

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' review report and financial statements shall prevail.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
SEPTEMBER 30, 2022 AND 2021 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
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INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To Cheng Mei Materials Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Mei Materials Technology Corporation and subsidiaries (collectively referred herein as the “Group”) as at September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. 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 explained in Notes 4(3) and 6(8)(9), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method (including those transferred to non-current assets classified as held for sale, net) were not reviewed by independent auditors. Those statements reflect total assets (including investments accounted for using the equity method and non-current assets classified as held for sale, net) of NT\$85,453 thousand and NT\$4,568,676 thousand, constituting 0.59% and 29.17% of the consolidated total assets, and total liabilities of NT\$1 thousand and NT\$41 thousand, both constituting 0.00% of the consolidated total liabilities as at September 30, 2022 and 2021, and total comprehensive (loss) income (including share of the profit of associates and joint ventures accounted for using the equity method) of NT(\$4,797) thousand, NT\$171,179 thousand, NT(\$12,775) thousand and

NT\$495,038 thousand, constituting (1.90%), 73.03%, (2.18%) and 79.26% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method (including those transferred to non-current assets held for sales, net) been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wu, Chien-Chih

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan
November 10, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Assets		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 5,090,722	35	\$ 610,282	4	\$ 582,211	4
1110	Financial assets at fair value	6(2)						
	through profit or loss		87	-	-	-	1	-
1136	Current financial assets at	6(4) and 8						
	amortised cost		42,125	-	630,157	4	544,630	4
1170	Accounts receivable, net	6(5)	2,157,834	15	2,753,241	18	2,726,855	17
1180	Accounts receivable, net -	6(5) and 7						
	related parties		15,025	-	10,719	-	57,905	-
1200	Other receivables		88,246	1	57,631	-	69,536	-
1210	Other receivables - related	7						
	parties		837	-	3,282	-	2,339	-
1220	Current tax assets		798	-	519	-	547	-
130X	Inventories	6(6)	2,212,138	15	2,431,130	16	2,511,143	16
1410	Prepayments	6(7)	208,164	2	289,008	2	187,470	1
1460	Non-current assets classified as	6(8)						
	held for sale, net		-	-	4,477,716	28	4,477,716	29
1479	Other current assets		2,691	-	2,843	-	5,920	-
11XX	Total current assets		9,818,667	68	11,266,528	72	11,166,273	71
Non-current assets								
1517	Non-current financial assets at	6(3)						
	fair value through other							
	comprehensive income		89,045	1	128,621	1	133,096	1
1550	Investments accounted for	6(9)						
	using equity method		18,281	-	28,461	-	53,856	-
1600	Property, plant and equipment	6(10) and 8	4,056,774	28	3,981,346	25	3,985,175	26
1755	Right-of-use assets	6(11)	31,531	-	32,270	-	30,507	-
1780	Intangible assets	6(12)	7,053	-	12,637	-	8,835	-
1840	Deferred tax assets		238,459	2	206,840	1	218,027	2
1915	Prepayments for equipment		137,880	1	75,664	1	55,490	-
1990	Other non-current assets		35,900	-	11,231	-	8,790	-
15XX	Total non-current assets		4,614,923	32	4,477,070	28	4,493,776	29
1XXX	Total assets		\$ 14,433,590	100	\$ 15,743,598	100	\$ 15,660,049	100

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity			September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(13) and 8	\$ 46,907	-	\$ 2,908,066	18	\$ 2,712,611	17
2120	Current financial liabilities at fair value through profit or loss	6(2)	23,367	-	2,382	-	7,064	-
2130	Contract liabilities	6(21) and 7	7,028	-	23,915	-	30,791	-
2170	Accounts payable		147,198	1	573,800	4	1,049,158	7
2180	Accounts payable - related parties	7	330	-	1,976	-	805	-
2200	Other payables	6(14)	602,995	4	555,879	4	427,480	3
2230	Current tax liabilities		29,792	-	-	-	-	-
2260	Liabilities related to non-current assets classified as held for sale	6(8)	-	-	264	-	264	-
2280	Current lease liabilities		895	-	1,124	-	454	-
2320	Current portion of long-term liabilities	6(15) and 8	488,138	4	448,456	3	370,833	2
2399	Other current liabilities		9,502	-	54,282	-	11,058	-
21XX	Total current liabilities		1,356,152	9	4,570,144	29	4,610,518	29
Non-current liabilities								
2540	Long-term borrowings	6(15) and 8	1,687,932	12	477,411	3	422,708	3
2570	Deferred tax liabilities		260,559	2	221,009	1	212,565	1
2580	Non-current lease liabilities		1,182	-	1,795	-	699	-
2645	Guarantee deposits		5	-	40	-	40	-
25XX	Total non-current liabilities		1,949,678	14	700,255	4	636,012	4
2XXX	Total liabilities		3,305,830	23	5,270,399	33	5,246,530	33
Equity attributable to the owners of the company								
Share capital								
3110	Common shares	6(17)(18)	6,750,849	47	6,755,335	43	6,707,285	43
Capital surplus								
3200	Capital surplus	6(19)	760,015	5	1,099,205	7	1,099,179	7
Retained earnings								
3310	Legal reserve	6(20)	1,161,444	8	1,085,124	7	1,085,124	7
3320	Special reserve		714,407	5	623,368	4	623,368	4
3350	Unappropriated retained earnings		2,112,840	15	1,703,457	11	1,661,311	11
Other equity interest								
3400	Other equity interest	6(8)	(371,795)	(3)	(793,290)	(5)	(762,748)	(5)
3XXX	Total equity		11,127,760	77	10,473,199	67	10,413,519	67
Significant contingent liabilities and unrecognized contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		\$ 14,433,590	100	\$ 15,743,598	100	\$ 15,660,049	100

The accompanying notes are an integral part of these consolidated financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(UNAUDITED)

	Items	Notes	Three months ended September 30				Nine months ended September 30			
			2022		2021		2022		2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Net sales	6(21) and 7	\$ 1,903,509	100	\$ 2,821,542	100	\$ 7,625,654	100	\$ 8,315,529	100
5000	Cost of sales	6(6)(12)(26)(27) and 7	(1,814,526)	(96)	(2,543,050)	(90)	(6,918,410)	(91)	(7,673,203)	(92)
5900	Gross profit		<u>88,983</u>	<u>4</u>	<u>278,492</u>	<u>10</u>	<u>707,244</u>	<u>9</u>	<u>642,326</u>	<u>8</u>
	Operating expenses	6(12)(26)(27) and 12(2)								
6100	Selling and marketing expenses		(41,003)	(2)	(58,153)	(2)	(154,499)	(2)	(152,393)	(2)
6200	General and administrative expenses		(79,651)	(4)	(77,613)	(3)	(256,627)	(3)	(199,560)	(2)
6300	Research and development expenses		(73,087)	(4)	(56,198)	(2)	(195,612)	(3)	(139,937)	(2)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9		-	-	(22)	-	-	-	6,128	-
6000	Total operating expenses		(193,741)	(10)	(191,986)	(7)	(606,738)	(8)	(485,762)	(6)
6900	Profit from operations		(104,758)	(6)	<u>86,506</u>	<u>3</u>	<u>100,506</u>	<u>1</u>	<u>156,564</u>	<u>2</u>
	Non-operating income and expenses									
7100	Interest income	6(22)	16,864	1	1,355	-	25,782	-	5,376	-
7010	Other income	6(23) and 7	23,834	1	18,290	1	82,695	1	54,737	1
7020	Other gains and losses	6(2)(24)	361,178	19	5,653	-	490,557	7	106,177	1
7050	Finance costs	6(25)	(24,769)	(1)	(16,231)	-	(70,042)	(1)	(49,240)	(1)
7060	Share of (loss) profit of associates and joint ventures accounted for using equity method	6(9)	(4,642)	-	171,201	6	(15,033)	-	495,669	6
7000	Total non-operating income and expenses		<u>372,465</u>	<u>20</u>	<u>180,268</u>	<u>7</u>	<u>513,959</u>	<u>7</u>	<u>612,719</u>	<u>7</u>
7900	Profit before income tax		267,707	14	266,774	10	614,465	8	769,283	9
7950	Income tax expense	6(28)	(28,014)	(2)	(21,391)	(1)	(37,723)	-	(48,237)	-
8200	Profit for the period		<u>\$ 239,693</u>	<u>12</u>	<u>\$ 245,383</u>	<u>9</u>	<u>\$ 576,742</u>	<u>8</u>	<u>\$ 721,046</u>	<u>9</u>
	Other comprehensive (loss) income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3) and 12(3)	\$ -	-	(\$ 5,569)	(1)	(\$ 39,576)	(1)	(\$ 7,753)	-
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation of foreign financial statements		<u>13,401</u>	<u>1</u>	(<u>5,416</u>)	-	<u>48,543</u>	<u>1</u>	(<u>88,739</u>)	(1)
8300	Total other comprehensive income (loss), net		<u>\$ 13,401</u>	<u>1</u>	(<u>\$ 10,985</u>)	(1)	<u>\$ 8,967</u>	-	(<u>\$ 96,492</u>)	(1)
8500	Total comprehensive income for the period		<u>\$ 253,094</u>	<u>13</u>	<u>\$ 234,398</u>	<u>8</u>	<u>\$ 585,709</u>	<u>8</u>	<u>\$ 624,554</u>	<u>8</u>
	Net profit attributable to:									
8610	Owners of the Company		<u>\$ 239,693</u>	<u>12</u>	<u>\$ 245,383</u>	<u>9</u>	<u>\$ 576,742</u>	<u>8</u>	<u>\$ 721,046</u>	<u>9</u>
	Total comprehensive income attributable to:									
8710	Owners of the Company		<u>\$ 253,094</u>	<u>13</u>	<u>\$ 234,398</u>	<u>8</u>	<u>\$ 585,709</u>	<u>8</u>	<u>\$ 624,554</u>	<u>8</u>
	Earnings per share	6(29)								
9750	Basic earnings per share		<u>\$ 0.36</u>		<u>\$ 0.37</u>		<u>\$ 0.87</u>		<u>\$ 1.08</u>	
9850	Diluted earnings per share		<u>\$ 0.36</u>		<u>\$ 0.37</u>		<u>\$ 0.86</u>		<u>\$ 1.08</u>	

