 | 749,952 |
| Notes and accounts payable (including related parties) | 588,867 | 842,058 | 611,257 |
| Other payables | 284,534 | 409,008 | 413,159 |
| Lease liabilities - current and noncurrent | 67,260 | 76,591 | 78,408 |
| Guarantee deposits received | 23,144 | 23,164 | 23,164 |

2. Financial risk management policies

The goal, policy and procedures of Group's financial risk management do not have material change in this period and are consistent with those disclosed in the 2021 annual consolidated financial statements. Please refer to Note 12.3-2 of the 2021 annual consolidated financial statements.

3. Nature and degree of material financial risks

(1) Market Risk

The market risks of the Group are risks of fluctuations of fair value or cash flows from changes in market prices of financial instruments. Market risk includes foreign exchange risk, interest rate risk and price risk.

A. Foreign exchange risk

The Group engages in businesses that involve several non-functional currencies (the functional currency of the Group is New Taiwan Dollars, and the functional currencies for part of the subsidiaries are CNY and USD), therefore, the Group is affected by fluctuations in exchange rates. The foreign-currency assets and liabilities subjected to significant impacts from fluctuations in exchange rates are as following: (including monetary items in non-functional currencies that were written off in the Consolidated Financial Statements)

| Item (Foreign currency : functional currency) | September 30, 2022 | | | December 31, 2021 | | |
|-----------------------------------------------------|----------------------------------|------------------|------------|----------------------------------|------------------|------------|
| | Amount in Foreign Currency | Exchange Rate | In NTD | Amount in Foreign Currency | Exchange Rate | In NTD |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | \$ 12,549 | 31.75 | \$ 398,431 | \$ 18,414 | 27.68 | \$ 509,700 |
| CNY : NTD | 3,366 | 4.4730 | 15,056 | 4,234 | 4.3440 | 18,392 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | 7,617 | 31.75 | 241,840 | 11,238 | 27.68 | 311,068 |

| Item (Foreign currency : functional currency) | September 30, 2021 | | |
|-----------------------------------------------------|----------------------------------|------------------|------------|
| | Amount in Foreign Currency | Exchange Rate | In NTD |
| Financial assets | | | |
| Monetary items | | | |
| USD : NTD | \$ 21,869 | 27.85 | \$ 609,052 |
| CNY : NTD | 3,823 | 4.3050 | 16,458 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD : NTD | 5,900 | 27.85 | 164,315 |

Note : Non-monetary assets in foreign currency measured at historical exchange rates on the transaction dates are not disclosed since those assets does not have significant impact on the Consolidated Financial Statements.

The Group' s sensitivity analysis of foreign currency risk focuses on the major foreign monetary and non-monetary items on the reporting date and their foreign exchange effects on the Group' s profit or loss and equity. When the foreign exchange rates appreciate/depreciate by 1%, the Group' s net income for the nine months ended September 30, 2022 and 2021 would increase/decrease by \$1,373 thousand and \$3,690 thousand, respectively. 1% is the sensitivity ratio used for the Group' s internal reporting on foreign exchange risks to key management, it also represents the management' s assessment on the reasonable range of potential changes in foreign exchange rates.

The unrealized net exchange gain (loss) arising from significant foreign exchange movement on the monetary items held by the Group for the nine months ended September 30, 2022 and 2021 amounted to \$17,837 thousand and \$134 thousand, respectively. Due to complexity and large volume of transaction in foreign currencies, the unrealized exchange gain (loss) is expressed in summarized amounts.

B. Interest rate risk

Interest rate risk is the risk of fluctuations in fair value of financial instruments or in future cash flows due to changes in market interest rates. The Group's interest rate risk mainly comes from borrowings with floating interest rates. However, part of the risks are offset by the held cash and cash equivalents with floating interest rates. Since the Group regularly assess the trend of change in interest rates and would make timely responses, material risk from changes in market interest rates is not expected to occur. If the borrowing interest rate is increased/decreased by 10 basis points, given other factors remain constant, the Group's net income will decrease/increase by \$1,037 thousand and \$926 thousand for the nine months ended September 30, 2022 and 2021, respectively.

C. Price risk

The Group is exposed to the price risk of equity instruments since the investments held by the Group are classified either as financial assets measured at FVTPL or at FVTOCI. In order to manage the price risk of equity instruments, the Group diversifies its investment portfolios, with the diversification methods based on the limits set by the Group. The prices of financial assets measured at FVTPL or at FVTOCI invested by the Group would be affected by uncertainties of future value of the investment targets. If the prices of these financial instruments had increased/decreased by 1% with all other variables held constant, the after-tax profit for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$5,559 thousand and \$8,791 thousand, respectively; Equity would have increased/decreased by \$1,987 thousand and \$2,530, respectively.

(2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from operating activities (primarily accounts and notes receivables) and from financing activities (primarily bank deposits and various financial instruments). Business-related credit risk and financial credit-related risks are managed separately.

