

OFCO Industrial Corp. and Subsidiaries
Consolidated Financial Statements and
Independent Auditor's Review Report
For the Nine-Month Ended September 30,
2022 and 2021
Stock Code: 5011

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Independent Auditors' Review Report Translated From Chinese
Auditor's Review Report

Foreword

We have reviewed the accompanying consolidated balance sheets of OFCO Industrial Corp. and subsidiaries (hereinafter collectively referred to as "OFCO Group") as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the related statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The preparation of consolidated financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission, is the responsibility of the Company's management. Our responsibility is to express the conclusion of the financial statements based on our review.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Corporation and its subsidiaries as of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and nine months ended September 30, 2022 and 2021, and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Certified Public Accountant
PWC Taiwan
Tzu-yu Lin
Chung yu Tien

November 9, 2022

OFCO Industrial Corp. and Subsidiaries

Consolidated Balance Sheets

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

(The accompanying consolidated balance sheets as of September 30 2022 and 2021 have been reviewed only, and have not been audited in accordance with Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

Assets		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 945,049	22	\$ 675,014	19	\$ 516,724	17
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		85,074	2	27,206	1	28,097	1
1120	Financial assets at fair value	6(3)						
	through other comprehensive							
	income or loss - current		108,199	2	232,459	6	100,443	3
1136	Financial Assets Carried at Cost-	6(1)(4)&						
	Current	8	116,474	3	234,552	6	228,904	7
1140	Current contract assets	6(25)	12,711	-	-	-	-	-
1150	Notes receivable net	6(5)(10)	9,200	-	53,136	1	55,963	2
1170	Accounts receivable net	6(5)	498,217	11	397,710	11	438,692	14
1180	Accounts receivable net - related	6(5)&7						
	parties		110,696	3	128,935	4	113,385	4
1200	Other receivables		21,572	1	18,309	-	11,444	-
1220	Current tax assets	6(32)	184	-	-	-	-	-
130X	Inventories	6(6)	668,310	15	391,079	11	356,892	12
1410	Pre-payments	6(7)	220,638	5	172,221	5	181,227	6
11XX	Total current assets		<u>2,796,324</u>	<u>64</u>	<u>2,330,621</u>	<u>64</u>	<u>2,031,771</u>	<u>66</u>
Non-current assets								
1510	Non-current financial assets at fair	6(8)(18)						
	value through profit or loss		420	-	-	-	-	-
1535	Financial Assets Carried at Cost-	6(1)(4)&						
	Non-current	8	105,689	2	25,511	1	22,500	1
1550	Investments accounted for under	6(9)						
	the equity method		21,007	1	21,636	1	-	-
1600	Property, Plant and Equipment	6(10)(14)						
	、7&8		1,141,385	26	828,418	23	642,147	21
1755	Right-of-use assets	6(11)	90,843	2	99,429	3	97,818	3
1760	Investment property amount net	6(12)&8	32,452	1	32,452	1	31,002	1
1780	Intangible Assets	6(13)	20,073	-	19,976	-	20,038	1
1840	Deferred tax assets	6(32)	62,094	1	71,493	2	76,212	3
1915	Prepayments for equipment	6(10)	39,393	1	158,339	4	106,037	4
1920	Refundable deposits		20,960	1	28,060	1	9,274	-
1930	Long-term notes and accounts	6(10)						
	receivable		-	-	-	-	9,200	-
1975	Net defined benefit assets - non-	6(20)						
	current		7,032	-	7,009	-	8,326	-
1990	Other non-current assets - others	7	<u>22,224</u>	<u>1</u>	<u>13,075</u>	<u>-</u>	<u>12,425</u>	<u>-</u>

OFCO Industrial Corp. and Subsidiaries

Consolidated Balance Sheets

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

(The accompanying consolidated balance sheets as of September 30 2022 and 2021 have been reviewed only, and have not been audited in accordance with Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

15XX	Total non-current assets	<u>1,563,572</u>	<u>36</u>	<u>1,305,398</u>	<u>36</u>	<u>1,034,979</u>	<u>34</u>
1XXX	Total Assets	<u>\$ 4,359,896</u>	<u>100</u>	<u>\$ 3,636,019</u>	<u>100</u>	<u>\$ 3,066,750</u>	<u>100</u>

(Continued)

OFCO Industrial Corp. and Subsidiaries

Consolidated Balance Sheets

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

(The accompanying consolidated balance sheets as of September 30 2022 and 2021 have been reviewed only, and have not been audited in accordance with Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

Liabilities and Equity		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			Amount	%	Amount	%	Amount	%
Current liabilities								
2100	Short-term loans	6(15)&8	\$ 295,129	7	\$ 428,783	12	\$ 579,509	19
2110	Short-term notes and bills payable	6(16)&8	107,212	2	88,766	2	60,000	2
2130	Contract liability - current	6(25)	103,094	2	179,154	5	11,559	1
2150	Notes payable		16,588	-	33,325	1	27,273	1
2160	Notes Payable - Related Parties	7	30,037	1	26,486	1	3,550	-
2170	Accounts payable		291,396	7	298,457	8	250,630	8
2180	Accounts payable - Related parties	7	70,561	2	133,318	4	107,002	4
2200	Other payables	6(17)&7	201,987	5	144,116	4	130,907	4
2230	Current tax liabilities	6(32)	21,776	-	11,478	-	6,685	-
2280	Lease liabilities - Current	6(11)	12,030	-	11,748	-	10,203	-
2320	Current portion of long-term liabilities	6(18)						
		(19)&8	27,268	1	27,335	1	30,723	1
2399	Other current liabilities-other		-	-	-	-	36,000	1
21XX	Total current liabilities		<u>1,177,078</u>	<u>27</u>	<u>1,382,966</u>	<u>38</u>	<u>1,254,041</u>	<u>41</u>
Non-current liabilities								
2530	Bonds payable	6(18)						
		(21)						
		(22)	334,691	8	-	-	-	-
2540	Long-term loans	6(19)&8	131,942	3	84,287	2	24,345	1
2570	Deferred tax liabilities	6(32)	24,269	-	19,401	1	19,444	-
2580	Lease liabilities – Non-current	6(11)	80,716	2	88,504	2	88,056	3
2645	Guarantee deposits received		35,841	1	21,334	1	-	-
2670	Other non-current liabilities - other		564	-	564	-	-	-
25XX	Total Non-Current Liabilities		<u>608,023</u>	<u>14</u>	<u>214,090</u>	<u>6</u>	<u>131,845</u>	<u>4</u>
2XXX	Total liabilities		<u>1,785,101</u>	<u>41</u>	<u>1,597,056</u>	<u>44</u>	<u>1,385,886</u>	<u>45</u>
Equity attributed to the stockholders of the parent								
Share capital		6(18)						
		(21)						
3110	Common stock		994,101	23	885,218	24	760,218	25
3130	Bond for Equity Certificates		-	-	5,278	-	-	-
3200	Additional paid-in capital	6(18)						
		(21)						
		(22)						
		(23)	1,107,385	25	884,951	25	711,937	23
Retained earnings		6(3)						
		(24)						
3310	Legal reserve		12,997	-	-	-	-	-
3320	Special reserve		38,566	1	7,745	-	7,745	-
3350	Unappropriated earnings		205,579	5	129,968	4	87,110	3
3400	Other equity interest	6(3)	(71,008)	(2)	(38,566)	(1)	(22,436)	(1)
31XX	Equity attributable to owners of the parent		<u>2,287,620</u>	<u>52</u>	<u>1,874,594</u>	<u>52</u>	<u>1,544,574</u>	<u>50</u>

The Note to Consolidated Financial Statements appended to the statements form part of the Consolidated Financial Statements. Please read together. °

Chairman:Norman Sun

President:Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries

Consolidated Balance Sheets

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

(The accompanying consolidated balance sheets as of September 30 2022 and 2021 have been reviewed only, and have not been audited in accordance with Generally Accepted Auditing Standards.)

Unit: NT\$ thousand

36XX	Non-controlling interest	4(3)	<u>287,175</u>	<u>7</u>	<u>164,369</u>	<u>4</u>	<u>136,290</u>	<u>5</u>
3XXX	Total equity		<u>2,574,795</u>	<u>59</u>	<u>2,038,963</u>	<u>56</u>	<u>1,680,864</u>	<u>55</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
3X2X	Total liabilities and equity							10
			<u>\$ 4,359,896</u>	<u>100</u>	<u>\$ 3,636,019</u>	<u>100</u>	<u>\$ 3,066,750</u>	<u>0</u>

The Note to Consolidated Financial Statements appended to the statements form part of the Consolidated Financial Statements. Please read together. °

Chairman:Norman Sun

President:Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to September 30, 2022 and 2021

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

Unit: NT\$ thousand
(In addition to the loss per share of NT\$)

Items	Notes	July 1 to September 30, 2022		July 1 to September 30, 2021		January 1 to September 30, 2022		January 1 to September 30, 2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	6(25)&7	\$ 1,251,544	100	\$ 912,684	100	\$ 3,570,819	100	\$ 2,617,339	100
5000 Operating costs	6(6)(20)(30)(31)&7	(1,095,988)	(87)	(813,232)	(89)	(3,192,196)	(90)	(2,451,389)	(93)
5900 Gross profit		<u>155,556</u>	<u>13</u>	<u>99,452</u>	<u>11</u>	<u>378,623</u>	<u>10</u>	<u>165,950</u>	<u>7</u>
Operating Expenses	6(20)(30)(31)&7								
6100 Marketing expenses		(10,394)	(1)	(8,009)	(1)	(30,750)	(1)	(24,623)	(1)
6200 Administrative Expenses		(46,995)	(4)	(28,566)	(3)	(122,195)	(3)	(72,492)	(3)
6300 R&D Expenses		(50)	-	(324)	-	(284)	-	(1,484)	-
6000 Total operating expenses		(57,439)	(5)	(36,899)	(4)	(153,229)	(4)	(98,599)	(4)
6900 Operating income		<u>98,117</u>	<u>8</u>	<u>62,553</u>	<u>7</u>	<u>225,394</u>	<u>6</u>	<u>67,351</u>	<u>3</u>
Non-operating income & expenses									
7100 Interest income	6(4)(26)	124	-	57	-	401	-	271	-
7010 Other income	6(3)(27)	13,365	1	3,645	-	21,574	1	6,762	-
7020 Other gains or losses	6(2)(8)(11)(28) 、 7	26,122	2	(10,639)	(1)	39,154	1	11,181	-
7050 Financial costs	6(11)(29)	(4,485)	-	(2,523)	-	(10,964)	-	(8,017)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6(9)	<u>108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(656)</u>	<u>-</u>	<u>-</u>	<u>-</u>
7000 Total non-operating Income and expenses		<u>35,234</u>	<u>3</u>	<u>(9,460)</u>	<u>(1)</u>	<u>49,509</u>	<u>2</u>	<u>10,197</u>	<u>-</u>
7900 Net income(loss) before tax		133,351	11	53,093	6	274,903	8	77,548	3
7950 Income tax benefits(expense)	6(32)	(26,587)	(2)	(7,005)	(1)	(52,766)	(2)	11,076	-
8200 Net income		<u>\$ 106,764</u>	<u>9</u>	<u>\$ 46,088</u>	<u>5</u>	<u>\$ 222,137</u>	<u>6</u>	<u>\$ 88,624</u>	<u>3</u>
Other comprehensive income									
Items that will not be re-class									
8316 Unrealized profit and loss on the equity instrument investments at fair value through other comprehensive income	6(3)	(\$ 19,578)	(2)	(\$ 1,949)	-	(\$ 61,841)	(2)	(\$ 6,569)	-
8300 Other comprehensive income(net)		<u>(\$ 19,578)</u>	<u>(2)</u>	<u>(\$ 1,949)</u>	<u>-</u>	<u>(\$ 61,841)</u>	<u>(2)</u>	<u>(\$ 6,569)</u>	<u>-</u>

The Note to Consolidated Financial Statements appended to the statements form part of the Consolidated Financial Statements.
Please read together.

Chairman: Norman Sun

President: Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to September 30, 2022 and 2021

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

Unit: NT\$ thousand
(In addition to the loss per share of NT\$)

8500	Total comprehensive income	\$	87,186	7	\$	44,139	5	\$	160,296	4	\$	82,055	3
	Net profit (loss) attributed to:												
8610	Stockholders of the parent company	\$	104,808	9	\$	43,717	5	\$	233,741	6	\$	85,956	3
8620	Non-controlling interest		1,956	-		2,371	-	(	11,604)	-		2,668	-
		\$	106,764	9	\$	46,088	5	\$	222,137	6	\$	88,624	3
	Total comprehensive income attributed to:												
8710	Stockholders of the parent company	\$	85,230	7	\$	41,768	5	\$	171,900	4	\$	79,387	3
8720	Non-controlling interest		1,956	-		2,371	-	(	11,604)	-		2,668	-
		\$	87,186	7	\$	44,139	5	\$	160,296	4	\$	82,055	3
	Earnings per share												
				6(33)									
9750	Basic	\$		1.07	\$		0.58	\$		2.46	\$		1.29
9850	Diluted	\$		1.06	\$		0.57	\$		2.45	\$		1.26

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Chairman: Norman Sun

President: Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries
Consolidated Statements of Changes Equity
January 1 to September 30, 2022 and 2021
(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

Unit: NT\$ thousand

		Equity attributed to the owners of parent-company										
		Share capital			Retained earnings			Other components of equity				
								The exchange difference in the conversion of financial statements of foreign business institutions	Unrealized profit and loss on the financial assets at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
	Note	Common stock	Bond for Equity Certificates	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings					
<u>January 1 to September 30, 2021</u>												
		\$ 423,793	\$ 96,561	\$ 203,088	\$ -	\$ 7,745	(\$ 58,571)	\$ 373	(\$ 15,086)	\$ 657,903	\$ 1,822	\$ 659,725
		-	-	-	-	-	85,956	-	-	85,956	2,668	88,624
Other comprehensive income for January to September 2021	6(3)	-	-	-	-	-	-	-	(6,569)	(6,569)	-	(6,569)
Total consolidated profit and loss for January to September 2021		-	-	-	-	-	85,956	-	(6,569)	79,387	2,668	82,055
Paid-in capital used to offset accumulated deficits		-	-	(58,571)	-	-	58,571	-	-	-	-	-
Increase of common stock for cash	6(21)(22)	200,000	-	448,350	-	-	-	-	-	648,350	-	648,350
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	-	1,154	-	(1,154)	-	-	-
Conversion of bonds into capital stock	6(18)(22)	136,425	(96,561)	30,950	-	-	-	-	-	70,814	-	70,814
Employee Stock Options Compensation Costs	6(22)(23)(31)	-	-	3,237	-	-	-	-	-	3,237	-	3,237
Changes in subsidiaries’ ownership	4(3)&6(22)	-	-	84,883	-	-	-	-	-	84,883	(84,883)	-
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	216,683	216,683
Balance as of September 30, 2021		\$ 760,218	\$ -	\$ 711,937	\$ -	\$ 7,745	\$ 87,110	\$ 373	(\$ 22,809)	\$ 1,544,574	\$ 136,290	\$ 1,680,864
<u>January 1 to September 30, 2022</u>												
		\$ 885,218	\$ 5,278	\$ 884,951	\$ -	\$ 7,745	\$ 129,968	\$ 373	(\$ 38,939)	\$ 1,874,594	\$ 164,369	\$ 2,038,963
		-	-	-	-	-	233,741	-	-	233,741	(11,604)	222,137
Other comprehensive income for January to September 2022	6(3)	-	-	-	-	-	-	-	(61,841)	(61,841)	-	(61,841)
Total consolidated profit and loss for January to September 2022		-	-	-	-	-	233,741	-	(61,841)	171,900	(11,604)	160,296
Appropriation of 2021 earnings :												
Legal reserve		-	-	-	12,997	-	(12,997)	-	-	-	-	-
Special reserve		-	-	-	-	30,821	(30,821)	-	-	-	-	-
Cash dividends	6(24)	-	-	-	-	-	(84,940)	-	-	(84,940)	-	(84,940)
Cash dividends from capital surplus to shareholders	6(22)	-	-	(31,294)	-	-	-	-	-	(31,294)	-	(31,294)
Increase of common stock for cash	6(21)(22)	100,000	-	158,700	-	-	-	-	-	258,700	-	258,700
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	-	(29,372)	-	29,372	-	-	-
Conversion of bonds into capital stock	6(18)(22)	8,883	(5,278)	2,671	-	-	-	-	-	6,276	-	6,276
Employee Stock Options Compensation Costs	6(22)(23)(31)	-	-	4,712	-	-	-	-	-	4,712	2,949	7,661
Changes in subsidiaries’ ownership	4(3) 、 6(9)(22)	-	-	73,861	-	-	-	-	27	73,888	(73,861)	27
Equity component from convertible bonds issued	6(18)(22)	-	-	13,784	-	-	-	-	-	13,784	-	13,784
Changes in non-contralling interests		-	-	-	-	-	-	-	-	-	205,322	205,322

The Note to Consolidated Financial Statements appended to the statements form part of the Consolidated Financial Statements. Please read together.