The accompanying notes are an integral part of these consolidated financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent									
		Retained Earnings				Other equity interest					
		Share capital - common shares	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised losses from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Unearned compensation	Total equity
Notes											
For the nine months ended September 30, 2021											
Balance at January 1, 2021		\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ -	\$ -	\$ 9,621,616
Net profit for the period		-	-	-	-	721,046	-	-	-	-	721,046
Other comprehensive loss for the period 6(3)		-	-	-	-	-	(88,739)	(7,753)	-	-	(96,492)
Total comprehensive income (loss) for the period		-	-	-	-	721,046	(88,739)	(7,753)	-	-	624,554
Appropriation and distribution of 2020 earnings:											
Special reserve 6(20)		-	-	-	(53,493)	53,493	-	-	-	-	-
Share-based payments 6(17)(18)(19)		50,000	3,903	-	-	-	-	-	-	(42,888)	11,015
Changes in equity of associates and joint ventures accounted for using equity method 6(9)(19)		-	156,334	-	-	-	-	-	-	-	156,334
Transferred to non-current assets classified as held for sale 6(8)		-	-	-	-	-	370,884	-	(370,884)	-	-
Balance at September 30, 2021		\$ 6,707,285	\$ 1,099,179	\$ 1,085,124	\$ 623,368	\$ 1,661,311	(\$ 129,094)	(\$ 219,882)	(\$ 370,884)	(\$ 42,888)	\$ 10,413,519
For the nine months ended September 30, 2022											
Balance at January 1, 2022		\$ 6,755,335	\$ 1,099,205	\$ 1,085,124	\$ 623,368	\$ 1,703,457	(\$ 119,168)	(\$ 224,357)	(\$ 370,884)	(\$ 78,881)	\$ 10,473,199
Net profit for the period		-	-	-	-	576,742	-	-	-	-	576,742
Other comprehensive income (loss) for the period 6(3)		-	-	-	-	-	48,543	(39,576)	-	-	8,967
Total comprehensive income (loss) for the period		-	-	-	-	576,742	48,543	(39,576)	-	-	585,709
Appropriation and distribution of 2021 earnings:											
Legal reserve 6(20)		-	-	76,320	-	(76,320)	-	-	-	-	-
Special reserve 6(20)		-	-	-	91,039	(91,039)	-	-	-	-	-
Cash dividends from capital surplus 6(19)		-	(337,767)	-	-	-	-	-	-	-	(337,767)
Share-based payments 6(17)(18)(19)		(4,486)	(2,074)	-	-	-	-	-	-	41,644	35,084
Changes in equity of associates and joint ventures accounted for using equity method 6(19)		-	651	-	-	-	-	-	-	-	651
Disposals for non-current assets held for sale 6(8)		-	-	-	-	-	-	-	370,884	-	370,884
Balance at September 30, 2022		\$ 6,750,849	\$ 760,015	\$ 1,161,444	\$ 714,407	\$ 2,112,840	(\$ 70,625)	(\$ 263,933)	\$ -	(\$ 37,237)	\$ 11,127,760

The accompanying notes are an integral part of these consolidated financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 614,465	\$ 769,283
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based compensation cost	6(17)	35,084	11,015
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(24)	176,995	23,279
Expected credit gain	12(2)	-	(6,128)
Allowance for sales returns and discounts		5,545	-
Share of profit of associates and joint ventures accounted for using equity method	6(9)	15,033	(495,669)
Depreciation expense	6(10)(11)(26)	299,683	283,737
Gain on disposal of property, plant and equipment	6(24)	(1,851)	-
Gain on disposal of non-current assets held for sale	6(24)	(167,428)	-
Amortization expense	6(12)(26)	7,745	7,817
Interest income	6(22)	(25,782)	(5,376)
Interest expense	6(25)	70,042	49,240
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		39,371	22,894
Accounts receivable		589,862	(108,688)
Accounts receivable - related parties	(	(4,306)	(13,185)
Other receivables	(	(25,689)	(3,448)
Other receivables - related parties		2,445	51,702
Inventories		218,992	(6,050)
Prepayments		67,906	52,910
Other current assets		152	3,676
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	(195,468)	(38,048)
Current contract liabilities	(	(16,887)	(20,836)
Accounts payable	(	(426,602)	(295,565)
Accounts payable - related parties	(	(1,646)	(1,625)
Other payables		74,777	4,215
Other current liabilities	(	(44,780)	(3,650)
Cash inflow generated from operations		1,307,658	288,800
Interest received		21,003	4,561
Interest paid	(	(73,638)	(48,586)
Income tax refunded		357	199
Income tax paid	(	(636)	(6)
Net cash flows from operating activities		1,254,744	244,968

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in current financial assets at amortised cost		\$ 588,032	(\$ 240,038)
Proceeds from disposal of non-current assets held for sale		5,015,764	-
Acquisition of property, plant and equipment	6(30)	(326,468)	(186,748)
Proceeds from disposal of property, plant and equipment		4,433	457
Acquisition of intangible assets	6(12)	(1,990)	(8,144)
Increase in equipment prepayments		(126,147)	(37,672)
(Increase) decrease in other non-current assets		(24,669)	1
Net cash flows from (used in) investing activities		5,128,955	(472,144)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(31)	2,787,110	3,562,134
Repayments of short-term borrowings	6(31)	(5,668,767)	(3,353,210)
Payments of lease liabilities	6(31)	(842)	(203)
Proceeds from long-term borrowings	6(31)	2,212,777	258,060
Repayments of long-term borrowings	6(31)	(949,636)	(11,459)
Decrease in guarantee deposits received	6(31)	(35)	-
Cash dividends paid by capital surplus	6(19)	(337,767)	-
Net cash flows (used in) from financing activities		(1,957,160)	455,322
Effect of exchange rate changes on cash and cash equivalents		53,901	(58,548)
Net increase in cash and cash equivalents		4,480,440	169,598
Cash and cash equivalents at beginning of period	6(1)	610,282	412,618
Cash and cash equivalents at end of period	6(1)	\$ 5,090,722	\$ 582,216
The components of cash and cash equivalents			
Cash and cash equivalents reported in the balance sheet		\$ 5,090,722	\$ 582,211
Cash and cash equivalents classified as (non-current) assets (or disposal group) held for sale	6(8)	-	5
Cash and cash equivalents at end of reporting period		\$ 5,090,722	\$ 582,216

The accompanying notes are an integral part of these consolidated financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

(1) Cheng Mei Materials Technology Corporation (the “Company”) was incorporated under the provisions of the Company Act of the Republic of China (R.O.C.) on May 17, 2005. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).

(2) On October 24, 2011, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). Since September 2017, the Company’s common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol “US16412W1071” in the form of global depositary shares.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on November 10, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation, basis of consolidation and additional policies are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. The consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with the basis used in the 2021 consolidated financial statements.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
Cheng Mei Materials Technology Corporation (“CMMT”)	Cheng Mei Materials Technology (SAMOA) Corp. (“CMMTS”)	Investment Company	100%	100%	100%	-
	Chi Mei Materials Technology Investment Co., Ltd. (“CMMTI”)	Investment Company	-	100%	100%	Note 1
	Cheng Hui Investment Co., Ltd. (“CHI”)	Investment Company	100%	100%	100%	Note 2
	Cheng Hui Trading Co., Ltd. (“CHT”)	Trading business	100%	100%	100%	Note 2
CMMTS	Ningbo Cheng Mei Materials Technology Co., Ltd. (“NBCMMT”)	Electronic component manufacturing and selling	100%	100%	100%	-
CHT	Mao Fong Group Co., Ltd. (Mao Fong Group)	Investment Company	-	100%	100%	Note 2, 3

Note 1: On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest of CMMTI, and the transaction was completed in August, 2022. Please refer to Note 6(8) for details.

Note 2: The financial statement of the entity as of and for the three months and nine months ended September 30, 2022 and 2021 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 3: The cancellation of registration was completed on April 27, 2022.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

(4) Income tax

The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(5) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There have been no significant changes as of September 30, 2022. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand and revolving funds	\$ 410	\$ 451	\$ 525
Checking accounts and demand deposits	1,362,080	444,759	331,545
Cash equivalents			
Time deposits	<u>3,728,232</u>	<u>165,072</u>	<u>250,141</u>
	<u>\$ 5,090,722</u>	<u>\$ 610,282</u>	<u>\$ 582,211</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Information about cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.

C. Time deposits were classified as cash and cash equivalents with original maturities of less than three months. The Group has no time deposits and repurchase agreements pledged to others.

(2) Financial instruments at fair value through profit or loss

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Derivatives	\$ 87	\$ -	\$ 1
Debt instruments	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
	3,587	3,500	3,501
Valuation adjustment	(<u>3,500</u>)	(<u>3,500</u>)	(<u>3,500</u>)
	<u>\$ 87</u>	<u>\$ -</u>	<u>\$ 1</u>
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Financial liabilities held for trading			
Derivatives	<u>\$ 23,367</u>	<u>\$ 2,382</u>	<u>\$ 7,064</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 18,682	\$ 11,614
Financial liabilities held for trading		
Derivatives	(<u>61,956</u>)	(<u>9,716</u>)
	<u>(\$ 43,274)</u>	<u>\$ 1,898</u>
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 39,458	\$ 21,833
Financial liabilities held for trading		
Derivatives	(<u>216,453</u>)	(<u>45,112</u>)
	<u>(\$ 176,995)</u>	<u>(\$ 23,279)</u>

B. The Group entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

	September 30, 2022		December 31, 2021	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 288,900 thousand	2022.09～2022.10	-	-
			September 30, 2021	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts			JPY 223,700 thousand	2021.09～2021.11
	September 30, 2022		December 31, 2021	
Derivative Financial Liabilities	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 279,460 thousand	2022.09～2022.10	JPY 229,650 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 279,460 thousand	2022.09～2022.10	JPY 229,650 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 279,460 thousand	2022.09～2022.10	JPY 228,160 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 279,460 thousand	2022.07～2022.10	JPY 228,160 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 283,980 thousand	2022.09～2022.10	JPY 228,800 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 286,400 thousand	2022.09～2022.11	JPY 228,900 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 286,400 thousand	2022.09～2022.11	JPY 229,600 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 284,000 thousand	2022.09～2022.10	JPY 229,600 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 278,300 thousand	2022.09～2022.10	JPY 229,820 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 279,120 thousand	2022.09～2022.10	JPY 229,920 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 279,120 thousand	2022.09～2022.10	JPY 230,020 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 279,320 thousand	2022.09～2022.10	JPY 230,060 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 279,420 thousand	2022.09～2022.10	-	-
Forward foreign exchange contracts	JPY 285,300 thousand	2022.09～2022.10	-	-
Forward foreign exchange contracts	JPY 286,740 thousand	2022.09～2022.10	-	-
Forward foreign exchange contracts	JPY 283,980 thousand	2022.09～2022.10	-	-

Derivative Financial Liabilities	September 30, 2021	
	Contract Amount (notional principal)	Contract Period
Current items:		
Forward foreign exchange contracts	JPY 220,448 thousand	2021.09～2021.10
Forward foreign exchange contracts	TWD 55,544 thousand	2021.09～2021.10
Forward foreign exchange contracts	TWD 49,822 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 220,580 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 220,560 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 221,560 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 221,640 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 221,280 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 221,720 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 221,980 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 221,980 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 222,160 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 222,400 thousand	2021.09～2021.11
Forward foreign exchange contracts	JPY 111,280 thousand	2021.09～2021.11
Forward foreign exchange contracts	JPY 223,080 thousand	2021.09～2021.11
Forward foreign exchange contracts	JPY 222,840 thousand	2021.09～2021.10
Forward foreign exchange contracts	JPY 223,280 thousand	2021.09～2021.11

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies whose values would be affected by the exchange rate fluctuations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss are provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	September 30, 2022	December 31, 2021	September 30, 2021
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 352,978	\$ 352,978	\$ 352,978
Valuation adjustment	(263,933)	(224,357)	(219,882)
	<u>\$ 89,045</u>	<u>\$ 128,621</u>	<u>\$ 133,096</u>

- A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$89,045, \$128,621 and \$ 133,096 as at September 30, 2022, December 31, 2021 and September 30, 2021, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ -	(\$ 5,569)
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 39,576)	(\$ 7,753)

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortised cost

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Escrow demand deposits	\$ -	\$ 615,853	\$ 530,275
Reserve account	24,718	-	-
Pledged deposit	17,407	14,304	14,355
Investment in debt instrument without active market	49,000	49,000	49,000
	<u>91,125</u>	<u>679,157</u>	<u>593,630</u>
Less : Accumulated impairment	(49,000)	(49,000)	(49,000)
	<u>\$ 42,125</u>	<u>\$ 630,157</u>	<u>\$ 544,630</u>

- A. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$42,125, \$630,157 and \$544,630, respectively.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Accounts receivable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable	\$ 2,163,379	\$ 2,753,241	\$ 2,726,855
Accounts receivable - related parties	15,025	10,719	57,905
Less : Allowance for sales returns and discounts	(5,545)	-	-
	<u>\$ 2,172,859</u>	<u>\$ 2,763,960</u>	<u>\$ 2,784,760</u>

A. The ageing analysis of accounts receivable is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Not past due	\$ 2,138,052	\$ 2,763,960	\$ 2,784,760
Up to 30 days	40,352	-	-
31 to 60 days	-	-	-
61 to 90 days	-	-	-
Over 91 days	-	-	-
	<u>\$ 2,178,404</u>	<u>\$ 2,763,960</u>	<u>\$ 2,784,760</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2022, December 31, 2021, September 30, 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$2,178,404, \$2,763,960, \$2,784,760, and \$2,662,887, respectively.

