

C SUN MFG. LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2023 AND 2022
(Stock Code : 2467)

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR23000068

To the Board of Directors and Shareholders of C SUN MFG. LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of C SUN MFG. LTD. and subsidiaries as at June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods 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” that came into effect 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 Standard on Review Engagements 2410, “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 Note 4(3), the financial statements of certain insignificant consolidated subsidiaries were not reviewed by independent auditors. Those statements reflect total assets of \$791,251 thousand and \$670,143 thousand, constituting 10.33% and 8.42% of the consolidated total assets, and total liabilities of \$42,066 thousand and \$55,050 thousand, constituting 0.97% and 1.12% of the consolidated total liabilities as at June 30, 2023 and 2022, respectively, and total comprehensive income of (\$6,725) thousand, \$4,687 thousand, (\$1,611) thousand and \$7,269 thousand, constituting (5.41%), 3.83%, (0.38%) and 1.86% of the consolidated total comprehensive income for the three-month and six-month periods then ended, respectively. Furthermore, as described in Note 6(7), investments accounted for using equity method were based on the financial statements of the same reporting period which were not reviewed by independent auditors. The balance of these investments accounted for using the equity method amounted to \$1,230,038 thousand and \$1,113,786 thousand as at June 30, 2023 and 2022, respectively, and the comprehensive income recognized from associates accounted for using the equity method amounted to \$37,801 thousand, \$18,062 thousand, \$92,429 thousand and \$55,114 thousand, constituting 30.43%, 14.78%, 22.03% and 14.07% of the consolidated total comprehensive income for the three-month and six-month periods 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 under equity method 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 C SUN MFG. LTD. and subsidiaries as of June 30, 2023 and 2022, and of its consolidated financial performance

for the three-month and six-month periods then ended and its consolidated cash flows for the six-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Li, Tien-Yi

Wu, Wei-Hao

For and on behalf of PricewaterhouseCoopers, Taiwan

August 1, 2023

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.

C SUN MFG. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars)

| Assets | Notes | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | | |
|---------------------------|--------------------------------------|---------------|---------------------|-------------------|---------------------|---------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 1,554,714 | 20 | \$ 1,371,810 | 17 | \$ 1,413,072 | 18 |
| 1110 | Financial assets at fair value | 6(2) | | | | | | |
| | through profit or loss - current | | 12,246 | - | 206,181 | 2 | 186,221 | 2 |
| 1120 | Current financial assets at fair | 6(3) | | | | | | |
| | value through other comprehensive | | | | | | | |
| | income | | 496,815 | 6 | 396,931 | 5 | 321,912 | 4 |
| 1150 | Notes receivable, net | 6(5) | 115,340 | 2 | 113,124 | 1 | 91,383 | 1 |
| 1170 | Accounts receivable, net | 6(5) | 1,810,946 | 24 | 2,314,127 | 28 | 2,120,245 | 27 |
| 1180 | Accounts receivable - related | 6(5) and 7 | | | | | | |
| | parties | | 25 | - | - | - | - | - |
| 1200 | Other receivables | | 13,788 | - | 15,960 | - | 26,655 | - |
| 1210 | Other receivables due from related | 7 | | | | | | |
| | parties | | 92,296 | 1 | - | - | 75,063 | 1 |
| 130X | Inventories | 6(6) | 689,147 | 9 | 950,833 | 12 | 1,100,231 | 14 |
| 1410 | Prepayments | 7 | 43,503 | 1 | 58,554 | 1 | 107,622 | 2 |
| 1470 | Other current assets | | 7,902 | - | 5,891 | - | 11,262 | - |
| 11XX | Current Assets | | <u>4,836,722</u> | <u>63</u> | <u>5,433,411</u> | <u>66</u> | <u>5,453,666</u> | <u>69</u> |
| Non-current assets | | | | | | | | |
| 1517 | Non-current financial assets at fair | 6(3) | | | | | | |
| | value through other comprehensive | | | | | | | |
| | income | | 88,916 | 1 | 76,031 | 1 | 90,951 | 1 |
| 1535 | Non-current financial assets at | 6(4) | | | | | | |
| | amortised cost, net | | 379,338 | 5 | 388,555 | 5 | 256,937 | 3 |
| 1550 | Investments accounted for under | 6(7) | | | | | | |
| | equity method | | 1,230,038 | 16 | 1,198,348 | 15 | 1,113,786 | 14 |
| 1600 | Property, plant and equipment | 6(8) and 8 | 783,180 | 10 | 808,393 | 10 | 799,686 | 10 |
| 1755 | Right-of-use assets | 6(9) | 75,042 | 1 | 73,010 | 1 | 69,529 | 1 |
| 1780 | Intangible assets | | 49,585 | 1 | 51,599 | 1 | 48,923 | 1 |
| 1840 | Deferred income tax assets | | 171,981 | 2 | 124,493 | 1 | 101,834 | 1 |
| 1900 | Other non-current assets | 6(5) | 41,257 | 1 | 33,503 | - | 24,891 | - |
| 15XX | Non-current assets | | <u>2,819,337</u> | <u>37</u> | <u>2,753,932</u> | <u>34</u> | <u>2,506,537</u> | <u>31</u> |
| 1XXX | Total assets | | <u>\$ 7,656,059</u> | <u>100</u> | <u>\$ 8,187,343</u> | <u>100</u> | <u>\$ 7,960,203</u> | <u>100</u> |

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C SUN MFG. LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | Notes | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | | |
|--|--|---------------|---------------------|-------------------|---------------------|---------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(11) | \$ 1,170,000 | 15 | \$ 695,000 | 9 | \$ 812,321 | 10 |
| 2120 | Current financial liabilities at fair value through profit or loss | 6(12) | 813 | - | 329 | - | 1,371 | - |
| 2130 | Current contract liabilities | 6(21) | 425,530 | 6 | 669,327 | 8 | 619,120 | 8 |
| 2150 | Notes payable | | 7,972 | - | 18,689 | - | 33,706 | - |
| 2170 | Accounts payable | | 539,832 | 7 | 803,317 | 10 | 932,409 | 12 |
| 2180 | Accounts payable - related parties | 7 | 22,562 | - | 21,755 | 1 | 6,397 | - |
| 2200 | Other payables | 6(13) | 617,050 | 8 | 822,193 | 10 | 1,188,239 | 15 |
| 2230 | Current income tax liabilities | | 9,624 | - | 98,917 | 1 | 57,038 | 1 |
| 2280 | Current lease liabilities | 6(9) | 15,749 | - | 14,032 | - | 11,335 | - |
| 2320 | Long-term liabilities, current portion | 6(14) | 135,000 | 2 | 344,000 | 4 | 135,000 | 2 |
| 2399 | Other current liabilities, others | | 7,261 | - | 15,667 | - | 30,776 | - |
| 21XX | Current Liabilities | | <u>2,951,393</u> | <u>38</u> | <u>3,503,226</u> | <u>43</u> | <u>3,827,712</u> | <u>48</u> |
| Non-current liabilities | | | | | | | | |
| 2540 | Long-term borrowings | 6(14) | 884,000 | 12 | 756,000 | 9 | 683,000 | 9 |
| 2570 | Deferred income tax liabilities | | 472,500 | 6 | 436,519 | 6 | 385,557 | 5 |
| 2580 | Non-current lease liabilities | 6(9) | 13,627 | - | 11,624 | - | 9,819 | - |
| 2600 | Other non-current liabilities | | 2,111 | - | 2,160 | - | 20,367 | - |
| 25XX | Non-current liabilities | | <u>1,372,238</u> | <u>18</u> | <u>1,206,303</u> | <u>15</u> | <u>1,098,743</u> | <u>14</u> |
| 2XXX | Total Liabilities | | <u>4,323,631</u> | <u>56</u> | <u>4,709,529</u> | <u>58</u> | <u>4,926,455</u> | <u>62</u> |
| Equity attributable to owners of parent | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Share capital - common stock | 6(17) | 1,567,553 | 21 | 1,567,553 | 19 | 1,521,897 | 19 |
| 3150 | Stock dividend to be distributed | | - | - | - | - | 45,657 | 1 |
| Capital surplus | | | | | | | | |
| 3200 | Capital surplus | 6(18) | 273,693 | 4 | 273,693 | 3 | 251,695 | 3 |
| Retained earnings | | | | | | | | |
| 3310 | Legal reserve | 6(19) | 413,304 | 5 | 338,618 | 4 | 338,618 | 4 |
| 3320 | Special reserve | | 51,901 | 1 | 51,901 | 1 | 51,901 | 1 |
| 3350 | Unappropriated retained earnings | | 569,009 | 7 | 988,262 | 12 | 598,125 | 7 |
| Other equity interest | | | | | | | | |
| 3400 | Other equity interest | 6(20) | 163,877 | 2 | (29,489) | - | (28,966) | - |
| 3500 | Treasury shares | 6(17) | - | - | - | - | - | - |
| 31XX | Equity attributable to owners of the parent | | <u>3,039,337</u> | <u>40</u> | <u>3,190,538</u> | <u>39</u> | <u>2,778,927</u> | <u>35</u> |
| 36XX | Non-controlling interest | | <u>293,091</u> | <u>4</u> | <u>287,276</u> | <u>3</u> | <u>254,821</u> | <u>3</u> |
| 3XXX | Total equity | | <u>3,332,428</u> | <u>44</u> | <u>3,477,814</u> | <u>42</u> | <u>3,033,748</u> | <u>38</u> |
| Significant contingent liabilities and unrecognised contract commitments | | | | | | | | |
| Significant events after the balance sheet date | | | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 7,656,059</u> | <u>100</u> | <u>\$ 8,187,343</u> | <u>100</u> | <u>\$ 7,960,203</u> | <u>100</u> |

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

C SUN MFG. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items | Notes | Three-month periods ended June 30 | | | | Six-month periods ended June 30 | | | | |
|-------|--|-----------------------------------|------------|--------|--------------|---------------------------------|--------------|--------|--------------|-------|
| | | 2023 | | 2022 | | 2023 | | 2022 | | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| 4000 | Sales revenue | 6(21) | \$ 728,682 | 100 | \$ 1,320,166 | 100 | \$ 1,695,536 | 100 | \$ 2,559,688 | 100 |
| 5000 | Operating costs | 6(6)(26)(27) | | | | | | | | |
| | | and 7 | (447,002) | (61) | (803,318) | (61) | (1,052,682) | (62) | (1,630,361) | (64) |
| 5900 | Net operating margin | | 281,680 | 39 | 516,848 | 39 | 642,854 | 38 | 929,327 | 36 |
| | Operating expenses | 6(26)(27) | | | | | | | | |
| 6100 | Selling expenses | | (109,238) | (15) | (126,192) | (10) | (205,301) | (12) | (234,186) | (9) |
| 6200 | General and administrative expenses | | (65,187) | (9) | (82,883) | (6) | (135,879) | (8) | (151,830) | (6) |
| 6300 | Research and development expenses | | (70,303) | (10) | (94,377) | (7) | (143,070) | (8) | (168,777) | (7) |
| 6450 | Expected credit losses | 12(2) | 20,305 | 3 | (3,089) | - | 23,857 | 1 | (10,647) | - |
| 6000 | Total operating expenses | | (224,423) | (31) | (306,541) | (23) | (460,393) | (27) | (565,440) | (22) |
| 6900 | Operating profit | | 57,257 | 8 | 210,307 | 16 | 182,461 | 11 | 363,887 | 14 |
| | Non-operating income and expenses | | | | | | | | | |
| 7100 | Interest income | 6(22) | 7,024 | 1 | 6,106 | 1 | 10,715 | 1 | 11,924 | - |
| 7010 | Other income | 6(23) | 4,688 | 1 | 15,005 | 1 | 27,847 | 2 | 19,376 | 1 |
| 7020 | Other gains and losses | 6(24) | 11,145 | 1 | 3,466 | - | 729 | - | 16,450 | 1 |
| 7050 | Finance costs | 6(25) | (8,775) | (1) | (7,716) | (1) | (14,431) | (1) | (12,553) | (1) |
| 7060 | Share of profit of associates and joint ventures accounted for under equity method | 6(7) | 15,210 | 2 | 37,119 | 3 | 25,927 | 1 | 71,169 | 3 |
| 7000 | Total non-operating income and expenses | | 29,292 | 4 | 53,980 | 4 | 50,787 | 3 | 106,366 | 4 |
| 7900 | Profit before income tax | | 86,549 | 12 | 264,287 | 20 | 233,248 | 14 | 470,253 | 18 |
| 7950 | Income tax expense | 6(28) | (7,246) | (1) | (47,544) | (4) | (13,197) | (1) | (84,587) | (3) |
| 8200 | Profit for the period | | \$ 79,303 | 11 | \$ 216,743 | 16 | \$ 220,051 | 13 | \$ 385,666 | 15 |