The goal, policy and procedures of Group's credit risk management do not have material change in this period and are consistent with those disclosed in the 2021 annual consolidated financial statements. Please refer to Note 12.3-3(2) of the 2021 annual consolidated financial statements.

The Group adopts the presumptions under IFRS 9. When an account is overdue over 30 days based on the agreed contractual payment terms, the credit risk of the financial asset is considered to have significantly increased after initial recognition ; When overdue over 365 days based on the agreed contractual payment terms, or when the debtor is unlikely to fulfill its credit obligation and fully pays to the Group, the Group regards default has occurred to the financial asset. For aging analysis for accounts receivable and movements of loss allowance, please refer to Note 6.3 and 6.4 for details.

There is no change in the Group's credit risk exposure of its financial instruments and management and measurement methods for such risks. Therefore, the maximum exposure amounts of the Group's cash and cash equivalent, receivables, and other financial assets as of the balance sheet date are the same as their book value.

(3) Liquidity risk

Liquidity risk refers to risk of unable to liquidate by the expected time. The Group manages funds, achieves objectives of utilizing funds flexibly and maintaining funds mainly through borrowing from financial institutions, cash and cash equivalents and other tools, etc. The capital of the Group and operating funds are sufficient to fulfill all contractual obligations, therefore, there is no liquidity risk due to unable to acquire sufficient fund to fulfill contractual obligations.

The following schedule summarizes the Group's non-derivative financial liabilities and derivative financial liabilities traded based on net amount or gross amount, grouped according to the respective expiration dates and prepared according to the earliest possible requested repayment dates and the undiscounted cash flows. The Group does not expect significant early expiration or deviation of the actual cash flows. Regarding cash flows for interest payments that are subjected to floating interest rates, the undiscounted interest amounts are derived from the projected curve of yield rates on the balance sheet date. Therefore, the amounts of non-derivative financial liabilities subjected to floating interest rates would change due to the difference between the estimated interest rates on the balance sheet date and the actual floating rates. Regarding maturity analysis on lease liabilities, please refer to Note 6.11-2(2).

September 30, 2022

| Item | Within 6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years | Contractual cash flows | Carrying amount |
|----------------------------------------------|-----------------|-------------|-----------|-----------|--------------|------------------------|-----------------|
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | \$ 306,008 | \$711,909 | \$ - | \$ - | \$ - | \$1,017,917 | \$1,010,000 |
| Short-term notes payable | 700,000 | - | - | - | - | 700,000 | 699,835 |
| Notes payable (including related parties) | 74,685 | - | - | - | - | 74,685 | 74,685 |
| Accounts payable (including related parties) | 514,182 | - | - | - | - | 514,182 | 514,182 |
| Other payables | 281,044 | 3,490 | - | - | - | 284,534 | 284,534 |

December 31, 2021

| Item | Within 6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years | Contractual cash flows | Carrying amount |
|----------------------------------------------|-----------------|-------------|-----------|-----------|--------------|------------------------|-----------------|
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | \$ 914,464 | \$351,240 | \$ - | \$ - | \$ - | \$1,265,704 | \$1,260,000 |
| Short-term notes payable | 500,000 | - | - | - | - | 500,000 | 499,845 |
| Notes payable | 217,881 | - | - | - | - | 217,881 | 217,881 |
| Accounts payable (including related parties) | 624,177 | - | - | - | - | 624,177 | 624,177 |
| Other payables | 409,008 | - | - | - | - | 409,008 | 409,008 |
| Derivative financial liabilities | | | | | | | |
| Foreign exchange forward contract | | | | | | | |
| Outflows | 1,526 | - | - | - | - | 1,526 | 1,526 |

September 30, 2021

| Item | Within 6 months | 6-12 months | 1-2 years | 2-5 years | Over 5 years | Contractual cash flows | Carrying amount |
|----------------------------------------------|-----------------|-------------|-----------|-----------|--------------|------------------------|-----------------|
| Non-derivative financial liabilities | | | | | | | |
| Short-term borrowings | \$ 364,838 | \$911,486 | \$ - | \$ - | \$ - | \$1,276,324 | \$1,270,000 |
| Short-term notes payable | 750,000 | - | - | - | - | 750,000 | 749,952 |
| Notes payable | 103,167 | - | - | - | - | 103,167 | 103,167 |
| Accounts payable (including related parties) | 508,090 | - | - | - | - | 508,090 | 508,090 |
| Other payables | 361,157 | 52,002 | - | - | - | 413,159 | 413,159 |
| Derivative financial liabilities | | | | | | | |
| Foreign exchange forward contract | | | | | | | |
| Outflows | 1,044 | - | - | - | - | 1,044 | 1,044 |

12.4 Fair value information

1. Fair value levels

Based on observable degrees, the valuation methods used to measure the fair value of financial and nonfinancial instruments may be classified into the following 1~3 levels:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. price) or indirectly (i.e. inferred from price).

Level 3 : Refers to valuation methods that derive fair value of assets or liabilities based on input parameters from unobservable market data (unobservable parameters).