C. The Group does not hold any collateral as guarantee for accounts receivable.

D. As of September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$2,172,859, \$2,763,960 and \$2,784,760, respectively.

E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(6) Inventories

September 30, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,386,265	(\$ 82,318)	\$ 1,303,947
Work in progress	495,841	(34,078)	461,763
Finished goods	773,995	(327,567)	446,428
	<u>\$ 2,656,101</u>	<u>(\$ 443,963)</u>	<u>\$ 2,212,138</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,336,225	(\$ 91,446)	\$ 1,244,779
Work in progress	477,093	(25,254)	451,839
Finished goods	948,178	(213,666)	734,512
	<u>\$ 2,761,496</u>	<u>(\$ 330,366)</u>	<u>\$ 2,431,130</u>
September 30, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,523,115	(\$ 78,328)	\$ 1,444,787
Work in progress	463,816	(23,944)	439,872
Finished goods	763,256	(136,772)	626,484
	<u>\$ 2,750,187</u>	<u>(\$ 239,044)</u>	<u>\$ 2,511,143</u>

The cost of inventories recognized as expense for the three months and nine months ended September 30, 2022 and 2021 were \$1,814,526, \$2,543,050, \$6,918,410 and \$7,673,203, respectively, including the amounts of \$34,878 and \$113,597 for the three months and nine months ended September 30, 2022, that the Group wrote down from cost to net realizable value accounted for as increase of cost of good sold, as well as the amounts of \$74,460 and \$53,197 for the three months and nine months ended September 30, 2021, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the clearance of inventories that was already provisioned loss in market value decline.

(7) Prepayments

	September 30, 2022	December 31, 2021	September 30, 2021
Prepayments to suppliers	\$ 98,614	\$ 166,873	\$ 45,534
Net input VAT	1,797	1,797	1,797
Others	107,753	120,338	140,139
	<u>\$ 208,164</u>	<u>\$ 289,008</u>	<u>\$ 187,470</u>

(8) Non-current assets held for sale

On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest in CMMTI, and the related assets and liabilities were reclassified to disposal group held for sale. The transaction was completed in August 2022, and the actual received amount were USD 94,159 thousand and RMB 525,464 thousand.

A. Assets related to non-current assets classified as held for sale:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash and cash equivalents	\$ -	\$ 5	\$ 5
Investments accounted for using equity method	-	4,477,711	4,477,711
	<u>\$ -</u>	<u>\$ 4,477,716</u>	<u>\$ 4,477,716</u>

B. Liabilities directly relating to non-current assets or disposal groups classified as held for sale:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other payables	<u>\$ -</u>	<u>\$ 264</u>	<u>\$ 264</u>

C. Equity directly relating to non-current assets classified as held for sale:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Exchange differences on translation of foreign financial statements	<u>\$ -</u>	<u>(\$ 370,884)</u>	<u>(\$ 370,884)</u>

(9) Investments accounted for using the equity method

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Associates:			
Hengmei Optoelectronic Co., Ltd. ("HMO")	\$ -	\$ 4,477,711	\$ 4,477,711
CMVT	<u>30,815</u>	<u>40,995</u>	<u>53,856</u>
	30,815	4,518,706	4,531,567
Less : Accumulated impairment	(12,534)	(12,534)	-
Transferred to non-current assets classified as held for sale	<u>-</u>	<u>(4,477,711)</u>	<u>(4,477,711)</u>
	<u>\$ 18,281</u>	<u>\$ 28,461</u>	<u>\$ 53,856</u>

A. The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		September 30, 2022	December 31, 2021	September 30, 2021		
HMO	China	-	27.15%	28.10%	Strategic investment	Equity method
CMVT	Taiwan	23.29%	23.29%	23.29%	Strategic investment	Equity method

B. The summarised financial information of the associates that are material to the Group is as follows:

(a) HMO

HMO was no longer an associate on September 30, 2022.

Balance sheet

	HMO	
	December 31, 2021	September 30, 2021
Current assets	\$ 11,678,797	\$ 10,184,000
Non-current assets	22,294,070	17,529,775
Current liabilities	(11,194,963)	(9,009,548)
Non-current liabilities	(5,791,567)	(2,768,464)
Total net assets	<u>\$ 16,986,337</u>	<u>\$ 15,935,763</u>
Share in associate's net assets	<u>\$ 4,477,711</u>	<u>\$ 4,477,711</u>

Statement of comprehensive income

	HMO	
	Two months ended August 19, 2022	Three months ended September 30, 2021
Revenue	<u>\$ -</u>	<u>\$ 4,118,192</u>
Income for the period from discontinued operations	<u>\$ -</u>	<u>\$ 775,907</u>

	HMO	
	Eight months ended August 19, 2022	Nine months ended September 30, 2021
Revenue	<u>\$ 4,290,650</u>	<u>\$ 11,560,098</u>
Income for the period from discontinued operations	<u>\$ 770,439</u>	<u>\$ 1,792,141</u>

(b) CMVT

Balance sheet

	CMVT		
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current assets	\$ 120,674	\$ 181,531	\$ 270,882
Non-current assets	43,119	52,522	56,953
Current liabilities	(40,288)	(66,838)	(107,271)
Non-current liabilities	(7,778)	(7,778)	(10,757)
Total net assets	<u>\$ 115,727</u>	<u>\$ 159,437</u>	<u>\$ 209,807</u>
Share in associate's net assets	\$ 26,953	\$ 37,133	\$ 49,994
Goodwill	3,862	3,862	3,862
Less: Accumulated impairment	(12,534)	(12,534)	-
Carrying amount of the joint venture	<u>\$ 18,281</u>	<u>\$ 28,461</u>	<u>\$ 53,856</u>

Statement of comprehensive income

	CMVT	
	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Revenue	<u>\$ 38,097</u>	<u>\$ 48,826</u>
Profit (loss) for the period from discontinued operations	<u>\$ 19,933</u>	<u>(\$ 25,407)</u>

	CMVT	
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Revenue	<u>\$ 116,140</u>	<u>\$ 118,211</u>
Profit (loss) for the period from discontinued operations	<u>\$ 64,548</u>	<u>(\$ 57,017)</u>

- (c) In February 2021, HMO increased its capital through cash infusion, however, the Group waived its right to participate in the capital increase. As a result, the shareholding ratio was decreased from 38.40% to 28.10%. Consequently, the transaction increased the equity of the Group by \$156,334.

- (d) In December 2021, HMO increased its capital through cash infusion, however, the Group waived its right to participate in the capital increase. As a result, the shareholding ratio was decreased from 28.10% to 27.15%.
- (e) The share of gain of associates and joint ventures accounted for using the equity method for the three months and nine months ended September 30, 2022 and 2021 were (\$4,642) \$171,201, (\$15,033) and \$495,669, respectively, (which were based on the financial statements of the investee companies for the same periods which were not reviewed by independent auditors).
- (f) The Group assessed that there is an impairment loss at September 30, 2022 and December 31, 2021 since the net value of CMVT was continually and significantly lower than its carrying amount. The Group adjusted the carrying amount based on its recoverable amount. As of September 30, 2022 and December 31, 2021, the accumulated impairment were both \$12,534. Recoverable amount refers to the fair value of investments accounted for using equity method less its cost to sell, using a market approach valuation technique and taking into consideration price book ratio of comparable companies, which is included in Level 3.
- (g) The Group is the single largest shareholder of HMO with a 27.15% and 28.10% equity interest at December 31, 2021 and September 30, 2021, respectively. Given that two other large shareholders (non-related parties) hold more shares than the Group, which indicate the Group has no current ability to direct the relevant activities of HMO, the Group has no control, but only has significant influence, over the investee.
- (h) On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest of CMMTI. Please refer to Note 6(8) for details of the transferred non-current assets held for sale.

(10) Property, plant and equipment

2022

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 3,911,856	\$ 5,365,100	\$ 66,038	\$ 3,726,875	\$ 193,272	\$ 128,903	\$ 14,820,587
Accumulated depreciation and impairment	- (2,146,758)	(4,953,454)	(60,074)	(3,512,987)	(165,968)	- (10,839,241)		
	<u>\$ 1,428,543</u>	<u>\$ 1,765,098</u>	<u>\$ 411,646</u>	<u>\$ 5,964</u>	<u>\$ 213,888</u>	<u>\$ 27,304</u>	<u>\$ 128,903</u>	<u>\$ 3,981,346</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,765,098	\$ 411,646	\$ 5,964	\$ 213,888	\$ 27,304	\$ 128,903	\$ 3,981,346
Additions	-	14,376	45,645	9,665	89,470	8,940	134,307	302,403
Disposals	-	- (2,582)	-	-	-	-	- (2,582)	
Reclassifications	-	-	28,488	2,125	59,597	3,335 (29,785)	63,760	
Depreciation charge	- (111,695)	(107,190)	(2,982)	(69,273)	(6,940)	- (298,080)		
Net exchange differences	-	3,894	4,985	71	17	141	819	9,927
Closing net book amount as at September 30	<u>\$ 1,428,543</u>	<u>\$ 1,671,673</u>	<u>\$ 380,992</u>	<u>\$ 14,843</u>	<u>\$ 293,699</u>	<u>\$ 32,780</u>	<u>\$ 234,244</u>	<u>\$ 4,056,774</u>
<u>At September 30</u>								
Cost	\$ 1,428,543	\$ 3,944,562	\$ 5,382,037	\$ 76,161	\$ 3,843,590	\$ 205,160	\$ 234,244	\$ 15,114,297
Accumulated depreciation and impairment	- (2,272,889)	(5,001,045)	(61,318)	(3,549,891)	(172,380)	- (11,057,523)		
	<u>\$ 1,428,543</u>	<u>\$ 1,671,673</u>	<u>\$ 380,992</u>	<u>\$ 14,843</u>	<u>\$ 293,699</u>	<u>\$ 32,780</u>	<u>\$ 234,244</u>	<u>\$ 4,056,774</u>