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C SUN MFG. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)

| Items | Notes | Three-month periods ended June 30 | | | | Six-month periods ended June 30 | | | |
|---|-------|-----------------------------------|-------------|--------------------|-------------|---------------------------------|-------------|-------------------|-------------|
| | | 2023 | | 2022 | | 2023 | | 2022 | |
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Other comprehensive income | | | | | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | 6(20) | | | | | | | | |
| 8316 Unrealized gains(losses) on investments in equity instruments at fair value through other comprehensive income | 6(3) | \$ 81,102 | 11 | (\$ 28,310) | (2) | \$ 181,108 | 11 | (\$ 13,251) | (1) |
| 8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | | <u>30,455</u> | <u>4</u> | <u>(19,154)</u> | <u>(2)</u> | <u>73,130</u> | <u>4</u> | <u>(23,873)</u> | <u>(1)</u> |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | <u>111,557</u> | <u>15</u> | <u>(47,464)</u> | <u>(4)</u> | <u>254,238</u> | <u>15</u> | <u>(37,124)</u> | <u>(2)</u> |
| Components of other comprehensive income that will be reclassified to profit or loss | 6(20) | | | | | | | | |
| 8361 Financial statements translation differences of foreign operations | | (71,401) | (10) | (47,068) | (3) | (58,533) | (4) | 41,961 | 2 |
| 8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss | | (7,864) | (1) | 97 | - | (6,628) | - | 7,818 | - |
| 8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss | 6(28) | <u>12,627</u> | <u>2</u> | <u>(67)</u> | <u>-</u> | <u>10,351</u> | <u>1</u> | <u>(6,677)</u> | <u>-</u> |
| 8360 Components of other comprehensive (loss) income that will be reclassified to profit or loss | | <u>(66,638)</u> | <u>(9)</u> | <u>(47,038)</u> | <u>(3)</u> | <u>(54,810)</u> | <u>(3)</u> | <u>43,102</u> | <u>2</u> |
| 8300 Other comprehensive income (loss) for the period | | <u>\$ 44,919</u> | <u>6</u> | <u>(\$ 94,502)</u> | <u>(7)</u> | <u>\$ 199,428</u> | <u>12</u> | <u>\$ 5,978</u> | <u>-</u> |
| 8500 Total comprehensive income for the period | | <u>\$ 124,222</u> | <u>17</u> | <u>\$ 122,241</u> | <u>9</u> | <u>\$ 419,479</u> | <u>25</u> | <u>\$ 391,644</u> | <u>15</u> |
| Profit attributable to: | | | | | | | | | |
| 8610 Owners of the parent | | \$ 77,010 | 11 | \$ 199,185 | 15 | \$ 207,457 | 12 | \$ 355,903 | 14 |
| 8620 Non-controlling interest | | <u>2,293</u> | <u>-</u> | <u>17,558</u> | <u>1</u> | <u>12,594</u> | <u>1</u> | <u>29,763</u> | <u>1</u> |
| Profit for the period | | <u>\$ 79,303</u> | <u>11</u> | <u>\$ 216,743</u> | <u>16</u> | <u>\$ 220,051</u> | <u>13</u> | <u>\$ 385,666</u> | <u>15</u> |
| Comprehensive (loss) income attributable to: | | | | | | | | | |
| 8710 Owners of the parent | | \$ 130,131 | 18 | \$ 109,618 | 8 | \$ 413,664 | 25 | \$ 358,288 | 14 |
| 8720 Non-controlling interest | | <u>(5,909)</u> | <u>(1)</u> | <u>12,623</u> | <u>1</u> | <u>5,815</u> | <u>-</u> | <u>33,356</u> | <u>1</u> |
| Total comprehensive income for the period | | <u>\$ 124,222</u> | <u>17</u> | <u>\$ 122,241</u> | <u>9</u> | <u>\$ 419,479</u> | <u>25</u> | <u>\$ 391,644</u> | <u>15</u> |
| Basic earnings per share | 6(29) | | | | | | | | |
| 9750 Total basic earnings per share | | <u>\$ 0.49</u> | | <u>\$ 1.27</u> | | <u>\$ 1.32</u> | | <u>\$ 2.27</u> | |
| Diluted earnings per share | 6(29) | | | | | | | | |
| 9850 Total diluted earnings per share | | <u>\$ 0.49</u> | | <u>\$ 1.27</u> | | <u>\$ 1.32</u> | | <u>\$ 2.27</u> | |

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

C SUN MFG. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | | | | |
|-------------|-------|---|-------------------------------------|-------------------|---------------|-----------------|-------------------------------------|--|--|--------|-----------------|--------------|-----------------------------|--------------|
| | | Share capital | | Retained Earnings | | | | | Other equity interest | | | | | |
| | | | | | | | | | | | | | | |
| Notes | | Share capital - common stock | Stock dividend to be distributed | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Others | Treasury shares | Total | Non-controlling interest | Total equity |
| 2022 | | | | | | | | | | | | | | |
| | | \$ 1,521,897 | \$ - | \$ 243,751 | \$ 273,986 | \$ 105,878 | \$ 754,285 | (\$ 132,689) | \$ 102,636 | \$ 530 | (\$ 41,977) | \$ 2,828,297 | \$ 221,465 | \$ 3,049,762 |
| | | - | - | - | - | - | 355,903 | - | - | - | - | 355,903 | 29,763 | 385,666 |
| | 6(20) | - | - | - | - | - | - | 39,509 | (37,124) | - | - | 2,385 | 3,593 | 5,978 |
| | | - | - | - | - | - | 355,903 | 39,509 | (37,124) | - | - | 358,288 | 33,356 | 391,644 |
| | 6(19) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | - | 45,657 | - | 64,632 | - | (64,632) | - | - | - | - | - | - | - |
| | | - | - | - | - | (53,977) | 53,977 | - | - | - | - | - | - | - |
| | | - | - | - | - | - | (456,569) | - | - | - | (456,569) | - | (456,569) | - |
| | | - | - | - | - | - | (45,657) | - | - | - | - | - | - | - |
| | 6(20) | - | - | - | - | - | 1,828 | - | (1,828) | - | - | - | - | - |
| | 6(18) | - | - | 7,944 | - | - | (503) | - | - | - | - | 7,441 | - | 7,441 |
| | 6(17) | - | - | - | - | - | (507) | - | - | 41,977 | - | 41,470 | - | 41,470 |
| | | \$ 1,521,897 | \$ 45,657 | \$ 251,695 | \$ 338,618 | \$ 51,901 | \$ 598,125 | (\$ 93,180) | \$ 63,684 | \$ 530 | \$ - | \$ 2,778,927 | \$ 254,821 | \$ 3,033,748 |
| 2023 | | | | | | | | | | | | | | |
| | | \$ 1,567,553 | \$ - | \$ 273,693 | \$ 338,618 | \$ 51,901 | \$ 988,262 | (\$ 101,535) | \$ 71,516 | \$ 530 | \$ - | \$ 3,190,538 | \$ 287,276 | \$ 3,477,814 |
| | | - | - | - | - | - | 207,457 | - | - | - | - | 207,457 | 12,594 | 220,051 |
| | 6(20) | - | - | - | - | - | - | (48,031) | 254,238 | - | - | 206,207 | (6,779) | 199,428 |
| | | - | - | - | - | - | 207,457 | (48,031) | 254,238 | - | - | 413,664 | 5,815 | 419,479 |
| | 6(19) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | 74,686 | - | (74,686) | - | - | - | - | - | - | - |
| | | - | - | - | - | - | (564,319) | - | - | - | (564,319) | - | (564,319) | - |
| | 6(20) | - | - | - | - | - | 12,841 | - | (12,841) | - | - | - | - | - |
| | | - | - | - | - | - | (546) | - | - | - | (546) | - | (546) | - |
| | | \$ 1,567,553 | \$ - | \$ 273,693 | \$ 413,304 | \$ 51,901 | \$ 569,009 | (\$ 149,566) | \$ 312,913 | \$ 530 | \$ - | \$ 3,039,337 | \$ 293,091 | \$ 3,332,428 |

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

C SUN MFG. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Six-month periods ended June 30 | |
|--|-------|---------------------------------|-------------|
| | | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | \$ 233,248 | \$ 470,253 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(26) | 36,857 | 36,178 |
| Amortization | 6(26) | 2,920 | 2,996 |
| Expected credit impairment loss | 12(2) | (23,857) | 10,647 |
| Net gain on financial assets or liabilities at fair value through profit or loss | 6(24) | (10,230) | (4,497) |
| Interest expense | 6(25) | 14,431 | 12,553 |
| Interest income | 6(22) | (10,715) | (11,924) |
| Share of profit of associates and joint ventures accounted for using equity method | 6(7) | (25,927) | (71,169) |
| (Gain) loss on disposal of property, plant and equipment, net | 6(24) | 132 | (564) |
| Loss on disposal of intangible assets | 6(24) | 742 | - |
| Gains on disposals of investments | 6(24) | (708) | (815) |
| Impairment loss from non – financial assets | | 662 | 665 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial assets at fair value through profit or loss | | 205,176 | (93,744) |
| Notes receivable | | (4,559) | 36,226 |
| Accounts receivable | | 509,049 | (147,146) |
| Accounts receivable-related parties | | (334) | 436 |
| Other receivables | | 3,158 | (7,304) |
| Inventories | | 254,222 | 64,712 |
| Prepayments | | 13,557 | (33,395) |
| Other current assets | | (2,013) | (3,421) |
| Accrued pension assets | | (4,654) | - |
| Changes in operating liabilities | | | |
| Contract liabilities | | (240,206) | 91,283 |
| Notes payable | | (10,717) | (6,798) |
| Accounts payable | | (258,711) | 41,402 |
| Accounts payable-related parties | | 1,482 | (26,180) |
| Other payables | | (198,055) | (56,606) |
| Other current liabilities | | (8,313) | 14,261 |
| Accrued pension liabilities | | - | (4,413) |
| Cash inflow generated from operations | | 476,637 | 313,636 |
| Interest paid | | (16,072) | (7,642) |
| Income tax paid | | (101,622) | (66,506) |
| Net cash flows from operating activities | | 358,943 | 239,488 |

(Continued)

C SUN MFG. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | Six-month periods ended June 30 | |
|---|-------|---------------------------------|---------------------|
| | | 2023 | 2022 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at fair value through other comprehensive income | | (\$ 1,900) | (\$ 2,498) |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | 70,214 | 12,946 |
| Capital reduction of financial assets at fair value through other comprehensive income | | - | 1,788 |
| Acquisition of financial assets at amortised cost | | (132,345) | (139,683) |
| Proceeds from disposal of financial assets at amortised cost | | 132,284 | 157,838 |
| Increase in investment accounted for under the equity method | | (32,800) | (21,933) |
| Acquisition of property, plant and equipment | 6(30) | (7,974) | (51,259) |
| Proceeds from disposal of property, plant and equipment | | 300 | 1,868 |
| Acquisition of intangible assets | | (1,625) | (409) |
| Refundable deposits refunded (paid) | | (3,293) | 718 |
| Interest received | | 9,359 | 11,859 |
| Net cash flows from (used in) investing activities | | <u>32,220</u> | <u>(28,765)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from short-term borrowings | 6(31) | 1,080,000 | 1,026,798 |
| Repayment of short-term borrowings | 6(31) | (605,000) | (928,820) |
| Proceeds from long-term borrowings | 6(31) | 200,000 | - |
| Repayment of long-term borrowings | 6(31) | (281,000) | (27,000) |
| Repayment of principal portion of lease liabilities | 6(31) | (8,337) | (5,780) |
| Treasury stock transferred to employees | | - | 41,470 |
| Payment of cash dividends | 6(19) | (564,319) | - |
| Net cash flows (used in) from financing activities | | <u>(178,656)</u> | <u>106,668</u> |
| Effect of exchange rate | | <u>(29,603)</u> | <u>34,833</u> |
| Net increase in cash and cash equivalents | | 182,904 | 352,224 |
| Cash and cash equivalents at beginning of period | 6(1) | 1,371,810 | 1,060,848 |
| Cash and cash equivalents at end of period | 6(1) | <u>\$ 1,554,714</u> | <u>\$ 1,413,072</u> |

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

C SUN MFG. LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

C SUN MFG. LTD. (the “Company”) was incorporated in April, 1978. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged in electronics, semiconductors, liquid crystal displays (LCD), printed circuit boards, textiles, plastics, rubber, printing, chemical industry, aerospace and other industrial box ovens, tunnel ovens, UV drying equipment, UV exposure equipment, automatic equipment, plasma generator (PRS series), automatic system integration technology, research, development, related parts manufacturing, maintenance, sales, import and export business of the previous products.

In September, 2001, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE).

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

These consolidated financial statements were authorized for issuance by the Board of Directors on August 1, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|--|---|
| 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.

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

None.

(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:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board</u> |
|---|---|
| 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 liabilities with covenants’ | January 1, 2024 |
| Amendments to IAS 1, ‘Non-current liabilities with covenants’ | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements’ | January 1, 2024 |
| Amendments to IAS 12, ‘International tax reform - pillar two model rules’ | May 23, 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.

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, 2022, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as 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’ that came into effect as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

(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 financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect 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:

Basis for preparation of consolidated financial statements is consistent with the 2022 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership(%) | | | Note |
|---|---|---------------------------|---------------|-------------------|---------------|-------------|
| | | | June 30, 2023 | December 31, 2022 | June 30, 2022 | |
| C SUN MFG. LTD. | C Sun (B.V.I.) Ltd. | Holding company | 100% | 100% | 100% | Note 4 |
| C SUN MFG. LTD. | K Sun (Samoa) Ltd. | Holding company | 100% | 100% | 100% | Note 4 |
| C SUN MFG. LTD. | Wat Sun. Intelligent Technology Co., Ltd. | Manufacturing and Selling | - | - | 100% | Notes 3 & 4 |
| C Sun (B.V.I.) Ltd. | Csun Technology (Guangzhou) Co., Ltd. | Manufacturing and Selling | 100% | 100% | 100% | |
| C Sun (B.V.I.) Ltd. | Alpha Joint Ltd. | Holding company | 100% | 100% | 100% | Note 4 |
| C Sun (B.V.I.) Ltd. | Power Ever Enterprises Limited | Holding company | 77.47% | 77.47% | 77.47% | Note 4 |
| Power Ever Enterprises Limited | Good Team International Enterprises Limited | Holding company | 100% | 100% | 100% | Note 4 |
| Good Team International Enterprises Limited | Suzhou Top Creation Machines Co., Ltd. | Manufacturing and Selling | 100% | 100% | 100% | |
| Good Team International Enterprises Limited | Nantong Chuangfeng Photoelectric Equipment Co.,Ltd. | Manufacturing and Selling | 100% | 100% | 100% | Notes 2 & 4 |
| Suzhou Top Creation Machines Co., Ltd. | Top Creation Machines CO., Ltd. | Manufacturing and Selling | 100% | 100% | 100% | Note 4 |

| Name of investor | Name of subsidiary | Main business activities | Ownership(%) | | | Note |
|---------------------------------------|---|---------------------------|---------------|-------------------|---------------|-------------|
| | | | June 30, 2023 | December 31, 2022 | June 30, 2022 | |
| Csun Technology (Guangzhou) Co., Ltd. | Guangzhou Y SUN Machinery Tech. Co., Ltd. | Manufacturing and Selling | - | - | - | Notes 1 & 4 |
| Csun Technology (Guangzhou) Co., Ltd. | Jiangsu Chunag Gao Xin Materials Technology Co., Ltd. | Manufacturing and Selling | 100% | 100% | 100% | Note 4 |

Note 1: Guangzhou Y Sun Machinery Tech. Co., Ltd. completed the cancellation of registration on January, 2022.

Note 2: Nantong Chuangfeng Photoelectric Equipment Co., Ltd. was established in June 2022.

Note 3: Wat Sun. Intelligent Technology Co., Ltd. was dissolved on July 14, 2022. As of June 30, 2023, the liquidation process has not yet been completed.

Note 4: As these subsidiaries did not meet the definition of significant subsidiaries, the financial statements as of June 30, 2023 and 2022 were not reviewed by independent auditors.

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

Pensions - Defined benefit plans

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(5) Income tax

The interim period income tax expense is recognized 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. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

There have been no significant changes as of June 30, 2023. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|---------------------------------------|----------------------|--------------------------|----------------------|
| Cash on hand and revolving funds | \$ 2,577 | \$ 2,572 | \$ 3,338 |
| Checking accounts and demand deposits | 1,480,515 | 1,287,663 | 1,399,809 |
| Time deposits | 71,622 | 81,575 | 9,925 |
| Total | <u>\$ 1,554,714</u> | <u>\$ 1,371,810</u> | <u>\$ 1,413,072</u> |

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.