2. Financial instruments that are not measured at fair value

The book value of the Group's financial instruments that are not measured at fair value (including cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), other financial assets - current, short-term borrowings, short-term notes payable, notes and accounts payable (including related parties), other payables (including related parties), etc.) approximates their fair value ; The affect due to whether or not the expected cash flows from refundable deposits or guarantee deposits received are discounted is not material, therefore, their book value provides a reasonable basis for estimating their fair value.

3. Regarding the financial and non-financial instruments that are measured at fair value as of September 30, 2022, December 31, 2021 and September 30, 2021, the Group classifies the assets and liabilities based on their nature, characteristics, level of risks and fair value :

| Financial and non-financial instruments | September 30, 2022 | | | Total |
|--------------------------------------------------|--------------------|-----------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Recurring fair value | | | | |
| FVTPL financial assets - current | | | | |
| Listed stocks | \$ 550,728 | \$ - | \$ - | \$ 550,728 |
| Derivatives - Foreign exchange swap | - | 5,134 | - | 5,134 |
| Financial assets measured at FVTOCI - noncurrent | | | | |
| Non-listed stocks and limited partnership | - | - | 198,653 | 198,653 |
| Total | <u>\$ 550,728</u> | <u>\$ 5,134</u> | <u>\$ 198,653</u> | <u>\$ 754,515</u> |

| Financial and non-financial instruments | December 31, 2021 | | | |
|---------------------------------------------------|-------------------|--------------|-------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Recurring fair value | | | | |
| FVTPL financial assets - current | | | | |
| Listed stocks | \$ 916,083 | \$ - | \$ - | \$ 916,083 |
| Derivatives - Foreign exchange swap | - | 24 | - | 24 |
| Financial assets measured at FVTOCI - noncurrent | | | | |
| Non-listed stocks and limited partnership | - | - | 246,998 | 246,998 |
| Total | <u>\$ 916,083</u> | <u>\$ 24</u> | <u>\$ 246,998</u> | <u>\$ 1,163,105</u> |
| Liabilities | | | | |
| Recurring fair value | | | | |
| Financial liabilities measured at FVTPL - current | | | | |
| Derivatives - forward exchange contracts | \$ - | \$ 1,526 | \$ - | \$ 1,526 |
| September 30, 2021 | | | | |
| Financial and non-financial instruments | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Recurring fair value | | | | |
| FVTPL financial assets - current | | | | |
| Listed stocks | \$ 880,107 | \$ - | \$ - | \$ 880,107 |
| Derivatives - Foreign exchange swap | - | 32 | - | 32 |
| Financial assets measured at FVTOCI - noncurrent | | | | |
| Non-listed stocks | - | - | 252,967 | 252,967 |
| Total | <u>\$ 880,107</u> | <u>\$ 32</u> | <u>\$ 252,967</u> | <u>\$ 1,133,106</u> |
| Liabilities | | | | |
| Recurring fair value | | | | |
| Financial liabilities measured at FVTPL - current | | | | |
| Derivatives - forward exchange contracts | \$ - | \$ 1,044 | \$ - | \$ 1,044 |

4. The methods and assumptions used for measure fair values

The fair value of financial and non-financial instruments refers to the transaction amount with voluntary parties (not by force or by means of liquidation). The methods and assumptions used by the Group when estimating fair value of financial and non-financial instruments are as follows :

- (1) Regarding financial instruments with standard terms and condition and are traded in active markets, their fair value are determined using the quoted prices in their respective markets. For listed securities, the closing prices are used as fair value.
- (2) Except for above financial instruments with active markets, the fair values of other financial instruments are determined by using valuation techniques or by reference to quotes from counterparty. The fair values of financial instruments determined by using valuation techniques can be referred to current fair values of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including by applying model using market information available on the Consolidated balance sheet date. The Group adopts valuation methods and model that are widely accepted by market participants, the inputs used by such valuation model for financial instruments are generally observable market information, and the forward exchange contracts are generally valued at the forward exchange rates at the present time.
- (3) Regarding financial instruments with higher complexity, the Group measures the fair value based the valuation methods and techniques widely used by peers in the same industry and self-developed valuation models. Part of the parameters used by such types of valuation models is not based on observable information in the market, and the Group has to make appropriate estimation-based assumptions. The fair value of the Group' s held non-listed stocks are estimated either by market approach or asset approach and valuations is made by referencing to similar companies, third-party quotes, net value of the companies, and operating conditions. The major material unobservable input value is liquidity discount. For the effects to the valuation for financial instruments from parameters that are not observable in the market, please refer illustrations in Note 12.4-10.
- (4) The output of the valuation model is the computed approximate value, and the valuation technique may not be able to reflect all relevant factors of the Group' s held financial and non-financial instruments. Therefore, the estimated value of the valuation model would be properly adjusted based on additional parameters, such as model risk

or liquidity risk. Based on the Group's management policy for fair-value valuation model and the related controlling procedures, the valuation adjustments are appropriate and necessary. The price information and parameters used during the valuation procedures are assessed carefully and are properly adjusted based the current market conditions.