Chairman: Norman Sun

President : Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries
Consolidated Statements of Changes Equity
January 1 to September 30, 2022 and 2021
 (Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

Unit: NT\$ thousand

	Note	Equity attributed to the owners of parent-company										
		Share capital			Retained earnings			Other components of equity				
		Common stock	Bond for Equity Certificates	Additional paid-in capital	Legal reserve	Special reserve	Unappropriated earnings	The exchange difference in the conversion of financial statements of foreign business institutions	Unrealized profit and loss on the financial assets at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
Balance as of September 30, 2022		\$ 994,101	\$ -	\$ 1,107,385	\$ 12,997	\$ 38,566	\$ 205,579	\$ 373	(\$ 71,381)	\$ 2,287,620	\$ 287,175	\$ 2,574,795

The Note to Consolidated Financial Statements appended to the statements form part of the Consolidated Financial Statements. Please read together.

Chairman: Norman Sun

President : Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to September 30, 2022 and 2021

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

Unit: NT\$ thousand

	Note	January 1 to September 30, 2022	January 1 to September 30, 2021
<u>Cash flows from operating activities</u>			
Net income before tax		\$ 274,903	\$ 77,548
Adjustments			
Adjustments to reconcile profit (loss)			
Loss(gain) on financial assets and liabilities measured at fair value through profit or loss	6(28)	(9,317)	(25,158)
Provision for decline in value of inventories	6(6)	5,434	6,645
Share of profit of associates and joint ventures accounted for under the equity method	6(9)	656	-
Depreciation expense	6(10)(11)	73,167	48,794
	(30)	268	121
Amortization expense	6(13)(30)	268	121
Net loss on disposal of property, plant and equipment	6(28)&7	800	4,564
Gain on lease modification	6(11)	(26)	-
	(28)		
Option compensation cost of employee stock	6(22)	7,661	3,237
	(23)		
	(31)	401	271
Interest income	6(26)	(5,003)	(2,438)
Dividend income	6(3)(27)	10,964	8,017
Interest expense	6(29)	-	3,131
Exchange loss			
Changes in assets/liabilities related to operating activities			
Changes in assets relating to operating activities net			
Financial assets at fair value through profit or loss - current		(48,551)	(3,475)
Contract asset - current		(12,711)	-
Notes receivable		961	(609)
Accounts receivable		(100,507)	(165,040)
Accounts receivable-related parties		18,239	(75,431)
Other receivables		(3,263)	(4)
Inventories		(282,665)	(114,331)
Pre-payments		(48,417)	(96,039)
Net defined benefit assets - non-current		(23)	(17)
Changes in liabilities relating to operating activities net			
Contract liability - current		(76,060)	(4,165)
Notes payable		(16,737)	10,962
Notes Payable - Related Parties		590	1,448
Accounts payable		(7,061)	66,437
Accounts payable- Related Parties		(62,757)	44,000
Other payables		31,771	29,855
Other current liabilities - other		-	36,000
Other non-current liabilities - other		-	(10,579)
Cash (outflow) inflow of business operations		(248,085)	(156,798)
Interest receivable		401	271
Dividend received		5,003	2,438
Interest paid		(11,159)	(8,047)

The Note to Consolidated Financial Statements appended to the statements form part of the Consolidated Financial Statements. Please read together.

Chairman: Norman Sun

President: Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to September 30, 2022 and 2021

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

Unit: NT\$ thousand

	Note	January 1 to September 30, 2022	January 1 to September 30, 2021
Income tax paid		(28,385)	(6,426)
Net Cash outflow from Operating Activities		(282,225)	(168,562)
 Cash flows from investing activities			
Acquisition of financial assets at fair value through other comprehensive income - current		\$ -	(\$ 70,421)
Disposal of financial assets at fair value through other comprehensive income - current	6(3)	62,419	27,932
Reduction in Financial Assets Carried at Cost- Current		118,078	69,829
Increase in financial Assets Carried at Cost- Non-current		(80,178)	(22,500)
Cash paid for acquisition of property, plant and equipment	6(34)	(151,356)	(43,051)
Cash receipts from disposal of property, plant and equipment	6(34)	44,997	45,877
Acquisition of intangible assets	6(13)	(365)	(737)
Increase in prepayments for equipment		(78,715)	(169,532)
Refundable deposits reduction (increment)		7,100	(5,159)
Cash receipts from disposal of other non-current assets	6(34)	-	4,189
Other non-current assets - other decreases		(9,149)	4,840
Net cash flows from (used in) investing activities		(87,169)	(158,733)
 <u>Cash flows from financial activities</u>			
Increase in short-term loans	6(35)	1,799,163	1,999,730
Decrease in short-term loans	6(35)	(1,932,817)	(1,967,510)
Short-term bills payable	6(35)	18,600	-
Repayments of lease principal	6(35)	(9,705)	(8,299)
Issuance of convertible bonds payable	6(35)	348,055	-
Payment of convertible bonds due	6(18)		
	(35)	(507)	-
Proceeds from long-term debt	6(35)	161,045	-
Repayment of long-term loans	6(35)	(106,700)	(305,962)
Guarantee deposits Increase	6(35)	14,507	-
Increase of common stock for cash	6(21)	258,700	648,350
Cash dividend	6(24)	(84,940)	-

The Note to Consolidated Financial Statements appended to the statements form part of the Consolidated Financial Statements. Please read together.

Chairman: Norman Sun

President: Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to September 30, 2022 and 2021

(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)

Unit: NT\$ thousand

	Note	January 1 to September 30, 2022	January 1 to September 30, 2021
Cash dividends from capital surplus to shareholders	6(22)	(31,294)	-
Changes in non-controlling interests		205,322	216,683
Net cash inflows (outflows) from financing activities		639,429	582,992
Increase/(decrease) in cash and cash equivalents		270,035	255,697
Cash and cash equivalents at beginning of period	6(1)	675,014	261,027
Cash and cash equivalents at end of period	6(1)	\$ 945,049	\$ 516,724

The Note to Consolidated Financial Statements appended to the statements form part of the Consolidated Financial Statements. Please read together.

Chairman: Norman Sun

President: Yen Wu

Accounting Director: Mei-Yu Wang

OFCO Industrial Corp. and Subsidiaries
Notes to consolidated financial statements
For the Nine Months Ended September 30, 2022 and 2021
(Reviewed only, not audited in accordance with Generally Accepted Auditing Standards)
Unit: NT\$ thousand
(Unless otherwise specified)

1. Organization and operations

(1) OFCO Industrial Corp. (hereinafter referred to as "the Company") was established on November 21, 1984 in accordance with the provisions of the Company Act. The main business scope includes the manufacturing of fastener screws and related products, metal heat treatment OEM and trading. For the major operating items of subsidiaries included in the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as "the Group"), please refer to Note 4, (3) for the description of the basis of consolidation.

(2) The Company's shares have been traded on the Taipei Exchange (TPEX) since May 1999.

2. The Authorization of Financial Statements

This consolidated financial statements were submitted to the Board of Directors and issued on November 9, 2022.

3. Application of New and Revised International Financial Reporting Standards

(1) The impact from adopting the newly released and revised International Financial Reporting Standards recognized by the Financial Supervisory Commission (FSC).

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards (IFRS) recognized by the Financial Supervisory Commission in 2022:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
IFRS 3 amendment, "Reference to Conceptual Framework"	January 1, 2022
Amendments to IAS 16, "Property, Plant and Equipment: Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37, "Onerous Contracts cost of fulfilling a contract"	January 1, 2022
Annual improvements to 2018 - 2020 cycle	January 1, 2022

The Group has assessed that the above standards and interpretations do not have a material impact on the Group's financial position and financial performance.

(2) Impact of the newly released and amended IFRS recognized by the FSC not yet adopted by the Company.

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards (IFRS) recognized by the Financial Supervisory Commission in 2023:

Newly released / corrected / amended standards and interpretations	Effective Date Issued by IASB
Amendment to IAS 1 - " Disclosure of Accounting Policies "	January 1, 2023
Amendment 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 Group has assessed that the above standards and interpretations do not have a material impact on the Group's financial position and financial performance.

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) but not yet recognized by the FSC:

Newly released / corrected / amended standards and interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28	
" Sales or contributions of assets between an investor and its associate/joint venture "	To be determined by the IASB
Amendments to IFRS 16 - "Lease liability in a sale and leaseback"	January 1, 2024
IFRS 17 - " Insurance contracts"	January 1, 2023
Amendments to IFRS 17 - " Insurance contracts "	January 1, 2023
Amendment to IFRS 17 - " Initial application of IFRS 17 and IFRS 9 - Comparative information "	January 1, 2023
Amendments to IAS 1 " Classification of liabilities as current or non-current "	January 1, 2024
Amendments to IAS 1 " Non-current liabilities with covenants "	January 1, 2024

The Group has assessed that the above standards and interpretations do not have a material impact on the Group's financial position and financial performance.

4.Summary of significant accounting policies

Except for the declaration of compliance, basis of preparation, basis of consolidation and applicable parts of interim financial statements, the major accounting policies are the same as those in Note 4 to the consolidated financial statements in 2021. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

- A.The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting", as approved by the FSC.
- B. This consolidated financial report should be read together with the 2021 Consolidated Financial Report.

(2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared

under the historical cost convention.

- ① Financial assets at fair value through profit or loss (including derivatives).
- ② Financial assets at fair value through other comprehensive income.
- ③ The defined benefit asset is recognized as the net of the present value of the defined benefit obligation of the pension fund.

B. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations and Interpretative Pronouncements (IFRSs) as endorsed by the FSC requires the use of certain critical accounting estimates. The application of the Company's accounting policies also requires management to exercise its judgment in the process of applying those policies that involve a higher degree of judgment or complexity, or items that involve significant assumptions and estimates in the consolidated financial statements. Please refer to Note 5 for a description of significant accounting judgments, estimates and key sources of assumption uncertainty.

(3) Basis of consolidation

A. The basis for preparation of consolidated financial statements

The preparation principle of this consolidated financial report is the same as that of the consolidated financial report of the 2021.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business	Ownership (%)			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
OFCO Industrial Corp.	TSG Transport Corp.	Container rental, transportation and packing services	100.00	100.00	100.00	—
OFCO Industrial Corp.	TSG Environmental Technology Corp.	Recycling of materials, waste disposal services, etc.	100.00	100.00	100.00	—
OFCO Industrial Corp.	Yung Fu Co., Ltd.	Garbage and Business Commissioning by waste incineration plants for management services and Small and medium-sized incineration furnace project planning, design services	67.15	79.22	79.22	(Note)

Name of Investor	Name of Subsidiary	Main Business	Ownership (%)			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
TSG Transport Corp.	Yung Fu Co., Ltd.	Garbage and Business Commissioning by waste incineration plants for management services and Small and medium-sized incineration furnace project planning, design turnkey services	0.34	0.40	—	(Note)
TSG Environmental Technology Corp.	Yung Fu Co., Ltd.	Garbage and Business Commissioning by waste incineration plants for management services and Small and medium-sized incineration furnace project planning, design turnkey services	0.51	0.61	—	(Note)
Yung Fu Co., Ltd.	TSG POWER Corp.	Energy technology services	100.00	100.00	100.00	—

(Note) In order to cooperate with Yung Fu Co., Ltd.'s future application for stock listing (counter) plan, Yung Fu Co., Ltd. handled the cash capital increase case from January to September, 2022 and 2021. Neither the company nor its subsidiaries subscribed according to the shareholding ratio, resulting in a decrease in its shareholding ratio. From January to September in 2022 and 2021, the adjusted Capital-Reserves (relative to the subject " Non-controlling interests ") were \$73,861 and \$84,883, respectively.

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

D. Adjustment and treatment of different accounting periods of subsidiaries: None.

E. Significant limitations: None.

F. Subsidiaries with non - controlling interests that are significant to the Group:

① The total non-controlling interests of the Group as of September 30, 2022, December 31,

2021 and September 30, 2021 were \$287,175, \$164,369 and \$136,290, respectively. Information about non-controlling interests and subsidiaries that are material to the Group is as follows :

Name of Subsidiary	Main place of business	Non-controlling interests			
		September 30, 2022		December 31, 2021	
		Amount	Ownership (%)	Amount	Ownership (%)
Yung Fu Co., Ltd.	Taiwan	\$287,175	32.00%	\$164,369	19.77%

Name of Subsidiary	Main place of business	Non-controlling interests	
		September 30, 2021	
		Amount	Ownership (%)
Yung Fu Co., Ltd.	Taiwan	\$136,290	20.78%

② Subsidiary - Yung Fu Co., Ltd. summary financial information :

Balance Sheet

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 726, 479	\$ 604, 395	\$ 598, 364
Non-current assets	810, 445	582, 001	348, 717
Current liabilities	(492, 470)	(387, 189)	(264, 980)
Non-current liabilities	(158, 490)	(84, 225)	-
Total net assets	<u>\$ 885, 964</u>	<u>\$ 714, 982</u>	<u>\$ 682, 101</u>

Statement of Comprehensive Income

	July to September of 2022	July to September of 2021
Revenue	<u>\$ 236, 250</u>	<u>\$ 197, 416</u>
Net income before tax	\$ 9, 318	\$ 28, 107
Income tax expense	(1, 988)	(2, 889)
Net income	<u>7, 330</u>	<u>25, 218</u>
Total comprehensive income	<u>\$ 7, 330</u>	<u>\$ 25, 218</u>
Total comprehensive income attributed to non-controlling interest	<u>\$ 1, 956</u>	<u>\$ 2, 371</u>
	January to September of 2022	January to September of 2021
Revenue	<u>\$ 573, 538</u>	<u>\$ 365, 928</u>
Net income before tax	(\$ 47, 455)	\$ 35, 582
Income tax (expense) benefit	9, 319	(1, 310)
Net income	<u>(38, 136)</u>	<u>34, 272</u>

Total comprehensive income	<u>(\$ 38,136)</u>	<u>\$ 34,272</u>
Total comprehensive income attributed to non-controlling interest	<u>(\$ 11,604)</u>	<u>\$ 2,668</u>

<u>Statements of Cash Flows</u>	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Net Cash Out-Flow from Operation Activities	(\$ 138,895)	(\$ 185,998)
Net Cash Out-Flow from Investing Activities	(194,145)	(158,360)
Net Cash In-Flow from Financing Activities	<u>412,689</u>	<u>467,072</u>
Increase in cash and cash equivalents	79,649	122,714
Balance of cash and cash equivalents, beginning of period	<u>281,168</u>	<u>92,884</u>
Balance of cash and cash equivalents, end of period	<u>\$ 360,817</u>	<u>\$ 215,598</u>

(4) Employee benefits

Pension - Defined Benefit Plan

The pension cost for the interim period is calculated using the actuarially determined pension cost rate from the beginning of the year to the end of the current period as of the end of the previous financial year. If there are significant market changes and material curtailments, liquidations or other significant one-time events after such closing, they will be adjusted and the relevant information will be disclosed in accordance with the aforementioned policy.