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

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|--|----------------------|--------------------------|----------------------|
| Current items: | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Beneficiary certificates | \$ - | \$ 174,745 | \$ 173,851 |
| Hybrid instruments | 3,030 | 3,030 | 3,030 |
| Derivatives | - | - | - |
| | <u>3,030</u> | <u>177,775</u> | <u>176,881</u> |
| Valuation adjustment | 9,216 | 28,406 | 9,340 |
| | <u>\$ 12,246</u> | <u>\$ 206,181</u> | <u>\$ 186,221</u> |

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

| | <u>For the three-month period ended June 30, 2023</u> | <u>For the three-month period ended June 30, 2022</u> |
|--|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Beneficiary certificates | \$ 100 | (\$ 1,470) |
| Derivative instruments | 7,304 | (2,075) |
| Hybrid instruments | 840 | 120 |
| | <u>\$ 8,244</u> | <u>(\$ 3,425)</u> |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|--|--|--|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Beneficiary certificates | \$ 2,473 | \$ 2,480 |
| Derivative instruments | 7,304 | - |
| Hybrid instruments | 1,320 | 120 |
| | <u>\$ 11,097</u> | <u>\$ 2,600</u> |

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

(There were no such transactions on June 30, 2022)

| | June 30, 2023 | |
|-------------------------------------|---|-----------------|
| Derivative financial instruments | Contract amount (notional principal) (in thousands) | Contract period |
| Current items: | | |
| Foreign exchange swap contracts | USD 18,900 | 2023/3-2023/10 |
| " | JPY 350,000 | 2023/6-2023/12 |
| | December 31, 2022 | |
| Derivative financial instruments | Contract amount (notional principal) (in thousands) | Contract period |
| Current items: | | |
| Foreign exchange swap contracts | USD 9,600 | 2022/12-2023/4 |
| " | JPY 50,000 | 2022/10-2023/1 |

Foreign exchange swap contracts

The Group entered into foreign exchange swap 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 foreign exchange contracts are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

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

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

| Items | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|----------------------|---------------|-------------------|---------------|
| Current items: | | | |
| Equity instruments | | | |
| Listed stocks | \$ 293,644 | \$ 349,116 | \$ 294,254 |
| Valuation adjustment | 203,171 | 47,815 | 27,658 |
| | \$ 496,815 | \$ 396,931 | \$ 321,912 |
| Non-current items: | | | |
| Equity instruments | | | |
| Emerging stocks | \$ 25,634 | \$ 25,634 | \$ 25,634 |
| Unlisted stocks | 45,450 | 45,380 | 45,520 |
| | 71,084 | 71,014 | 71,154 |
| Valuation adjustment | 17,832 | 5,017 | 19,797 |
| | \$ 88,916 | \$ 76,031 | \$ 90,951 |

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 \$585,731, \$472,962 and \$412,863 as at June 30, 2023, December 31, 2022 and June 30, 2022, 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:

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|--|--|--|
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | \$ 81,102 | (\$ 28,310) |
| Cumulative losses reclassified to retained earnings due to derecognition | (\$ 2,364) | (\$ 1,828) |
| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
| <u>Equity instruments at fair value through other comprehensive income</u> | | |
| Fair value change recognised in other comprehensive income | \$ 181,108 | (\$ 13,251) |
| Cumulative losses reclassified to retained earnings due to derecognition | (\$ 12,841) | (\$ 1,828) |

C. As at June 30, 2023, December 31, 2022 and June 30, 2022, without taking into account any collateral held, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$585,731, \$472,962 and \$412,863, respectively.

D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

| Items | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|----------------------------------|---------------|-------------------|---------------|
| Non-current items : | | | |
| Time deposits over twelve months | \$ 379,338 | \$ 388,555 | \$ 256,937 |

A. As at June 30, 2023, December 31, 2022 and June 30, 2022, 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 \$379,338, \$388,555 and \$256,937, respectively.

B. The Group has no financial assets at amortised cost pledged to others as collateral.

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 deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--|---------------------|---------------------|---------------------|
| Notes receivable | \$ 115,418 | \$ 113,270 | \$ 91,536 |
| Less: Allowance for uncollectible accounts | (78) | (146) | (153) |
| | <u>\$ 115,340</u> | <u>\$ 113,124</u> | <u>\$ 91,383</u> |
| Accounts receivable | \$ 2,049,086 | \$ 2,584,888 | \$ 2,375,924 |
| Accounts receivable-related parties | 25 | - | - |
| Less: Allowance for uncollectible accounts | (238,140) | (270,761) | (255,679) |
| | <u>\$ 1,810,971</u> | <u>\$ 2,314,127</u> | <u>\$ 2,120,245</u> |
| Overdue receivable (shown as other non-current assets) | \$ 20,768 | \$ 14,579 | \$ 31,903 |
| Less: Allowance for uncollectible accounts | (20,768) | (14,579) | (31,903) |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

| | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | |
|-------------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due to 60 days | \$1,768,903 | \$115,148 | \$2,327,016 | \$113,270 | \$2,174,483 | \$91,536 |
| 61 to 120 days | 103,580 | - | 127,932 | - | 79,954 | - |
| 121 to 180 days | 56,124 | - | 59,516 | - | 40,112 | - |
| Over 180 days | 120,504 | - | 70,424 | - | 81,375 | - |
| | <u>\$2,049,111</u> | <u>\$115,148</u> | <u>\$2,584,888</u> | <u>\$113,270</u> | <u>\$2,375,924</u> | <u>\$91,536</u> |

The above ageing analysis was based on past due date.

B. As of June 30, 2023, December 31, 2022 and June 30, 2022, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2022 the balance of receivables from contracts with customers amounted to \$2,307,837.

C. The Group has no notes and accounts receivable pledged to others as collateral.

D. As of June 30, 2023, December 31, 2022 and June 30, 2022, 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 notes and accounts receivable was \$115,340, \$113,124 and \$91,383; \$1,810,971, \$2,314,127 and \$2,120,245, respectively.

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

(6) Inventories

| | June 30, 2023 | | |
|------------------|---------------------|------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 201,198 | (\$ 95,509) | \$ 105,689 |
| Work in progress | 540,458 | (170,097) | 370,361 |
| Finished goods | 306,341 | (93,244) | 213,097 |
| Total | <u>\$ 1,047,997</u> | <u>(\$ 358,850)</u> | <u>\$ 689,147</u> |
| | December 31, 2022 | | |
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 267,025 | (\$ 94,481) | \$ 172,544 |
| Work in progress | 617,305 | (135,538) | 481,767 |
| Finished goods | 400,825 | (104,303) | 296,522 |
| Total | <u>\$ 1,285,155</u> | <u>(\$ 334,322)</u> | <u>\$ 950,833</u> |

| | June 30, 2022 | | |
|------------------|---------------------|---------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 316,595 | (\$ 108,389) | \$ 208,206 |
| Work in progress | 729,160 | (99,159) | 630,001 |
| Finished goods | 350,335 | (88,311) | 262,024 |
| Total | \$ 1,396,090 | (\$ 295,859) | \$ 1,100,231 |

The cost of inventories recognised as expense for the period:

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|--|--|--|
| Cost of goods sold and others | \$ 448,272 | \$ 824,785 |
| Loss on decline (gain on reversal of decline) in market value | (1,270) | (21,467) |
| Total | \$ 447,002 | \$ 803,318 |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|---------------------------------|--|--|
| Cost of goods sold and others | \$ 1,024,963 | \$ 1,628,115 |
| Loss on decline in market value | 27,719 | 2,246 |
| Total | \$ 1,052,682 | \$ 1,630,361 |

(7) Investments accounted for using equity method

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---------------------------------------|---------------------|---------------------|---------------------|
| Associates: | | | |
| Gallant Precision Machining Co., Ltd. | \$ 988,708 | \$ 987,324 | \$ 905,496 |
| Gallant Micro. Machining Co., Ltd. | 134,141 | 105,046 | 92,960 |
| Alpha-Cure Asia Co., Ltd. | 67,945 | 67,052 | 74,012 |
| Viewmove Technologies, Inc. | 39,244 | 38,926 | 41,318 |
| | \$ 1,230,038 | \$ 1,198,348 | \$ 1,113,786 |

Associates

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 |
|---------------------------------------|-----------------------------|--------------------|-------------------|---------------|------------------------|------------------------|
| | | June 30, 2023 | December 31, 2022 | June 30, 2022 | | |
| Gallant Precision Machining Co., Ltd. | Taiwan | 27.38% | 27.38% | 27.58% | Business strategy | Equity method |
| Gallant Micro. Machining Co., Ltd. | Taiwan | 23.49% (Note) | 22.23% (Note) | 23.11% (Note) | Business strategy | Equity method |
| Alpha-Cure Asia Co., Ltd. | China | 25.00% | 25.00% | 25.00% | Business strategy | Equity method |
| Viewmove Technologies, Inc. | Taiwan | 20.70% | 20.70% | 20.70% | Business strategy | Equity method |

Note : It refers to the comprehensive shareholding ratio including shares of investees directly held by the Group and indirectly held through the associate.

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

Balance sheet

| | Gallant Precision Machining Co., Ltd. | | |
|----------------------------------|---------------------------------------|---------------------|---------------------|
| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
| Current assets | \$ 4,400,186 | \$ 5,631,173 | \$ 5,132,481 |
| Non-current assets | 2,950,794 | 2,265,188 | 2,082,760 |
| Current liabilities | (3,432,400) | (3,902,059) | (3,629,521) |
| Non-current liabilities | (748,644) | (752,533) | (764,167) |
| Total net assets | <u>\$ 3,169,936</u> | <u>\$ 3,241,769</u> | <u>\$ 2,821,553</u> |
| Share in associate's net assets | \$ 724,574 | \$ 723,190 | \$ 645,736 |
| Goodwill | <u>264,134</u> | <u>264,134</u> | <u>259,760</u> |
| Carrying amount of the associate | <u>\$ 988,708</u> | <u>\$ 987,324</u> | <u>\$ 905,496</u> |

| | Gallant Micro. Machining Co., Ltd. | | |
|----------------------------------|------------------------------------|---------------------|---------------------|
| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
| Current assets | \$ 1,761,414 | \$ 1,973,083 | \$ 1,890,247 |
| Non-current assets | 757,945 | 644,883 | 645,598 |
| Current liabilities | (1,105,280) | (1,153,863) | (1,260,270) |
| Non-current liabilities | (263,951) | (262,121) | (257,045) |
| Total net assets | <u>\$ 1,150,128</u> | <u>\$ 1,201,982</u> | <u>\$ 1,018,530</u> |
| Share in associate's net assets | \$ 86,700 | \$ 76,976 | \$ 66,999 |
| Goodwill | 47,441 | 28,070 | 25,961 |
| Carrying amount of the associate | <u>\$ 134,141</u> | <u>\$ 105,046</u> | <u>\$ 92,960</u> |

Statement of comprehensive income

| | Gallant Precision Machining Co., Ltd. | |
|--|--|--|
| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
| Revenue | \$ 658,174 | \$ 1,136,717 |
| Profit for the period from continuing operations | \$ 52,332 | \$ 143,707 |
| Other comprehensive income (loss), net of tax | 89,210 | (97,046) |
| Total comprehensive income | <u>\$ 141,542</u> | <u>\$ 46,661</u> |
| Dividends received from associates | <u>\$ 80,566</u> | <u>\$ 66,003</u> |

| | Gallant Precision Machining Co., Ltd. | |
|--|--|--|
| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
| Revenue | \$ 1,396,160 | \$ 2,231,452 |
| Profit for the period from continuing operations | \$ 94,121 | \$ 289,242 |
| Other comprehensive income (loss), net of tax | 255,210 | (80,226) |
| Total comprehensive income | <u>\$ 349,331</u> | <u>\$ 209,016</u> |
| Dividends received from associates | <u>\$ 80,566</u> | <u>\$ 66,003</u> |

| | <u>Gallant Micro. Machining Co., Ltd.</u> | |
|--|--|--|
| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
| Revenue | \$ 226,845 | \$ 427,770 |
| Profit for the period from continuing operations | \$ 27,658 | \$ 92,227 |
| Other comprehensive income (loss), net of tax | 53,531 | (36,157) |
| Total comprehensive income | <u>\$ 81,189</u> | <u>\$ 56,070</u> |
| Dividends received from associates | <u>\$ 11,730</u> | <u>\$ 9,060</u> |

| | <u>Gallant Micro. Machining Co., Ltd.</u> | |
|--|--|--|
| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
| Revenue | \$ 483,315 | \$ 822,040 |
| Profit for the period from continuing operations | \$ 42,171 | \$ 171,576 |
| Other comprehensive income (loss), net of tax | 75,634 | (23,305) |
| Total comprehensive income | <u>\$ 117,805</u> | <u>\$ 148,271</u> |
| Dividends received from associates | <u>\$ 11,730</u> | <u>\$ 9,060</u> |

C. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amount of the Group's individually immaterial associates amounted to \$107,189, \$105,978 and \$115,330, respectively.

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|---|--|--|
| Profit (loss) for the period from continuing operations | \$ 1,303 | (\$ 1,536) |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income (loss) | <u>\$ 1,303</u> | <u>(\$ 1,536)</u> |
| Dividends received from associates | <u>\$ -</u> | <u>\$ -</u> |
| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
| Profit for the period from continuing operations | \$ 2,858 | \$ 6,848 |
| Other comprehensive income, net of tax | - | - |
| Total comprehensive income | <u>\$ 2,858</u> | <u>\$ 6,848</u> |
| Dividends received from associates | <u>\$ -</u> | <u>\$ -</u> |

D. The Group's material associate Gallant Precision Machining Co., Ltd. has quoted market prices. As of June 30, 2023, December 31, 2022 and June 30, 2022, the fair values were \$1,405,427, \$1,235,344 and \$1,136,162, respectively.

- E. The Group's material associate Gallant Micro. Machining Co., Ltd. has quoted market prices. As of June 30, 2023, December 31, 2022 and June 30, 2022, the fair values were \$192,839, \$163,406 and \$167,610, respectively.
- F. The Group is the single largest shareholder of Gallant Precision Machining Co., Ltd. with a 27.38% equity interest. Given that the key management of the Company and Gallant Precision Machining Co., Ltd. is not the same, which indicates that the Group has no current ability to direct the relevant activities of Gallant Precision Machining Co., Ltd., the Group has no control, but only has significant influence, over the investee.
- G. The gain on investments accounted for under equity method amounted to \$15,210, \$37,119, \$25,927, and \$71,169 for the three-month and six-month periods ended June 30, 2023 and 2022, respectively.