(5)The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

5. Transfer between Level 1 and Level 2 of the fair value hierarchy for the nine months ended September 30, 2022 and 2021 : None

6. Changes in Level 3 financial instruments for the nine months ended September 30, 2022 and 2021

| Item | Non-derivative equity instruments - unlisted stocks and limited partnership | |
|------------------------------------------------------|--------------------------------------------------------------------------------|-------------|
| | 2022. 1. 1. | 2021. 1. 1. |
| | ~ 9. 30. | ~ 9. 30. |
| Beginning balance | \$ 246,998 | \$ 208,709 |
| Acquisition in this period | - | 13,200 |
| Disposition in this period | - | - |
| Funds returned from capital reduction in this period | (28,171) | (8,721) |
| Transfer in (out) Level 3 | - | - |
| Recognized in other comprehensive income | (20,174) | 39,779 |
| Ending balance | \$ 198,653 | \$ 252,967 |

7. For the nine months ended September 30, 2022 and 2021, the Group did not have fair value transferred in or out from Level 3.

8. According to the Group's valuation procedures for Level 3 fair value classification, the Group's accounting department, along with outside professional appraisal institutions, share the work to independently verify the fair value of the financial instruments. The valuation works include using independent source data to make the valuation result close to the market condition and confirming independence and reliability of the data source, consistency with other resources, and representing execution price. The required input value and data are periodically

updated, and any other necessary fair value adjustments are made to ensure reasonable valuation results.

9. Illustrations for quantified information of material unobservable input value and sensitivity analysis for changes in material unobservable input value for Level 3 fair value measurement items are as following :

| Item | Fair value as of September 30, 2022 | Valuation technique | Material unobservable input value | Range (weighted average) | Relationship between input value and fair value |
|---------------------------------------------------------|-------------------------------------------|------------------------|-----------------------------------------|--------------------------------|-------------------------------------------------------------------|
| Non-derivative equity instruments : | | | | | |
| Un-listed stocks | \$ 154,766 | Market approach | Liquidation discount | 25% | higher liquidation discount, lower fair value results |
| Venture capital stocks and limited partnership | 43,887 | Asset approach | NA | NA | NA |
| Total | <u>\$ 198,653</u> | | | | |

| Item | Fair value as of December 31, 2021 | Valuation technique | Material unobservable input value | Range (weighted average) | Relationship between input value and fair value |
|---------------------------------------------------------|------------------------------------------|------------------------|-----------------------------------------|--------------------------------|-------------------------------------------------------------------|
| Non-derivative equity instruments : | | | | | |
| Un-listed stocks | \$ 195,389 | Market approach | Liquidation discount | 25% | higher liquidation discount, lower fair value results |
| Venture capital stocks and limited partnership | 51,609 | Asset approach | NA | NA | NA |
| Total | <u>\$ 246,998</u> | | | | |

| Item | Fair value as of September 30, 2021 | Valuation technique | Material unobservable input value | Range (weighted average) | Relationship between input value and fair value |
|-------------------------------------------|-------------------------------------------|------------------------|-----------------------------------------|--------------------------------|-------------------------------------------------------------------|
| Non-derivative equity instruments : | | | | | |
| Un-listed stocks | \$ 204,168 | Market approach | Liquidation discount | 25% | higher liquidation discount, lower fair value results |
| Venture capital stocks | 48,799 | Asset approach | NA | NA | NA |
| Total | <u>\$ 252,967</u> | | | | |

10. After careful selection of valuation model and the parameters, the Group considers that the fair value measurements are reasonable. But when different valuation model or the parameters are used, the valuation results may be different. Regarding the financial assets and liabilities classified as Level 3, if there is change in the valuation parameters, then the affects to the current-period profit and other comprehensive income would be as following :

| Item | Input value | Change | 2022. 1. 1. ~ 9. 30. | | | |
|-------------------------------------------|-------------------------|--------|---------------------------------|-----------------------|---------------------------------------------|-----------------------|
| | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | | | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Non-derivative equity instruments : | | | | | | |
| Un-listed stocks | Liquidation discount | +1% | \$ - | \$ - | \$ - | (\$ 2,074) |
| | | -1% | \$ - | \$ - | \$ 2,074 | \$ - |

2021. 1. 1. ~ 9. 30.

| Item | Input value | Change | Recognized in profit or loss | | Recognized in other comprehensive income | |
|-------------------------------------|----------------------|--------|------------------------------|--------------------|------------------------------------------|--------------------|
| | | | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Non-derivative equity instruments : | | | | | | |
| Un-listed stocks | Liquidation discount | +1% | \$ - | \$ - | \$ - | (\$ 2,705) |
| | | -1% | \$ - | \$ - | \$ 2,763 | \$ - |

13. Supplementary disclosures

(1) Information on significant transactions, and (2) Information on investees (before consolidation eliminations)