(5) Income tax

Income tax expense for the interim period is calculated by applying the estimated average annual effective tax rate to the income before income tax for the interim period and disclosing the related information in accordance with the accounting policies.

5. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

There is no significant change in the current period, please refer to Note 5 to the consolidated financial statements in 2021.

6. Summary of Significant Accounting Items

(1) Cash and Cash Equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash:			
Cash on hand	\$ 795	\$ 455	\$ 434
Checking accounts and demand deposits	<u>944,254</u>	<u>674,559</u>	<u>516,290</u>
	<u>\$ 945,049</u>	<u>\$ 675,014</u>	<u>\$ 516,724</u>

- A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group transferred \$222,163, \$260,063 and \$251,404 of demand deposits, time deposits and bonds with repurchase pledged as collateral to "Financial Assets at Amortized Cost - Current" and "Financial Assets at Amortized Cost - Non-current", respectively.
- C. The Group pledged cash and cash equivalents as collateral (listed as "Financial Assets at Amortized Cost - Current" and "Financial Assets at Amortized Cost - Non-current"), please refer to Note 8 statements on pledged assets.

(2) Financial Assets at Fair Value through Profit or Loss - Current

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets mandatorily at FVTPL			
Shares of listed and OTC company	\$ 49,738	\$ 7,777	\$ 7,777
Beneficiary certificates	26,624	15,116	16,319
	76,362	22,893	24,096
Valuation adjustment	8,712	4,313	4,001
	<u>\$ 85,074</u>	<u>\$ 27,206</u>	<u>\$ 28,097</u>

- A. The Group recognized net income (listed as "Other Gains and Losses") of \$9,207 and (\$3,565) and \$9,317 and \$25,190 for July to September of 2022 and 2021 and January to September of 2022 and 2021, respectively.
- B. The Group has not pledged any financial assets at fair value through profit or loss.
- C. For related credit risk information, please refer to Note 12, (2) Financial Instruments.

(3) Financial Assets at Fair Value through other Comprehensive Income or Loss - Current

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Equity instrument			
Shares of listed and OTC company	\$ 179,610	\$ 271,401	\$ 123,252
Financial asset valuation adjustment	(71,411)	(38,942)	(22,809)
	<u>\$ 108,199</u>	<u>\$ 232,459</u>	<u>\$ 100,443</u>

- A. The Group has chosen to invest in equity instruments that are strategic investments. Investments are classified as financial assets measured at fair value through other comprehensive income or loss. The Group's maximum exposure to credit risk is its book value without taking into account collateral held or other credit enhancements.

B. The breakdown of FVTOCI recognized in profit or loss and comprehensive income or loss is as follows:

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Dividend income recognized in profit or loss	<u>\$ 5,003</u>	<u>\$ 2,438</u>
Changes in fair value recognized in other comprehensive income	<u>(\$ 19,578)</u>	<u>(\$ 1,949)</u>
Cumulative losses (benefits) transferred to retained earnings due to delisting	<u>\$ 29,372</u>	<u>(\$ 1,154)</u>
	<u>January to September of 2022</u>	<u>January to September of 2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Dividend income recognized in profit or loss	<u>\$ 5,003</u>	<u>\$ 2,438</u>
Changes in fair value recognized in other comprehensive income	<u>(\$ 61,841)</u>	<u>(\$ 6,569)</u>
Cumulative losses (benefits) transferred to retained earnings due to delisting	<u>\$ 29,372</u>	<u>(\$ 1,154)</u>

C. From January to September 2022 and 2021, due to the need for capital expenditure, the Group sold its listed equity instrument investments at fair values of \$62,419 and \$27,932, respectively. The accumulated disposal benefits amounted to \$29,372 and \$1,154, respectively, and were transferred to retained earnings.

D. The Group not pledged financial assets measured at fair value through other comprehensive income.

E. For information on the credit risk of financial assets measured at fair value through other comprehensive income or loss, please refer to Note 12, (2) Financial Instruments.

(4) Financial Assets Carried at Cost

<u>Item</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Pledged demand deposits	\$ 104,424	\$ 88,278	\$ 78,811
Pledged time deposits	6,050	140,274	141,093
Pledged repurchase bond	6,000	6,000	9,000
	<u>\$ 116,474</u>	<u>\$ 234,552</u>	<u>\$ 228,904</u>

Non-current items:

Pledged demand deposits	\$	<u>105,689</u>	\$	<u>25,511</u>	\$	<u>22,500</u>
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- A. The Group interest income recognized in profit or loss due to financial assets measured by amortized cost from July to September of 2022 and 2021 and January to September of 2022 and 2021 were \$37 and \$48 and \$126 and \$176, respectively. (listed as "interest income")
- B. Financial assets held at amortized cost that best represent the Group, without regard to collateral held or other credit enhancements, as at September 30, 2022, and December 31, 2021 and September 30, 2021, the amount of the risk exposure with the largest credit risk was its book value.
- C. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group provided financial assets measured by amortized cost as pledge guarantees. Please refer to Note 8 illustrate.
- D. For information on credit risk of financial assets measured by amortized cost, please refer to Note 12, (2) Description of Financial Instruments. The Group's investment in time deposit certificates is a financial institution with good credit quality, and the possibility of default is expected to be low.

(5) Notes and Accounts Receivable - Net

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes Receivable	\$ -	\$ 961	\$ 763
Other Installment Notes Receivable	\$ 9,200	\$ 52,175	\$ 55,200
Accounts Receivable	\$ 498,240	\$ 397,733	\$ 438,715
Less: Loss Allowance	(23)	(23)	(23)
	<u>\$ 498,217</u>	<u>\$ 397,710</u>	<u>\$ 438,692</u>

- A. The aging analysis of Notes and Accounts Receivable (including related parties) is as follows:

	<u>September 30, 2022</u>		<u>December 31, 2021</u>	
	<u>Notes Receivable</u>	<u>Accounts Receivable</u>	<u>Notes Receivable</u>	<u>Accounts Receivable</u>
Not Past Due	\$ 9,200	\$ 545,416	\$ 53,136	\$ 485,237
Within 60 days past due	-	57,982	-	41,148
61-180 days past due	-	5,538	-	283
	<u>\$ 9,200</u>	<u>\$ 608,936</u>	<u>\$ 53,136</u>	<u>\$ 526,668</u>

	September 30, 2021	
	Notes Receivable	Accounts Receivable
Not Past Due	\$ 55,963	\$ 512,277
Within 60 days past due	-	35,744
61-180 days past due	-	4,079
	<u>\$ 55,963</u>	<u>\$ 552,100</u>

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

- B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the balances of Notes Receivable and Accounts Receivable were generated from customer contracts, and the balance of accounts receivable from customer contracts was \$366,983 as of January 1, 2021.
- C. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group did not hold any collaterals as guarantees for Notes and Accounts Receivable.
- D. Please refer to Note 12, (2) for the credit risk information of the related Notes and Accounts Receivable.
- E. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had not pledged any Notes and Accounts Receivable as collateral.

(6) Inventories

	September 30, 2022		
	Cost	Allowance for valuation loss	Book Value
Raw Materials	\$ 372,202	(\$ 21,673)	\$ 350,529
Work in Process	250,084	(15,643)	234,441
Finished Goods	<u>87,578</u>	<u>(4,238)</u>	<u>83,340</u>
	<u>\$ 709,864</u>	<u>(\$ 41,554)</u>	<u>\$ 668,310</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book Value
Raw Materials	\$ 83,049	(\$ 14,132)	\$ 68,917
Supplies and spare parts	1,724	-	1,724
Work in Process	239,392	(18,333)	221,059
Finished Goods	<u>103,034</u>	<u>(3,655)</u>	<u>99,379</u>
	<u>\$ 427,199</u>	<u>(\$ 36,120)</u>	<u>\$ 391,079</u>

September 30, 2021			
	Cost	Allowance for valuation loss	Book Value
Raw Materials	\$ 73,090	(\$ 11,803)	\$ 61,287
Supplies and spare parts	1,950	-	1,950
Work in Process	217,731	(18,504)	199,227
Finished Goods	97,814	(3,386)	94,428
	<u>\$ 390,585</u>	<u>(\$ 33,693)</u>	<u>\$ 356,892</u>

The cost of inventories recognized as losses by the Corporate Group.

	July to September of 2022	July to September of 2021
Cost Of Goods Sold	\$ 611,343	\$ 406,211
Inventory Valuation and Obsolescence Losses	3,083	2,899
Gain or Loss on Physical Inventory	926 (	218)
Revenue from Sale of Scraps	(5,063)	(4,352)
	<u>\$ 610,289</u>	<u>\$ 404,540</u>

	January to September of 2022	January to September of 2021
Cost Of Goods Sold	\$ 1,837,901	\$ 1,573,995
Inventory Valuation and Obsolescence Losses	5,434	6,645
Gain or Loss on Physical Inventory	3,600 (	216)
Revenue from Sale of Scraps	(16,620)	(15,472)
	<u>\$ 1,830,315</u>	<u>\$ 1,564,952</u>

(7) Prepaid Expenses

	September 30, 2022	December 31, 2021	September 30, 2021
Supplies inventory	\$ 98,254	\$ 109,711	\$ 63,746
Advance payment	43,043	7,791	56,165
Prepaid expenses	38,540	39,927	31,910
Tax credit	23,729	12,999	13,844
Prepaid insurance	4,482	977	-
Others	12,590	816	15,562
	<u>\$ 220,638</u>	<u>\$ 172,221</u>	<u>\$ 181,227</u>

(8) Financial Assets at Fair Value through Profit or Loss – Non - Current

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Callable rights of convertible bonds at FVTPL	<u>\$ 420</u>	<u>\$ -</u>	<u>\$ -</u>

The Group recognized net loss (listed as "Other Gains and Losses") of \$- and \$- and \$- and (\$32) for July to September of 2022 and 2021 and January to September of 2022 and 2021, respectively.

(9) Equity method investment

A. Changes in investments using the equity method are as follows:

	<u>January to September, 2022</u>
January 1	\$ 21,636
Share of profit(loss) of associates & joint ventures accounted for using equity method	(656)
Share of other comprehensive income of associates & joint ventures accounted for using equity method	<u>27</u>
September 30	<u>\$ 21,007</u>

There were no such events from January to September of 2021.

B. The details of investments using the equity method are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Titan Insurance Broker Co., Ltd.	<u>\$ 21,007</u>	<u>\$ 21,636</u>	<u>\$ -</u>

C. The share of the operating results of Titan Insurance Broker Co., Ltd., an individual insignificant affiliate of the Group, is as follows:

	<u>July to September, 2022</u>
Net loss of continuing business units for the current period	(\$ 2,155)
Other comprehensive income (net of tax)	<u>127</u>
Total comprehensive income	<u>(\$ 2,028)</u>
	<u>January to September, 2022</u>
Net loss of continuing business units for the current period	(\$ 5,669)
Other comprehensive income (net of tax)	<u>127</u>
Total comprehensive income	<u>(\$ 5,542)</u>

There were no such events from July to September and January to September of 2021.

D. As of September 30, 2022 and December 31, 2021, the Group did not provide the investment using the equity method as a pledge. There were no such events from September 30, 2021.

(10) Property, Plant and Equipment

	Land	Buildings	Machinery & equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished construction and equipment under acceptance	Total
<u>January 1, 2022</u>									
Cost	\$ 181,182	\$ 154,488	\$ 728,020	\$ 47,577	\$ 18,559	\$ 139,841	\$ 182,476	\$ 13,201	\$ 1,465,344
Accumulated Depreciation	-	(68,355)	(321,938)	(7,498)	(13,559)	(91,618)	(126,468)	-	(629,416)
Cumulative Impairment	-	-	(1,395)	-	(1,022)	(4,651)	(442)	-	(7,510)
	<u>\$ 181,182</u>	<u>\$ 86,153</u>	<u>\$ 404,687</u>	<u>\$ 40,079</u>	<u>\$ 3,978</u>	<u>\$ 43,572</u>	<u>\$ 55,566</u>	<u>\$ 13,201</u>	<u>\$ 828,418</u>
<u>January to September of 2022</u>									
January 1	\$ 181,182	\$ 86,153	\$ 404,687	\$ 40,079	\$ 3,978	\$ 43,572	\$ 55,566	\$ 13,201	\$ 828,418
Add - Cost	-	6,812	64,070	21,387	2,718	4,134	64,034	17,329	180,484
Transfer In of Prepaid Equipment Cost	-	-	183,197	14,200	-	-	264	-	197,661
Depreciation Expense	-	(3,188)	(32,974)	(4,555)	(678)	(5,841)	(15,120)	-	(62,356)
Disposal-Cost	-	-	(6,570)	(3,304)	(14)	-	(52,503)	-	(62,391)
Disposal- Accumulated Depreciation	-	-	6,415	1,095	5		52,030	-	59,545
Disposal- Cumulative Impairment	-	-	-	-	-	-	24	-	24
September 30	<u>\$ 181,182</u>	<u>\$ 89,777</u>	<u>\$ 618,825</u>	<u>\$ 68,902</u>	<u>\$ 6,009</u>	<u>\$ 41,865</u>	<u>\$ 104,295</u>	<u>\$ 30,530</u>	<u>\$ 1, 141,385</u>

September 30, 2022

Cost	\$ 181,182	\$ 161,300	\$ 968,717	\$ 79,860	\$ 21,263	\$ 143,975	\$ 194,271	\$ 30,530	\$ 1,781,098
Accumulated Depreciation	-	(71,523)	(348,497)	(10,958)	(14,232)	(97,459)	(89,558)	-	(632,227)
Cumulative Impairment	-	-	(1,395)	-	(1,022)	(4,651)	(418)	-	(7,486)
	<u>\$ 181,182</u>	<u>\$ 89,777</u>	<u>\$ 618,825</u>	<u>\$ 68,902</u>	<u>\$ 6,009</u>	<u>\$ 41,865</u>	<u>\$ 104,295</u>	<u>\$ 30,530</u>	<u>\$ 1,141,385</u>

	Land	Buildings	Machinery & equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished construction and equipment under acceptance	Total
<u>January 1, 2021</u>									
Cost	\$ 166,931	\$ 147,841	\$ 524,967	\$ 16,437	\$ 15,549	\$ 127,093	\$ 172,449	\$ -	\$ 1,171,267
Accumulated Depreciation	-	(64,512)	(304,640)	(7,921)	(13,170)	(84,917)	(108,978)	-	(584,138)
Cumulative Impairment	-	-	(1,395)	-	(1,022)	(4,651)	(442)	-	(7,510)
	<u>\$ 166,931</u>	<u>\$ 83,329</u>	<u>\$ 218,932</u>	<u>\$ 8,516</u>	<u>\$ 1,357</u>	<u>\$ 37,525</u>	<u>\$ 63,029</u>	<u>\$ -</u>	<u>\$ 579,619</u>

January to September of 2021

January 1	\$ 166,931	\$ 83,329	\$ 218,932	\$ 8,516	\$ 1,357	\$ 37,525	\$ 63,029	\$ -	\$ 579,619
Add - Cost	-	-	35,435	2,009	2,290	4,115	6,437	1,761	52,047
Transfer In of Prepaid Equipment Cost	-	-	35,211	-	-	-	-	28,746	63,957
Depreciation Expense	-	(2,929)	(17,196)	(1,328)	(309)	(4,703)	(13,781)	-	(40,246)

Disposal-Cost	-	-	(17,668)	(2,013)	-	-	-	-	(19,681)
Accumulated									
Depreciation	-	-	4,478	1,973	-	-	-	-	6,451
September 30	<u>\$ 166,931</u>	<u>\$ 80,400</u>	<u>\$ 259,192</u>	<u>\$ 9,157</u>	<u>\$ 3,338</u>	<u>\$ 36,937</u>	<u>\$ 55,685</u>	<u>\$ 30,507</u>	<u>\$ 642,147</u>
September 30, 2021									
Cost	\$ 166,931	\$ 147,841	\$ 577,945	\$ 16,433	\$ 17,839	\$ 131,208	\$ 178,886	\$ 30,507	\$ 1,267,590
Accumulated									
Depreciation	-	(67,441)	(317,358)	(7,276)	(13,479)	(89,620)	(122,759)	-	(617,933)
Cumulative									
Impairment	-	-	(1,395)	-	(1,022)	(4,651)	(442)	-	(7,510)
	<u>\$ 166,931</u>	<u>\$ 80,400</u>	<u>\$ 259,192</u>	<u>\$ 9,157</u>	<u>\$ 3,338</u>	<u>\$ 36,937</u>	<u>\$ 55,685</u>	<u>\$ 30,507</u>	<u>\$ 642,147</u>

- A. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's property, plant and equipment were assets for own use.
- B. The Group's did not capitalize any borrowing costs from January to September 2022 and 2021.
- C. On September 26, 2019, the Board of Directors approved the sale of certain machinery and equipment, office equipment, leasehold improvements, other equipment and other non-current assets – other of the Tainan plant with low-capacity utilization. In December 2019, the Company entered into a sales and purchase agreement with E-Shen Steel Co. The disposal price was \$163,238 and the gain on disposal was \$18,439 in December 2019. As of September 30, 2022, December 31, 2021 and September 30, 2021, the outstanding balance was shown as "Other Notes Receivable" of \$9,200, \$50,600 and \$55,200, respectively, and "Long-Term Notes and Accounts Receivable" of \$—, \$—, and \$9,200, respectively.
- D. Information on the pledge of property, plant and equipment by the Group is described in Note 8.
- E. Please refer to Note 6, (14) for the accumulated impairment loss on non-financial assets.