(8) Property, plant and equipment

2023

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Machinery and equipment</u> | <u>Office equipment</u> | <u>Transportation equipment</u> | <u>Other equipment</u> | <u>Construction in progress and prepayment for equipment</u> | <u>Total</u> |
|--|-------------------|-------------------------------------|------------------------------------|-----------------------------|-------------------------------------|----------------------------|--|-------------------|
| At January 1 | | | | | | | | |
| Cost | \$ 270,031 | \$ 686,028 | \$ 112,200 | \$ 108,589 | \$ 26,324 | \$ 191,971 | \$ 2,585 | \$ 1,397,728 |
| Accumulated depreciation | - | (261,096) | (94,550) | (72,295) | (16,168) | (145,226) | - | (589,335) |
| | <u>\$ 270,031</u> | <u>\$ 424,932</u> | <u>\$ 17,650</u> | <u>\$ 36,294</u> | <u>\$ 10,156</u> | <u>\$ 46,745</u> | <u>\$ 2,585</u> | <u>\$ 808,393</u> |
| Opening net book amount as at January 1 | \$ 270,031 | \$ 424,932 | \$ 17,650 | \$ 36,294 | \$ 10,156 | \$ 46,745 | \$ 2,585 | \$ 808,393 |
| Additions | - | 918 | 325 | 3,358 | - | 3,252 | 256 | 8,109 |
| Disposals | - | (3) | (80) | (73) | (219) | (57) | - | (432) |
| Reclassifications | - | 2,513 | - | - | - | 73 | (2,586) | - |
| Depreciation charge | - | (9,564) | (2,228) | (7,320) | (1,488) | (7,273) | - | (27,873) |
| Net exchange differences | - | (3,337) | (355) | (324) | (172) | (826) | (3) | (5,017) |
| Closing net book amount as at June 30 | <u>\$ 270,031</u> | <u>\$ 415,459</u> | <u>\$ 15,312</u> | <u>\$ 31,935</u> | <u>\$ 8,277</u> | <u>\$ 41,914</u> | <u>\$ 252</u> | <u>\$ 783,180</u> |
| At June 30 | | | | | | | | |
| Cost | \$ 270,031 | \$ 683,479 | \$ 109,468 | \$ 110,045 | \$ 23,636 | \$ 146,049 | \$ 252 | \$ 1,342,960 |
| Accumulated depreciation | - | (268,020) | (94,156) | (78,110) | (15,359) | (104,135) | - | (559,780) |
| | <u>\$ 270,031</u> | <u>\$ 415,459</u> | <u>\$ 15,312</u> | <u>\$ 31,935</u> | <u>\$ 8,277</u> | <u>\$ 41,914</u> | <u>\$ 252</u> | <u>\$ 783,180</u> |

2022

| | Land | Buildings and structures | Machinery and equipment | Office equipment | Transportation equipment | Other equipment | Construction in progress and prepayment for equipment | Total |
|--|-------------------|-----------------------------|----------------------------|---------------------|-----------------------------|--------------------|--|-------------------|
| At January 1 | | | | | | | | |
| Cost | \$ 247,088 | \$ 668,290 | \$ 118,550 | \$ 114,370 | \$ 34,042 | \$ 179,104 | \$ 12,616 | \$ 1,374,060 |
| Accumulated depreciation | - | (238,227) | (101,153) | (87,556) | (23,115) | (145,798) | - | (595,849) |
| | <u>\$ 247,088</u> | <u>\$ 430,063</u> | <u>\$ 17,397</u> | <u>\$ 26,814</u> | <u>\$ 10,927</u> | <u>\$ 33,306</u> | <u>\$ 12,616</u> | <u>\$ 778,211</u> |
| Opening net book amount as at January 1 | \$ 247,088 | \$ 430,063 | \$ 17,397 | \$ 26,814 | \$ 10,927 | \$ 33,306 | \$ 12,616 | \$ 778,211 |
| Additions | 22,943 | 13,270 | 925 | 4,381 | 2,474 | 4,250 | 3,043 | 51,286 |
| Disposals | - | - | (51) | (19) | (1,184) | (50) | - | (1,304) |
| Reclassifications(Note) | - | 816 | 23 | 8,114 | - | 624 | (12,617) | (3,040) |
| Depreciation charge | - | (11,682) | (2,678) | (6,889) | (1,751) | (6,619) | - | (29,619) |
| Net exchange differences | - | 2,890 | 325 | 193 | 168 | 576 | - | 4,152 |
| Closing net book amount as at June 30 | <u>\$ 270,031</u> | <u>\$ 435,357</u> | <u>\$ 15,941</u> | <u>\$ 32,594</u> | <u>\$ 10,634</u> | <u>\$ 32,087</u> | <u>\$ 3,042</u> | <u>\$ 799,686</u> |
| At June 30 | | | | | | | | |
| Cost | \$ 270,031 | \$ 687,204 | \$ 109,214 | \$ 97,308 | \$ 25,137 | \$ 172,630 | \$ 3,042 | \$ 1,364,566 |
| Accumulated depreciation | - | (251,847) | (93,273) | (64,714) | (14,503) | (140,543) | - | (564,880) |
| | <u>\$ 270,031</u> | <u>\$ 435,357</u> | <u>\$ 15,941</u> | <u>\$ 32,594</u> | <u>\$ 10,634</u> | <u>\$ 32,087</u> | <u>\$ 3,042</u> | <u>\$ 799,686</u> |

Note : It refers to construction in progress and prepayment for equipment transferred to buildings and structures amounting to \$816, machinery and equipment amounting to \$23, office equipment amounting to \$8,114, other equipment amounting to \$624, intangible assets amounting to \$3,040.

- A. There were no borrowing costs capitalized as part of property, plant and equipment for the three month and six-month periods ended June 30, 2023 and 2022, respectively.
- B. The Group's buildings and structures include buildings and improvements, decoration works and hydroelectric engineering which are depreciated over 56 years, 2 to 51 years and 5 to 8 years, respectively.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Leasing arrangements – lessee

- A. The Group leases various assets including land, buildings, photocopiers, business vehicles. Land contract is typically made for periods of 26 to 50 years and other rental contracts are typically made for periods of 1 to 5 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.
- B. Short-term leases with a lease term of 12 months or less comprise photocopiers and business vehicles, which were excluded from the right-of-use assets.
- C. The carrying amount of the depreciation charge are as follows:

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|---|------------------------|---|---|
| | <u>Carrying amount</u> | <u>Carrying amount</u> | <u>Carrying amount</u> |
| Land | \$ 45,694 | \$ 47,508 | \$ 48,469 |
| Buildings | 2,515 | 821 | 619 |
| Transportation equipment (Business vehicles) | 25,774 | 23,326 | 20,441 |
| Office equipment (Photocopiers) | 1,059 | 1,355 | - |
| | <u>\$ 75,042</u> | <u>\$ 73,010</u> | <u>\$ 69,529</u> |
| | | <u>For the three-month period ended June 30, 2023</u> | <u>For the three-month period ended June 30, 2022</u> |
| | | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | | \$ 375 | \$ 382 |
| Buildings | | 437 | 147 |
| Transportation equipment (Business vehicles) | | 3,610 | 2,782 |
| Office equipment (Photocopiers) | | 134 | 47 |
| | | <u>\$ 4,556</u> | <u>\$ 3,358</u> |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|--|--|--|
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | \$ 755 | \$ 759 |
| Buildings | 746 | 294 |
| Transportation equipment (Business vehicles) | 7,212 | 5,388 |
| Office equipment (Photocopiers) | 271 | 118 |
| | <u>\$ 8,984</u> | <u>\$ 6,559</u> |

D. For the three-month and six-month periods ended June 30, 2023 and 2022, the additions to right-of-use assets were \$9,649, \$981, \$12,647, and \$5,960, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|---------------------------------------|---|---|
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 83 | \$ 79 |
| Expense on short-term lease contracts | 5,654 | 806 |
| Expense on leases of low-value assets | 1,716 | 77 |
| | <u>For the six-month period ended June 30, 2023</u> | <u>For the six-month period ended June 30, 2022</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 201 | \$ 154 |
| Expense on short-term lease contracts | 11,387 | 3,221 |
| Expense on leases of low-value assets | 3,351 | 153 |

F. For the six-month periods ended June 30, 2023 and 2022, the Group's total cash outflow for leases were \$23,276 and \$9,308, respectively.

(10) Leasing arrangements – lessor

A. The Group leases various assets including buildings. Rental contracts are typically made for periods of 6 and 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.

B. For the three-month and six-month periods ended June 30, 2023 and 2022, the Group recognised rent income in the amounts of \$2,078, \$3,207, \$4,540, and \$6,331, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the undiscounted lease payments in the finance lease is as follows:

| | <u>June 30, 2023</u> | | <u>December 31, 2022</u> | | <u>June 30, 2022</u> |
|------------|----------------------|------------|--------------------------|------------|----------------------|
| 2023 | \$ 4,074 | 2023 | \$ 8,541 | 2022 | \$ 6,198 |
| 2024 | 8,148 | 2024 | 8,190 | 2023 | 8,537 |
| 2025 | 8,148 | 2025 | 8,190 | 2024 | 8,186 |
| 2026 | 8,148 | 2026 | 8,190 | 2025 | 8,186 |
| After 2027 | <u>25,563</u> | After 2027 | <u>25,695</u> | After 2026 | <u>33,867</u> |
| Total | <u>\$ 54,081</u> | Total | <u>\$ 58,806</u> | Total | <u>\$ 64,974</u> |

(11) Short-term borrowings

| <u>Type of borrowings</u> | <u>June 30, 2023</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank borrowings | | | |
| Unsecured borrowings | \$ <u>1,170,000</u> | 1.61%~1.94% | None |
| <u>Type of borrowings</u> | <u>December 31, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Bank borrowings | | | |
| Unsecured borrowings | \$ <u>695,000</u> | 1.55%~2.11% | None |
| <u>Type of borrowings</u> | <u>June 30, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Bank borrowings | | | |
| Unsecured borrowings | \$ <u>812,321</u> | 1.05%~1.55% | None |

(12) Financial liabilities at fair value through profit or loss

| <u>Items</u> | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|--|----------------------|--------------------------|----------------------|
| Current items: | | | |
| Financial liabilities held for trading | | | |
| Derivative instruments | \$ 527 | \$ 203 | \$ - |
| Valuation adjustment | <u>286</u> | <u>126</u> | <u>1,371</u> |
| | <u>813</u> | <u>329</u> | <u>1,371</u> |

A. Amounts recognised in profit or loss in relation to financial liabilities at fair value through profit or loss are as follows:

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|---|--|--|
| Net gains recognised in profit | | |
| Financial liabilities held for trading | | |
| Derivative instruments | \$ <u>658</u> | \$ <u>300</u> |
| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
| Net (losses) gains recognised in profit | | |
| Financial liabilities held for trading | | |
| Derivative instruments | (\$ <u>159</u>) | \$ <u>2,754</u> |

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

| | June 30, 2023 | |
|----------------------------------|---|-----------------|
| Derivative financial liabilities | Contract amount (Notional principal) (in thousands) | Contract period |
| Current items: | | |
| Option | USD 6,500 | 2023/4-2023/8 |
| | December 31, 2022 | |
| Derivative financial liabilities | Contract amount (Notional principal) (in thousands) | Contract period |
| Current items: | | |
| Option | USD 3,000 | 2022/12-2023/3 |
| | June 30, 2022 | |
| Derivative financial liabilities | Contract amount (Notional principal) (in thousands) | Contract period |
| Current items: | | |
| Foreign exchange swap contracts | USD 1,000 | 2022/6-2022/7 |
| | JPY 100,000 | 2022/4-2022/10 |
| | USD 1,000 | 2022/5-2022/7 |

Foreign exchange swap contracts

The Group entered into foreign exchange swap 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 foreign exchange contracts are not accounted for under hedge accounting.

(13) Other payables

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|---|----------------------|--------------------------|----------------------|
| Salary and bonus payable | \$ 255,512 | \$ 371,017 | \$ 283,199 |
| Employees' compensation and directors' remuneration payable | 6,902 | 28,304 | 38,455 |
| Pension payable | 26,034 | 25,917 | 24,340 |
| Accrued annual leave | 22,070 | 25,555 | 21,701 |
| Payable on machinery and equipment | 176 | 41 | 124 |
| Dividend payable | - | - | 456,569 |
| Others | 306,356 | 371,359 | 363,851 |
| | <u>\$ 617,050</u> | <u>\$ 822,193</u> | <u>\$ 1,188,239</u> |

(14) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | June 30, 2023 |
|--|---|---------------------|---------------------|--------------------|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from March 30, 2023 to September 30, 2024; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | \$ 200,000 |
| Unsecured borrowings | Borrowing period is from October 24, 2022 to October 23, 2025; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | 150,000 |
| Secured borrowings | Borrowing period is from June 9, 2020 to October 23, 2025; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | Land and structures | 143,000 |
| Secured borrowings | Borrowing period is from June 9, 2020 to October 23, 2025; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | Land and structures | 70,000 |
| Secured borrowings | Borrowing period is from February 20, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 175,000 |
| Secured borrowings | Borrowing period is from July 1, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 14,000 |
| Secured borrowings | Borrowing period is from July 1, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 72,000 |
| Secured borrowings | Borrowing period is from August 18, 2022 to August 18, 2027; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | Note | 100,000 |
| Unsecured borrowings | Borrowing period is from October 12, 2022 to October 12, 2024; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | 95,000 |
| | | | | <u>1,019,000</u> |
| Less: Long-term liabilities, current portion | | | | (<u>135,000</u>) |
| | | | | <u>\$ 884,000</u> |

Interest rate range: 1.61%~1.89%

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2022 |
|--|---|---------------------|---------------------|-------------------|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from July 27, 2021 to January 28, 2023; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | \$ 100,000 |
| Unsecured borrowings | Borrowing period is from August 20, 2021 to January 28, 2023; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | 100,000 |
| Unsecured borrowings | Borrowing period is from October 24, 2022 to October 23, 2025; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | 150,000 |
| Secured borrowings | Borrowing period is from June 9, 2020 to October 23, 2025; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | Land and structures | 180,000 |
| Secured borrowings | Borrowing period is from June 9, 2020 to October 23, 2025; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | Land and structures | 33,000 |
| Secured borrowings | Borrowing period is from February 20, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 225,000 |
| Secured borrowings | Borrowing period is from July 1, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 18,000 |
| Secured borrowings | Borrowing period is from July 1, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 99,000 |
| Secured borrowings | Borrowing period is from August 18, 2022 to August 18, 2027; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | Note | 100,000 |
| Unsecured borrowings | Borrowing period is from October 12, 2022 to October 12, 2024; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | 95,000 |
| | | | | <u>1,100,000</u> |
| Less: Long-term liabilities, current portion | | | | (344,000) |
| | | | | <u>\$ 756,000</u> |

Interest rate range: 1.42%~1.80%

| Type of borrowings | Borrowing period and repayment term | Interest rate range | Collateral | June 30, 2022 |
|---|---|---------------------|---------------------|-------------------|
| Long-term bank borrowings | | | | |
| Unsecured borrowings | Borrowing period is from July 27, 2021 to January 28, 2023; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | \$ 100,000 |
| Unsecured borrowings | Borrowing period is from August 20, 2021 to January 28, 2023; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | None | 100,000 |
| Secured borrowings | Borrowing period is from June 9, 2020 to June 8, 2023; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | Land and structures | 180,000 |
| Secured borrowings | Borrowing period is from June 9, 2020 to June 8, 2023; interest is repayable monthly; principal is repayable in full at maturity. | Fixed | Land and structures | 33,000 |
| Secured borrowings | Borrowing period is from February 20, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 275,000 |
| Secured borrowings | Borrowing period is from July 1, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 22,000 |
| Secured borrowings | Borrowing period is from July 1, 2020 to February 20, 2025; interest is repayable quarterly; principal is repayable quarterly in 12 instalments from the next day after 24 months. The monthly payment shall be calculated by using annuity method and the principal and interest shall be paid based on the schedule. | Fixed | Note | 108,000 |
| | | | | 818,000 |
| Less: Long-term liabilities,current portion | | | | (135,000) |
| | | | | <u>\$ 683,000</u> |

Interest rate range: 0.95%~1.289%

Note: In order to repay the existing bank loans and replenish the medium-term working capital, the Company has pledged the property (please refer to Note 8 for details) to the management bank as collateral.