1. Loans to others : None

2. Endorsements and guarantees provided to others : None

3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures)

Unit: Thousand shares/units (unless specified otherwise)

| Securities held by | Marketable securities | | Relationship with the securities issuer | General ledger account | End of the period | | | |
|--------------------------------|-------------------------------------------------------------------------------|---------------------------------------|--------------------------------------------------|--------------------------------------------------|------------------------|------------|---------------|------------|
| | | | | | Number of shares/units | Book value | Ownership (%) | Fair value |
| ZIG SHENG INDUSTRIAL CO., LTD. | Stock | SHINKONG SYNTHETIC FIBERS CORPORATION | — | Financial assets measured at FVTPL - current | 599 | \$ 9,973 | 0.04 | \$ 9,973 |
| | | TAINAN SPINNING CO., LTD. | — | Financial assets measured at FVTPL - current | 1,040 | 17,212 | 0.06 | 17,212 |
| | | YI JINN INDUSTRIAL CO., LTD. | — | Financial assets measured at FVTPL - current | 6,911 | 123,707 | 2.29 | 123,707 |
| | | LAN FA TEXTILE Co., LTD. | — | Financial assets measured at FVTPL - current | 677 | 5,795 | 0.19 | 5,795 |
| | | DE LICACY INDUSTRIAL CO., LTD. | — | Financial assets measured at FVTPL - current | 1,903 | 28,171 | 0.50 | 28,171 |
| | | ECLAT TEXTILE CO., LTD. | — | Financial assets measured at FVTPL - current | 303 | 118,629 | 0.11 | 118,629 |
| | | TSRC CORPORATION | — | Financial assets measured at FVTPL - current | 400 | 10,400 | 0.05 | 10,400 |
| | | NANYA TECHNOLOGY CORPORATION | — | Financial assets measured at FVTPL - current | 60 | 2,937 | - | 2,937 |
| | | EVERGREEN MARINE CORPORATION | — | Financial assets measured at FVTPL - current | 1,200 | 175,200 | 0.06 | 175,200 |
| | | CHINA AIRLINES LTD. | — | Financial assets measured at FVTPL - current | 1,000 | 19,650 | 0.02 | 19,650 |
| | | WAN HAI LINES, LTD. | — | Financial assets measured at FVTPL - current | 33 | 2,205 | - | 2,205 |
| | | EVA AIRWAYS CORPORATION | — | Financial assets measured at FVTPL - current | 97 | 2,736 | - | 2,736 |
| | | CAPITAL SECURITIES CORP. | — | Financial assets measured at FVTPL - current | 600 | 6,330 | 0.03 | 6,330 |
| | | NAN YA PCB CO., LTD. | — | Financial assets measured at FVTPL - current | 147 | 27,783 | 0.02 | 27,783 |
| | | LILY ENTERTAINMENT CORPORATION | — | Financial assets measured at FVTOCI - noncurrent | 2,881 | 63,790 | 4.01 | 63,790 |
| | | YEN HSING TEXTILE CO., LTD. | The Company is the director of the company | Financial assets measured at FVTOCI - noncurrent | 6,985 | 63,008 | 13.99 | 63,008 |
| | | YI TONG FIBER CO., LTD. | — | Financial assets measured at FVTOCI - noncurrent | 671 | 26,740 | 1.52 | 26,740 |
| | | CHU SING INDUSTRIAL CO., LTD. | — | Financial assets measured at FVTOCI - noncurrent | 29 | 1,228 | 3.32 | 1,228 |
| | | ABILITY I VENTURE CAPITAL CORP. | The Company is the supervisor of the company | Financial assets measured at FVTOCI - noncurrent | 1,423 | 11,170 | 3.00 | 11,170 |
| | | ABILITY ASIA CAPITAL CORP. | The Company is the supervisor of the company | Financial assets measured at FVTOCI - noncurrent | 1,600 | 18,752 | 1.04 | 18,752 |
| Limited partnership | ABILITY ASIA CAPITAL II OUTSTANDING TRANSFORMATION GROWTH LIMITED PARTNERSHIP | — | Financial assets measured at FVTOCI - noncurrent | - | 13,965 | - | 13,965 | |

4. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital : None

5. Acquisition of individual real estate properties at costs of at least NT\$300 million or 20% of the paid-in capital : None

6. Disposal of individual real estate properties at prices of at least NT\$300 million or 20% of the paid-in capital : None

7. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital :

| Company Name | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Payable or Receivable | |
|--------------------------------|-----------------------------|--------------------------------------------|---------------------|-----------|------------|-------------------------|---------------------------|---------------------------|--------------------------------------|---------------------------|
| | | | Purchases/ Sales | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Balance | % to Total |
| ZIG SHENG INDUSTRIAL CO., LTD. | Yen Hsing Textile Co., Ltd. | The Company is the director of the company | Sales | \$171,399 | 2.28% | 15 days settled monthly | No significant difference | No significant difference | Accounts receivable \$33,755 | Accounts receivable 4.00% |