2021

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 3,916,545	\$ 5,299,290	\$ 67,968	\$ 3,681,618	\$ 179,753	\$ 32,899	\$ 14,606,616
Accumulated depreciation and impairment	- (2,001,769)	(4,901,556)	(58,519)	(3,482,329)	(161,738)	- (10,605,911)		
	<u>\$ 1,428,543</u>	<u>\$ 1,914,776</u>	<u>\$ 397,734</u>	<u>\$ 9,449</u>	<u>\$ 199,289</u>	<u>\$ 18,015</u>	<u>\$ 32,899</u>	<u>\$ 4,000,705</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,914,776	\$ 397,734	\$ 9,449	\$ 199,289	\$ 18,015	\$ 32,899	\$ 4,000,705
Additions	-	-	35,003	265	39,121	1,823	121,562	197,774
Disposals	-	- (457)	-	-	-	-	- (457)	
Reclassifications	-	-	85,600	-	1,274	(3,914)	(7,126)	75,834
Depreciation charge	- (111,356)	(116,351)	(2,851)	(48,106)	(4,084)	- (282,748)		
Net exchange differences	- (2,459)	(3,072)	(6)	(13)	(86)	(297)	(5,933)	
Closing net book amount as at September 30	<u>\$ 1,428,543</u>	<u>\$ 1,800,961</u>	<u>\$ 398,457</u>	<u>\$ 6,857</u>	<u>\$ 191,565</u>	<u>\$ 11,754</u>	<u>\$ 147,038</u>	<u>\$ 3,985,175</u>
<u>At September 30</u>								
Cost	\$ 1,428,543	\$ 3,906,315	\$ 5,332,296	\$ 65,891	\$ 3,716,466	\$ 176,233	\$ 147,038	\$ 14,772,782
Accumulated depreciation and impairment	- (2,105,354)	(4,933,839)	(59,034)	(3,524,901)	(164,479)	- (10,787,607)		
	<u>\$ 1,428,543</u>	<u>\$ 1,800,961</u>	<u>\$ 398,457</u>	<u>\$ 6,857</u>	<u>\$ 191,565</u>	<u>\$ 11,754</u>	<u>\$ 147,038</u>	<u>\$ 3,985,175</u>

- A. For the three months and nine months ended September 30, 2022 and 2021, there were no borrowing costs capitalized as part of property, plant and equipment.
- B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the accumulated impairment of property, plant and equipment was \$268,519, \$260,775 and \$258,433, respectively, and the reportable segment was in Mainland China.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(11) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, transportation equipment and other equipment. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and parts of lease are not allowed to be sublet, leased, sold or any methods for others to use.
- B. Short-term leases with a lease term of 12 months or less comprise of buildings and multifunction printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 29,484	\$ 29,276	\$ 29,225
Buildings	-	93	138
Transportation equipment	2,001	2,814	1,043
Other equipment	46	87	101
	<u>\$ 31,531</u>	<u>\$ 32,270</u>	<u>\$ 30,507</u>

	<u>Three months ended</u>	<u>Three months ended</u>
	<u>September 30, 2022</u>	<u>September 30, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 218	\$ 213
Buildings	-	46
Transportation equipment	271	168
Other equipment	14	13
	<u>\$ 503</u>	<u>\$ 440</u>

	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 656	\$ 642
Buildings	93	138
Transportation equipment	813	168
Other equipment	41	41
	<u>\$ 1,603</u>	<u>\$ 989</u>

D. For the three months and nine months ended September 30, 2022 and 2021, the additions to right-of-use assets were \$0, \$1,211, \$0 and \$1,211, respectively.

E. The information on income and expense accounts relating to lease contracts is as follows:

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 14	\$ 13
Expense on short-term lease contracts	-	27
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 48	\$ 14
Expense on short-term lease contracts	156	546

F. For the three months and nine months ended September 30, 2022 and 2021, the Group's total cash outflow for leases were \$296, \$111, \$1,046 and \$763, respectively.

(12) Intangible assets

	<u>2022</u>	<u>2021</u>
	<u>Computer Software</u>	<u>Computer Software</u>
<u>At January 1</u>		
Cost	\$ 103,900	\$ 89,132
Accumulated amortisation and impairment	(91,263)	(80,624)
	<u>\$ 12,637</u>	<u>\$ 8,508</u>
At January 1	\$ 12,637	\$ 8,508
Additions-acquired separately	1,990	8,144
Reclassifications	171	-
Amortisation charge	(7,745)	(7,817)
At September 30	<u>\$ 7,053</u>	<u>\$ 8,835</u>
<u>At September 30</u>		
Cost	\$ 105,049	\$ 97,260
Accumulated amortisation and impairment	(97,996)	(88,425)
	<u>\$ 7,053</u>	<u>\$ 8,835</u>

Details of amortisation on intangible assets are as follows:

	<u>Three months ended</u> <u>September 30, 2022</u>	<u>Three months ended</u> <u>September 30, 2021</u>
Cost of sales	\$ 395	\$ 193
General and administrative expenses	1,579	2,725
Research and development expenses	35	-
	<u>\$ 2,009</u>	<u>\$ 2,918</u>
	<u>Nine months ended</u> <u>September 30, 2022</u>	<u>Nine months ended</u> <u>September 30, 2021</u>
Cost of sales	\$ 1,028	\$ 678
General and administrative expenses	6,613	7,139
Research and development expenses	104	-
	<u>\$ 7,745</u>	<u>\$ 7,817</u>

(13) Short-term borrowings

Type of borrowings	September 30, 2022	Interest rate range	Collateral
Bank borrowings			
Secured borrowings	\$ 46,907	0.95%	Land, buildings and structures
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 696,631	1.10% ~ 1.20%	-
Secured borrowings	2,211,435	0.54% ~ 3.70%	Land, buildings and structures
	<u>\$ 2,908,066</u>		
Type of borrowings	September 30, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,573,398	0.42% ~ 3.70%	-
Secured borrowings	1,122,375	0.85% ~ 2.57%	Land, buildings and structures
Other short-term borrowings	16,838	4.75%	Machinery, office, factory and miscellaneous
	<u>\$ 2,712,611</u>		

A. Information about interest expense recognised in profit or loss is provided in Note 6(25).

B. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on April 11, 2019. The resolutions of the meeting are as follows:

- (a) During the debt negotiation, the bank loans are secured by the Company's Chairman, Ho, Jau-Yang, as a joint guarantor.
- (b) The principal is extended for one year (until the end of March 2020) and the interest is repayable monthly.
- (c) The Company is willing to pledge additional land and plants as collateral to creditor banks for providing greater protection of creditor's rights.
- (d) The Company set up an escrow account and funds are remitted into the account for a centralised management and supervision. The escrow account is set up in the largest creditor bank.

On July 26, 2019, the resolutions made during the debt negotiation meeting were approved in writing by all the creditor institutions.

C. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on February 21, 2020. The resolutions of the meeting are as follows:

- (a) The principal is extended for two years (until March 31, 2022) and the interest is paid normally.
- (b) Taiwan Cooperative Bank and Changhua Bank will negotiate with the headquarters for increasing facilities (issuing letters of credit and hedge amount) to support the operation cashflow of the Company. Remaining banks will extend the maturity to March 31, 2022 or extend the drawing period of drawn facilities to March 31, 2022.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from two-thirds of total claims of all creditor banks. On April 14, 2020, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that two-thirds of total claims of all creditor banks has agreed to the application for extending debt payment terms for one year (until the end of March 31, 2021).

D. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on December 30, 2020. The resolutions of the meeting are as follows:

- (a) The principal repayment is extended for one year (until March 31, 2022) or the loan commitments is extended for one year (until March 31, 2022), and the interest rate is subject to the approval conditions of the creditor banks.
- (b) The Company applies to creditor banks for credit line of derivative instruments (including foreign currency to foreign currency and NTD to NTD) for operating exchange rate hedging.
- (c) The Company applies to creditor banks for additional credit line (including L/C and accounts receivable financing) for purchasing materials.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from half of total claims of all creditor banks. On March 31, 2021, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that half of total claims of all creditor banks has agreed to the application for extending debt payment terms for one year (until the end of March 31, 2022).

E. On December 28, 2021, the Company entered into a syndicated loan contract with Taiwan Cooperative Bank, Chang Hwa Bank, Mega International Commercial Bank and Land Bank of Taiwan with a credit line of \$4,600,000. The loan terms start from three years after the date of first drawdown, and the Company agreed to pledge land and buildings as mortgage before the first drawdown day. The Company requested for the drawdown to be on February 21, 2022.

F. On February 25, 2022, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that the Company's debt negotiation was officially terminated since the Company completed the syndicated loan, equivalent to \$4,600,000, and completed the first drawdown to settle all liabilities on February 21, 2022. Accordingly, the lien of collateral has been cancelled on February 25, 2022.

G. The Group was financed by IBT Leasing Co., Ltd. and Robina Finance & Leasing Corp. through sales with buyback agreements. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group issued unexpired notes in the amounts of \$0, \$0 and \$17,639 for the aforementioned transaction, respectively.

H. Information about the collateral for short-term borrowings is provided in Note 8.

I. For details of the aforementioned financial ratio commitments of secured borrowings, please refer to Note 9(4) for details.

(14) Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Payables for salaries or bonuses	\$ 215,494	\$ 185,077	\$ 149,258
Payables for annual leave	38,037	38,645	38,361
Payables for purchase of equipment	44,372	68,437	32,162
Payables for insurance premiums	14,383	13,854	14,437
Accrued taxes payable	118,556	30,227	8,577
Payables for interest	2,218	5,814	4,674
Others	169,935	213,825	180,011
	<u>\$ 602,995</u>	<u>\$ 555,879</u>	<u>\$ 427,480</u>

(15) Long-term borrowings

Type of borrowings	September 30, 2022	December 31, 2021	September 30, 2021	Footnote
Secured borrowings - Repayable monthly on interest from February 21, 2022; repayable from August 21, 2022 to February 21, 2025.	\$ 1,855,438	\$ -	\$ -	Note 1
Secured borrowings - Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date which was formerly December 17, 2020 was extended to March 31, 2022 because of debt negotiation.	-	200,000	200,000	Note 2
Secured borrowings - Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.	-	281,250	300,000	Note 2
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to February 4, 2026.	-	175,368	180,000	Note 2
Secured borrowings - sale with buy back agreements - Repayable from April 27, 2021 to April 27, 2023.	16,042	36,667	43,541	
Secured borrowings - sale with buy back agreements - Repayable from September 28, 2021 to September 28, 2024.	44,529	64,167	70,000	
Secured borrowings - sale with buy back agreements - Repayable from December 31, 2021 to June 10, 2023.	30,000	60,000	-	
Secured borrowings - sale with buy back agreements - Repayable from October 28, 2021 to September 28, 2024.	46,667	61,278	-	
Secured borrowings - sale with buy back agreements - Repayable from October 28, 2021 to September 28, 2024.	34,253	47,137	-	
Secured borrowings - sale with buy back agreements - Repayable from January 21, 2022 to January 21, 2025.	58,065	-	-	
Secured borrowings - sale with buy back agreements - Repayable from May 11, 2022 to May 11, 2025.	30,222	-	-	
Secured borrowings - sale with buy back agreements - Repayable from August 16, 2022 to August 16, 2024.	73,792			
	<u>2,189,008</u>	<u>925,867</u>	<u>793,541</u>	
Less: Current portion	(488,138)	(448,456)	(370,833)	
Deferred expenses-syndicated loan arrangement fees	(12,938)	-	-	
	<u>\$ 1,687,932</u>	<u>\$ 477,411</u>	<u>\$ 422,708</u>	
Interest rate range	<u>1.09% ~ 3.62%</u>	<u>2.57% ~ 3.62%</u>	<u>2.57% ~ 3.02%</u>	

Note 1: For details of the aforementioned financial ratio commitments of secured borrowings, please refer to Note 9(4) for details.