(11) Leasing arrangements - lessee

- A. The subject assets of the Group's leases are buildings and business vehicles and print machine and land, and the lease contracts are usually for periods ranging from 2 to 14 years. Lease agreements are individually negotiated and contain various terms and conditions without any special restrictions.
- B. The lease period of the Group's leased vehicles does not exceed 12 months, and the leased assets with low value are air cleaners, etc.
- C. The book value of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>
Land	\$ 439	\$ 630	\$ -
Buildings	86,965	93,806	95,733
Transport Equipment (business vehicles)	3,439	4,817	2,045
Office equipment (print machine)	-	176	-
	<u>\$ 90,843</u>	<u>\$ 99,429</u>	<u>\$ 97,818</u>

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 94	-
Buildings	2,831	2,721
Transport Equipment (business vehicles)	586	357
Office equipment (print machine)	-	-
	<u>\$ 3,511</u>	<u>\$ 3,078</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Land	\$ 262	\$ -
Buildings	8,605	7,472
Transport Equipment (business vehicles)	1,926	1,076
Office equipment (print machine)	18	-
	<u>\$ 10,811</u>	<u>\$ 8,548</u>

D. The additions to the Group's right-of-use assets were \$1,496 and \$2,227 and \$5,005 and \$97,931 for July to September of 2022 and 2021 and January to September of 2022 and 2021, respectively.

E. The information on profit or loss items related to lease contracts is as follows:

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 305	\$ 300
Expenses for short-term lease contracts	2,253	973
Lease of low-value assets	89	73
Fees for variable lease payments	991	-
Lease modification benefit	(26)	-

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 935	\$ 354
Expenses for short-term lease contracts	5,354	2,657
Lease of low-value assets	278	88
Fees for variable lease payments	2,438	-
Lease modification benefit	(26)	-

F. The Group's total rental cash outflows for January to September of 2022 and 2021 were \$18,710 and \$11,398, respectively.

G. When the Group determines the lease period, it takes into consideration all the facts and circumstances that will generate economic incentives for exercising or not exercising the right to renew the lease. The lease period will be re-estimated when a major event occurs in the assessment of the exercise or non-exercise of the right to renew the lease. Based on the assessment of exercising or not exercising the right to renew the lease, the Group's right-of-use assets and lease liabilities from January to September 2022 were reduced by \$2,780 and \$2,806 respectively, and lease modification benefits of \$26 were recognized (listed in "Other Gains and Losses"). There will be no such case from January to September 2021.

H. The effect of changing lease payments on the lease liability:

In the lease contract of subsidiary Yung Fu Co., Ltd., the subject of the variable lease payment clause is linked to the power generation income generated by the power plant, and the calculation of the fluctuation of the lease subject is mainly based on the power generation income. Variable lease payments related to electricity generation revenue are recognized as an expense in the period in which these related payment terms are triggered.

(12) Investment property- net

	<u>Land</u>
<u>January 1 and September 30 of 2022</u>	
Cost	\$ <u>32,452</u>
	<u>Land</u>
<u>January 1 and September 30 of 2021</u>	
Cost	\$ <u>31,002</u>

- A. The investment real estate of the Group's is the lands of Sushuangziping Section in Dingzhonggu Section of Jinshan District, New Taipei City and Shancheng Section of Jinshan District. As of September 30, 2022, December 31, 2021 and September 30, 2021 for the situation of providing pledge of investment property, please refer to Note 8. for the explanation of pledged assets.
- B. The fair value of investment properties held by the Group's was \$63,991 and \$63,991 and \$62,525 as of September 30, 2022, December 31 2021 and September 30, 2021, which was evaluated based on the recorded amount of real estate transactions in the neighboring areas and was determined to be Level 3 fair value.

(13) Intangible Assets

	<u>Computer software</u>	<u>Goodwill</u>	<u>Total</u>
<u>January 1, 2022</u>			
Cost	\$ 1,214	\$ 19,003	\$ 20,217
Accumulated amortization and impairment	(241)	-	(241)
	<u>\$ 973</u>	<u>\$ 19,003</u>	<u>\$ 19,976</u>
<u>January to September of 2022</u>			
January 1	\$ 973	\$ 19,003	\$ 19,976
Add-Derived separately	365	-	365
Amortization expense	(268)	-	(268)
September 30	<u>\$ 1,070</u>	<u>\$ 19,003</u>	<u>\$ 20,073</u>

September 30, 2022

Cost	\$	1,579	\$	19,003	\$	20,582
Accumulated amortization	(	509)		-	(	509)
	\$	<u>1,070</u>	\$	<u>19,003</u>	\$	<u>20,073</u>

	Computer software	Goodwill	Total
<u>January 1, 2021</u>			
Cost	\$ 468	\$ 19,003	\$ 19,471
Accumulated amortization and impairment	(49)	-	(49)
	\$ 419	\$ 19,003	\$ 19,422

January to September of 2021

January 1	\$	419	\$	19,003	\$	19,422
Add-Derived separately		737		-		737
Amortization expense	(	121)		-	(	121)
September 30	\$	<u>1,035</u>	\$	<u>19,003</u>	\$	<u>20,038</u>

September 30, 2021

Cost	\$	1,205	\$	19,003	\$	20,208
Accumulated amortization	(	170)		-	(	170)
	\$	<u>1,035</u>	\$	<u>19,003</u>	\$	<u>20,038</u>

(14) Impairment of non-financial assets

From January to September 2022, the Group's incurred impairment reversal loss of \$24 due to the scrapping of other equipment. As of September 30, 2022, December 31, 2021 and September 30, 2021, the accumulated impairment loss recognized on the Group's non-financial assets was \$7,486 and \$7,510 and \$7,510, respectively.

(15) Short-term loans

Type of borrowings	September 30, 2022	Interest Rate	Collateral
Guaranteed bank loans	\$ 180,565	1.30% ~ 2.25%	Demand deposits, land, buildings and construction, Investment property
Unsecured bank loans	<u>114,564</u>	1.79% ~ 1.81%	None
	<u>\$ 295,129</u>		

Type of borrowings	December 31, 2021	Range of interest rate	Collateral
Guaranteed bank loan	\$ 343,913	0.93% ~ 2.00%	Demand deposits, time deposits, land, buildings and construction
Unsecured bank loans	84,870	1.41% ~ 1.87%	None
	<u>\$ 428,783</u>		

Type of borrowings	September 30, 2021	Interest Rate	Collateral
Guaranteed bank loans	\$ 367,457	0.92% ~ 1.65%	Demand deposits, time deposits, land, buildings and construction
Unsecured bank loans	212,052	1.22% ~ 1.97%	None
	<u>\$ 579,509</u>		

The interest expense recognized in profit or loss from July to September of 2022 and 2021 and January to September of 2022 and 2021 is described in Note 6, (29) Financial costs.

(16) Short-term bills payable

Nature of borrowing	September 30, 2022	Range of interest rate	Collateral
Commercial paper	\$ 107,400	1.137% ~ 2.44%	Repurchase of bonds, time deposits, demand deposits and machinery & equipment
Less: Discount on Short-term notes and bills payable	(188)		
	<u>\$ 107,212</u>		

Nature of borrowing	December 31, 2021	Range of interest rate	Collateral
Commercial paper	\$ 88,800	0.75% ~ 1.70%	Repurchase of bonds and demand deposits
Less: Discount on Short-term notes and bills payable	(34)		
	<u>\$ 88,766</u>		

Nature of borrowing	September 30 2022	Range of interest rate	Collateral
Commercial paper	<u>\$ 60,000</u>	0.712% ~ 0.75%	Repurchase of bonds and time deposits

A. The above commercial paper payable is issued by Mega Bills Co., Ltd. under guarantee for short-term liquidity purposes.

B. Interest expense recognized in profit or loss from July to September and January to September of 2022 and 2021 is described in Note 6, (29) Financial costs.

(17) Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Salary payable	62,493	47,008	36,081
Equipment payment payable	38,214	12,047	9,150
Processing fees payable	19,866	19,948	14,590
Packaging costs payable	11,614	9,330	7,586
Remuneration payable to employees and directors	9,719	8,385	-
Utilities payable	6,463	9,326	5,478
Repair fee payable	5,980	2,703	-
Spare parts payable	5,808	-	10,587
Business tax payable	1,825	3,576	-
Others	<u>40,005</u>	<u>31,793</u>	<u>47,435</u>
	<u>\$ 201,987</u>	<u>\$ 144,116</u>	<u>\$ 130,907</u>

(18) Bonds payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unsecured convertible bonds	\$ 357,934	\$ -	\$ -
Guaranteed convertible bonds	<u>-</u>	<u>6,700</u>	<u>16,200</u>
	357,934	6,700	16,200
Add: Premium on bonds payable	-	57	-
Less: Discount on bonds payable portion due	(23,243)	-	(5,147)
Portion due within one year or one business cycle	<u>-</u>	<u>(6,757)</u>	<u>(11,053)</u>
	<u>\$ 334,691</u>	<u>\$ -</u>	<u>\$ -</u>

A. The Company issued the second domestic secured convertible bonds in June 2019 and the fourth domestic unsecured convertible bonds in September 2022. The main issuance conditions are as follows:

- ① The conditions for the issuance of the second domestic secured convertible bonds are as follows:
- a. The Company was approved by the competent authority to raise and issue the second domestic guaranteed convertible bonds with a total amount of \$100,000 (related issuance cost of \$1,667), with a coupon rate of 0% and a maturity period of 3 years from June 17, 2019 to June 17, 2022. The convertible bonds are repayable in cash at 101.51% of the face value of the bonds upon maturity.
 - b. From the day following the expiration of three months after the date of issuance of the Bonds (September 18, 2019) to the maturity date (June 17, 2022), the holders of the Bonds may request the conversion of the Bonds into common stocks of the Company at any time, except during the period when the transfer of the Bonds is suspended in accordance with the regulations or the law, and the rights and obligations of the converted common stocks shall be the same as those of the original issued common stocks.
 - c. The conversion price of the convertible bonds is determined in accordance with the pricing model stipulated in relevant laws. If the conversion price is subsequently adjusted in accordance with the pricing model stipulated in the relevant laws due to the Company's anti-dilution policy, the conversion price will be reset in accordance with the pricing model stipulated in the relevant laws on the base date of the relevant laws, and will not be adjusted if it is higher than the conversion price before the reset in the current year.
 - d. In accordance with the provisions of the relevant laws and regulations, all bonds repossessed (including those bought back through the TPEx), repaid or converted by the Company will be cancelled, and all rights and obligations attached to the bonds will be extinguished and will not be issued.
 - e. Entie Commercial Bank, Ltd. (hereinafter referred to as the "Guarantor Bank") was appointed as the guarantor bank for the converted bonds. The guarantee period is from the date of full collection of the bonds to the date of full payment of the principal and interest payable under the Plan, and the guarantee covers the outstanding principal and interest compensation payable under the Plan, which are subordinate to the principal debt.
 - f. This converted bond has expired on June 17, 2022, and the total amount of principal and interest to be repaid at maturity is \$507.
- ② The conditions for the issuance of the Company's fourth domestic unsecured convertible bonds are as follows:
- a. The Company was approved by the competent authority to raise and issue the fourth domestic unsecured convertible bonds with a total amount of \$351,750 (related issuance cost of \$3,695), with a coupon rate of 0% and a maturity period of 3 years from September 30, 2022 to September 30, 2025. The convertible bonds are repayable in cash at 102.2669% of the face value of the bonds upon maturity.
 - b. From the day following the expiration of three months after the date of issuance of the Bonds (December 31, 2022) to the maturity date (September 30, 2025), the holders of the Bonds may request the conversion of the Bonds into common stocks of the Company at any time, except during the period when the transfer of the Bonds is suspended in accordance with the regulations or the law, and the rights and obligations of the converted common shares shall be the same as those of the original issued common stocks.

- c. The conversion price of the convertible bonds is determined in accordance with the pricing model stipulated in relevant laws. If the conversion price is subsequently adjusted in accordance with the pricing model stipulated in the relevant laws due to the Company's anti-dilution policy, the conversion price will be reset in accordance with the pricing model stipulated in the relevant laws on the base date of the relevant laws, and will not be adjusted if it is higher than the conversion price before the reset in the current year.
 - d. In accordance with the provisions of the relevant laws and regulations, all bonds repossessed (including those bought back through the TPEX), repaid or converted by the Company will be cancelled, and all rights and obligations attached to the bonds will be extinguished and will not be issued.
- B. From January to September, 2022, the company converted \$6,200 worth of bonds into 360 thousand shares of common stock, and the company converted \$9,500 from December 31, 2021 has been converted into 528 thousand shares of common stock, but the change of registration has not yet been completed, a total of 888 thousand shares of common stock were converted. The base date of capital increase was January 17, 2022 and May 11, 2022 (listed "Common Stock" \$8,883 and "Additional paid-in capital-Issuance Premium" \$2,746, and reversal of "Additional paid-in capital-Share Options" \$75).
- C. From January to September, 2021, the Company converted \$71,800 worth of bonds into 3,987 thousand shares of common stock, and the company converted \$182,500 worth of bonds into 9,656 thousand shares of common stock from December 31, 2010, but the change of registration has not been completed, a total of 13,643 thousand shares of common stock were converted. The base date of capital increase was May 6, 2021 and August 11, 2021 (listed "Common Stock" \$136,425 and "Additional paid-in capital-Issuance Premium" \$32,167, and reversal of "Additional paid-in capital-Share Options" \$1,217).
- D. Upon the issuance of convertible bonds, the Company separated the conversion rights of equity from the components of liabilities in accordance with IAS 32, "Financial Instruments: Presentation," and recorded "Additional paid-in capital-Share Options" at \$13,784. As of September 30, 2022, December 31, 2021 and September 30, 2021, the balances of the above "Additional paid-in capital-Share Options" were \$13,784, \$81 and \$195, respectively, after the issuance and repurchase of bonds and the exercise of conversion rights by creditors in accordance with the conversion method. In accordance with IFRS 9, "Financial Instruments", the embedded repurchase and resale rights are separated from the economic characteristics and risks of the principal debt instruments and are recorded as "Financial Assets or Liabilities at Fair Value through Profit or Loss - non-current" on the net basis. The effective interest rate of the master contract debt after the separation was 2.24%.
- E. Interest expense recognized in profit or loss for July to September and January to September, 2022 and 2021 is described in Note 6, (29), Financial costs.