8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital : None

9. Information about the derivative financial instruments transaction : Please refer to Note 6.2-3.

10. Name, location, etc. of investee companies over which the Company has direct or indirect influence, control or joint control (not including investments in Mainland China)

Unit : NTD thousand/USD thousand

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as the end of period | | | Net income (losses) of the investee | Share of profits/losses of investee | Footnote |
|-------------------------------|----------------------------------------------------|-----------|------------------------------------------------------------------------------------------------------|---------------------------|------------------|----------------------------------|-------------------------|------------|-------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | End of this period | End of last year | Number of shares (thousand) | Percentage of ownership | Book value | | | |
| Zig Sheng Industrial Co., Ltd | ZIS Holding Co., Ltd. | Mauritius | Make various investments outside of Taiwan region following the Parent company' s operating policies | \$185,020 | \$185,020 | 5,400 | 100% | - | - | - | Please refer to Note 6.9 for details |
| | Nicest Int' L Trading Corp. | Samoa | Make various investments outside of Taiwan region following the Parent company' s operating policies | 8,883 | 8,883 | 300 | 100% | \$18,505 | \$ 653 | \$ 767 | Include \$114 thousand of net positive profit adjustment due to difference in unrealized income tax between the entity basis and consolidated basis point of view |
| | Ding Sheng Material Technology Corporation Limited | Taipei | Production of synthetic resin and industrial plastic products and related international trading | 15,000 | 15,000 | 1,500 | 100% | 2,114 | (1,073) | (1,091) | Include \$18 thousand of net negative profit adjustment due to difference in unrealized income tax between the entity basis and consolidated basis point of view |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as the end of period | | | Net income (losses) of the investee | Share of profits/losses of investee | Footnote |
|----------------------------------------------------|--------------------------------------------|----------|-------------------------------|---------------------------|------------------|----------------------------------|-------------------------|------------|-------------------------------------|-------------------------------------|----------|
| | | | | End of period | End of last year | Number of shares (thousand) | Percentage of ownership | Book value | | | |
| Ding Sheng Material Technology Corporation Limited | Ding Sheng Material Technology Corporation | USA | General import/export trading | \$ 6,340 | \$ 6,340 | 200 | 100% | (\$ 4,928) | (\$ 1,026) | (\$ 1,026) | |

Note : Except for initial investment amounts measured using historical exchange rates; all foreign currency amounts in the above schedule are converted to NTD using the exchange rate on the balance sheet date.

11. Business Relationships between Parent and Subsidiaries and Significant Transactions

| Company name | Counter-party | Nature of relationships | Transaction details | | | |
|--------------------------------|----------------------------------------------------|-------------------------|------------------------|-----------|---------------------------------------------|------------|
| | | | Account | Amount | Transaction terms | % to Total |
| Zig Sheng Industrial Co., Ltd. | Suzhou Hongsheng Trading Co., Ltd. | Parent to subsidiary | Sales revenue | \$ 26,081 | Per agreement based on general market price | 0.35% |
| | | | Accounts receivable | 15,052 | T/T 90 days settled monthly | 0.16% |
| | | | Other income | 5,145 | Per agreement based on general market price | 0.07% |
| | | | Realized sales gains | 479 | — | 0.01% |
| | | | Unrealized sales gains | 933 | — | 0.01% |
| | Ding Sheng Material Technology Corporation Limited | Parent to subsidiary | Rental income | 72 | Per agreed contract | — |

| Company name | Counter-party | Nature of relationships | Transaction details | | | |
|----------------------------------------------------|--------------------------------------------|-------------------------|------------------------|--------|---------------------------------------------------------------------------------------------------------------------------|------------|
| | | | Account | Amount | Transaction terms | % to Total |
| Zig Sheng Industrial Co., Ltd. | Ding Sheng Material Technology Corporation | Parent to subsidiary | Sales revenue | 13,488 | Per agreement based on general market price T/T 180 days settled monthly | 0.18% |
| | | | Accounts receivable | 18,748 | | 0.19% |
| | | | Realized sales gains | 891 | | — |
| | | | Unrealized sales gains | 685 | | — |
| Suzhou Hongsheng Trading Co., Ltd. | Zig Sheng Industrial Co., Ltd. | Subsidiary to parent | Sales revenue | 79 | Per agreement based on general market price Per agreement based on general market price T/T 90 days settled monthly | — |
| | | | Other income | 345 | | — |
| | | | Other receivables | 73 | | — |
| Ding Sheng Material Technology Corporation Limited | Zig Sheng Industrial Co., Ltd. | Subsidiary to parent | Prepaid rents | 25 | Per agreed contract | — |

Note : (1) Regarding the same transaction between the parent and subsidiary company, the transaction is not required to be disclosed repetitively. For example, regarding a transaction of parent company toward a subsidiary, if the parent company had disclosed, then the subsidiary portion is not required to be disclosed repetitively ; regarding transactions among subsidiaries, if a subsidiary had disclosed, then the other subsidiary is not required to disclose repetitively.