According to the abovementioned loan agreement, the Company agreed to provide the consolidated financial statements audited by CPA annually and maintain the following financial ratios and agreements before the full settlement of the debts during the duration of agreement:

- A. Current ratio: Current assets against current liabilities shall be at least 120%.
- B. Debt ratio: Debt against net tangible assets shall be no more than 200%.
- C. Interest coverage ratio: The net profit before tax plus interest expense plus depreciation expense and amortisation expense divided by interest expense shall be at least three times.
- D. Net tangible assets: the net asset value less intangible shall be no less than \$2 billion.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the consolidated financial statements of the Group met the requirements of the financial ratio limits.

(15) Pensions

- A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognized pension costs of \$100, \$177, \$205, and \$355 for the three-month and six-month periods ended June 30, 2023 and 2022, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$9,537.

- B. (a) Effective July 1, 2005, 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) The Group’s mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 10%~20%, respectively. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2023 and 2022, were \$3,852, \$3,595, \$7,798, and \$7,179, respectively.

(16) Share-based payment

- A. For the six-month period ended June 30, 2023, the Group’s share-based payment arrangements were as follows:

| <u>Type of arrangement</u> | <u>Grant date</u> | <u>Quantity granted</u> | <u>Contract period</u> | <u>Vesting conditions</u> |
|---|-------------------|-------------------------|------------------------|---------------------------|
| Treasury stock transferred to employees | March 11, 2022 | 715 thousand shares | - | Vested immediately |

- B. The weighted-average stock price of stock options at exercise dates as of March 11, 2022 was \$49.3 per share. The exercise prices of stock options was \$58 per share. There were no expenses incurred on share-based payment transactions for the six-month periods ended June 30, 2023.

(17) Share capital

- A. As of June 30, 2023, the Company’s authorised capital was \$2,000,000, consisting of 200,000 thousand shares of ordinary stock, and the paid-in capital was \$1,567,553 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 (thousand shares) outstanding are as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|----------------|----------------|
| At January 1 | 156,755 | 151,475 |
| Treasury stock sold to employees | - | 715 |
| At June 30 | <u>156,755</u> | <u>152,190</u> |

- B. On May 25, 2021, the Board of Directors has resolved for the Company to repurchase treasury shares amounting to 1,000 thousand shares. Aforementioned shares will be reissued to employees. As of June 30, 2022, the accumulated number of shares which are repurchased by the Company is 715 thousand shares. The treasury shares were reissued to employees for the six-month period ended June 30, 2023.
- C. The stockholders at their meeting on June 9, 2022 resolved to increase capital by 4,566 thousand shares with a par value of \$10 per share through capitalization of unappropriated retained earnings of \$45,657. Pursuant to the approval by the Financial Supervisory Commission, Securities and Futures Bureau, the capital increase was effective on July 15, 2022.
- D. Treasury shares (June 30, 2023 and 2022 : None.)
- (a) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
 - (b) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
 - (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired.

(18) Capital surplus

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.

The details of capital surplus are as follows:

| | | 2023 | | | | | | |
|--|-------------------|---------------|-----------------------|---|--|--|----------------------------|------------------------------------|
| | | Share premium | Consolidation premium | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Changes in ownership interest in subsidiarie | Capital surplus, changes in equity of investment | Employee restricted shares | Net change in equity of associates |
| January 1 | (Same as June 30) | \$ 85,584 | \$ 133,672 | \$ 11,761 | \$ 1,776 | \$ 40,893 | \$ 7 | \$ 273,693 |
| | | 2022 | | | | | | |
| | | Share premium | Consolidation premium | Difference between consideration and carrying amount of subsidiaries acquired or disposed | Changes in ownership interest in subsidiarie | Capital surplus, changes in equity of investment | Employee restricted shares | Net change in equity of associates |
| At January 1 | | \$ 85,584 | \$ 133,672 | \$ 11,761 | \$ 1,776 | \$ 10,951 | \$ 7 | \$ 243,751 |
| Recognition of change in equity of associates in proportion to the Group's ownership | | - | - | - | - | 7,944 | - | 7,944 |
| June 30 | | \$ 85,584 | \$ 133,672 | \$ 11,761 | \$ 1,776 | \$ 18,895 | \$ 7 | \$ 251,695 |

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Stock dividends should be appropriated at a rate of 20% per annum. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting. In accordance with the law, the Company authorised the distributable dividends and bonuses in whole or in part may be paid in cash after a special resolution has been adopted by the Board of Directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The aforesaid requirement that resolution shall be resolved at the shareholders' meeting is not applicable.
- 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. (a) 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.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. The appropriation of 2022 and 2021 earnings had been resolved at the stockholders' meeting on May 23, 2023 and June 9, 2022, respectively. Details are summarized below:

| | Year ended December 31, 2022 | | Year ended December 31, 2021 | |
|-----------------|------------------------------|--|------------------------------|--|
| | Amount | Dividends per share (in NT dollars) | Amount | Dividends per share (in NT dollars) |
| Legal reserve | \$ 74,686 | | \$ 64,632 | |
| Special reserve | - | | (53,977) | |
| Cash dividends | 564,319 | \$ 3.6 | 456,569 | \$ 3.01416 |
| Stock dividends | - | - | 45,657 | 0.301416 |
| | <u>\$ 639,005</u> | <u>\$ 3.6</u> | <u>\$ 512,881</u> | <u>\$ 3.315576</u> |

(20) Other equity items

| | 2023 | | | |
|--|---|--|---------------|-------------------|
| | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Exchange differences on translation of foreign financial statements | Other | Total |
| At January 1 | \$ 71,516 | (\$ 101,535) | \$ 530 | (\$ 29,489) |
| Valuation adjustment | 254,238 | - | - | 254,238 |
| Disposal transferred out from retained earnings | (12,841) | - | - | (12,841) |
| Currency translation differences: | | | | |
| -Group | - | (41,403) | - | (41,403) |
| -Associate | - | (6,628) | - | (6,628) |
| At June 30 | <u>\$ 312,913</u> | <u>(\$ 149,566)</u> | <u>\$ 530</u> | <u>\$ 163,877</u> |

| | 2022 | | | |
|--|---|--|---------------|--------------------|
| | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Exchange differences on translation of foreign financial statements | Other | Total |
| At January 1 | \$ 102,636 | (\$ 132,689) | \$ 530 | (\$ 29,523) |
| Valuation adjustment | (37,124) | - | - | (37,124) |
| Disposal transferred out from retained earnings | (1,828) | - | - | (1,828) |
| Currency translation differences: | | | | |
| -Group | - | 31,691 | - | 31,691 |
| -Associate | - | 7,818 | - | 7,818 |
| At June 30 | <u>\$ 63,684</u> | <u>(\$ 93,180)</u> | <u>\$ 530</u> | <u>(\$ 28,966)</u> |

(21) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

| For the three-month period ended | C SUN MFG. LTD. | | | Csun Technology (Guangzhou) Co., Ltd. | | Suzhou Top Creation Machines Co., Ltd. | | | Other | | | Total |
|----------------------------------|-------------------|-------------------|------------------|---------------------------------------|---------------|--|-------------------|------------------|------------------|-------------|-------------|---------------------|
| | Taiwan | China | Other | China | Other | China | Other | Taiwan | China | Other | | |
| June 30, 2023 | | | | | | | | | | | | |
| Timing of revenue recognition | | | | | | | | | | | | |
| At a point in time | \$ 246,513 | \$ 30,973 | \$ 41,788 | \$ 146,941 | \$ 698 | \$ 188,736 | \$ 21,308 | \$ 4,954 | \$ 14,804 | \$ - | \$ - | \$ 696,715 |
| Over time | 31,967 | - | - | - | - | - | - | - | - | - | - | 31,967 |
| Total | <u>\$ 278,480</u> | <u>\$ 30,973</u> | <u>\$ 41,788</u> | <u>\$ 146,941</u> | <u>\$ 698</u> | <u>\$ 188,736</u> | <u>\$ 21,308</u> | <u>\$ 4,954</u> | <u>\$ 14,804</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 728,682</u> |
| June 30, 2022 | | | | | | | | | | | | |
| Timing of revenue recognition | | | | | | | | | | | | |
| At a point in time | \$ 272,681 | \$ 260,078 | \$ 23,207 | \$ 285,562 | \$ 800 | \$ 5,144 | \$ 408,826 | \$ 33,133 | \$ 9,687 | \$ - | \$ - | \$ 1,299,118 |
| Over time | 21,048 | - | - | - | - | - | - | - | - | - | - | 21,048 |
| Total | <u>\$ 293,729</u> | <u>\$ 260,078</u> | <u>\$ 23,207</u> | <u>\$ 285,562</u> | <u>\$ 800</u> | <u>\$ 5,144</u> | <u>\$ 408,826</u> | <u>\$ 33,133</u> | <u>\$ 9,687</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,320,166</u> |

| For the six-month period ended June 30, 2023 | C SUN MFG. LTD. | | | Csun Technology (Guangzhou) Co., Ltd. | | Suzhou Top Creation Machines Co., Ltd. | | | Other | | | Total |
|--|-------------------|-------------------|------------------|--|-----------------|---|-------------------|------------------|------------------|-----------------|---------------------|---------------------|
| | Taiwan | China | Other | China | Other | China | Other | Taiwan | China | Other | | |
| Timing of revenue recognition | | | | | | | | | | | | |
| At a point in time | \$ 660,759 | \$ 130,391 | \$ 50,817 | \$ 280,334 | \$ 1,368 | \$ 322,524 | \$ 85,066 | \$ 11,326 | \$ 96,953 | \$ - | \$ 1,639,538 | |
| Over time | 55,998 | - | - | - | - | - | - | - | - | - | 55,998 | |
| Total | <u>\$ 716,757</u> | <u>\$ 130,391</u> | <u>\$ 50,817</u> | <u>\$ 280,334</u> | <u>\$ 1,368</u> | <u>\$ 322,524</u> | <u>\$ 85,066</u> | <u>\$ 11,326</u> | <u>\$ 96,953</u> | <u>\$ -</u> | <u>\$ 1,695,536</u> | |
| | | | | | | | | | | | | |
| For the six-month period ended June 30, 2022 | C SUN MFG. LTD. | | | Csun Technology (Guangzhou) Co., Ltd. | | Suzhou Top Creation Machines Co., Ltd. | | | Other | | | Total |
| | Taiwan | China | Other | China | Other | Taiwan | China | Other | Taiwan | China | Other | |
| Timing of revenue recognition | | | | | | | | | | | | |
| At a point in time | \$ 567,557 | \$ 497,875 | \$ 41,168 | \$ 527,924 | \$ 3,674 | \$ 5,144 | \$ 759,545 | \$ 61,995 | \$ 45,962 | \$ 2,349 | \$ 208 | \$ 2,513,401 |
| Over time | 46,287 | - | - | - | - | - | - | - | - | - | - | 46,287 |
| Total | <u>\$ 613,844</u> | <u>\$ 497,875</u> | <u>\$ 41,168</u> | <u>\$ 527,924</u> | <u>\$ 3,674</u> | <u>\$ 5,144</u> | <u>\$ 759,545</u> | <u>\$ 61,995</u> | <u>\$ 45,962</u> | <u>\$ 2,349</u> | <u>\$ 208</u> | <u>\$ 2,559,688</u> |

B. Contract liabilities

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

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> | <u>January 1, 2022</u> |
|----------------------|----------------------|--------------------------|----------------------|------------------------|
| Contract liabilities | \$ 425,530 | \$ 669,327 | \$ 619,120 | \$ 520,329 |

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

| | <u>For the three-month period ended June 30, 2023</u> | <u>For the three-month period ended June 30, 2022</u> |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the period | \$ 27,056 | \$ 135,496 |

| | <u>For the six-month period ended June 30, 2023</u> | <u>For the six-month period ended June 30, 2022</u> |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the period | \$ 402,929 | \$ 375,826 |

(22) Interest income

| | <u>For the three-month period ended June 30, 2023</u> | <u>For the three-month period ended June 30, 2022</u> |
|------------------------------------|---|---|
| Interest income from bank deposits | \$ 7,024 | \$ 6,106 |

| | <u>For the six-month period ended June 30, 2023</u> | <u>For the six-month period ended June 30, 2022</u> |
|------------------------------------|---|---|
| Interest income from bank deposits | \$ 10,715 | \$ 11,924 |

(23) Other income

| | <u>For the three-month period ended June 30, 2023</u> | <u>For the three-month period ended June 30, 2022</u> |
|----------------------|---|---|
| Rent income | \$ 2,078 | \$ 3,207 |
| Indemnities Revenues | 476 | - |
| Other income | 2,134 | 11,798 |
| | <u>\$ 4,688</u> | <u>\$ 15,005</u> |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|----------------------|--|--|
| Rent income | \$ 4,540 | \$ 6,331 |
| Indemnities Revenues | 7,107 | - |
| Other income | 16,200 | 13,045 |
| | <u>\$ 27,847</u> | <u>\$ 19,376</u> |

(24) Other gains and losses

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|---|--|--|
| (Losses) gains on disposal of property, plant and equipment | (\$ 38) | \$ 312 |
| Loss on disposal of intangible assets | (742) | - |
| Gains on disposal of investments | 505 | 558 |
| Net currency exchange (losses) gains | 3,940 | 6,947 |
| Net gains (losses) on financial assets (liabilities) at fair value through profit | 8,397 | (3,685) |
| Other losses | (917) | (666) |
| Total | <u>\$ 11,145</u> | <u>\$ 3,466</u> |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|--|--|--|
| (Losses) gains on disposal of property, plant and equipment | (\$ 132) | \$ 564 |
| Loss on disposal of intangible assets | (742) | - |
| Gains on disposal of investments | 708 | 815 |
| Net currency exchange (losses) gains | (2,719) | 12,182 |
| Net gains on financial assets (liabilities) at fair value through profit | 10,230 | 4,497 |
| Other losses | (6,616) | (1,608) |
| | <u>\$ 729</u> | <u>\$ 16,450</u> |