(19) Long-term loans

<u>Nature of borrowing</u>	<u>Maturity Date Range</u>	<u>Interest Rate</u>	<u>September 30, 2022</u>	<u>Collateral</u>
Guaranteed bank loans	2023.9.20~2029.3.21	1.34% ~ 2.44%	\$ 159,210	Demand deposits, Land, Building & Construction, Machinery & equipment
Less: Portion due within one year or one business cycle			(27,268)	
			<u>\$ 131,942</u>	

<u>Nature of borrowing</u>	<u>Maturity Date Range</u>	<u>Interest Rate</u>	<u>December 31, 2021</u>	<u>Collateral</u>
Guaranteed bank loans	2022.5.25~2028.10.27	1.34% ~ 2.07%	\$ 104,865	Land, Buildings & Construction, Machinery & equipment
Less: Portion due within one year or one business cycle			(20,578)	
			<u>\$ 84,287</u>	

<u>Nature of borrowing</u>	<u>Maturity Date Range</u>	<u>Interest Rate</u>	<u>September 30, 2021</u>	<u>Collateral</u>
Guaranteed bank loans	2021.12.25~2025.10.25	1.34% ~ 1.48%	\$ 44,015	Land, Building & Construction
Less: Portion due within one year or one business cycle			(19,670)	
			<u>\$ 24,345</u>	

The interest expense recognized in profit or loss from July to September of 2022 and 2021 and January to September of 2022 and 2021 is described in Note 6, (29) Financial Costs.

(20) Pensions

- A. In accordance with the "Labor Standards Act", the Company and its subsidiaries have defined benefit pension plans that apply to all regular employees' years of service prior to the implementation of "Labor Pension Act" on July 1, 2005, and to employees who elect to continue to be subject to the Labor Standards Act for subsequent years of service after the implementation of "Labor Pension Act". For employees who meet the retirement requirements, pension payments are calculated based on the length of service and the average salary for the six months prior to retirement, with 2 bases for each year of service up to and including 15 years and one base for each year of service over 15 years, up to a maximum of 45 bases. The Company and its subsidiaries contribute 2% of salaries and wages to a monthly pension fund, which is deposited in the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee (except that the Company suspended the contribution to the Labor Pension Fund until March 31, 2023, as approved by the competent authority). 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 not sufficient 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 contribution for the deficit by the end of March of the following fiscal year. Information regarding the above defined benefit retirement plan is disclosed below:

- ① From July to September of 2022 and 2021 and January to September of 2022 and 2021, the Group recognized pension costs of \$— in accordance with the above pension plan.
- ② The Group estimated contribution to the retirement plan for the next year is \$—.

B. Effective July 1, 2005, the Group has established a "Defined contribution pension plan" in accordance with the "Labor Pension Act", which is applicable to employees of the Company. Under the New Plan, the Company contributes monthly an amount not less than 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. The Group recognized pension costs of \$3,624 and \$2,293 and \$10,532 and \$6,158 from July to September of 2022 and 2021 and January to September of 2022 and 2021, respectively, based on the above pension plan.

(21) Share capital

A. A reconciliation of the number of outstanding shares of the Company's common stock at the beginning and end of the period is as follows: (in thousand shares)

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Number of shares at the beginning of the period	88,522	42,379
Issuance of common stock for cash	10,000	20,000
Conversion of corporate bonds	<u>888</u>	<u>13,643</u>
Ending balance	<u>99,410</u>	<u>76,022</u>

B. On August 12, 2020, the Board of Directors approved the issuance of 20,000 thousand shares of common stock at a premium of NT\$32.5 per share, and the total amount of the capital increase was \$650,000, less the related issuance costs of \$1,650. The actual net cash capital increase was \$648,350, and the base date of the capital increase was January 20, 2021. Issuance, approved by the Financial Supervision and Administration Commission to issue new shares.

C. On September 28, 2021, the company passed a resolution at the extraordinary general meeting of shareholders that it plans to conduct a cash capital increase by private placement. The benchmark date for private placement is November 11, 2021. The purpose of the cash capital increase is to improve the financial structure, repay bank loans, and enhance operational competition. The number of privately held shares is capped at 15,000 thousand shares, and the subscription price per share is NT\$23.3. This capital increase has raised 12,500 thousand shares totaling \$291,250, and the change registration has been completed;

the rights and obligations of this private placement of ordinary shares, except for “The relevant regulations of the Securities and Exchange Law” have restrictions on circulation and transfer, and the application for OTC listing and trading must be completed after three years from the delivery date and the issuance of the issuance. The remaining shares are the same as other issued ordinary shares.

- D. In order to repay the borrowings from financial institutions and enrich the working capital to strengthen the company's financial structure, the Board of Directors approved the issuance of 10,000 thousand common stock in a cash capital increase on May 11, 2022 at a premium of NT\$26 per share. The total cash capital increase is \$260,000, after deducting the related issuance costs of \$1,300, the actual net cash capital increase is \$258,700. Issuance, approved by the Financial Supervision and Administration Commission to issue new shares, the capital increase base date is August 18, 2022.
- E. Please refer to Note 6, (18) for the conversion of bonds payable from January to September, 2022 and 2021.
- F. As of September 30, 2022, the Company's total authorized capital was \$4,000,000 (\$96,000 of the total shares were reserved for conversion of employee stock options) and the paid-in capital was \$994,101, divided into 99,410 thousand shares of NT\$10 each. All proceeds from shares issued have been collected.

(22) Additional Paid-in Capital

	January to September of 2022				
	Issuance Premium	The difference between the actual acquisition or disposal of equity in a subsidiary and its book value	Stock option	Others	Total
January 1	\$ 785,353	\$ 86,060	\$ 6,797	\$ 6,741	\$ 884,951
Issuance of common stock for cash	158,700	-	-	-	158,700
Issuance of convertible corporate bonds	-	-	13,784	-	13,784
Conversion of bonds into capital stock	2,746	- (75)	-	-	2,671
Stock option expires	6	- (6)	-	-	-
Employee Stock Options Compensation Costs	-	-	4,712	-	4,712
Changes in ownership interests in subsidiaries recognized	-	73,861	-	-	73,861
Distribute cash from Additional paid-in capital	(31,294)	-	-	- (31,294)	-
September 30	<u>\$ 915,511</u>	<u>\$ 159,921</u>	<u>\$ 25,212</u>	<u>\$ 6,741</u>	<u>\$ 1,107,385</u>

January to September of 2021					
	Issuance Premium	The difference between the actual acquisition or disposal of equity in a subsidiary and its book value	Stock option	Others	Total
January 1	\$ 183,713	\$ 1,177	\$ 11,457	\$ 6,741	\$ 203,088
Issuance of common stock for cash	448,350	-	-	-	448,350
Conversion of bonds into capital stock	32,167	-	(1,217)	-	30,950
Employee Stock Options Compensation Costs	-	-	3,237	-	3,237
Changes in ownership interests in subsidiaries recognized	-	84,883	-	-	84,883
Additional paid-in capital to make up for losses	(58,571)	-	-	-	(58,571)
June 30	<u>\$ 605,659</u>	<u>\$ 86,060</u>	<u>\$ 13,477</u>	<u>\$ 6,741</u>	<u>\$ 711,937</u>

- A. In accordance with the Company Act, any capital reserve arising from additional paid-in capital of the 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 Securities and Exchange Act requires that the amount of additional paid-in capital to be capitalized, as above, should not exceed 10% of paid-in capital each year. Capital reserves should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. For "Additional paid-in capital-Issuance Premium" and "Additional paid-in capital-Stock Options", please refer to Note 6, (21) Share capital and Note 6, (18) Bonds payable.
- C. For "Additional paid-in capital- Employee Stock Options Compensation Costs", please refer to Note 6, (23) Share-based payment to employees.
- D. For "Additional paid-in capital-Changes in ownership interests in subsidiaries recognized", please refer to Note 4, (3) Basis of consolidation.
- E. As of June 22, 2022, the shareholders' meeting to distribute cash of \$31,294 (NT\$0.35 per share) from the Additional paid-in capital.

(23) Share-based payment to employees

A. Compensation Employee Stock Option Program

On October 21, 2020, the Company issued 3,000 units of employee compensation stock options at a price of NT\$21.6 per unit, which is based on the closing price of the Company's common stock on the date of issuance, and the number of shares of common stock to be subscribed per unit of stock options is 1,000. If there is a change in the shares of the Company's common stock after the issuance of the stock options, the price is adjusted according to a specific formula. As of September 30, 2022, the subscription price for employee stock options has been adjusted to NT\$18.7. The stock options issued are valid for a period of 5 years, and employees may exercise their stock options in annual installments after 2 years of employment from the issuance date in accordance with the

Employee Stock Option Regulations. The compensation cost of the Company's compensated employee stock options recognized from January to September, 2022 and 2021 (relative to the item listed as "Additional paid-in capital-Employee Stock Options") was \$1,511 and \$1,729, respectively. In addition, 913 thousand shares were granted to employees of the subsidiary over three years period. Therefore, the subsidiary recognized compensation cost (corresponding to the item listed as "Additional paid-in capital-Employee Stock Options") of \$1,323 and \$1,508 from January to September, 2022 and 2021, respectively.

- ① The number of options and the weighted-average exercise price of the stock option plan for compensated employees from January to September, 2022 and 2021 are disclosed as follows :

January to September of 2022		
Share Options	Number (units)	Weighted average exercise price (NT\$)
Outstanding at the beginning and end of the period	<u>3,000</u>	\$ 18.7
Options exercisable at the end of the period	<u>-</u>	-
Options approved and outstanding at the end of the period	<u>-</u>	-
January to September of 2021		
Share Options	Number (units)	Weighted average exercise price (NT\$)
Outstanding at the beginning and end of the period	<u>3,000</u>	\$ 20.6
Options exercisable at the end of the period	<u>-</u>	-
Options approved and outstanding at the end of the period	<u>-</u>	-

- ② The fair value of the Company's stock option plan was estimated using the Black-Scholes option valuation model, and the related information is as follows :

Date of granting	<u>October 21, 2020</u>
Stock Price (NT\$)	\$ 21.35
Performance Price (NT\$)	21.60
Dividend Rate	0%
Expected price volatility	27.97%
Risk-free interest rate	0.2285%
Expected duration	5 years

Fair value per unit (per share)

NT\$5.24

B. Employee stock options at cash capital increase

The company passed the resolution of the board of directors on May 11, 2022 to handle the cash capital increase, of which 1,500 thousand shares are reserved for employees to subscribe for shares. The grant date is July 12, 2022, and the subscription price is NT\$26 per share. The company's cash capital increase from January to September, 2022 retains the remuneration costs recognized for employee subscriptions (corresponding to the item listed as "Additional paid-in capital-Employee Stock Options") of \$1,878, which is estimated by the Black-Scholes option evaluation model. The fair value of stock options, relevant information is as follows:

Date of granting		<u>July 12, 2022</u>
Stock Price (NT\$)	\$	26.35
Performance Price (NT\$)		26.00
Dividend Rate		0%
Expected price volatility		52.43%
Risk-free interest rate		0.5374%
Expected duration		0.085 years
Fair value per unit (per share)		NT\$1.78

There were no such events from January to September of 2021.

C. Subsidiary - As of January to September, 2022, the Yung Fu Co., Ltd. share-based payment agreement is as follows :

<u>Type of agreement</u>	<u>Paying day</u>	<u>Number (units)</u>	<u>Contract period</u>	<u>Acquired conditions</u>
Employee stock option plan	2021.06.23	3,600	1 years	0.5 years of service
Employee stock option plan	2021.09.06	580	1 years	0.5 years of service
Employee stock option plan	2021.11.09	300	1 years	0.5 years of service
Employee stock option plan	2022.01.17	520	1 years	0.5 years of service
Employee stock option plan	2022.01.17	700	1 years	1 month of service
Employee stock option plan	2022.02.16	300	1 years	1 month of service

In the above-mentioned share-based payment agreements, all of them are delivered by equity.

- ① As of January to September, 2022, the above-mentioned share-based payment agreements is as follows :

		January to September of 2022	
Share Options	Number (units)	Weighted average exercise price (NT\$)	
Outstanding at the beginning of the period	52	\$	10
Share options given in this period	1,520		10
Waiver of share options in the current period	(70)		-
Execution of share options in the current period	(1,502)		10
Share options outstanding at the end of the period	-		-
Share options exercisable at the end of the period	-		-

There were no such events from January to September of 2021.

- ② Subsidiary Yung Fu Co., Ltd. uses the Black-Scholes option valuation model to estimate the fair value of the subscription options for its share-based payment transactions. The relevant information is as follows:

Type of agreement	Paying day	Share price (NTD)	Performance price (NTD)	Expected price volatility	Expected duration	Expected dividend rate	Risk-free interest rate	Fair value per unit
Employee stock option plan	2021.6.23	8.02	10	16.16%	1 years	0%	0.12%	0.06
Employee stock option plan	2021.9.6	10.03	10	30.65%	1 years	0%	0.15%	1.24
Employee stock option plan	2021.11.9	11.68	10	26.74%	1 years	0%	0.20%	2.19
Employee stock option plan	2022.1.17	10.43	10	30.47%	1 years	0%	0.31%	1.48
Employee stock option plan	2022.1.17	10.43	10	30.47%	1 years	0%	0.31%	1.48
Employee stock option plan	2022.2.16	10.48	10	30.63%	1years	0%	0.30%	1.51

- ③ Subsidiary Yung Fu Co., Ltd. will pay \$2,949 for the above share-based payment transaction from January to September 2022 (relative to the subject "non-controlling interest"). No such event from January to September of 2021.

(24) Retained earnings

- A. Legal reserve may not be used except to offset losses or to issue new shares or cash in proportion to the shareholders' original shares, provided that the amount of new shares or cash issued shall be limited to the portion of the reserve that exceeds 25% of the paid-in capital.
- B. In accordance with the Company's Articles of Incorporation, if there is any surplus in the Company's annual accounts, the Company shall first pay taxes and make up for accumulated deficits, and then set aside 10% as legal reserve (except when the legal reserve has already reached the total capital), and the remainder, in addition to dividends, shall be distributed as dividends to shareholders if there is any surplus. The Company's dividend policy is based on the Company's future capital budget plan to measure the capital requirements for future years, and the remaining earnings will be distributed in the form of cash dividends only after the Company has decided to use retained earnings to meet the capital requirements. The Board of Directors shall prepare a proposal for the distribution of earnings in accordance with the order and rate of distribution of earnings as provided for in these Articles of Incorporation, and the proposal shall be approved by the shareholders' meeting.

The surplus distribution in the preceding paragraph, in accordance with Article 240, Item 5 of the Company Law, authorizes the board of directors to present at least two-thirds of the directors and a resolution of more than half of the directors present to distribute all or part of the dividends and bonuses to be paid in cash, and report to the shareholders meeting.

The Company considers a balanced and stable dividend policy and, depending on the demand for investment capital and the dilution of earnings per share, dividends to shareholders should be 50% to 100% of accumulated distributable earnings and should be paid in the form of appropriate stock dividends or cash dividends, with cash dividends to be distributed at no less than 50% of shareholders' dividends.

C. Special reserve

- ① When the Company distributes earnings, the Company is required by law to set aside a special reserve for the debit balance of other equity items as of the balance sheet date of the year in order to distribute the earnings.
- ② When the Company first adopted IFRSs, the special reserve of NT\$7,745 was provided for in accordance with FSC No. 1010012865 dated April 6, 2012. When the Company subsequently uses, disposes of or reclassifies the related assets, the Company reverses the percentage of the special reserve originally provided for.
- D. On July 2, 2021, the shareholders' meeting resolved not to distribute earnings because there was no profit in the final accounts of 2020. On March 23, 2022, the Board of Directors decided to distribute the year ended December 31, 2021 surplus as a cash dividend of \$84,940 (NTD0.95 per share).