(2) Regarding computation for the ratios of the transaction amounts over the total consolidated revenue or the total assets, for asset and liability items, the ratios are computed as the ending balances over the total consolidated assets ; for profit or loss items, the ratios are computed as the interim accumulated amounts over the total consolidated revenue.

(3) Information on investment in Mainland China

1.

Unit : NTD thousand/USD thousand

| Investee in Mainland China | Main Business Activities | Total Amount of Paid-in Capital | Investment Method | Accumulated Outflow of Investment from Taiwan as of Beginning of Period | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of End of Period | Net Income (Losses) of the Investee | Ownership Held by the Company (direct or indirect) (%) | Investment Profits/Losses Recorded | Carrying Amount as of End of Period | Accumulated Inward Remittance of Earnings as of End of Period |
|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|-------------------|-------------------------------------------------------------------------|------------------|--------|-------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------|------------------------------------|-------------------------------------|---------------------------------------------------------------|
| | | | | | Outflow | Inflow | | | | | | |
| Kunshan Lilytex Co., Ltd. | Warehouse rental business | USD24,782 | Note (1) | \$185,020 (USD5,400) | — | — | \$185,020 (USD5,400) | (\$20,517) | 21.79% | — Note (3) | 0 Note (3) | — |
| Suzhou Hongsheng Trading Co., Ltd | Engage in wholesale, import/export, agency (excluding auctions) of plastic products, chemical products (except for hazardous items), synthetic fiber materials, products made by synthetic fibers, textile materials, mechanical and electric equipment and its parts and the related services, consulting services and maintenance/repair services for mechanical and electric equipment and its parts | USD300 | Note (1) | 8,883 (USD300) | — | — | 8,883 (USD300) | 653 | 100.00% | \$653 Note (2) | \$19,205 Note (2) | — |
| Accumulated Investment in Mainland China as of End of Period | | Investment Amounts Authorized by Investment Commission, MOEA | | Upper Limit on Investment (Note (4)) | | | | | | | | |
| \$193,903(USD5,700) | | \$193,903(USD5,700) | | \$4,012,184 | | | | | | | | |

Note :

- (1) Through investing in an existing company in the third area, which then invested in the investee in Mainland China. The investment is approved by the government.
- (2) Investments in the third area, the investment income or loss under equity method and ending carrying amounts are recognized according to the direct and indirect shareholding ratio and the financial statements of Mainland China investee companies audited by the CPA of Parent company.
- (3) Shareholding ratio does not reach 50%, without controlling power, and the Company does not endorse any debt or other financial commitment of the investee company. Therefore, the carrying amount under equity method only written down to zero.
- (4) According to regulation by Investment Commission, MOEA, the accumulated investment amount or ratio in the investments in Mainland China is limited to 60% of the Company' s equity or consolidated equity, whichever is higher.
- (5) Except for initial outbound investment measured using historical exchange rates; all foreign currency amounts in the above schedule are converted to NTD using the exchange rate on the balance sheet date.

2. Material transactions with investee companies in Mainland China directly or indirectly through third area
The Group does not have significant direct or indirect transactions with the investee company, Kunshan Lilytex Co., Ltd., through third area ; regarding significant direct or indirect transactions between the Group and the investee company, Suzhou Hongsheng Trading Co., Ltd., through third area, please refer to Note 13.1,2-11.

(4) Information on major shareholders

2022. 9. 30.

| Name of Major Shareholders | Shares Number of Shares Held | Percentage of Ownership (%) |
|-------------------------------|---------------------------------|--------------------------------|
| Yi Sheng Investment Co., Ltd. | 52,783,760 | 9.92% |
| Su, Bai Huang | 27,160,455 | 5.10% |
| Su, Ching Yuan | 26,912,389 | 5.06% |

Note :

1. The information on major shareholders in this schedule includes shareholders who held at least 5% of common shares and special shares combined and had been registered (including treasury shares) with the stock depository company on the last business day of each season. There may be different in the recorded share capital in the financial statements and the actually registered shares due to different preparation and computation basis.
2. If the above data relate trusted shares by shareholders, the principals are separately disclosed based on the trust accounts opened by the trustees. As to filings by internal shareholders with over 10% holding percentage according Securities and Exchange Act regulations, there the shares include shares held by principals and trusted shares with controlling power retained, please refer to Market Observation Post System.

14. Segment Information

(1) Business Division refers to an operating component unit that meets all of the following characteristics :

1. Undertakes business operations that earn revenue and incur expenses.
2. The operating results are periodically reviewed by the operating decision makers for forming decisions on allocating resources to the division.
3. With separate standalone financial information.

(2) According to point of views from the operating decision makers, the Group reviews the connections between the various management departments and the products and services and classifies the operating units into the following two reporting Business Divisions :

(1) Fiber Business Division : The division is responsible for manufacturing, processing and trading businesses in textured yarn, artificial cotton, nylon, etc.