Note 2: As the debt negotiation was discharged, the Company paid off the borrowings in advance on February 25, 2022. Please refer Note 6(13) 6. for details.

A. Information on interest expense recognised in profit or loss is provided in Note 6(25).

B. Due to the difficulty of repayment, the Group started a debt negotiation meeting with creditor banks to negotiate the debt repayment, please refer to Note 6(13) for details.

- C. The Group was financed by FCB Leasing Co., Ltd., IBT Leasing Co. Ltd., Robina Finance & Leasing Corp., Hotai Finance Co., Ltd., Taichung Bank Leasing Co., Ltd, and Orix Taiwan Co., Ltd. through sale with buy back agreements. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group issued unexpired notes in the amounts of \$356,918, \$289,281 and \$122,274 for the aforementioned transaction, respectively.
- D. As of September 30, 2022, the Consolidated Company's unamortised deferred syndicated loan arrangement fees amounted to \$121,938, which were recognised as a deduction of initial measurement of long-term secured borrowings and amortised as interest expense during the borrowing period. For the three months and nine months ended September 30, 2022, the amortization of syndicated loan arrangement fees amounted to \$1,438 and \$4,313 respectively.
- E. Information about the collateral for long-term borrowings is provided in Note 8.

(16) Pensions

- A. The Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. NBCMMT makes monthly contributions based on certain percentages of the basic salaries of their employees.
- C. The pension costs under defined contribution pension plans of the Group for the three months and nine months ended September 30, 2022 and 2021, were \$14,694, \$13,876, \$43,319 and \$41,826, respectively.

(17) Share-based payment

- A. For the nine months ended September 30, 2022 and 2021, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Number of share		
		granted (in thousands)	Contract period	Vesting conditions
Restricted stocks to employees	2021.6.10	5,000	3 years	Note
Restricted stocks to employees	2021.11.1	5,000	3 years	Note

Note: The selected employees who have been granted Restricted Stock Awards in compliance with the Measurement, continued to work on the following vested terms from the record date of grant (the record date of cash capital increase), and had met the performance criteria will receive new shares respectively on the basis of the following schedule and the proportion of shares subscribed.

Seniority	Performance Criteria			
	A+	A	B+	B and below
6 months after granting	10%	80% of 10%	50% of 10%	0
1 year after granting	20%	80% of 20%	50% of 20%	0
2 years after granting	30%	80% of 30%	50% of 30%	0
3 years after granting	40%	80% of 40%	50% of 40%	0

Restricted rights before employees meet the vesting conditions:

- (a) Before the vesting conditions are fulfilled, the employee shall not sell, pledge, transfer, donate, set, or otherwise dispose of RSA that they subscribe to in accordance with the Measurement.
- (b) During the vesting period, the RSA can participate in a distribution of share or cash dividends.
- (c) During the vesting period, if the Company carries out a capital reduction, RSA will be cancelled proportionally. If the capital reduction is done by cash return, the returned cash should be kept under Company's custody, and be paid to the employees when vesting condition is fulfilled; if the employee does not meet the vesting condition, all shares the employees subscribed in accordance with the Measurement shall be bought back by the Company based on the original subscription price and cancelled accordingly.
- (d) The RSA shall be delivered to the trust immediately after issuance. Employees may not ask the trustee to return the RSA for any reasons or by any method prior to the fulfillment of vesting conditions.
- (e) Employees who subscribe to RSA pursuant to the present measures during the period of the trust issuance, the discretionary staff of the Company and the stock trust institution shall discuss, sign, amend, extend, terminate, terminate, and transfer the trust custody contract (shares and cash), and other behaviors pursuant to this measurement.

B. Details of the share-based payment arrangements are as follows: (Shares in thousands)

	2022	2021
Employee restricted shares as at January 1	9,305	-
Issued for the period	-	5,000
Cancelled for the period	(162)	-
Unrestricted for the period	(1,319)	-
Withdrawn but not be cancelled for the period	(615)	-
Employee restricted shares as at September 30	7,209	5,000

C. The Group issued restricted shares for employees on June 10, 2021 and November 1, 2021. The share price at grant date was NT\$11.8 (in dollars) and NT\$12.15 (in dollars) per share, respectively, which were equal to the stock prices at the grant date.

D. Expenses incurred on share-based payment transactions amounted to \$7,267, \$8,967, \$35,084 and \$11,015 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(18) Share capital

- A. As of September 30, 2022, the Company's authorised capital was \$12,000,000, consisting of 1,200,000 thousand shares including 360,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company. The paid-in capital was \$6,750,849, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Units: in thousand shares)	
	2022	2021
At January 1	675,534	665,729
Employee restricted shares	-	5,000
Withdrawn and cancelled employee restricted shares	(449)	-
At September 30	675,085	670,729

B. GDRS

On December 20, 2016, the Company's Board of Directors approved to increase its capital by the issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDRs), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD 64,913 thousand. As of September 30, 2022, the outstanding 3 thousand units of GDRs represented 116 thousand common shares. The agreement clause of a GDR purchase stipulates the following:

(a) Voting rights

Unless stipulated otherwise by applicable laws and regulations, the Bank of New York Mellon (the "Depositary") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Deposit Agreement (the "Deposit Agreement") entered into by the Company, the Depositary, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

(b) Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depositary to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement.

(c) Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on their distributions as the holders of common shares of the Company. If the Company distributes share dividends or makes other share distributions in the future, the Depositary will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

The Company terminated the listing of the GDRs on the SGX as resolved by the Board of Directors on August 4, 2022.

- C. On April 30, 2021, the Company's shareholders resolved to issue 20,000 thousand shares of Restricted Stock Awards for employees. The shares are issued to employees free of charge when they meet the vesting conditions. Depending on the actual needs, the issuance should be processed in one time or several times within a year starting from the date of receipt of the notice of effective registration. The Chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

On May 10, 2021, the Company reported the issuance of employee restricted ordinary shares amounting to 10 million shares to the regulatory authority as resolved by the Board of Directors. This issuance was approved by the Financial Supervisory Commission on June 3, 2021.

The Board of Directors during its meeting on June 10, 2021 and November 1, 2021 adopted a resolution to issue 5,000 thousand shares of employee restricted ordinary shares in tranches (see Note 6(17)) with the effective dates set on June 28, 2021 and November 29, 2021, respectively. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as others issued. The registration has been completed on July 13, 2021 and December 14, 2021, respectively.

On September 25, 2021, the Company reported the issuance of employee restricted ordinary shares amounting to 10 million shares to the regulatory authority as resolved by the Board of Directors. This issuance was approved by the Financial Supervisory Commission on November 3, 2021.

(19) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2022						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Changes in equity of associates and joint ventures accounted for using equity method	Employee restricted shares	Total
At January 1	\$ 803,878	\$ 6,776	\$ 128,672	\$ 156,797	\$ 3,082	\$ 1,099,205
Cash dividends from capital surplus	(337,767)	-	-	-	-	(337,767)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	651	-	651
Employee restricted shares	2,525	-	-	-	(4,599)	(2,074)
At September 30	<u>\$ 468,636</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 157,448</u>	<u>\$ 1,517</u>	<u>\$ 760,015</u>
2021						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Changes in equity of associates and joint ventures accounted for using equity method	Employee restricted shares	Total
At January 1	\$ 803,494	\$ 6,776	\$ 128,672	\$ -	\$ -	\$ 938,942
Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	-	-	-	156,334	-	156,334
Employee restricted shares	-	-	-	-	3,903	3,903
At September 30	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 156,334</u>	<u>\$ 3,903</u>	<u>\$ 1,099,179</u>

B. On June 27, 2022, the shareholders resolved to distribute cash dividends amounting to \$337,767 (NT 0.5 per share) by capital surplus.

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the Company's earnings distribution or deficit compensation may be conducted after the end of each fiscal half year. If there is a surplus after account settlement at the end of each fiscal half year, the Company shall estimate and reserve an amount for paying applicable taxes and covering loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, unless the legal reserve has reached the Company's paid-in capital amount; then, the Company shall set aside an amount for or reversing a special reserve in accordance with laws and regulations and the regulations of the competent authority. Any remaining profit, together with any undistributed retained earnings, shall be adopted by the Company's Board of Directors as the basis for making an earnings distribution proposal, which

shall then be resolved as per law before distribution. When all or part of the dividends and bonuses to be distributed is distributed by issuing new shares, a resolution shall be adopted by the shareholders' meeting. When the distribution is made in cash, a resolution shall be adopted by more than half of the directors present at a board meeting attended by more than two-thirds of all directors and then reported to the shareholders' meeting. The Company shall distribute dividends and bonuses at a percentage not higher than 80% of the distributable earnings during the distribution period, and the percentage of cash dividends to be distributed shall not be lower than 10% of the total distributable dividends during the distribution period. However, if the distributable earnings are less than 50% of the paid-in capital, cash dividends may not be distributed.

- B. 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 permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. On April 30, 2021, the shareholders resolved not to appropriate dividends and reversed provisioned special reserves amounting to \$53,493.
- E. On June 27, 2022, the shareholders resolved not to appropriate dividends and provisioned legal reserve and special reserve amounting to \$76,320 and \$91,039, respectively.
- F. On November 10, 2022, the Board of Directors resolved not to distribute earnings for the first half of 2022.

(21) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from contracts with customers, divided into the following major geographical regions:

<u>Three months ended September 30, 2022</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 995,665	\$ 907,844	\$ 1,903,509
Inter-segment revenue	656,133	92,479	748,612
Elimination of internal transaction	(656,133)	(92,479)	(748,612)
Revenue from external customer	<u>\$ 995,665</u>	<u>\$ 907,844</u>	<u>\$ 1,903,509</u>

<u>Three months ended September 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,332,963	\$ 1,488,579	\$ 2,821,542
Inter-segment revenue	1,165,528	64,713	1,230,241
Elimination of internal transaction	(1,165,528)	(64,713)	(1,230,241)
Revenue from external customer	<u>\$ 1,332,963</u>	<u>\$ 1,488,579</u>	<u>\$ 2,821,542</u>
<u>Nine months ended September 30, 2022</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 3,804,664	\$ 3,820,990	\$ 7,625,654
Inter-segment revenue	3,117,594	239,638	3,357,232
Elimination of internal transaction	(3,117,594)	(239,638)	(3,357,232)
Revenue from external customer	<u>\$ 3,804,664</u>	<u>\$ 3,820,990</u>	<u>\$ 7,625,654</u>
<u>Nine months ended September 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 4,217,011	\$ 4,098,518	\$ 8,315,529
Inter-segment revenue	3,427,573	173,086	3,600,659
Elimination of internal transaction	(3,427,573)	(173,086)	(3,600,659)
Revenue from external customer	<u>\$ 4,217,011</u>	<u>\$ 4,098,518</u>	<u>\$ 8,315,529</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>January 1, 2021</u>
Contract liabilities –				
sale of goods	<u>\$ 7,028</u>	<u>\$ 23,915</u>	<u>\$ 30,791</u>	<u>\$ 51,627</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ -</u>	<u>\$ 55</u>
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 21,930</u>	<u>\$ 51,460</u>