(25) Finance costs

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|--------------------|--|--|
| Interest expense : | | |
| Bank loan | \$ 8,692 | \$ 7,637 |
| Lease liabilities | 83 | 79 |
| | <u>\$ 8,775</u> | <u>\$ 7,716</u> |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|--------------------|--|--|
| Interest expense : | | |
| Bank loan | \$ 14,230 | \$ 12,399 |
| Lease liabilities | 201 | 154 |
| | <u>\$ 14,431</u> | <u>\$ 12,553</u> |

(26) Expenses by nature

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|---|--|--|
| Employee benefit expenses | <u>\$ 178,664</u> | <u>\$ 218,058</u> |
| Depreciation charges on property, plant and equipment, and right-of-use assets | <u>\$ 18,343</u> | <u>\$ 18,072</u> |
| Amortisation charges on intangible assets | <u>\$ 1,406</u> | <u>\$ 1,581</u> |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|---|--|--|
| Employee benefit expenses | <u>\$ 373,067</u> | <u>\$ 406,826</u> |
| Depreciation charges on property, plant and equipment, and right-of-use assets | <u>\$ 36,857</u> | <u>\$ 36,178</u> |
| Amortisation charges | <u>\$ 2,920</u> | <u>\$ 2,996</u> |

(27) Employee benefit expenses

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|----------------------------------|--|--|
| Wages and salaries | \$ 151,192 | \$ 190,999 |
| Labour and health insurance fees | 14,963 | 14,635 |
| Pension costs | 3,952 | 3,772 |
| Other personnel expenses | 8,557 | 8,652 |
| | <u>\$ 178,664</u> | <u>\$ 218,058</u> |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|----------------------------------|--|--|
| Wages and salaries | \$ 316,967 | \$ 353,467 |
| Labour and health insurance fees | 30,706 | 29,589 |
| Pension costs | 8,003 | 7,534 |
| Other personnel expenses | 17,391 | 16,236 |
| | <u>\$ 373,067</u> | <u>\$ 406,826</u> |

A. The current year's earnings, if any, shall be distributed a ratio of 1%~9% as employees' compensation in the form of shares or in cash as resolved by the Board of Directors. Qualification requirements of employees include the employees of subsidiaries of the company meeting certain specific requirements. The Company shall distribute directors' remuneration no more than 2.25% of the total distributable amount as resolved by the Board of Directors. The appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting.

If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated as employees' compensation and directors' remuneration based on the abovementioned ratios.

B. For the three-month and six-month periods ended June 30, 2023 and 2022, employees' compensation was accrued at \$799, \$2,293, \$2,124, and \$4,078, respectively; while directors' remuneration was accrued at \$1,796, \$5,160, \$4,778, and \$9,177, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 2.25% of distributable profit of current period for the six-month period ended June 30, 2023.

Employees' compensation and directors' and supervisors' remuneration of 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 financial statements.

Information about employees' compensation and directors' and supervisors' 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

(a) Components of income tax expense:

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|---|--|--|
| Current tax: | | |
| Current tax on profits for the period | (\$ 6,600) | \$ 29,387 |
| Tax on undistributed earnings | 5,393 | - |
| Prior period income tax overestimation | (2,084) | (229) |
| Total current tax | (3,291) | 29,158 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 10,537 | 18,386 |
| Income tax expense | \$ 7,246 | \$ 47,544 |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|---|--|--|
| Current tax: | | |
| Current tax on profits for the period | \$ 13,279 | \$ 62,948 |
| Tax on undistributed earnings | 5,393 | - |
| Prior year income tax overestimation | (4,318) | (524) |
| Total current tax | <u>14,354</u> | <u>62,424</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (1,157) | 22,163 |
| Income tax expense | <u>\$ 13,197</u> | <u>\$ 84,587</u> |

(b) The income tax credit relating to components of other comprehensive income is as follows:

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|----------------------------------|--|--|
| Currency translation differences | (\$ 12,627) | \$ 67 |
| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
| Currency translation differences | (\$ 10,351) | \$ 6,677 |

B. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(29) Earnings per share

| | <u>For the three-month period ended June 30, 2023</u> | | |
|--|---|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 77,010 | 156,755 | \$ 0.49 |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 44 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 77,010</u> | <u>156,799</u> | <u>\$ 0.49</u> |

| <u>For the six-month period ended June 30, 2023</u> | | | |
|---|-------------------------|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 207,457 | 156,755 | \$ 1.32 |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 101 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 207,457 | 156,856 | \$ 1.32 |

| <u>For the three-month period ended June 30, 2022</u> | | | |
|---|-------------------------|--|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 199,185 | 156,755 | \$ 1.27 |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 53 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 199,185 | 156,808 | \$ 1.27 |

| | For the six-month period ended June 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 | \$ 355,903 | 156,479 | \$ 2.27 |
| <u>Diluted earnings per share</u> | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 146 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 355,903 | 156,625 | \$ 2.27 |

Note: For the three-month and six-month periods ended June 30, 2022, the outstanding weighted average shares was retrospectively adjusted based on the capitalised amount of unappropriated earnings at the ratio of 103%.

(30) Supplemental cash flow information

A. Investing activities with partial cash payments :

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|--|--|--|
| Purchase of property, plant and equipment | \$ 8,109 | \$ 51,286 |
| Add: Opening balance of payable on equipment | 41 | 97 |
| Less: Ending balance of payable on equipment | (176) | (124) |
| Cash paid during the period | \$ 7,974 | \$ 51,259 |

B. Financing activities with no cash flow effects :

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|------------------------|--|--|
| Cash dividend declared | \$ - | \$ 456,569 |

(31) Changes in liabilities from financing activities

| | Short-term borrowings | Long-term borrowings (Note 1) | Guarantee deposits received | Lease liabilities (Note 2) | Dividends payable (Note 2) | Total |
|---|--------------------------|-------------------------------------|-----------------------------------|-------------------------------|----------------------------------|---------------------|
| January 1, 2023 | \$ 695,000 | \$ 1,100,000 | \$ 2,160 | \$ 25,656 | \$ - | \$ 1,822,816 |
| Changes in cash flow from financing activities | 475,000 | (81,000) | - | (8,337) | (564,319) | (178,656) |
| Interest expense | - | - | - | 201 | - | 201 |
| Paid interest | - | - | - | (201) | - | (201) |
| Impact of changes in foreign exchange rate | - | - | (49) | (590) | - | (639) |
| Changes in other non-cash items | - | - | - | 12,647 | 564,319 | 576,966 |
| June 30, 2023 | <u>\$ 1,170,000</u> | <u>\$ 1,019,000</u> | <u>\$ 2,111</u> | <u>\$ 29,376</u> | <u>\$ -</u> | <u>\$ 2,220,487</u> |
| | | | | | | |
| | Short-term borrowings | Long-term borrowings (Note 1) | Guarantee deposits received | Lease liabilities (Note 2) | Dividends payable | Total |
| January 1, 2022 | \$ 694,981 | \$ 845,000 | \$ 2,142 | \$ 20,970 | \$ - | \$ 1,563,093 |
| Changes in cash flow from financing activities | 117,340 | (27,000) | - | (5,780) | - | 84,560 |
| Interest expense | - | - | - | 154 | - | 154 |
| Paid interest | - | - | - | (154) | - | (154) |
| Impact of changes in foreign exchange rate | - | - | 40 | 4 | - | 44 |
| Changes in other non-cash items | - | - | - | 5,960 | 456,569 | 462,529 |
| June 30, 2022 | <u>\$ 812,321</u> | <u>\$ 818,000</u> | <u>\$ 2,182</u> | <u>\$ 21,154</u> | <u>\$ 456,569</u> | <u>\$ 2,110,226</u> |

Note 1: Including long-term borrowings - current portion.

Note 2: Including lease liability - current portion.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Company |
|---------------------------------------|-------------------------------|
| Alpha-Cure Asia Co.,Ltd. | Associate |
| Gallant Precision Machining Co., Ltd. | Associate |
| Gallant Micro. Machining Co., Ltd. | Associate |
| Viewmove Technologies,Inc. | Associate |

(2) Significant related party transactions

A. Purchases:

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|---------------------|--|--|
| Purchases of goods: | | |
| Associates | <u>\$ 1,600</u> | <u>\$ 3,129</u> |

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|---------------------|--|--|
| Purchases of goods: | | |
| Associates | \$ 15,049 | \$ 28,092 |

The prices and conditions for the purchase of goods is based on agreement and there is no other comparable counterparty. The credit terms would be available to third parties.

B. Receivables from related parties:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---------------------------------------|------------------|-------------------|------------------|
| Accounts receivables: | | | |
| Associates | \$ 25 | \$ - | \$ - |
| Other receivables: | | | |
| Gallant Precision Machining Co., Ltd. | \$ 80,566 | \$ - | \$ 66,003 |
| Gallant Micro. Machining Co., Ltd. | 11,730 | - | 9,060 |
| | <u>\$ 92,296</u> | <u>\$ -</u> | <u>\$ 75,063</u> |

C. Payables to related parties:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|-------------------|---------------|-------------------|---------------|
| Accounts payable: | | | |
| Associates | \$ 22,562 | \$ 21,755 | \$ 6,397 |

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

D. Prepayments:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|---------------------------------------|---------------|-------------------|---------------|
| Gallant Precision Machining Co., Ltd. | \$ 10,118 | \$ 193 | \$ 10,425 |

(3) Key management compensation

| | For the three-month period ended June 30, 2023 | For the three-month period ended June 30, 2022 |
|---|--|--|
| Salaries and other short-term employee benefits | \$ 3,677 | \$ 11,058 |
| Post-employment benefits | 100 | 46 |
| | <u>\$ 3,777</u> | <u>\$ 11,104</u> |
| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
| Salaries and other short-term employee benefits | \$ 11,793 | \$ 19,778 |
| Post-employment benefits | 199 | 145 |
| | <u>\$ 11,992</u> | <u>\$ 19,923</u> |

8. PLEDGED ASSETS

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

| Pledged asset | Book value | | | Purpose |
|-------------------------------|---------------|-------------------|---------------|----------------------|
| | June 30, 2023 | December 31, 2022 | June 30, 2022 | |
| Property, plant and equipment | \$ 503,829 | \$ 509,014 | \$ 419,794 | Long-term borrowings |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

Except for the descriptions in other notes to the consolidated financial statements, the Group's significant commitments and contingencies as of the balance sheet date are as follows:

Promissory notes issued for performance guarantees of sales as of June 30, 2023, December 31, 2022 and June 30, 2022, were \$51,543, \$317,122 and \$66,124, respectively.

(2) Commitments

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During the six-month periods ended June 30, 2023, the Group's strategy was to maintain the gearing ratio within reasonable risk level. The gearing ratios at June 30, 2023, December 31, 2022 and June 30, 2022 were as follows:

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|---------------------------------|----------------------|--------------------------|----------------------|
| Total borrowings | \$ 2,189,000 | \$ 1,795,000 | \$ 1,630,321 |
| Less: Cash and cash equivalents | (1,554,714) | (1,371,810) | (1,413,072) |
| Net debt | 634,286 | 423,190 | 217,249 |
| Total equity | <u>3,332,428</u> | <u>3,477,814</u> | <u>3,033,748</u> |
| Total capital | <u>\$ 3,966,714</u> | <u>\$ 3,901,004</u> | <u>\$ 3,250,997</u> |
| Gearing ratio | <u>15.99%</u> | <u>10.85%</u> | <u>6.68%</u> |

(2) Financial instruments

A. Financial instruments by category

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</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 | <u>\$ 12,246</u> | <u>\$ 206,181</u> | <u>\$ 186,221</u> |
| Financial assets at fair value through other comprehensive income | | | |
| Designation of equity instrument | <u>\$ 585,731</u> | <u>\$ 472,962</u> | <u>\$ 412,863</u> |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | \$ 1,554,714 | \$ 1,371,810 | \$ 1,413,072 |
| Financial assets at amortised cost | 379,338 | 388,555 | 256,937 |
| Notes receivable | 115,340 | 113,124 | 91,383 |
| Accounts receivable (including related party) | 1,810,971 | 2,314,127 | 2,120,245 |
| Other receivables (including related party) | 106,084 | 15,960 | 101,718 |
| Guarantee deposits paid | <u>15,284</u> | <u>12,069</u> | <u>13,862</u> |
| | <u>\$ 3,981,731</u> | <u>\$ 4,215,645</u> | <u>\$ 3,997,217</u> |

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|--|----------------------|--------------------------|----------------------|
| <u>Financial liabilities</u> | | | |
| Financial liabilities at fair value through profit or loss | | | |
| Financial liabilities held for trading | \$ 813 | \$ 329 | \$ 1,371 |
| Financial liabilities at amortised cost | | | |
| Short-term borrowings | \$ 1,170,000 | \$ 695,000 | \$ 812,321 |
| Notes payable | 7,972 | 18,689 | 33,706 |
| Accounts payable (including related party) | 562,394 | 825,072 | 938,806 |
| Other accounts payable | 617,050 | 822,193 | 1,188,239 |
| Long-term borrowings (including current portion) | 1,019,000 | 1,100,000 | 818,000 |
| Guarantee deposits received | 2,111 | 2,160 | 2,182 |
| | <u>\$ 3,378,527</u> | <u>\$ 3,463,114</u> | <u>\$ 3,793,254</u> |
| Lease liability (including current portion) | <u>\$ 29,376</u> | <u>\$ 25,656</u> | <u>\$ 21,154</u> |

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(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 currency: 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:

| | June 30, 2023 | | |
|---|-------------------------|---------------|------------|
| | Foreign currency amount | Exchange rate | Book value |
| | (In thousands) | | (NTD/RMB) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 14,872 | 31.14 | \$ 463,114 |
| JPY:NTD | 177,815 | 0.215 | 38,230 |
| RMB:NTD | 74,495 | 4.282 | 318,988 |
| USD:RMB | 1,859 | 7.2258 | 13,433 |
| <u>Non-monetary items</u> | | | |
| USD:NTD | \$ 2,182 | 31.14 | 67,945 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 38 | 31.14 | \$ 1,183 |
| JPY:NTD | 11,859 | 0.215 | 2,550 |
| <u>Non-monetary items: None</u> | | | |
| | December 31, 2022 | | |
| | Foreign currency amount | Exchange rate | Book value |
| | (In thousands) | | (NTD/RMB) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 18,655 | 30.71 | \$ 572,895 |
| JPY:NTD | 245,178 | 0.2324 | 56,979 |
| RMB:NTD | 90,007 | 4.408 | 396,751 |
| USD:RMB | 2,906 | 6.9646 | 20,239 |
| <u>Non-monetary items</u> | | | |
| USD:NTD | \$ 2,187 | 30.71 | \$ 67,052 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 51 | 30.71 | \$ 1,566 |
| JPY:NTD | 4,432 | 0.2324 | 1,030 |
| <u>Non-monetary items: None</u> | | | |

| | June 30, 2022 | | |
|---|--|---------------|-------------------------|
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD/RMB) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 24,165 | 29.67 | \$ 716,976 |
| JPY:NTD | 243,124 | 0.2162 | 52,563 |
| RMB:NTD | 48,252 | 4.414 | 212,984 |
| USD:RMB | 4,490 | 6.7114 | 30,134 |
| <u>Non-monetary items</u> | | | |
| USD:NTD | \$ 2,495 | 29.67 | \$ 74,012 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 7,562 | 29.77 | \$ 225,121 |
| JPY:NTD | 43,807 | 0.2162 | 9,471 |
| <u>Non-monetary items: None</u> | | | |