(2) Chemical Materials Business Division : The division is responsible for manufacturing, processing and trading businesses in nylon chips, compound materials, etc.

The Groups other non-reporting business operations and operating divisions are collectively disclosed in "Other Divisions" .

(3) The Group' s reporting Business Divisions are strategic business units for providing various products and services. Each strategic business unit requires different techniques and marketing strategies, therefore must be managed separately.

(4) The business units are supervised separately by the respective management of the Group for forming decisions on resource allocation and performance evaluation. The performance of Business Divisions are measured based on operating profit or loss, such measurement amounts are provided to operating decision makers for allocating resources to the divisions and performance evaluation and are prepared using the same methods with those in the Consolidated Financial Statements. However, the headquarter operating costs, income tax expenses (benefits) and non-regular gains or losses (non-operating income and expenses) are managed based on the parent company and are not allocated to the reporting Divisions. The reported amounts are consistent with the reports used by the operating decision makers. The

transfer pricings among the Business Divisions are based on similar regular transactions with outside third parties. The accounting policies of Business Divisions are basically the same as those described in Summary of Significant Accounting Policies in Note 4 and Note 4 of 2021 annual consolidated financial statements.

(5) Financial Information for Business Divisions

1. 2022. 1. 1 ~ 9. 30 and 2022. 9. 30

| | Fiber Business Division | Chemical Materials Business Division | Other Divisions | Adjustment and write-offs | Total |
|-----------------------------------------------------|----------------------------|-----------------------------------------------|--------------------|------------------------------|---------------------|
| Revenue | | | | | |
| From outside customers | \$ 3,593,853 | \$ 3,870,925 | \$ 60,305 | \$ - | \$ 7,525,083 |
| Revenue among segments | - | 1,835,504 | 79 | (1,835,583) | - |
| Total revenue | <u>\$ 3,593,853</u> | <u>\$ 5,706,429</u> | <u>\$ 60,384</u> | <u>(\$ 1,835,583)</u> | <u>\$ 7,525,083</u> |
| Segment profit (loss) | <u>\$ 105,708</u> | <u>(\$ 133,970)</u> | <u>(\$ 561)</u> | <u>\$ 5,461</u> | <u>(\$ 23,362)</u> |
| Non-operating income and expenses | | | | | (116,044) |
| Before-tax income (loss) from continuing operations | | | | | <u>(\$ 139,406)</u> |
| Segment profit (loss) includes : | | | | | |
| Depreciation and amortization | <u>\$ 179,029</u> | <u>\$ 72,922</u> | <u>\$ 1,043</u> | <u>\$ 70,809</u> | <u>\$ 323,803</u> |
| Segment assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,709,848</u> | <u>\$ 9,709,848</u> |
| Segment liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,022,875</u> | <u>\$ 3,022,875</u> |

2. 2021. 1. 1. ~ 9. 30. and 2021. 9. 30

| | Fiber Business Division | Chemical Materials Business Division | Other Divisions | Adjustment and write-offs | Total |
|-----------------------------------------------------------|----------------------------|-----------------------------------------------|--------------------|------------------------------|---------------------|
| Revenue | | | | | |
| From outside customers | \$ 3,794,673 | \$ 4,217,070 | \$ 85,610 | \$ - | \$ 8,097,353 |
| Revenue among segments | - | 1,866,852 | 81 | (1,866,933) | - |
| Total revenue | <u>\$ 3,794,673</u> | <u>\$ 6,083,922</u> | <u>\$ 85,691</u> | <u>(\$ 1,866,933)</u> | <u>\$ 8,097,353</u> |
| Segment profit (loss) | <u>\$ 349,802</u> | <u>\$ 263,337</u> | <u>\$ 2,461</u> | <u>\$ 3,132</u> | <u>\$ 618,732</u> |
| Non-operating income and expenses | | | | | 302,010 |
| Before-tax income (loss) from continuing operations | | | | | <u>\$ 920,742</u> |
| Segment profit (loss) includes : | | | | | |
| Depreciation and amortization | <u>\$ 183,783</u> | <u>\$ 113,681</u> | <u>\$ 1,003</u> | <u>\$ 67,946</u> | <u>\$ 366,413</u> |
| Segment assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$10,746,257</u> | <u>\$10,746,257</u> |
| Segment liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,508,462</u> | <u>\$ 3,508,462</u> |

3. Explanation for adjustments (reconciliations) and write-offs :

- (1) Revenue among the Divisions are written off upon consolidation.
- (2) Adjustment and write-offs on segment profit or loss (including depreciation and amortization) are mainly for elimination profit or loss among the Divisions upon consolidation, for non-allocated operating expenses, etc.
- (3) Since the measurement amounts of segment assets and liabilities are not the measurement indices used by the operating decision makers, therefore, the reportable measurement amounts of segment assets and liabilities is 0. The non-allocated amounts of assets and liabilities are listed under adjustments (reconciliations) and write-offs.