(22) Interest income

	Three months ended September 30, 2022	Three months ended September 30, 2021
Interest income from bank deposits	\$ 16,864	\$ 1,355
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest income from bank deposits	\$ 25,782	\$ 5,376

(23) Other income

	Three months ended September 30, 2022	Three months ended September 30, 2021
Rental income	\$ 916	\$ 1,018
Royalty income	13,430	12,726
Others	9,488	4,546
	\$ 23,834	\$ 18,290
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Rental income	\$ 3,090	\$ 3,016
Royalty income	39,585	39,002
Others	40,020	12,719
	\$ 82,695	\$ 54,737

(24) Other gains and losses

	Three months ended September 30, 2022	Three months ended September 30, 2021
Foreign exchange gains	\$ 237,183	\$ 5,674
Net (losses) gains on financial assets or liabilities at fair value through profit or loss	(43,274)	1,898
Gains on disposals of non-current assets held for sale	167,428	-
Others	(159)	(1,919)
	\$ 361,178	\$ 5,653

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Foreign exchange gains	\$ 498,585	\$ 131,844
Net losses on financial assets or liabilities at fair value through profit or loss	(176,995)	(23,279)
Gains on disposals of non-current assets held for sale	167,428	-
Gains on disposals of property, plant and equipment	1,851	-
Others	(312)	(2,388)
	<u>\$ 490,557</u>	<u>\$ 106,177</u>

(25) Finance costs

	Three months ended September 30, 2022	Three months ended September 30, 2021
Interest expense - bank borrowings	\$ 24,755	\$ 16,218
Interest expense - lease liabilities	14	13
	<u>\$ 24,769</u>	<u>\$ 16,231</u>
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Interest expense - bank borrowings	\$ 69,994	\$ 49,226
Interest expense - lease liabilities	48	14
	<u>\$ 70,042</u>	<u>\$ 49,240</u>

(26) Expenses by nature

	Three months ended September 30, 2022	Three months ended September 30, 2021
Employee benefit expense	\$ 385,244	\$ 354,236
Depreciation charges on property, plant and equipment	101,151	95,669
Depreciation charges on right-of-use assets	503	440
Amortisation charges on intangible assets	2,009	2,918
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Employee benefit expense	\$ 1,156,412	\$ 1,007,898
Depreciation charges on property, plant and equipment	298,080	282,748
Depreciation charges on right-of-use assets	1,603	989
Amortisation charges on intangible assets	7,745	7,817

(27) Employee benefit expense

	Three months ended September 30, 2022	Three months ended September 30, 2021
Wage and salaries	\$ 305,522	\$ 259,181
Labour and health insurance fees	22,351	22,276
Pension costs	14,694	13,876
Employee restricted shares	7,267	8,967
Other personnel expenses	35,410	49,936
	<u>\$ 385,244</u>	<u>\$ 354,236</u>
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Wage and salaries	\$ 914,088	\$ 790,971
Labour and health insurance fees	67,629	66,619
Pension costs	43,319	41,826
Employee restricted shares	35,084	11,015
Other personnel expenses	96,292	97,467
	<u>\$ 1,156,412</u>	<u>\$ 1,007,898</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 1% for directors' remuneration.
- B. For the three months and nine months ended September 30, 2022 and 2021, employees' compensation was accrued at \$5,059, \$10,000, \$12,373 and \$10,000, respectively, and no directors' remuneration were accrued for all periods. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current period for the three months ended September 30, 2022 and the percentage as prescribed in the Company's Articles of Incorporation.

The difference of \$451 and \$8,476 between the amounts of employees' compensation and directors' remuneration resolved by the Board of Directors and the respective amounts of employees' compensation and directors' remuneration of \$16,500 and \$0 recognised in the 2021 financial statements, mainly resulting from change in estimates, had been adjusted in the profit or loss for the three months ended September 30, 2022. Employees' compensation was distributed in the form of cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Income tax

A. Income tax expense

	<u>Three months ended September 30, 2022</u>	<u>Three months ended September 30, 2021</u>
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Tax on undistributed surplus earnings	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of temporary differences	28,014	21,391
Income tax expense	<u>\$ 28,014</u>	<u>\$ 21,391</u>
	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Tax on undistributed surplus earnings	29,792	-
Prior period income tax over estimation	-	(8)
Total current tax	29,792	(8)
Deferred tax:		
Origination and reversal of temporary differences	7,931	48,245
Income tax expense	<u>\$ 37,723</u>	<u>\$ 48,237</u>

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(29) Earnings per share

Three months ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 239,693	667,261	\$ 0.36
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 239,693	667,261	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	2,859	
Employees' compensation	-	517	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	239,693	670,637	\$ 0.36
Three months ended September 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 245,383	665,729	\$ 0.37
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 245,383	665,729	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	1,663	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 245,383	667,392	\$ 0.37

Nine months ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 576,742	666,552	\$ 0.87
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 576,742	666,552	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	4,185	
Employees' compensation	-	1,563	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 576,742	672,300	\$ 0.86
Nine months ended September 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic and diluted profit per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 721,046	665,729	\$ 1.08
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 721,046	665,729	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	724	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 721,046	666,453	\$ 1.08

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Purchase of property, plant and equipment	\$ 302,403	\$ 197,774
Add: Opening balance of payable on equipment	68,437	21,136
Less: Ending balance of payable on equipment	(44,372)	(32,162)
Cash paid	<u>\$ 326,468</u>	<u>\$ 186,748</u>

B. Investing and financing activities with no cash flow effects

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
(a) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 63,760</u>	<u>\$ 76,517</u>
(b) Prepayments for equipment transferred to intangible assets	<u>\$ 171</u>	<u>\$ -</u>
(c) Equipment transferred to prepayments	<u>\$ -</u>	<u>\$ 683</u>
(d) Investments accounted for using equity method transferred to non-current assets classified as held for sale, net	<u>\$ -</u>	<u>\$ 4,477,711</u>
(e) Other payables transferred to liabilities related to non-current assets classified as held for sale	<u>\$ -</u>	<u>\$ 264</u>

(31) Changes in liabilities from financing activities

	At January 1, 2022	Changes in cash flow from financing activities	Changes in other non-cash items	Effect of foreign exchange	At September 30, 2022
Short-term borrowings	\$ 2,908,066	(\$ 2,881,657)	\$ -	\$ 20,498	\$ 46,907
Lease liabilities	2,919	(842)	-	-	2,077
Long-term borrowings	925,867	1,263,141	(12,938)	-	2,176,070
Guarantee deposits received	40	(35)	-	-	5
Liabilities from financing activities-gross	<u>\$ 3,836,892</u>	<u>(\$ 1,619,393)</u>	<u>(\$ 12,938)</u>	<u>\$ 20,498</u>	<u>\$ 2,225,059</u>

	At January 1, 2021	Changes in cash flow from financing activities	Changes in other non-cash items	Effect of foreign exchange	At September 30, 2021
Short-term borrowings	\$ 2,548,884	\$ 208,924	\$ -	(\$ 45,197)	\$ 2,712,611
Lease liabilities	145	(203)	1,211	-	1,153
Long-term borrowings	546,940	246,601	-	-	793,541
Guarantee deposits received	40	-	-	-	40
Liabilities from financing activities-gross	<u>\$ 3,096,009</u>	<u>\$ 455,322</u>	<u>\$ 1,211</u>	<u>(\$ 45,197)</u>	<u>\$ 3,507,345</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
HMO	Associate (Note)
CMVT	Associate

Note : HMO is the investee company of CMMTI. In August 2022, the Group had disposed its equity holdings in CMMTI, therefore, the company had not been an associate since that date.

(2) Significant related party transactions

A. Operating revenue

	Three months ended September 30, 2022	Three months ended September 30, 2021
Sales of goods:		
Associates	<u>\$ 8,665</u>	<u>\$ 33,218</u>
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Sales of goods:		
Associates	<u>\$ 25,915</u>	<u>\$ 95,149</u>

The selling prices and collection terms are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

B. Purchases

	Three months ended <u>September 30, 2022</u>	Three months ended <u>September 30, 2021</u>
Purchases of goods:		
Associates	<u>\$ 318</u>	<u>\$ 807</u>
	Nine months ended <u>September 30, 2022</u>	Nine months ended <u>September 30, 2021</u>
Purchases of goods:		
Associates	<u>\$ 2,148</u>	<u>\$ 1,725</u>

Because there is no similar counterparty or transaction, the purchase prices and payment terms with related parties are conducted by mutual agreement.

C. Receivables from related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable:			
Associates	<u>\$ 15,025</u>	<u>\$ 10,719</u>	<u>\$ 57,905</u>
Other receivables:			
Associates	<u>\$ 837</u>	<u>\$ 3,282</u>	<u>\$ 2,339</u>

D. Contract liabilities

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
HMO	<u>\$ -</u>	<u>\$ 12,726</u>	<u>\$ 25,451</u>

E. Payables to related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts payable:			
Associates	<u>\$ 330</u>	<u>\$ 1,976</u>	<u>\$ 805</u>

F. Other revenue

	Three months ended <u>September 30, 2022</u>	Three months ended <u>September 30, 2021</u>
HMO	<u>\$ 7,299</u>	<u>\$ 12,726</u>
Associates	<u>4,078</u>	<u>7,946</u>
	<u>\$ 11,377</u>	<u>\$ 20,672</u>

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
HMO	\$ 33,454	\$ 39,002
Associates	11,703	13,241
	<u>\$ 45,157</u>	<u>\$ 52,243</u>

G. Endorsements and guarantees provided by the Group to the related parties:

There was no endorsements and guarantee provided by the Group to the related parties on September 30, 2022 and December 31, 2021.

	September 30, 2021	
	Outstanding endorsements / guarantee amount	Actual amount drawn down
HMO	<u>\$ 2,805,569</u>	<u>\$ 1,283,664</u>

(3) Key management compensation

	Three months ended September 30, 2022	Three months ended September 30, 2021
Salaries and other short-term employee benefits	\$ 6,495	\$ 9,738
Post-employment benefits	135	135
Share-based payments	2,045	-
	<u>\$ 8,675</u>	<u>\$ 9,873</u>
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries and other short-term employee benefits	\$ 29,197	\$ 35,398
Post-employment benefits	413	420
Share-based payments	7,884	-
	<u>\$ 37,494</u>	<u>\$ 35,818</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value			Purpose
	September 30, 2022	December 31, 2021	September 30, 2021	
Demand deposit (Note)	\$ -	\$ 615,853	\$ 530,275	An escrow account for debt negotiation procedures
Demand deposit (Note)	24,718	-	-	Long-term and short-term loan
Pledged deposits (Note)	17,407	14,304	14,355	Provided as collateral for the post release duty payment and derivatives quota
Property, plant and equipment - land	1,428,543	1,428,543	1,428,543	Long-term and short-term loan
Property, plant and equipment - buildings and structures	1,531,695	1,629,075	1,661,534	Long-term and short-term loan
Property, plant and equipment - machinery and equipment	159,452	179,512	158,054	Long-term and short-term loan
Property, plant and equipment - office equipment	1,338	2,965	3,109	Long-term and short-term loan
Property, plant and equipment - factory equipment	200,515	135,619	64,850	Long-term and short-term loan
Property, plant and equipment - miscellaneous equipment	16,415	5,025	1,304	Long-term and short-term loan
	<u>\$ 3,380,083</u>	<u>\$ 4,010,896</u>	<u>\$ 3,862,024</u>	

Note: It is shown as “current financial assets at amortised cost”.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those disclosed in other notes to the consolidated financial statements, significant commitments and contingencies of the Group as of September 30, 2022, December 31, 2021 and September 30, 2021, were as follows:

- (1) As of September 30, 2022, December 31, 2021 and September 30, 2021, unused letters of credit for purchases of raw materials and equipment were as follows:

	Units: Foreign currency (in thousand)		
	September 30, 2022	December 31, 2021	September 30, 2021
JPY	\$ 1,258,513	\$ 2,712,682	\$ 1,505,351
USD	-	1,479	186

- (2) As of September 30, 2022, December 31, 2021 and September 30, 2021, the amounts of guarantees provided by financial institutions for the purpose of importing goods and purchasing materials were \$88,975, \$105,528 and \$104,760, respectively.