- ii. Total exchange (loss) gain including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2023 and 2022 amounted to \$3,940, \$6,947, (\$2,719), and \$12,182, respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation

| Six-month period ended June 30, 2023 | | | | | |
|---|---------------------|-----|------------------------------------|----|--------------------------------------|
| Sensitivity analysis | | | | | |
| | Degree of variation | | Effect on profit or loss (NTD/RMB) | | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | |
| <u>Financial assets</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD:NTD | 1% | \$ | 4,631 | \$ | - |
| JPY:NTD | 1% | | 382 | | - |
| RMB:NTD | 1% | | 3,190 | | - |
| USD:RMB | 1% | | 134 | | - |
| <u>Non-monetary items</u> | | | | | |
| USD:NTD | 1% | \$ | - | \$ | 679 |
| <u>Financial liabilities</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD:NTD | 1% | (\$ | 12) | \$ | - |
| JPY:NTD | 1% | (| 25) | | - |

| Six-month period ended June 30, 2022 | | | | | |
|---|---------------------|-----|------------------------------------|----|--------------------------------------|
| Sensitivity analysis | | | | | |
| | Degree of variation | | Effect on profit or loss (NTD/RMB) | | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | | | |
| <u>Financial assets</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD:NTD | 1% | \$ | 7,170 | \$ | - |
| JPY:NTD | 1% | | 526 | | - |
| RMB:NTD | 1% | | 2,130 | | - |
| USD:RMB | 1% | | 301 | | - |
| <u>Non-monetary items</u> | | | | | |
| USD:NTD | 1% | \$ | - | \$ | 740 |
| <u>Financial liabilities</u> | | | | | |
| <u>Monetary items</u> | | | | | |
| USD:NTD | 1% | (\$ | 2,251) | \$ | - |
| JPY:NTD | 1% | (| 95) | | - |

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's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2023 and 2022 would have increased/decreased by \$0 and \$745, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,343 and \$1,651, respectively.

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from short-term and certain long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the six-month periods ended June 30, 2023 and 2022, the Group's borrowings at variable rate were denominated in New Taiwan dollars, if the market interest rate had increased by 0.25%, the Company's cash outflow would have increased by \$2,736 and \$2,038, 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.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iii. The Group measured actual transaction status. If the contract payments were past based on the term, the default has occurred.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- vi. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. As of June 30, 2023, December 31, 2022 and June 30, 2022, respectively, the provision matrix is as follows:

| | Up to 60 days past due | 61~120 days past due | 121 to 180 days past due | Up to 181 days | Total |
|-----------------------------|------------------------------|----------------------------|--------------------------------|-------------------|--------------|
| <u>At June 30, 2023</u> | | | | | |
| Expected loss rate | 0%~30% | 2%~42% | 4%~55% | 10%~100% | |
| Total book value | \$ 1,884,321 | \$ 103,580 | \$ 56,124 | \$ 120,504 | \$ 2,164,529 |
| Loss allowance | (\$ 94,842) | (\$ 34,040) | (\$ 24,952) | (\$ 84,384) | (\$ 238,218) |
| | Up to 60 days past due | 61~120 days past due | 121 to 180 days past due | Up to 181 days | Total |
| <u>At December 31, 2022</u> | | | | | |
| Expected loss rate | 0%~30% | 2%~42% | 4%~55% | 10%~100% | |
| Total book value | \$ 2,440,286 | \$ 127,932 | \$ 59,516 | \$ 70,424 | \$ 2,698,158 |
| Loss allowance | (\$ 141,590) | (\$ 40,545) | (\$ 33,800) | (\$ 54,972) | (\$ 270,907) |
| | Up to 60 days past due | 61~120 days past due | 121 to 180 days past due | Up to 181 days | Total |
| <u>At June 30, 2022</u> | | | | | |
| Expected loss rate | 0%~100% | 10%~100% | 10%~100% | 10%~100% | |
| Total book value | \$ 2,266,019 | \$ 79,954 | \$ 40,112 | \$ 81,375 | \$ 2,467,460 |
| Loss allowance | (\$ 141,134) | (\$ 34,606) | (\$ 20,400) | (\$ 59,692) | (\$ 255,832) |

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, contract assets and lease payments receivable are as follows:

| | 2023 | | |
|---|------------------------|------------------|------------------------|
| | Accounts receivable | Notes receivable | Overdue receivables |
| At January 1 | \$ 270,761 | \$ 146 | \$ 14,579 |
| (Reversal of) provision for impairment | (30,441) | (68) | 6,652 |
| Effect of foreign exchange | (2,180) | - | (463) |
| At June 30 | <u>\$ 238,140</u> | <u>\$ 78</u> | <u>\$ 20,768</u> |
| | 2022 | | |
| | Accounts receivable | Notes receivable | Overdue receivables |
| At January 1 | \$ 220,726 | \$ 37 | \$ 56,110 |
| (Reversal of) provision for impairment | 34,271 | 116 | (25,217) |
| Write-offs | (21) | - | - |
| Effect of foreign exchange | 703 | - | 1,010 |
| At June 30 | <u>\$ 255,679</u> | <u>\$ 153</u> | <u>\$ 31,903</u> |

The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

viii. For financial instruments at amortised cost, the credit rating levels are presented below:

| June 30, 2023 | | | | |
|---------------------------------------|------------|--|-------------------------|------------|
| Lifetime | | | | |
| | 12 months | Significant increase in credit risk | Impairment of credit | Total |
| Financial assets at amortised cost | \$ 379,338 | \$ - | \$ - | \$ 379,338 |

| December 31, 2022 | | | | |
|---------------------------------------|------------|--|-------------------------|------------|
| Lifetime | | | | |
| | 12 months | Significant increase in credit risk | Impairment of credit | Total |
| Financial assets at amortised cost | \$ 388,555 | \$ - | \$ - | \$ 388,555 |

| June 30, 2022 | | | | |
|---------------------------------------|------------|--|-------------------------|------------|
| Lifetime | | | | |
| | 12 months | Significant increase in credit risk | Impairment of credit | Total |
| Financial assets at amortised cost | \$ 256,937 | \$ - | \$ - | \$ 256,937 |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at June 30, 2023, December 31, 2022 and June 30, 2022, the Group held money market position of \$1,552,137, \$1,369,238 and \$1,409,734, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Group has the following undrawn borrowing facilities:

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|--------------------------|----------------------|--------------------------|----------------------|
| Fixed rate: | | | |
| Expiring within one year | \$ 1,200,000 | \$ 1,835,000 | \$ 1,727,679 |
| Expiring beyond one year | <u>241,000</u> | <u>241,000</u> | <u>200,000</u> |
| | <u>\$ 1,441,000</u> | <u>\$ 2,076,000</u> | <u>\$ 1,927,679</u> |

iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| <u>June 30, 2023</u> | <u>Less than 1 year</u> | <u>Between 1 and 3 years</u> | <u>Between 3 and 5 years</u> | <u>Over 5 years</u> |
|---|-------------------------|------------------------------|------------------------------|---------------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Short-term borrowings | \$ 1,170,000 | \$ - | \$ - | \$ - |
| Notes payable | 7,972 | - | - | - |
| Accounts payable (including related party) | 562,394 | - | - | - |
| Other payables | 617,050 | - | - | - |
| Lease liability (including current portion) | 16,175 | 13,835 | - | - |
| Long-term borrowings (including current portion) | 140,136 | 809,253 | 106,679 | - |
| Guarantee deposits received | - | 85 | 1,509 | 517 |
| <u>Derivative financial liabilities:</u> | | | | |
| Option | 813 | - | - | - |

| December 31, 2022 | Less than 1 year | Between 1 and 3 years | Between 3 and 5 years | Over 5 years |
|---|------------------|--------------------------|--------------------------|-----------------|
| <u>Non-derivative financial liabilities</u> | | | | |
| Short-term borrowings | \$ 695,000 | \$ - | \$ - | \$ - |
| Notes payable | 18,689 | - | - | - |
| Accounts payable (including related party) | 825,072 | - | - | - |
| Other payables | 822,193 | - | - | - |
| Lease liability (including current portion) | 14,334 | 11,742 | - | - |
| Long-term borrowings (including current portion) | 349,869 | 663,224 | 106,897 | - |
| Guarantee deposits received | - | 1,630 | - | 530 |
| <u>Derivative financial liabilities:</u> | | | | |
| Foreign exchange swap contracts | 329 | - | - | - |
| June 30, 2022 | Less than 1 year | Between 1 and 3 years | Between 3 and 5 years | Over 5 years |
| <u>Non-derivative financial liabilities</u> | | | | |
| Short-term borrowings | \$ 812,321 | \$ - | \$ - | \$ - |
| Notes payable | 33,706 | - | - | - |
| Accounts payable (including related party) | 938,806 | - | - | - |
| Other payables | 1,188,239 | - | - | - |
| Lease liability (including current portion) | 11,210 | 10,214 | - | - |
| Long-term borrowings (including current portion) | 138,781 | 690,669 | - | - |
| Guarantee deposits received | - | 1,638 | - | 544 |
| <u>Derivative financial liabilities:</u> | | | | |
| Foreign exchange swap contracts | 1,371 | - | - | - |

(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, beneficiary certificates and convertible bonds 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 derivative instruments is include 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 and investment property is included in Level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2023, December 31, 2022 and June 30, 2022 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

| <u>June 30, 2023</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|-----------------|------------------|-------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Derivative instruments | \$ - | \$ 7,626 | \$ - | \$ 7,626 |
| Debt securities | 4,620 | - | - | 4,620 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>496,815</u> | <u>-</u> | <u>88,916</u> | <u>585,731</u> |
| | <u>\$ 501,435</u> | <u>\$ 7,626</u> | <u>\$ 88,916</u> | <u>\$ 597,977</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivative instruments | <u>\$ -</u> | <u>(\$ 813)</u> | <u>\$ -</u> | <u>(\$ 813)</u> |

| <u>December 31, 2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|-------------------|------------------|-------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 201,852 | \$ - | \$ - | \$ 201,852 |
| Debt securities | 3,300 | - | - | 3,300 |
| Derivative instruments | 1,029 | - | - | 1,029 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>396,931</u> | <u>-</u> | <u>76,031</u> | <u>472,962</u> |
| | <u>\$ 603,112</u> | <u>\$ -</u> | <u>\$ 76,031</u> | <u>\$ 679,143</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivative instruments | <u>\$ -</u> | <u>(\$ 329)</u> | <u>\$ -</u> | <u>(\$ 329)</u> |
| <u>June 30, 2022</u> | | | | |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 183,071 | \$ - | \$ - | \$ 183,071 |
| Debt securities | 3,150 | - | - | 3,150 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>321,912</u> | <u>-</u> | <u>90,951</u> | <u>412,863</u> |
| | <u>\$ 508,133</u> | <u>\$ -</u> | <u>\$ 90,951</u> | <u>\$ 599,084</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivative instruments | <u>\$ -</u> | <u>(\$ 1,371)</u> | <u>\$ -</u> | <u>(\$ 1,371)</u> |

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

- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

| | Listed shares | Open-end fund | Convertible bond |
|---------------------|---------------|-----------------|-------------------------------|
| Market quoted price | Closing price | Net asset value | Weighted average quoted price |

- ii. Except for financial instruments with active markets, the fair value of other financial instruments 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.
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- iv. 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 forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.
- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

- C. For the six-month periods ended June 30, 2023 and 2022, there was no transfer between Level 1 and Level 2.
- D. The following chart is the movement of Level 3 for the six-month periods ended June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|------------------|------------------|
| At January 1 | \$ 76,031 | \$ 121,832 |
| Gain recognised in other comprehensive income | | |
| Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | 12,835 (| 18,531) |
| Sold in the period | - (| 11,118) |
| Capital reduction | - (| 1,788) |
| Effect of exchange rate | <u>50</u> | <u>556</u> |
| At June 30 | <u>\$ 88,916</u> | <u>\$ 90,951</u> |

- E. For the six-month periods ended June 30, 2023 and 2022, there was no transfer into or out from Level 3.
- F. Accounting Department segment 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, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- G. 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:

| | <u>Fair value at June 30, 2023</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of inputs to fair value</u> |
|--------------------------------|--|--------------------------------|---|---|--|
| Non-derivative equity | | | | | |
| Unlisted shares | \$ 75,587 | Market comparable companies | Price to book ratio multiple | 0.5~21.14 | The higher the multiple and control premium, the higher the fair value |
| Venture capital shares | 13,329 | Net asset value | Not applicable | Not applicable | Not applicable |
| Private equity fund investment | | | | | |
| | <u>Fair value at December 31, 2022</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of inputs to fair value</u> |
| Non-derivative equity | | | | | |
| Unlisted shares | \$ 62,807 | Market comparable companies | Price to book ratio multiple | 7.8~12.14 | The higher the multiple and control premium, the higher the fair value |
| Venture capital shares | 13,224 | Net asset value | Not applicable | Not applicable | Not applicable |
| Private equity fund investment | | | | | |
| | <u>Fair value at June 30, 2022</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of inputs to fair value</u> |
| Non-derivative equity | | | | | |
| Unlisted shares | \$ 75,895 | Market comparable companies | Price to book ratio multiple | 0.35~17.3 | The higher the multiple and control premium, the higher the fair value |
| Venture capital shares | 15,056 | Net asset value | Not applicable | Not applicable | Not applicable |
| Private equity fund investment | | | | | |

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, 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 categorised within Level 3 if the inputs used to valuation models have changed:

| | | | | June 30, 2023 | | | |
|-------------------|-------------------------|-------|--------|---------------------------------|------------------------|---|------------------------|
| | | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | | |
| Equity instrument | Price to earnings ratio | | ± 10% | \$ - | \$ - | \$ 8,892 | (\$ 8,892) |
| | | | | December 31, 2022 | | | |
| | | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | | |
| Equity instrument | Price to earnings ratio | | ± 10% | \$ - | \$ - | \$ 7,603 | (\$ 7,603) |
| | | | | June 30, 2022 | | | |
| | | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | | |
| Equity instrument | Price to earnings ratio | | ± 10% | \$ - | \$ - | \$ 9,095 | (\$ 9,095) |

13. Supplementary Disclosures

(1) Significant transactions information

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 4.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 5.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