(25)Operating revenue

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Customer contract revenue	<u>\$ 1,251,544</u>	<u>\$ 912,684</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Customer contract revenue	<u>\$ 3,570,819</u>	<u>\$ 2,617,339</u>

A. Segmentation of revenue from contracts with customers.

The Group's revenue is recognized when the source is shifted at a point in time and as it is provided over time, revenue can be subdivided into the following major categories of goods or services :

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Revenue from sales of screws	\$ 549,000	\$ 268,749
Revenue from scrap iron	196,583	181,747
Contracting revenue	183,389	173,173
Revenue from electricity sales	90,071	51,654
Logistics and transport revenue	60,368	69,233
Project revenue	62,368	121,920
Labor service operation revenue	37,569	23,852
Others	72,196	22,356
	<u>\$ 1,251,544</u>	<u>\$ 912,684</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Revenue from sales of screws	\$ 1,340,621	\$ 727,348
Revenue from scrap iron	851,507	911,157
Contracting revenue	539,649	351,632
Revenue from electricity sales	198,581	112,959
Logistics and transport revenue	191,800	181,713
Project revenue	184,670	189,740
Labor service operation revenue	87,684	63,082
Others	176,307	79,708
	<u>\$ 3,570,819</u>	<u>\$ 2,617,339</u>

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Cut-off point of revenue recognition		
Revenue recognized at a particular point in time	\$ 1,061,348	\$ 790,764
Revenue recognized gradually over time	<u>190,196</u>	<u>121,920</u>
	<u>\$ 1,251,544</u>	<u>\$ 912,684</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Cut-off point of revenue recognition		
Revenue recognized at a particular point in time	\$ 3,098,461	\$ 2,426,867
Revenue recognized gradually over time	<u>472,358</u>	<u>190,472</u>
	<u>\$ 3,570,819</u>	<u>\$ 2,617,339</u>

B.The Group recognized contract liabilities related to revenue from customer contracts as follows :

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>January 1, 2021</u>
Contractual Asset- Current :	<u>\$ 12,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contractual Liabilities - current. :				
Unearned receipts	<u>\$ 103,094</u>	<u>\$ 179,154</u>	<u>\$ 11,559</u>	<u>\$ 15,724</u>

① The opening contract liabilities were recognized in income of NT\$20,656 、 - and NT\$82,415 、 NT\$15,264 for July to September, and January to September, 2022 and 2021, respectively.

② Outstanding long-term contracts

For the date ended September 30 2022, December 31 2021 and September 30 2021, the amortized contract costs of the unfulfilled part of the long-term contracts signed by the subsidiary of Yung Fu and customers were NT\$137,635 、 NT\$237,955 and NT\$333,341, respectively. The management expects that the amortized transaction price of the outstanding performance obligations as of September 30 2022, December 31 2021 and September 30 2021, will be recognized as revenue in 2022 and 2023.

Except for the abovementioned contracts, all other contracts of the Group are contracts of less than one year or billed based on the actual operating quantity. According to IFRS 15, there is no need to disclose the transaction price of the allocation of outstanding contractual obligations for these contracts.

(26)Interest income

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Interest from bank deposits	\$ 83	\$ 2
Interest income from financial assets measured at amortized cost	37	48
Other interest incomes	4	7
	<u>\$ 124</u>	<u>\$ 57</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Interest from bank deposits	\$ 243	\$ 87
Interest income from financial assets measured at amortized cost	126	176
Other interest incomes	32	8
	<u>\$ 401</u>	<u>\$ 271</u>

(27)Other income

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Lease income	\$ 383	\$ 190
Dividend income	5, 003	2, 438
Other income	7, 979	1, 017
	<u>\$ 13, 365</u>	<u>\$ 3, 645</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Lease income	\$ 1, 196	\$ 570
Dividend income	5, 003	2, 438
Other income	15, 375	3, 754
	<u>\$ 21, 574</u>	<u>\$ 6, 762</u>

(28)Other gains or losses

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Net gain on financial assets and liabilities at fair value through profit (loss)	\$ 9, 207	(\$ 3, 565)
Net loss on disposal of property, plant and equipment	(684)	(4, 225)
Net foreign currency exchange gain(loss)	18, 540	(2, 634)
Gain arising from lease modifications	26	-

Other losses	(	967)	(	215)
	\$	26,122	(\$	10,639)

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Net gain on financial assets and liabilities at fair value through profit	\$ 9,317	\$ 25,158
Net loss on disposal of property, plant and equipment	(800)	(4,564)
Net foreign currency exchange gain(loss)	32,156	(9,240)
Gain arising from lease modifications	26	-
Other losses	(1,545)	(173)
	\$ 39,154	\$ 11,181

(29)Financial costs

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Interest expense		
Bank loans	\$ 4,180	\$ 2,219
Convertible bonds	-	4
Lease liabilities	305	300
	\$ 4,485	\$ 2,523

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Interest expense		
Bank loans	\$ 10,003	\$ 7,639
Convertible bonds	26	24
Lease liabilities	935	354
	\$ 10,964	\$ 8,017

(30)Additional information on the nature of expenses

	<u>July to September of 2022</u>			<u>July to September of 2021</u>		
	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>
Employee benefits	\$ 81,668	\$ 38,330	\$ 119,998	\$ 51,426	\$ 21,303	\$ 72,729
Depreciation	\$ 19,971	\$ 4,344	\$ 24,315	\$ 12,592	\$ 4,058	\$ 16,650

Amortization expense	\$ 11	\$ 108	\$ 119	\$ –	\$ 70	\$ 70
	<u>January to September of 2022</u>			<u>January to September of 2021</u>		
	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Operating Cost</u>	<u>Operating Expenses</u>	<u>Total</u>
Employee benefits	\$ 230,926	\$ 100,043	\$ 330,969	\$ 138,817	\$ 50,543	\$ 189,360
Depreciation	\$ 59,851	\$ 13,316	\$ 73,167	\$ 36,827	\$ 11,967	\$ 48,794
Amortization expense	\$ 11	\$ 257	\$ 268	\$ –	\$ 121	\$ 121

(31)Employee benefits expense

	<u>July to September of 2022</u>			<u>July to September of 2021</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salary expense	\$ 70,399	\$ 31,137	\$101,536	\$ 44,607	\$ 17,367	\$ 61,974
Employee Compensation Costs	–	2,822	2,822	–	1,079	1,079
Labor and health insurance expenses	6,621	1,845	8,466	3,923	1,448	5,371
Pension expense	2,687	937	3,624	1,605	688	2,293
Other personnel expenses	1,961	1,589	3,550	1,291	721	2,012
	<u>\$ 81,668</u>	<u>\$ 38,330</u>	<u>\$119,998</u>	<u>\$ 51,426</u>	<u>\$ 21,303</u>	<u>\$ 72,729</u>

	<u>January to September of 2022</u>			<u>January to September of 2021</u>		
	<u>Operating costs</u>	<u>Operating Expenses</u>	<u>Total</u>	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Salary expense	\$ 98,725	\$ 79,967	\$ 278,692	\$ 119,935	\$ 39,977	\$ 159,912
Employee Compensation Costs	–	7,661	7,661	–	3,237	3,237
Labor and health insurance expenses	18,881	5,175	24,056	11,078	3,649	14,427
Pension expense	7,884	2,648	10,532	4,423	1,735	6,158

Other personnel
expenses

5,436	4,592	10,028	3,381	1,945	5,326
<u>\$ 230,926</u>	<u>\$100,043</u>	<u>\$ 330,969</u>	<u>\$ 138,817</u>	<u>\$ 50,543</u>	<u>\$ 189,360</u>

A. In accordance with the Company's Articles of Incorporation, the Company shall contribute 1% to 3% of the current year's profitability as compensation to employees and not more than 3% as compensation to directors. However, where there are accumulated losses, an equivalent amount shall be appropriated to compensate for the losses. Employees may be paid in stock or cash. The distribution of employees' remuneration and directors' and supervisors' remuneration shall be made by a resolution of the board of directors with at least two-thirds of the directors present and a majority of the directors present, and reported to the shareholders' meeting.

The above-mentioned profit status for the year refers to the pre-tax profit prior to deducting compensation of employees and remuneration of directors.

B. The Company's estimated amounts of employees' remuneration for three-month and nine-month ended September 30, 2022 were NT\$2,064 and NT\$4,543 respectively; the estimated amounts of directors' remuneration are NT\$4,129 and NT\$9,087 respectively. Information on employees' remuneration and directors' remuneration approved by the Company's board meeting. The board resolution on March 23, 2022 approved the actual distribution of employee and director remuneration of NT\$1,850 and NT\$3,701, the difference from the employee of \$1,887 remuneration and the director compensation of \$3,701 recognized in the 2021 financial report is \$37. The main series of calculation differences are to be adjusted in the profit and loss of 2022. Due to the small amount from July to September and January to September of 2021, the company did not estimate and disburse employee and director compensation.

Information on employees' remuneration and directors' remuneration approved by the Company's board meeting can be found on the MOPS.

(32) Income tax

A. Income tax expense(benefit) components :

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Current income tax :		
Current tax on profits for the year	\$ 24,752	\$ 3,853
Deferred income tax :		
Generation and reversal of temporary differences	<u>1,835</u>	<u>3,152</u>
Income tax expense	<u>\$ 26,587</u>	<u>\$ 7,005</u>
	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Current income tax :		
Current tax on profits for the year	\$ 31,189	\$ 8,840
unappropriated earnings	570	-

In respect of prior periods	6,740	–
Total current income tax	38,499	8,840
Deferred income tax :		
Generation and reversal of temporary differences	14,267	(19,916)
Income tax expense(benefit)	\$ 52,766	(\$ 11,076)

B.The Company's income tax has been approved by the tax authorities until 2020, and no administrative relief has been provided as of November 9, 2022.

(33)Earnings per share

	July to September of 2022		
	Amount after Tax	Weighted average share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Basic earning per share</u>			
Net income attributable to ordinary shareholders of the parent	\$ 104,808	98,214	\$ 1.07
<u>Diluted earning per share</u>			
Net income attributable to ordinary shareholders of the parent	\$ 104,808	98,214	
Effect of dilutive potential ordinary shares:			
Employees' compensation	–	196	
Bonds payable	–	142	
Net income attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary share	\$ 104,808	98,552	\$ 1.06

	July to September of 2021		
	Amount after Tax	Weighted average share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Basic earning per share</u>			
Net income attributable to equity holders of the parent company for the period	\$ 43,717	75,717	\$ 0.58
<u>Diluted earning per share</u>			
Net income attributable to equity holders of the parent company for the period	\$ 43,717	75,717	
Effect of dilutive potential ordinary shares:			
Employees' compensation	–	15	
Bonds payable	–	910	

Net income attributable to ordinary
shareholders plus assumed conversion
of all dilutive potential ordinary share

\$	43,717	76,642	\$ 0.57
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January to September of 2022

Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NT\$)
------------------------	--	---------------------------------

Basic earning per share

Net income attributable to equity holders
of the parent company for the period

\$	233,741	95,142	\$ 2.46
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Diluted earning per share

Net income attributable to equity holders
of the parent company for the period

\$	233,741	95,142
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Effect of dilutive potential ordinary shares:

Employees' compensation

-	210
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Bonds payable

21	130
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Net income attributable to ordinary
shareholders plus assumed conversion
of all dilutive potential ordinary share

\$	233,762	95,482	\$ 2.45
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January to September of 2021

Amount after tax	Weighted average share outstanding (thousand shares)	Earnings per share (NT\$)
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Basic earning per share

Net income attributable to ordinary
shareholders of the parent

\$	85,956	66,491	\$ 1.29
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Diluted earning per share

Net income attributable to equity holders
of the parent company for the period

\$	85,956	66,491
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Effect of dilutive potential ordinary shares:

Employees' compensation

-	15
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Bonds payable

-	1,496
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Net income attributable to ordinary
shareholders plus assumed conversion
of all dilutive potential ordinary share

\$	85,956	68,002	\$ 1.26
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(34)Supplemental cash flow information

A. Investing activities with only partial cash receipts and payments :

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
① Acquisition of property, plant and equipment	\$ 180,484	\$ 52,047
add: Bills payable at beginning of period - related parties	23,255	-
Other payables at the beginning of the period	12,047	154
Less: Notes payable at end of period – related parties	(26,216)	-
Other payables at the end of the period	(38,214)	(9,150)
Cash paid for acquisition of property, plant and equipment	<u>\$ 151,356</u>	<u>\$ 43,051</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
② Disposal of property, plant and equipment	\$ 2,022	\$ 8,666
add: Bills payable at beginning of period	52,175	51,011
Long-term notes and accounts receivable at the beginning of the period	-	50,600
Less: Notes receivable at the end of the period	(9,200)	(55,200)
Long-term notes and accounts receivable at the end of the period	-	(9,200)
Cash receipts from disposal of property, plant and equipment	<u>\$ 44,997</u>	<u>\$ 45,877</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
③ Disposal of other non-current assets	\$ -	\$ -
Add: Bills receivable at the beginning of the period	-	4,189
Cash receipts from disposal of other non-current assets	<u>\$ -</u>	<u>\$ 4,189</u>

B. Investing and financing activities that do not affect cash flows :

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
① Transfer of prepayments for equipment to property, plant and equipment	<u>\$ 197,661</u>	<u>\$ 63,957</u>

② Conversion of convertible bonds into capital stock and capital surplus

\$ 6,276 \$ 70,814

(35) Changes in liabilities arising from financing activities

	Short-term Loans	Short-term Bills payable	Lease liabilities	Bonds payable (including the Due 1 year)	Long-term loans (including the Due 1 year)	Guarantee deposits	Total liabilities arising from financing activities
January 1, 2022	\$428,783	\$ 88,766	\$ 100,252	\$ 6,757	\$ 104,865	\$ 21,334	\$ 750,757
Net change in financing cash flows	(133,654)	18,600	(9,705)	347,548	54,345	14,507	291,641
Other non-cash transactions	-	(154)	2,199	(19,614)	-	-	(17,569)
September 30, 2022	<u>\$295,129</u>	<u>\$107,212</u>	<u>\$ 92,746</u>	<u>\$ 334,691</u>	<u>\$ 159,210</u>	<u>\$ 35,841</u>	<u>\$1,024,829</u>

	Short-term Loans	Short-term Bills payable	Lease Liabilities	Bonds payable (including the Due 1 year)	Long-term loans (including the Due 1 year))	Total liabilities arising from financing activities
January 1, 2021	\$ 547,289	\$ 60,000	\$ 8,627	\$ 81,844	\$ 349,977	\$ 1,047,737
Net change in financing cash flows	32,220	-	(8,299)	-	(305,962)	(282,041)
Other non-cash transactions	-	-	97,931	(70,791)	-	27,140
September 30, 2021	<u>\$ 579,509</u>	<u>\$ 60,000</u>	<u>\$ 98,259</u>	<u>\$ 11,053</u>	<u>\$ 44,015</u>	<u>\$ 792,836</u>

7. Related party transaction

(1) Name and relationship

<u>Name of related party</u>	<u>Relationship with the Group</u>
Chun Yu Works & Co., Ltd.	Other related parties
Chun Zu Machinery Industry	Other related parties
Chun Bang Precision Co.,Ltd.	Other related parties
Quintain Steel Co.,Ltd.	Other related parties
TMPCO Steel Co.,Ltd	Other related parties
Gloria Material Technology Corp	Other related parties
S-TECH Corp.	Other related parties
TSG sportsmarketing company limited	Other related parties
Golden Win Steel Industrial Corp.	Other related parties

(2)Significant transactions with the related parties

1. Sale of goods

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Product sales :		
Gloria Material Technology Corp	\$ 199, 856	\$ 182, 941
Other related parties	<u>36, 304</u>	<u>41, 771</u>
	<u>\$ 236, 160</u>	<u>\$ 224, 712</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Product sales :		
Gloria Material Technology Corp	\$ 643, 329	\$ 370, 137
Other related parties	<u>187, 967</u>	<u>102, 830</u>
	<u>\$ 831, 296</u>	<u>\$ 472, 967</u>

Transaction price: Negotiated price for both related and unrelated parties.

Collection terms (period): 15 to 90 days for related parties and 3 to 90 days for non-related parties by wire transfer or 60 to 90 days by letter of credit after the date of bill of lading.