- (3) As of September 30, 2022, December 31, 2021 and September 30, 2021, the unpaid amounts of the construction contracts that the Group entered into for the expansion of factories and machinery equipment were \$149,201, \$134,222 and \$140,892, respectively.

(4) On December 28, 2021, the Company entered into a syndicated credit contract with Taiwan Cooperative Bank, Chang Hwa Bank, Mega International Commercial Bank and Land Bank of Taiwan with a credit line of \$4,600,000. The Company committed to maintain the following financial ratios and standards in the credit period:

A. Debt ratio could not be higher than 100%.

B. Current ratio could not be less than 120%.

C. Equity could not be lower than \$7,000,000.

The above financial ratios and standards are reviewed semi-annually, and calculated based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements for the duration of the contracts.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On November 10, 2022, the Board of Directors proposed to conduct a cash capital reduction to return capital to shareholders in order to increase return on equity and adjust the capital structure. The total capital reduction amounted to \$1,012,627 and the amount of shares eliminated was 101,263 thousand shares.

12. OTHERS

(1) Capital management

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 87	\$ -	\$ 1
Financial assets at fair value through other comprehensive income			
Designation of equity instruments	\$ 89,045	\$ 128,621	\$ 133,096
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents (Note)	\$ 5,090,722	\$ 610,287	\$ 582,216
Financial assets at amortised cost	42,125	630,157	544,630
Accounts receivable	2,172,859	2,763,960	2,784,760
Other receivables	89,083	60,913	71,875
Refundable deposits	21,820	8,790	8,790
	<u>\$ 7,416,609</u>	<u>\$ 4,074,107</u>	<u>\$ 3,992,271</u>

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	<u>\$ 23,367</u>	<u>\$ 2,382</u>	<u>\$ 7,064</u>
Financial liabilities at amortised cost			
Short-term borrowings	\$ 46,907	\$ 2,908,066	\$ 2,712,611
Accounts payable	147,528	575,776	1,049,963
Other payables (Note)	602,995	556,143	427,744
Long-term borrowings (including current portion)	2,176,070	925,867	793,541
Guarantee deposits received	<u>5</u>	<u>40</u>	<u>40</u>
	<u>\$ 2,973,505</u>	<u>\$ 4,965,892</u>	<u>\$ 4,983,899</u>
Lease liabilities	<u>\$ 2,077</u>	<u>\$ 2,919</u>	<u>\$ 1,153</u>

Note : Including non-current assets classified as held for sale, net and liabilities related to non-current assets classified as held for sale.

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

C. Significant financial risks and degrees of financial risks

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021, except for the items explained below:

(a) Market risk

Foreign exchange risk

- i. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currencies: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2022			
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 122,714	31.75	\$ 3,896,170
JPY:NTD	855,384	0.22	188,184
USD:RMB	27,260	7.018	867,034
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	2,938	31.75	93,282
JPY:NTD	529,868	0.22	116,571
RMB:NTD	26,158	4.473	117,005
USD:RMB	35,406	7.018	1,111,448

December 31, 2021			
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 82,590	27.68	\$ 2,286,091
JPY:NTD	1,555,177	0.241	374,798
USD:RMB	41,918	6.372	1,160,290
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	8,077	27.68	223,571
JPY:NTD	7,337,652	0.241	1,768,374
RMB:NTD	400	4.344	1,738
USD:RMB	53,250	6.372	1,473,960
EUR:NTD	171	31.32	5,356

September 30, 2021			
Foreign currency			
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 85,252	27.85	\$ 2,374,268
JPY:NTD	741,751	0.2490	184,696
USD:RMB	43,512	6.469	1,211,768
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	6,326	27.85	176,179
JPY:NTD	7,320,579	0.2490	1,822,824
RMB:NTD	394	4.305	1,696
USD:RMB	60,506	6.469	1,685,034

- ii. Total exchange gains, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2022 and 2021, amounted to \$237,183, \$5,674, \$498,585 and \$131,844, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Nine months ended September 30, 2022			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 19,481	-
JPY:NTD	0.5%	941	-
USD:RMB	0.5%	4,335	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	466	-
JPY:NTD	0.5%	583	-
RMB:NTD	0.5%	585	-
USD:RMB	0.5%	5,557	-

	Nine months ended September 30, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 11,871	-
JPY:NTD	0.5%	923	-
USD:RMB	0.5%	6,059	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	881	-
JPY:NTD	0.5%	9,114	-
RMB:NTD	0.5%	8	-
USD:RMB	0.5%	8,425	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group invests mainly in equity instruments issued by domestic companies. The equity's price will be affected by the uncertainty of the future value of the investment target. If the equity instrument price had increased/decreased by 1% with all other variables held constant, other comprehensive income classified as equity investment at fair value through other comprehensive income for the nine months ended September 30, 2022 and 2021, would have increased/decreased by \$890 and \$1,331, respectively.

Interest rate risk

The Group's main interest rate risk arises from borrowings with variable rates. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, net profit for the nine months ended September 30, 2022 and 2021, would have increased/decreased by \$14,267 and \$25,319, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is

that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.

- ii. The Group's concentration of credit risk, was related to the Group's five largest customers. The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of the investment grade or higher. Credit rating information used to rate the Group's major customers is obtained from other publicly available financial information or the Group's own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.
- iii. When the trade parties have major financial difficulties, or overdue amount exists for period of time that will obviously not be recovered, it is deemed that a default has occurred.
- iv. The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base. The Group's credit risk of other receivables is assessed individually.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

- vi. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On September 30, 2022, December 31, 2021 and September 30, 2021, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 361 days
September 30, 2022	0.08%	0.32%	0.64%~0.96%	1.29%~1.93%	100%	100%	100%
December 31, 2021	0.08%	0.32%	0.64%~0.96%	1.29%~1.93%	100%	100%	100%
September 30, 2021	0.00%	0.00%	0.00%	0.00%~0.02%	0.14%~1.65%	4.01%~29.71%	100%

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had no accounts receivable which were past due over 31 days.

- vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2022	2021
January 1	\$ -	\$ 6,184
Reversal of impairment (loss)	- (	6,128)
Effects on exchange rate	- (	56)
September 30	\$ -	\$ -

- viii. For provisioned loss for the three months and nine months ended September 30, 2022 and 2021, the impairment losses arising from customers' contract amounts to \$0, (\$22), \$0 and \$6,128, respectively.

(c) Liquidity risk

- The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. The forecast considers the debt financing plan, debt clauses, and financial ratio targets which compare to the internal balance sheet of the Group.
- Group treasury invests surplus cash in interest bearing current accounts, check deposit, time deposits and repurchase agreements, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group held money market position of \$5,090,312, \$609,836 and \$581,691, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group relies on bank loans as a significant source of liquidity, the Group had available unutilized short-term bank loan facilities as below:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured bank overdraft facility			
Amount unused	\$ 2,757,610	\$ 1,621,973	\$ 1,542,306
Secured bank overdraft facility			
Amount unused	<u>2,493,263</u>	<u>1,733,554</u>	<u>180,389</u>
	<u>\$ 5,250,873</u>	<u>\$ 3,355,527</u>	<u>\$ 1,722,695</u>

iv. Liquidity and interest rate risk table for non-derivative and derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative and derivative financial liabilities are based on the agreed repayment dates.

September 30, 2022

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 46,915	\$ -	\$ -
Accounts payable	147,528	-	-
Other payables	602,995	-	-
Long-term borrowings	550,487	1,784,225	-
(including current portion)			
Lease liabilities	1,176	1,194	-
<u>Derivative financial liabilities</u>			
Forward foreign exchange contracts	23,367	-	-

December 31, 2021

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,917,101	\$ -	\$ -
Accounts payable	575,776	-	-
Other payables (Note)	556,143	-	-
Long-term borrowings (including current portion)	463,619	500,980	-
Lease liabilities	1,185	1,832	-

Note: Including liabilities related to non-current assets classified as held for sale.

Derivative financial liabilities

Forward foreign exchange contracts	2,382	-	-
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September 30, 2021

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,728,743	\$ -	\$ -
Accounts payable	1,049,963	-	-
Other payables (Note)	427,744	-	-
Long-term borrowings (including current portion)	388,065	422,010	-
Lease liabilities	477	713	-

Note: Including liabilities related to non-current assets classified as held for sale.

Derivative financial liabilities

Forward foreign exchange contracts	7,064	-	-
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(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

C. Fair value of financial instruments measured at fair value on a recurring basis

(a) Fair value hierarchy

September 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL	\$ -	\$ 87	\$ -	\$ 87
Derivative instruments				
Financial assets at FVOCI				
Equity securities	-	-	89,045	89,045
	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ 89,045</u>	<u>\$ 89,132</u>
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 23,367</u>	<u>\$ -</u>	<u>\$ 23,367</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVOCI				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,621</u>	<u>\$ 128,621</u>
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 2,382</u>	<u>\$ -</u>	<u>\$ 2,382</u>

September 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1	\$ -	\$ 1
Financial assets at FVOCI				
Equity securities	-	-	138,096	138,096
	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 138,096</u>	<u>\$ 138,097</u>
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 7,064</u>	<u>\$ -</u>	<u>\$ 7,064</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current spot exchange rate.
- ii. The fair value of financial instruments without active market is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Listed shares</u>
Derivatives-foreign exchange forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates.