(4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

(2) Information about segment profit or loss, assets and liabilities

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

| <u>For the six-month period ended June 30, 2023</u> | <u>C SUN MFG. LTD.</u> | <u>Csun Technology (Guangzhou) Co., Ltd.</u> | <u>Creation Machines Co., Ltd.</u> | <u>Other</u> | <u>Elimination</u> | <u>Total</u> |
|---|----------------------------|--|--|--------------|--------------------|--------------|
| Revenue from external customers | \$ 897,965 | \$ 281,702 | \$ 407,590 | \$ 108,279 | \$ - | \$ 1,695,536 |
| Inter-segment revenue | \$ 60,786 | \$ 104,425 | \$ 2,993 | \$ 7,920 | (\$ 176,124) | \$ - |
| Segment income | \$ 205,338 | \$ 21,372 | \$ 53,461 | \$ 15,627 | (\$ 62,550) | \$ 233,248 |
| Total segment assets | \$ 6,711,873 | \$ 1,527,224 | \$ 1,353,846 | \$ 593,414 | (\$ 2,530,298) | \$ 7,656,059 |
| | | | | | | |
| <u>For the six-month period ended June 30, 2022</u> | <u>C SUN MFG. LTD.</u> | <u>Csun Technology (Guangzhou) Co., Ltd.</u> | <u>Creation Machines Co., Ltd.</u> | <u>Other</u> | <u>Elimination</u> | <u>Total</u> |
| Revenue from external customers | \$ 1,152,887 | \$ 531,598 | \$ 826,684 | \$ 48,519 | \$ - | \$ 2,559,688 |
| Inter-segment revenue | \$ 158,433 | \$ 147,703 | \$ 36,771 | \$ 9,335 | (\$ 352,242) | \$ - |
| Segment income | \$ 395,552 | \$ 105,283 | \$ 163,464 | \$ 1,178 | (\$ 195,224) | \$ 470,253 |
| Total segment assets | \$ 6,640,412 | \$ 1,706,130 | \$ 1,692,240 | \$ 721,064 | (\$ 2,799,643) | \$ 7,960,203 |

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the six-month periods ended June 30, 2023 and 2022 is provided as follows:

| | For the six-month period ended June 30, 2023 | For the six-month period ended June 30, 2022 |
|--|--|--|
| Reportable segments income | \$ 295,798 | \$ 665,477 |
| Other | (62,550) | (195,224) |
| Income before tax from continuing operations | <u>\$ 233,248</u> | <u>\$ 470,253</u> |

C SUN MFG. LTD. and subsidiaries

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

June 30, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of June 30, 2023 | | | | Footnote |
|--------------------|---|---|--|---------------------|------------|---------------|------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| C SUN MFG. LTD. | Group Up Industrial Co., Ltd. - Unsecured convertible bonds | None | Financial assets at fair value through profit or loss - current | 30,000 | \$ 4,620 | - | \$ 4,620 | |
| " | Group Up Industrial Co., Ltd. | " | Financial assets measured at fair value through other comprehensive income - current | 513,000 | 70,025 | 0.93 | 70,025 | |
| " | Ampoc Far-East Co., Ltd. | " | " | 5,466,000 | 358,570 | 4.78 | 358,570 | |
| " | Yankey Engineering Co., Ltd. | " | " | 52,700 | 17,918 | 0.08 | 17,918 | |
| " | UTECHZONE CO., LTD. | " | " | 596,000 | 50,302 | 1.00 | 50,302 | |
| " | Advance Materials Corporation | " | Financial assets measured at fair value through other comprehensive income - non-current | 1,423,770 | 9,682 | 1.27 | 9,682 | |
| " | Emax Tech Co., Ltd. | Director | " | 3,652,554 | 51,172 | 10.82 | 51,172 | |
| " | Hua Da Venture Capital Corporation | " | " | 300,000 | 5,772 | 6.00 | 5,772 | |
| " | Luminescence Technology Corp. | None | " | 454,000 | 8,149 | 1.80 | 8,149 | |
| " | Aibdt Technology Inc. | " | " | 1,624,755 | 812 | 1.79 | 812 | |
| " | Gvt Fund Gp, L.P. | " | " | 474,385 | 10,028 | 1.59 | 10,028 | |
| C Sun (B.V.I) Ltd. | Gvt Fund Gp, L.P. | " | " | 158,183 | 3,301 | 0.53 | 3,301 | |

C SUN MFG. LTD. and subsidiaries

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

For the six-month period ended June 30, 2023

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

| Purchaser/seller | Counterparty | Relationship with the counterparty | Transaction | | | Differences in transaction terms compared to third party transactions | | | Notes/accounts receivable (payable) | |
|------------------|---------------------------------------|---|-------------------|------------|---------------------------------------|---|-----------------------------|-----------------------------|-------------------------------------|---|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) |
| C SUN MFG. LTD. | Csun Technology (Guangzhou) Co., Ltd. | The Company holds indirectly 100% of the investee | Purchases | \$ 104,911 | 9.97% | Similarity to third parties | Similarity to third parties | Similarity to third parties | \$ (13,624) | (2.39%) |

Table 2

C SUN MFG. LTD. and subsidiaries
Significant inter-company transactions during the reporting periods
For the six-month period ended June 30, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

| No. (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 | C SUN MFG. LTD. | Csun Technology (Guangzhou) Co., Ltd. | 1 | Sales | \$ 68,211 | - | 0.04 |
| 0 | " | " | 1 | Purchases | 104,911 | - | 0.06 |
| 0 | " | " | 1 | Accounts receivable | 26,866 | - | 0.00 |
| 0 | " | " | 1 | Accounts payable | 13,624 | - | 0.00 |

Note 1: The information of transactions between the Company and the consolidated subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationships with the counterparties are as follows (If transactions of parent company with subsidiaries or transaction in subsidiaries refer to the same transaction, it will not be disclosed twice, for example; If parent company discloses a transaction with a subsidiary, then subsidiary will not disclose that 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) The Company to the consolidated subsidiary.

(2) The consolidated subsidiary to the Company

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 3: The sales of the parent company with Csun Technology (Guangzhou) Co., Ltd. is strategy division for the Group, the price set of the transaction is based on the agreement, other transaction with non-parties are same with third parties. Transaction terms for the other transaction cannot be referenced to similar transactions, all is based on the agreement.

Note 4: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 5: The information only discloses the amount of transactions that are more than \$10,000 and counterparties shall not be disclosed.

C SUN MFG. LTD. and subsidiaries
Information on investees
For the six-month period ended June 30, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at June 30, 2023 | | | Net profit (loss) of the investee for the six-month period ended June 30, 2023 | Investment income(loss) recognised by the Company for the six-month period ended June 30, 2023 | Footnote |
|--|---|------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------|--------------|--|--|----------|
| | | | | Balance as at June 30, 2023 | Balance as at December 31, 2022 | Number of shares | Ownership (%) | Book value | | | |
| C SUN MFG. LTD. | C Sun (B.V.I) Ltd. | British Virgin Islands | Investment | \$ 361,037 | \$ 356,052 | - | 100.00 | \$ 2,410,937 | \$ 66,905 | \$ 70,794 | |
| " | K Sun (Samoa) Ltd. | Samoa | Investment | 71,996 | 71,002 | - | 100.00 | 22,395 (| 104) (| 104) | |
| " | Wat Sun. Intelligent Technology Co., Ltd. | Taiwan | Machinery and equipment manufacturing | 700,000 | 700,000 | 70,000,000 | 100.00 | 47,608 (| 4,250) (| 4,250) | Note 2 |
| " | Gallant Precision Machining Co., Ltd. | Taiwan | Machinery and equipment wholesale and manufacturing | 897,223 | 888,243 | 44,758,827 | 27.38 | 988,708 | 75,806 | 20,758 | |
| " | Gallant Micro. Machining Co., Ltd. | Taiwan | Machinery and equipment wholesale and manufacturing | 120,474 | 83,624 | 2,214,000 | 7.83 | 134,141 | 30,478 | 2,311 | |
| " | Viewmove Technologies, Inc. | Taiwan | Machinery and equipment wholesale and manufacturing | 27,389 | 27,389 | 676,504 | 20.70 | 39,244 | 6,126 | 1,268 | |
| C Sun (B.V.I) Ltd. | Alpha Joint Ltd. | Samoa | Investment | 18,061 | 17,812 | 580,000 | 100.00 | 90,276 | 1,554 | 1,554 | |
| " | Power Ever Enterprises Limited | Samoa | Investment | 184,037 | 181,496 | - | 77.47 | 1,033,915 | 55,906 | 43,313 | |
| Power Ever Enterprises Limited | Good Team International Enterprises Limited | Hong Kong | Investment | 186,840 | 184,260 | 6,000,000 | 100.00 | 1,304,602 | 62,328 | 62,328 | |
| Suzhou Top Creation Machines Co., Ltd. | Top Creation Machines Co., Ltd. | Taiwan | Machinery installation and wholesales, Equipment retail and electronic materials wholesale | 7,500 | 7,500 | 750,000 | 100.00 | 825 (| 1,871) (| 1,871) | |

Note: Original investment amount has translated to New Taiwan Dollars at the closing exchange rate.

Note 2: Wat Sun. Intelligent Technology Co., Ltd. was dissolved on July 14, 2022. As of June 30, 2023, the liquidation process has not yet been completed.

C SUN MFG. LTD. and subsidiaries
Information on investments in Mainland China
For the six-month period ended June 30, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

| 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, 2023 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the six-month period ended June 30, 2023 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023 | Net profit (loss) of investee for the six-month period ended June 30, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the six-month period ended June 30, 2023 (Note 2(2)) | Book value of investments in Mainland China as of June 30, 2023 | Accumulated amount of investment income remitted back to Taiwan as of June 30, 2023 | Footnote |
|--|--|-----------------|---|--|--|----------------------------|---|--|--|---|--|---|-------------------------------------|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Csun Technology (Guangzhou) Co., Ltd. | Manufacturing, installing, sales and processing all manner of drying equipment, tempature experiment equipment and exposure equipment. | \$ 598,199 | Reinvested in the Mainland China investee through investing in an existing company (C Sun (B.V.I) Ltd.) in the third area. | \$ 146,241 | \$ - | \$ - | \$ 148,288 | \$ 21,345 | 100.00 | \$ 21,345 | \$ 1,264,055 | \$ 594,336 | Note 2 (2) (B) |
| Alpha-Cure Asia Co., Ltd. | Manufacturing and processing UV curing lamp. | 65,986 | Reinvested in the Mainland China investee through investing in an existing company (Alpha Joint Ltd.) in the third area. | 17,812 | - | - | 18,061 | 6,360 | 25.00 | 1,590 | 67,945 | - | Note 2 (2)(C) |
| Suzhou Amc Technology Co., Ltd. | Preparation, research and design, manufacturing and processing for copper claded laminates, semiconductor, special for components use materials and tc tape carrier package. | 560,520 | Reinvested in the Mainland China investee through investing in an existing company (K Sun (Samoa) Ltd.) in the third area. | 7,404 | - | - | 7,508 | - | 0.89 | - | - | - | |
| Northern Juye (Beijing) Information Technology Co., Ltd. | Operating information and internet technical and hardware sales. | 155,700 | Invested the investee through the company (Csun Technology (Guangzhou) Co., Ltd.) in the Mainland China. | 5,304 | - | - | 5,378 | - | 2.82 | - | - | - | |
| Suzhou Top Creation Machines Co., Ltd. | Design and manufacturing printed circuit board, flat panel display, semiconductor, solar industry equipment and related parts sales. | 171,270 | Reinvested in the Mainland China investee through investing in an existing company (Good Team International Enterprises Limited) in the third area. | 180,790 | - | - | 183,321 | 43,680 | 77.47 | 33,839 | 958,365 | 83,808 | Note 2 (2) (B) 、 Note 4 |
| Jiangsu Chuang Gao Xin Materials Technology Co., Ltd. | Research and development, manufacturing high-tech materials, intellectual toys, toy balloon; computer software's develop application; manufacturing mould and precision machinery. | 228,430 | Invested the investee through the company (Csun Technology (Guangzhou) Co., Ltd.) in the Mainland China. | - | - | - | - | 1,935 | 100.00 | 1,935 | 193,790 | - | Note 2 (2) (C) |
| Nantong Chuangfeng Photoelectric Equipment Co., Ltd. | Design and manufacturing printed circuit board, flat panel display, semiconductor, solar industry equipment and related parts sales. | 205,938 | Reinvested in the Mainland China investee through investing in an existing company (Good Team International Enterprises Limited) in the third area. | - | - | - | - | 18,649 | 77.47 | 14,447 | 345,933 | - | Note 2 (2) (C) 、 Note 4 、 Note 5 |
| Company name | | | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023 | | | 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 | | | |
| C SUN MFG. LTD. | | | | \$362,557 | | | \$164,086 | | | \$1,999,457 | | | |

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 an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the six-month period ended June 30, 2023' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are reviewed and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are reviewed and attested by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: C Sun (B.V.I.) Ltd. held 77.47% of the equity interest of Power Ever Enterprises Limited and indirectly obtains the equity interest of Power Ever Enterprises Limited, and indirectly obtained the equity interest of Suzhou Top Creation Machines Co., Ltd. through investing in an existing company in the third area, which then invested in Suzhou Top Creation Machines Co., Ltd. in Mainland China.

Note 5: Good Team International Enterprises Limited reinvested in Nantong Chuangfeng Photoelectric Equipment Co., Ltd. by using the cash dividends of US\$ 10,000 thousands which was distributed from Suzhou Top Creation Machines Co., Ltd.

C SUN MFG. LTD. and subsidiaries

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

For the six-month period ended June 30, 2023

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Sale | | Purchase | | Accounts receivable | | Accounts payable | | Financing | | | | |
|--|-----------|-------|------------|-------|-----------------------------|------|-----------------------------|---------|--|--------------------------------|---------------|---|--------|
| | Amount | % | Amount | % | Balance at June 30, 2023 | % | Balance at June 30, 2023 | Purpose | Maximum balance during the six-month period ended June 30, 2023 | Balance at June 30, 2023 | Interest rate | Interest during the six-month period ended June 30, 2023 | Others |
| Csun Technology (Guangzhou) Co., Ltd. | \$ 68,211 | 17.60 | \$ 104,911 | 40.73 | \$ 26,866 | 8.53 | \$ 13,624 | 16.14 | - | - | - | - | - |

Table 6

C SUN MFG. LTD. and subsidiaries

Information of major shareholders

June 30, 2023

Table 7

| Name of major shareholders | Shares | |
|--------------------------------------|-----------------------|--------------------|
| | Number of shares held | Holding percentage |
| Gallant Precision Machining Co.,Ltd. | 19,957,082 | 12.73% |
| Hai-Xing Investment Co.,Ltd. | 14,971,743 | 9.55% |
| Pin-Zhi Investment Co.,Ltd. | 12,119,560 | 7.73% |

Note 1: The major shareholders' information was derived from the data using 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 in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included 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 on reported share equity of insiders, please refer to the Market Observation Post System.