2. Purchase of goods

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Product Purchase :		
Chun Yu Group	<u>\$ 208, 066</u>	<u>\$ 143, 359</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Product Purchase :		
Chun Yu Group	<u>\$ 562, 511</u>	<u>\$ 365, 493</u>

Transaction price : Negotiated price for both related and unrelated parties.

Payment terms (period): The terms of purchase transactions from related parties are generally similar to those of general suppliers, with an average payment period of one to three months, but the payment period may be extended by mutual agreement depending on the availability of funds.

3. Property transaction

① Acquisition of property, plant and equipment :

	<u>Items</u>	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Chun Zu Machinery Industry	Machine	\$ 7, 217	\$ -
Other related parties	Machine	-	6, 750
		<u>\$ 7, 217</u>	<u>\$ 6, 750</u>

	<u>Items</u>	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Chun Zu Machinery Industry	Machine	\$ 22, 847	\$ -
Chun Bang Precision Co.,Ltd.	Others	178	-
Other related parties	Machine	-	6, 750
		<u>\$ 23, 025</u>	<u>\$ 6, 750</u>

The Group purchases property, plant and equipment from related parties through negotiated price

② Disposal of property, plant and equipment :

		<u>January to September of 2022</u>	
	<u>Items</u>	<u>Price from disposal</u>	<u>Gains from disposal</u>
Chun Yu Group	Machine	\$ 680	\$ 524

There were no such events as July to September of 2022 and January to September of 2021.

D.Tooling and repair costs (listed in “Operating costs” and “Other non-current assets - other”)

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Other related parties	\$ 7, 399	\$ 3, 384

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Other related parties	\$ 20, 538	\$ 14, 967

E. Accounts receivable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Gloria Material Technology Corp	\$ 85, 713	\$ 108, 063	\$ 88, 068
Other related parties	24, 983	20, 872	25, 317
	<u>\$ 110, 696</u>	<u>\$ 128, 935</u>	<u>\$ 113, 385</u>

F. Notes payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Chun Zu Machinery Industry Co., Ltd.	\$ 25, 754	\$ 23, 255	\$ –
Other related parties	4, 283	3, 231	3, 550
	<u>\$ 30, 037</u>	<u>\$ 26, 486</u>	<u>\$ 3, 550</u>

G. Accounts payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Chun Yu Group	<u>\$ 70, 561</u>	<u>\$ 133, 318</u>	<u>\$ 107, 002</u>

H. Other accounts payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other related parties	<u>\$ 4, 831</u>	<u>\$ 12, 297</u>	<u>\$ 1, 075</u>

(3) Compensation of key management personnel

	<u>July to September of 2022</u>	<u>July to September of 2021</u>
Salary and other short-term employee benefits	<u>\$ 3, 251</u>	<u>\$ 2, 668</u>

	<u>January to September of 2022</u>	<u>January to September of 2021</u>
Salary and other short-term employee benefits	<u>\$ 18, 091</u>	<u>\$ 7, 211</u>

8. Pledged asset

The breakdown of guarantees provided for the Group's assets is as follows :

<u>Assets</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>Purpose</u>
Pledged demand deposits (Note 1)	\$ 210, 013	\$ 113, 789	\$ 101, 311	Performance bond, short-term borrowings, short-term bills payable and long-term loan guarantees
Pledged time deposits (Note 1)	6, 050	140, 274	141, 093	Guarantees for short-term and short-term bills payable
Pledged bonds (Note 1)	6, 000	6, 000	9, 000	Guarantee for short-term bills payable
Land (Note 2)	159, 297	145, 046	145, 046	Guarantees for short-term and long-term loans

House and Building – Net (Note 2)	60, 074	54, 765	54, 003	Guarantees for short-term and long-term loans
Machinery (Note 2)	191, 583	112, 037	–	Short-term bills payable and long-term loan guarantees
Investment property (Note 3)	32, 452	32, 452	–	Short-term loan guarantee
	<u>\$ 665, 469</u>	<u>\$ 604, 363</u>	<u>\$ 450, 453</u>	

(Note 1) The table presents “Financial assets at amortized cost - current” and “Financial assets at amortized cost - non-current”.

(Note 2) “Property, plant and equipment” is listed in the table.

(Note 3) “Listed as Investment property” -- Net.

9. Significant contingent liabilities and unrecognized commitments

(1) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had contracted but not yet paid capital expenditures of \$109,060, \$28,936 and \$182,667, respectively, for the acquisition of property, plant and equipment.

(2) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had outstanding letters of credit for the purchase of raw materials for which letters of credit had been opened and not yet pledged amounted to \$-, \$69,605 and \$96,516 respectively.

(3) As of September 30, 2022, December 31, 2021 and September 30, 2021, subsidiary Yung Fu Co., Ltd. has issued performance guarantee letters of \$494,603, \$309,825 and \$198,816 respectively by the Group and the bank due to contract needs.

(4) As of September 30, 2022, the major contracts undertaken by the subsidiary, Yung Fu Co., Ltd are as follows:

Name of Project Owner	Construction/Service Contract	Contract Amount	Contract Period
Bureau of Environmental Protection of Hsinchu City	Contract operation and management of garbage recycling plant in Hsinchu City	Request for payment based on actual monthly volume processed	2022.2.16~ 2042.2.15
Environmental Protection Bureau of Taitung County	Performance enhancement turnkey project for Taitung County Waste and Energy Resource Center	\$538,255	2021.1.1~ 2024.6.27
Taiwan Environment Scientific Co., Ltd	Accelerate soil and groundwater pollution remediation work at Kaohsiung Refinery	Request for payment based on actual monthly volume processed	2021.9.21~ 2022.10.31
Environmental Protection Bureau of Pingtung County	Renovate, operate, transfer (ROT) project of Kanding Waste Incineration Plant in Pingtung County (Note)	Request for payment based on actual monthly volume processed	2021.12.22~ 2041.12.21

(Note) Yung Fu should invest in and complete the renovation project during the period of renovation and operation, and promise to invest no less than NT\$967,382. Before the deadline of renovation works (December 31, 2024), Yung Fu should invest at least NT\$560,000 in the renovation area of the project designated by the Pingtung County Government. In the event that the contract expires due to the expiration of the period, or is terminated early due to reasons attributable to Yung Fu shall unconditionally pay the shortfall of the committed investment amount to the Pingtung County Government. As of September 30 2022, Yung Fu investment amount was NT\$0.

10. Significant catastrophic losses : None such cases.

11. Material Events After the Balance Sheet Date : None such cases.

12. Others

(1) Capital management

The Group's capital management objectives are to protect the Company's ability to continue as a going concern, to maintain an optimal capital structure to reduce the cost of capital, and to provide returns to shareholders. 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.

(2) Financial instruments

A. Types of financial instrument

For the types of the Group's financial instruments used, please refer to Note 6 and Note 12 and (3) explanation of fair value information.

B. Risk management policies

- ① The Group's daily operations are subject to a number of financial risks, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. In order to reduce the adverse effect of uncertainty on the Group's financial performance, the Group enters into forward exchange rate contracts to hedge the exchange rate risk.
- ② Risk management is carried out by a central finance department (Group finance) under policies approved by the Board of Directors. The Group's Finance Department is responsible for identifying, assessing and hedging financial risks by working closely with the Group's operating divisions.

C. Significant financial risks and degrees of financial risks

① Market risk

a. Foreign exchange risk

- (a) The Group's management has established a policy that requires the Group to manage its exposure to exchange rate risk relative to its functional currency. Hedging of its overall exchange rate risk should be performed through the Corporate Finance Department. Exchange rate risk is measured by using forward foreign exchange contracts to reduce the impact of exchange rate fluctuations on the expected collection of accounts receivable through highly

probable expected transactions of Euro and US dollar expenses.

- (b) The Group uses forward exchange rate transactions to hedge its exposure to exchange rate risk, but does not meet all the criteria for hedge accounting and therefore accounts for financial assets or liabilities measured at fair value through profit or loss.
- (c) The Group engages in operations involving certain non-functional currencies (the functional currency of the Company and subsidiaries is the New Taiwan dollar) and is therefore subject to exchange rate fluctuations. Information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

September 30, 2022			
	Foreign currency (in thousand)	Exchange Rate	Book Value
(Foreign currency: Foreign currency)			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD : NTD	\$ 3,047	31.75	\$ 96,742
EUR : NTD	10,508	31.26	328,480
JPY : NTD	254,006	0.22	55,881
<u>Financial liability</u>			
<u>Monetary items</u>			
USD : NTD	288	31.75	9,144
EUR : NTD	324	31.26	10,128
December 31, 2021			
	Foreign currency (in thousand)	Exchange Rate	Book Value
(Foreign currency: Foreign currency)			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD : NTD	\$ 9,183	27.68	\$ 254,185
EUR : NTD	10,603	31.32	332,086
<u>Financial liability</u>			
<u>Monetary items</u>			
USD : NTD	671	27.68	18,573
EUR : NTD	222	31.32	6,953

September 30, 2021			
	Foreign currency (in thousand)	Exchange Rate	Book Value
(Foreign currency: Foreign currency)			
<u>Financial asset</u>			
<u>Monetary items</u>			
USD : NTD	\$ 8,411	27.85	\$ 234,246
EUR : NTD	5,983	32.32	193,371

Financial liability

Monetary items

USD : NTD	608	27.85	16,933
EUR : NTD	177	32.32	5,721

- a. The sensitivity analysis of foreign currency exchange rate risk is calculated mainly for foreign currency monetary items as of the end of the financial reporting period. If the New Taiwan dollar had strengthened/weakened by 1% against the U.S. dollar and the Euro, JPY dollar, all other factors remaining constant, the Group's net income would have increased/decreased by \$3,695 and \$3,241 for January through September of 2022 and 2021 respectively.
- b. Total exchange gain(loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2022 and 2021 amounted to 18,540, (\$2,634), \$32,156 and (\$9,240) respectively.

B. Price risk

- b-1. The Group's equity instruments that are exposed to price risk are financial assets held at fair value through other comprehensive income. In order to manage the price risk of investments in equity instruments, the Group diversifies its investment portfolio in accordance with the limits set by the Group.
- b-2. The Group invests primarily in equity instruments issued by domestic companies. The prices of these equity instruments are affected by the uncertainty of the future value of the underlying investments. If the price of these equity instruments had increased or decreased by 1%, with all other factors held constant, the benefit or loss to shareholders' equity from equity investments measured at fair value through other comprehensive income would have increased or decreased by \$851 and \$281 from January to September 2022 and 2021, respectively; as for the other comprehensive income or loss classified as equity instruments at fair value through other comprehensive income, it is \$1,082 and \$1,233 respectively.

C. Cash flow and fair value interest rate risk

The Group's borrowings are floating-rate financial instruments. Therefore, changes in market interest rates will cause the effective interest rates of debt-type financial instruments to change accordingly, resulting in fluctuations in their future cash flows. This risk is partially offset by cash and cash equivalents held at floating interest rates. With respect to the sensitivity analysis of interest rate risk, a 10% increase/decrease in borrowing rates, with all other factors held constant, would have increased/decreased net income by \$468

and \$449 from January to September 2022 and 2021, respectively, mainly due to the increase/decrease in interest expense as a result of floating rate borrowings.

② Credit risk

- a. The Group's credit risk is the risk of financial loss arising from the failure of customers or counterparties to financial instruments to meet their contractual obligations, mainly from the failure of counterparties to settle accounts receivable on collection terms.
- b. The management of credit risk is established with a Group perspective. In accordance with the internal credit policy, the Company and each new customer are required to manage and analyze the credit risk before setting the terms and conditions of payment and delivery. 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 utilization of credit limits is regularly monitored.
- c. The Group adopts IFRS 9 to provide the following premise assumptions. When a contractual payment is more than 90 days past due according to the contractual payment terms, the credit risk of the financial asset is considered to have increased significantly since the original recognition.
- d. In accordance with credit risk management, the Group starts to assess impairment when contractual payments are overdue for a certain number of days in accordance with the contractual payment terms.
- e. The Group estimates the expected credit losses based on the loss ratio method and the allowance matrix by grouping the notes and accounts receivable of customers according to the credit terms, and adjusts the loss ratio based on historical and current information of a specific period to estimate the allowance for losses on notes and accounts receivable by taking into account the prospective future. The following is a summary of the changes in the allowance for losses on notes and accounts receivable for which the Group has adopted the simplified approach :

	January to September of 2022		
	Notes receivable	Accounts receivable	Total
Balance of beginning and ending period	\$ -	\$ 23	\$ 23

	January to September of 2021		
	Notes receivable	Accounts receivable	Total
Balance of beginning and ending period	\$ -	\$ 23	\$ 23

③ Liquidity risk

- a. Cash flow forecasting is a process whereby the Finance Department monitors the forecast of the Group's liquidity requirements to ensure that it has sufficient funds to meet its operational needs and maintains sufficient unspent borrowing commitments at all times so that the Group does not breach the relevant borrowing limits or terms.

- b. In the event that the Group holds surplus cash in excess of the working capital management requirements, the Group's Finance Department invests the surplus funds in interest-bearing demand deposits and time deposits in instruments of appropriate maturity or sufficient liquidity to meet the above forecast and to provide sufficient level of dispatch. As of September 30, 2022、December 31, 2021 and September 30, 2021, the Group held money market positions of \$945,049、\$675,014 and \$516,724, respectively, which are expected to generate immediate cash flow to manage liquidity risk.
- c. The Group's unutilized borrowings are shown as follows :

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Floating rate			
Mature within one year	\$ 1,328,136	\$ 966,217	\$ 1,428,071
Maturity of more than 1 year	<u>1,085,568</u>	<u>165,136</u>	<u>255,986</u>
	<u>\$ 2,413,704</u>	<u>\$ 1,131,353</u>	<u>\$ 1,684,057</u>

- d. The following table shows the Group's non-derivative financial liabilities, grouped by the relevant maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>September 30, 2022</u>	<u>Less than 1 year</u>	<u>1 to 2 Year</u>	<u>2 to 5 Years</u>	<u>Over 5 Years</u>
Non-derivative financial liabilities				
Short-term loans	\$ 296,472	\$ -	\$ -	\$ -
Short-term bills payable	107,400	-	-	-
Notes payable (including related parties)	46,625	-	-	-
Accounts payable (Including related parties)	361,957	-	-	-
Other payables	201,987	-	-	-
Lease liabilities	13,107	11,749	32,264	40,448
Long-term loans (including current portion)	30,585	30,136	40,056	78,649
Guarantee deposits received	-	35,841	-	-
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>1 to 2 Year</u>	<u>2 to 5 Years</u>	<u>Over 5 Years</u>
Non-derivative financial liabilities				
Short-term loans	\$ 430,124	\$ -	\$ -	\$ -
Short-term bills payable	88,766	-	-	-
Notes payable (including	59,811	-	-	-

related parties)				
Accounts payable (Including related parties)	431, 775	–	–	–
Other payables	144, 116	–	–	–
Lease liabilities	12, 942	12, 047	32, 219	48, 468
Bonds payable (including current portion)	6, 801	–	–	–
Long-term loans (including current portion)	22, 300	21, 850	28, 463	44, 232
Guarantee deposits received	–	21, 334	–	–

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>1 to 2 Year</u>	<u>2 to 5 Years</u>	<u>Over 5 Years</u>
Non-derivative financial liabilities				
Short-term loans	\$ 580, 909	\$ –	\$ –	\$ –
Short-term bills payable	60, 000	–	–	–
Notes payable (including related parties)	30, 823	–	–	–
Accounts payable (Including related parties)	357, 632	–	–	–
Other payables	130, 907	–	–	–
Lease liabilities	11, 371	10, 208	31, 422	51, 138
Bonds payable	16, 445	–	–	–
Long-term loans (including current portion)	20, 798	10, 519	14, 134	–

(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 available to the enterprise 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.

Level 2: The observable input value of assets or liabilities, directly or indirectly, except for those included in the quoted prices in Level 1. The fair value of the Company's investments in forward exchange contracts are included in this category.

Level 3: Unobservable inputs to assets or liabilities.