D. For the nine months ended September 30, 2022 and 2021, there was no transfer between level 1 and level 2.

E. The following chart is the movement of Level 3:

	<u>Nine months ended September 30, 2022</u>	<u>Nine months ended September 30, 2021</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 128,621	\$ 140,849
Losses recognised in other comprehensive income	(39,576)	(7,753)
At September 30	<u>\$ 89,045</u>	<u>\$ 133,096</u>

- F. For the nine months ended September 30, 2022 and 2021, there was no transfer into or out from Level 3.
- G. Either the financial department segment or the external appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments						
Unlisted shares	\$	74,623	Market comparable companies	Multiple price-book ratio	0.63 ~ 4.58	The higher the price-book ratio, the higher the fair value
		14,422	Market comparable companies	Multiple price-book ratio	0.45 ~ 1.12	The higher the price-book ratio, the higher the fair value
		Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments						
Unlisted shares	\$	114,199	Market comparable companies	Multiple price-book ratio	0.71 ~ 3.54	The higher the price-book ratio, the higher the fair value
		14,422	Market comparable companies	Multiple price-book ratio	0.45 ~ 1.12	The higher the price-book ratio, the higher the fair value
		Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments						
Unlisted shares	\$	119,358	Market comparable companies	Multiple price-book ratio	0.74 ~ 3.25	The higher the price-book ratio, the higher the fair value
		13,738	Market comparable companies	Multiple price-book ratio	0.55 ~ 1.14	The higher the price-book ratio, the higher the fair value

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			September 30, 2022 Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets	Input	Change		
Equity instruments	Multiple price-book ratio	±1%	\$ 890	(\$ 890)
			December 31, 2021 Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets	Input	Change		
Equity instruments	Multiple price-book ratio	±1%	\$ 1,286	(\$ 1,286)
			September 30, 2021 Recognised in other comprehensive income	
			Favourable change	Unfavourable change
Financial assets	Input	Change		
Equity instruments	Multiple price-book ratio	±1%	\$ 977	(\$ 977)

(4) Other

The major product of the Group is polarizing film, which is the key raw material of the panel industry. There has been no curtailment in the scale of operations or significant reduction in terminal consumer demand due to the Covid-19 pandemic. The Group has also complied with the pandemic prevention guidelines of the Taiwan Centers for Disease Control, including measures such as personnel access control and rotating work schedules in the office and work from home according to production areas and shifts. The Covid-19 pandemic had no significant impact to the Group's operating condition and financial performance based on the Group's assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. SEGMENT INFORMATION

(1) General information

The Group considers the business and formulates the strategies from a geographic perspective, therefore the management identifies the reportable segments with the same approach.

The Group has two reportable segments and the operation is located in Taiwan and Mainland China. Both are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).

(2) Segment revenue and results

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Three months ended September 30, 2022				
	Taiwan	Mainland China	Adjustment and write-off (Note)	Total
Revenue from external customers	\$ 995,665	\$ 907,844	\$ -	\$ 1,903,509
Inter-segment revenue	656,133	92,479	(748,612)	-
Total segment revenue	<u>\$ 1,651,798</u>	<u>\$ 1,000,323</u>	<u>(\$ 748,612)</u>	<u>\$ 1,903,509</u>
Segment income	<u>(\$ 132,742)</u>	<u>\$ 27,984</u>	<u>\$ -</u>	<u>(\$ 104,758)</u>
Three months ended September 30, 2021				
	Taiwan	Mainland China	Adjustment and write-off (Note)	Total
Revenue from external customers	\$ 1,332,963	\$ 1,488,579	\$ -	\$ 2,821,542
Inter-segment revenue	1,165,528	64,713	(1,230,241)	-
Total segment revenue	<u>\$ 2,498,491</u>	<u>\$ 1,553,292</u>	<u>(\$ 1,230,241)</u>	<u>\$ 2,821,542</u>
Segment income	<u>(\$ 34,627)</u>	<u>\$ 121,133</u>	<u>\$ -</u>	<u>\$ 86,506</u>
Nine months ended September 30, 2022				
	Taiwan	Mainland China	Adjustment and write-off (Note)	Total
Revenue from external customers	\$ 3,804,664	\$ 3,820,990	\$ -	\$ 7,625,654
Inter-segment revenue	3,117,594	239,638	(3,357,232)	-
Total segment revenue	<u>\$ 6,922,258</u>	<u>\$ 4,060,628</u>	<u>(\$ 3,357,232)</u>	<u>\$ 7,625,654</u>
Segment income	<u>(\$ 52,360)</u>	<u>\$ 152,866</u>	<u>\$ -</u>	<u>\$ 100,506</u>

Nine months ended September 30, 2021

			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 4,217,011	\$ 4,098,518	\$ -	\$ 8,315,529
Inter-segment revenue	<u>3,427,573</u>	<u>173,086</u>	(<u>3,600,659</u>)	<u>-</u>
Total segment revenue	<u>\$ 7,644,584</u>	<u>\$ 4,271,604</u>	(<u>\$ 3,600,659</u>)	<u>\$ 8,315,529</u>
Segment income (loss)	<u>(\$ 147,906)</u>	<u>\$ 304,470</u>	<u>\$ -</u>	<u>\$ 156,564</u>

Note: Refer to the internal revenue write-offs.

(3) Reconciliation for segment income (loss)

The total amounts and other significant disclosures in relation to the reportable segments mentioned in item (2) above are in agreement with those presented as related corresponding items in the Group's financial statements and are measured in a manner consistent with those thereon.

Cheng Mei Materials Technology Corporation And Subsidiaries

Loans to others

Nine months ended September 30, 2022

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					balance during the nine months ended September 30, 2022	Septembere 30, 2022							Item	Value			
1	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	\$ 30,163	\$ -	\$ -	2.20%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,112,776	\$ 2,225,552	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Mao Fong Group Co., Ltd.'s "Procedures for Provision of Loans", the limit on loans to the parent company who holds 100% voting power of Mao Fong Group Co., Ltd. and for short-term financing was 20% of the net assets of Group's parent company.

The limit on loans granted to a single party is 10% of net assets of the Group's parent company.

Cheng Mei Materials Technology Corporation And Subsidiaries

Provision of endorsements and guarantees to others

Nine months ended September 30, 2022

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2022	Outstanding endorsement/ guarantee amount at September 30, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name													
0	Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corp.		2	\$ 5,563,880	\$ 254,000	\$ 254,000	\$ -	\$ 76,200	2.28%	\$ 11,127,760	Y	N	N	Note 3,4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'

(2) The subsidiaries are numbered in order starting from '1'. The same Company will have the same number.

Note 2: Relationship between the endorser guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: In accordance with the Group's related regulations, the limit on endorsements and guarantees for any single entity is 50% of the Company's net worth based on the latest financial statements.

Note 4: In accordance with the Group's related regulations, the limit on accumulated amount of transactions of endorsements and guarantees is the Company's net worth based on the latest financial statements.

Cheng Mei Materials Technology Corporation And Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2022

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Cheng Mei Materials Technology Corporation	SHIHLIEN FINE CHEMICALS CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	16,667	\$ 74,623	6.41%	\$ 74,623	-
Cheng Hui Investment Co., Ltd.	JEOUTAI TECHNOLOGY CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	381	-	Note	-	-
Cheng Hui Investment Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	2,500	6,111	Note	6,111	-
Cheng Hui Trading Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	3,400	8,311	Note	8,311	-

Note:The shareholding ratio is less than 5% and therefore will not be disclosed.

Cheng Mei Materials Technology Corporation And Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the nine months period ended September 30, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at September 30, 2022		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Cheng Mei Materials Technology Co., Ltd.	Equity of Chi Mei Materials Technology Investment Co., Ltd.	Investments accounts for using the equity method	Blessing Well Enterprise Limited	Non-related party	146,500	\$ 4,848,336	-	\$ -	146,500	USD 175,000 thousands	\$ 4,848,336	\$ 167,428	-	\$ -

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Cheng Mei Materials Technology Corporation And Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Nine months ended September 30, 2022

Table 5

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Sales	(\$ 3,282,968)	(47%)	-	-	-	\$ 1,091,034	48%	Note

Note : The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.

The eliminated amount from January 1, 2022 to September 30, 2022, was \$165,374.

Cheng Mei Materials Technology Corporation And Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
September 30, 2022

Table 6

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Accounts receivable \$ 1,091,034	4.68	\$ -	-	\$ 159,992	\$ -

Cheng Mei Materials Technology Corporation And Subsidiaries
Significant inter-company transactions during the reporting periods
Nine months ended September 30, 2022

Table 7

Expressed in thousands of NTD

Details of significant inter-company transactions reaching NT\$ 10 million or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms (Note 3)	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Sales	\$ 3,282,968	-	43%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	1,091,034	-	8%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	239,638	-	3%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	63,645	-	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3:Prices and terms were determined in accordance with mutual agreements.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investees (not including investees in Mainland China)

Nine months ended September 30, 2022

Table 8

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss) of the investee for the nine months ended September 30, 2022	Investment income(loss) recognised by the Company nine months ended September 30, 2022	Footnote
				Balance as at September 30, 2022	Balance as at December 31, 2021	Number of shares (in thousand)	Ownership (%)	Book value			
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 1,463,937	\$ 130,533	\$ 130,533	
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	289,000	6,638	22.96%	18,022 (	64,548) (	14,820)	
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	-	4,447,763	-	-	-	209,174	-	Note 3
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	151,870	15,187	100%	18,091 (	328) (	328)	
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	211,000	21,100	100%	50,539 (	718) (	718)	
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	95	0.33%	259 (	64,548)	Note 1	
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	-	30,870	-	100%	-	1	Note 1	Note 2

Note 1: According to the regulations, the amount recognised for investment profit or loss of the Company may be exempt from disclosure.

Note 2: The cancellation of refistration was completed on April 27, 2022.

Note 3: The equity sales transaction was completed in August, 2022.

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investments in Mainland China

Nine months ended September 30, 2022

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China /Amount remitted back to Taiwan for nine months ended September 30, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee as of September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for nine months ended September 30, 2022	Book value of investments in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 590,193	2	\$ 422,275	\$ -	\$ -	\$ 422,275	\$ 130,533	100.00	\$ 130,533	\$ 1,516,236	\$ -	Note 2
Hengmei Optoelectronic Co., Ltd.	Electronic component manufacture and sale	11,295,024	2	4,651,375	-	-	4,651,375	770,439	-	-	-	-	Note 7
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	28,625	2	28,625	-	(28,625)	-	-	100.00	-	-	-	Note 3, 4
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)										
Cheng Mei Materials Technology Corporation	\$5,073,650	\$5,073,650	\$6,676,656										

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China.

(2) Through investing in Cheng Mei Materials Techonology (Samoa) Corporation, Chi Mei Materials Technology Invesment Co., Ltd and Mao Fong Group Co., LTD. in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The financial statements that are reviewed by R.O.C parent company's CPA.

Note 3: It is calculated based on the investees' financial statements for the same reporting period which were not reviewed by other independent auditors.

Note 4: The cancellation of registration was completed on October 30, 2020 and the remaining investment funds have been remitted to Mao Fong Group Co., Ltd.

Note 5: The numbers in this table are expressed in New Taiwan dollars. Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates of NTD 29.201 to US\$1 from January 1, 2022 to September 30, 2022., otherwise are re-translated at the exchange rates of NTD 31.75 to US\$1 prevailing at the September 30, 2022.

Note 6: The Ceiling is calculated based on 60% of the consolidated net value.

Note 7: The equity sales transaction of Chi Mei Materials Technology Investment Co., Ltd. was completed in August 2022.

Cheng Mei Materials Technology Corporation And Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Nine months ended September 30, 2022

Table 10

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at September 30, 2022	%	Balance at September 30, 2022	Purpose	Maximum balance during nine months ended September 30, 2022	Balance at September 30, 2022	Interest rate	Interest during the nine months ended September 30, 2022	Others
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 3,282,968	47%	\$ -	-	\$ 1,091,034	48%	\$ -	-	\$ -	\$ -	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	(239,638)	5%	-	-	(63,645)	32%	-	-	-	-	-	-	-

Note: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.
The eliminated amount from January 1, 2022 to September 30, 2022, was \$165,374.

Cheng Mei Materials Technology Corporation And Subsidiaries

Major shareholders information

September 30, 2022

Table 11

Name of major shareholders	Shares		Expressed in shares
	Name of shares held	Ownership (%)	
Innolux Corporation	57,211,305		8.47%
Lin Gao Huang	40,000,000		5.92%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.