B. Fair value information of investment property at cost is provided in Note 6(12)

C. The Group's financial instruments that are not measured at fair value (including cash and cash equivalents, financial assets at amortized cost - current, notes receivable, other notes receivable, accounts receivable (including related parties), other receivables, financial assets at amortized cost - non-current, refundable deposits, long-term notes receivable, short-term loans, short-term bills payable, notes payable (including related parties), accounts payable (including related parties), other payables, bonds payable and long-term loans and guarantee deposit received) approximate their fair values.

D. Financial instruments carried at fair value are classified according to the nature, characteristics and risks of the assets and liabilities and the basis of the fair value hierarchy. The related information is as follows:

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset				
<u>Recurring fair value</u>				
Financial assets at fair value through gain or loss -				
Equity securities	<u>\$ 85,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,074</u>
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 108,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,199</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset				
<u>Recurring fair value</u>				
Financial assets at fair value through gain or loss -				
Equity securities	<u>\$ 27,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,206</u>
Financial assets at fair value through other comprehensive income -				
Equity securities	<u>\$ 232,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,459</u>
<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset				
<u>Recurring fair value</u>				
Financial assets at fair value through gain or loss -				
Equity securities	<u>\$ 28,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,097</u>

Financial assets at fair value
through other comprehensive
income

Equity securities	<u>\$ 100,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,443</u>
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E. The methods and assumptions used by the Group to measure fair value are described below:

The Group adopt market pricing as the input of fair value (i.e. Level 1), and the breakdown of the characteristics of the instrument is as follows:

	<u>Listed shares</u>	<u>Open-end funds</u>
Market quoted price	Closing price	Net Asset value

F. There was no transfer between Level 1 and Level 2 from January to September, 2022 and 2021.

G. There were no Level 3 financial instruments from January to September, 2022 and 2021

(4) Other Information

A. The Group is a multinational enterprise. Due to the outbreak of the COVID-19 pandemic, some countries in Europe and the Americas have implemented various measures to prevent the outbreak, which has affected the export sales to a certain extent. The Group maintains close contact with customers and manufacturers to maintain the continuity of orders, but the actual extent of the possible impact will depend on the subsequent development of the epidemic in each country.

B. In response to the proliferation of novel coronavirus pandemic and the government's promotion of various pandemic control measures the Group has followed the Guidelines for Business Continuity of Enterprises Responding to Pandemic of Severe Acute Infectious Pneumonia and adopted countermeasures related to workplace health management. The Group's factories are all operating normally, and there is no major impact in all aspects.

13. Additional Disclosures

(In accordance with the regulations, only information from January to September 2022 is disclosed.)

(1). Significant transactions information

A. Loans to others: Please refer to Table 1.

B. Endorsement and guarantee for others: None.

C. Marketable securities held at the end of the period: Please refer to Table 2.

D. Purchase or sale of securities amounting to at least NT\$300 million or 20% of the paid-in capital: None.

E. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.

F. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.

G. Purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 3.

H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 4.

I. Derivative financial instruments: None.

J. Business relationships and significant intercompany transactions between the parent company and subsidiaries: Please refer to Table 5.

(2)Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Table 6.

(3)Information on investments in China : None such cases.

(4)Information on main investors Information on principal shareholders: Detailed in Table 7.

14.Segments Information

(1)General information

The management of the Group has identified the reportable segments based on the reported information used by operational decision makers in making decisions. There were no significant changes in the Group's corporate composition, the basis of segmentation and the basis of measurement of segment information during the period.

(2)Departmental information

Information on the reporting segments provided to the chief operating decision maker is shown as follows:

	January to September of 2022			
	Screw Manufacturing Department	Transportation Department	Environmental Business Department	Total
Net external revenue	\$ 1,342,045	\$ 1,589,917	\$ 638,857	\$ 3,570,819
Net internal revenue	–	33,640	–	33,640
Interest revenue	148	26	227	401
Depreciation and Amortization	43,994	4,662	24,779	73,435
Interest expense	7,290	321	3,353	10,964
Departmental net (loss) income before income taxes	322,983	(283)	(47,797)	274,903
Segment assets	2,360,908	385,805	1,613,183	4,359,896
Segment liabilities	917,738	194,159	673,204	1,785,101

	January to September of 2021			
	Screw Manufacturing Department	Transportation Department	Environmental Business Department	Total
Net external revenue	\$ 728,079	\$ 1,449,518	\$ 439,742	\$ 2,617,339

Net internal revenue	–	19,088	521	19,609
Interest revenue	218	16	37	271
Depreciation and Amortization	43,311	1,023	4,581	48,915
Interest expense	5,979	102	1,936	8,017
Departmental net (loss) income before income taxes	(21,320)	41,821	57,047	77,548
Segment assets	1,717,320	327,436	1,021,994	3,066,750
Segment liabilities	928,762	173,160	283,964	1,385,886

(3)Reconciliation of Segment Profit and Loss, Assets and Liabilities

The external revenue reported to the chief operating decision maker is measured in a manner consistent with the revenue in the consolidated statement of income, and the segment profit or loss, total assets and total liabilities provided to the chief operating decision maker are measured in a manner consistent with the Group's consolidated financial statements; therefore, no reconciliation is required.

OFCO Industrial Corp. and subsidiaries

Financing provided to others

January 1 to September 30, 2022

Table 1

Unit: NT\$ thousand

<u>Serial</u> <u>No.</u>	<u>Lender</u>	<u>Borrower</u>	<u>Business</u> <u>relationship</u>	<u>Whether it is</u> <u>a related party</u>	<u>Maximum</u> <u>balance</u>	<u>Ending</u> <u>balance</u>	<u>Transaction</u> <u>Amounts</u>	<u>Interest</u> <u>Rate</u>	<u>Nature of</u> <u>financing</u> <u>provided</u> <u>(Note 1)</u>	<u>Business</u> <u>Transaction</u> <u>Amounts</u>	<u>Reason for the</u> <u>necessity of</u> <u>short-term</u> <u>financing</u>	<u>Amount of</u> <u>recognized</u> <u>impairment</u> <u>loss</u>	<u>Collateral</u>		<u>Lending of funds to individual</u> <u>entities and</u> <u>limit of financing</u> <u>(Note 2)</u>	<u>Total limit of</u> <u>financing</u> <u>(Note 3)</u>	<u>Remarks</u>
													<u>Name</u>	<u>Value</u>			
0	OFCO Industrial Corp.	Yung Fu Co.,Ltd.	Other receivable-related party	Y	\$ 45,000	\$ 0	\$ -	-	2	\$ -	Business development needs	\$ -	-	\$ -	\$ 228,762	\$ 457,524	-

(Note 1) The nature of the loan and the meaning of the code are described as follows:

1. For entities with business transaction relationships.
2. For necessary short-term financing needs.

(Note 2) The amount of funds loaned to another person/entity is subject to individual limits:

1. For companies or firms with which the Company has business dealings, the amount of individual loans shall not exceed the higher of the Company's purchase or sales amount in the most recent year or the current year as of the time of the loan.
2. For companies or firms with short-term financing needs, the amount of individual loans shall not exceed 10% of the Company's most recent audited or reviewed financial statements.

(Note 3) The Company's total loans and transactions and capital financing are each limited to no more than 20% of the Company's most recent audited or reviewed net value.

(Note 4) In accordance with the procedures for lending funds to others, the Board of Directors shall approve and report to the shareholders' meeting for review.

OFCO Industrial Corp. and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table III.

September 30, 2022

Table 2

Unit: NT\$ thousand

<u>Holding Company Name</u>	<u>Type and Name of Marketable Securities</u>	<u>Relationship with the Holding Company</u>	<u>Item</u>	<u>December 31, 2020</u>			<u>Fair value</u>	<u>Remarks</u>
				<u>Shares (thousands)</u>	<u>Carrying amount</u>	<u>Percentage of shareholdings</u>		
OFCO Industrial Corp.	Stocks:							
	Taiwan Styrene Monomer Corporation	-	Financial assets at fair value through other comprehensive income or loss - current	2,273	\$ 29,890	0.43%	\$ 29,890	—
	Solar Applied Materials Technology Corp.		Financial assets at fair value through other comprehensive income or loss - current	1,064	31,814	0.18%	31,814	--
	D-Link Corporation	-	Financial assets at fair value through other comprehensive income or loss - current	1,885	27,711	0.31%	27,711	—
	Jia Jie Biomedical Co.,Ltd.	-	Financial assets at fair value through other comprehensive income or loss - current	1,244	18,784	1.40%	18,784	—
	Gloria Material Technology Corp Fund	Other related parties	Financial assets at fair value through profit or loss - current	1,978	58,450	0.43%	58,450	--
	Amund Fund Global Ecology ESG - U USD (C)		Financial assets at fair value through profit or loss - current	3	5,687	-	5,687	-
	FSITC Global Utilities and Infrastructure Fund -A-USD-N		Financial assets at fair value through profit or loss - current	13	5,821	-	5,821	-
	Funds:							
Yung Fu Co.,Ltd.	Amundi TW - Global High Yield Bond Fund	-	Financial assets at FVTPL - Current	36	12,089	-	12,089	—
TSG Transport Corp.	GAM MultiStock - Luxury			-		-		
	Brands Equity USD E		Financial a Financial assets at FVTPL - Current	-	3,027		3,027	

OFCO Industrial Corp. and subsidiaries

Related party transactions for purchases and sales amounts exceeding the lower of \$100 million or 20 percent of capital stock

January 1 to September 30, 2022

Table 3

Unit: NT\$ thousand

			<u>Transactions</u>				<u>Details of non-arm's length transaction</u>		Notes and accounts receivable (payable)		
			Percentage of total Amount purchase		Unit		Percentage of total receivables				
<u>Company Name</u>	<u>Related Party</u>	<u>Relationship</u>	<u>Purchases (Sales)</u>	<u>Amount</u>	<u>(Sales)</u>	<u>Term</u>	<u>Price</u>	<u>Term</u>	<u>Balance</u>	<u>(payable)</u>	<u>Note</u>
Ofco Industrial Corp.	Chun Yu Group	Other related parties	Purchase	\$ 562,510	64%	Month end 30days	Not significantly different	Not significantly different	(\$ 70,561)	(54%)	—
TSG Transport Corp	Gloria Material Technology Corp.	Other related parties	Sales	(629,684)	(38%)	Month end 30days	Not significantly different	Not significantly different	83,223	37%	—

OFCO Industrial Corp. and subsidiaries

Receivables from related parties reaching \$100 million or 20% of the Company's paid-in capital

September 30, 2022

Table 4

Unit: NT\$ thousand

<u>Company Name</u>	<u>Name of the counterparty</u>	<u>Relationship</u>	<u>Amount of account receivable</u>	<u>Turnover rate</u>	<u>Overdue receivables</u>		<u>Amount collected subsequent to the balance sheet date</u>	<u>Allowance for Creditor doubtful accounts</u>
					<u>Amount</u>	<u>Action taken</u>		
TSG Transport Corp	Gloria Material Technology Corp	Other related party	\$ 83,223	8.84	\$ -	-	\$ 45,933	\$ -

OFCO Industrial Corp. and subsidiaries
Significant inter-company transactions during the reporting periods

January 1 to September 30, 2022

Table 5

Unit: NT\$ thousand

<u>Code (Note 1)</u>	<u>Transaction Company</u>	<u>Counterparty</u>	<u>Relationship with the counter-party</u> (Note 2)	<u>Transaction</u>		<u>Transaction Terms</u>	<u>Percentage of consolidated total operating revenues or</u> <u>total assets (Note 3)</u>	<u>Remarks</u>
				<u>Item</u>	<u>Amount</u>			
1	TSG Transport Corp.	OFCO Industrial Corp.	2	Sales	\$ 33,620	Credit terms: 40 days	1%	
				Accounts receivable	11,152	-	-	
2	YUNG FU CO., LTD	TSG POWER CORP.	3	Sales	43,764	by mutual agreement	1%	
				Accounts receivable	4,308		-	
				contract assets	8,842		-	

(Note 1) Information on business transactions between the parent company and subsidiaries should be indicated in the numbered column respectively, and the numbers should be filled in as follows

1. The parent company should fill in 0.
2. Subsidiaries are numbered by company, starting from the Arabic numeral 1.

(Note 2) There are three types of relationships with the counter-parties, and the types can be indicated as follows

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

(Note 3) The ratio of transaction amount to consolidated total revenue or total assets is calculated as the ending balance to consolidated total assets in the case of assets and liabilities and as the cumulative amount to consolidated total revenue in the case of profit or loss.

OFCO Industrial Corp. and subsidiaries

Names, locations and other information of investee companies (not including investees in China)

January 1 to September 30, 2022

Table 6

Unit: NT\$ thousand

<u>Investor</u>	<u>Investor Company</u>	<u>Location</u>	<u>Main Businesses and Products</u>	<u>Investment Amount</u>		<u>Shares held at year end</u>			<u>(Loss) income of investees for the period</u>	<u>(Gain) loss on investment recognized in the period</u>	<u>Remarks</u>
				<u>End of the current period</u>	<u>End of Last Year</u>	<u>Shares (share)</u>	<u>Ratio (%)</u>	<u>Carrying Amount</u>			
OFCO Industrial Corp.	TSG Transport Corp	Taiwan	Container rental, transportation and packing services	\$ 110,000	\$ 110,000	16,000,000	100%	\$ 202,875	\$ 26,265	\$ 26,265	Subsidiary
	TSG Environmental Technology Corp.	Taiwan	Recycling of materials, waste disposal services, etc.	10,000	10,000	1,000,000	100%	14,105	(1,507)	(1,507)	Subsidiary
	Yung Fu Co.,Ltd.	Taiwan	Commissioned operation and management of waste and business waste incineration plants and planning, design and turnkey services for small and medium-sized incinerator projects	427,301	427,301	47,530,588	67.15%	639,826	(38,136)	(26,404)	Subsidiary
TSG Transport Corp	Titan Insurance Broker Co.,Ltd	Taiwan	Engage in property and personnel insurance Brokers and other services	19,754	19,754	500,095	20.00%	19,373	(2,789)	-	(Note)
	Yung Fu Co.,Ltd.	Taiwan	Commissioned operation and management of waste and business waste incineration plants and planning, design and turnkey services for small and medium-sized incinerator projects	2,380	2,380	237,956	0.34%	2,380	(38,136)	-	Subsidiary (Note)
TSG Environmental Technology Corp.	Titan Insurance Broker Co.,Ltd	Taiwan	Engage in property and personnel insurance Brokers and other services	1,718	1,718	43,527	1.74%	1,634	(2,789)	-	(Note)
	Yung Fu Co.,Ltd.	Taiwan	Commissioned operation and management of waste and business waste incineration plants and planning, design and turnkey services for small and medium-sized incinerator	3,637	3,637	363,750	0.51%	3,637	(38,136)	-	Subsidiary (Note)

projects

Yung Fu Co.,Ltd.	TSG Power Corp.	Taiwan	Energy technology services	180,000	100,000	18,000,000	100%	138,866	4,270	-	Subsidiary (Note)
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(Note) The amount of investment income (loss) recognized in the current period is exempt from disclosure.

OFCO Industrial Corp. and subsidiaries

Information on main investors

September 30 2022

Table 7

Unit: Shares

<u>Name of major shareholder</u>	<u>Number of shares held</u>	<u>Percentage of shareholdings</u>	<u>Remarks</u>
Taiwan Steel Group	12,000,000	12.07%	(Note 2)
E-Sheng Steel Co., Ltd.	6,484,883	6.52%	(Note 2)
E-Top Metal Co., Ltd.	5,500,000	5.53%	(Note 2)

(Note 1) The information of major shareholders in this table is based on the last business day at the end of each quarter, and the information of shareholders holding at least 5% of the total common shares and preferred shares of the Company that have been delivered without physical registration (including treasury shares).

The share capital recorded in the Company's financial statements and the Company's actual number of shares delivered with dematerialized registration completed may be different due to different calculation bases.

(Note 2) The basis for calculating the percentage of shareholding includes the number of shares of the bond conversion certificates.