

**ORIENT SEMICONDUCTOR
ELECTRONICS, LIMITED AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Orient Semiconductor Electronics, Limited

Introduction

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

Scope of review

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

Basis for qualified conclusion

As explained in Notes 4(3) B and 6(7), the financial statements of certain insignificant consolidated subsidiaries, investments accounted for using equity method and information disclosed in Note 13 were not reviewed by independent auditors. Total assets of these subsidiaries (including investments accounted for using equity method) amounted to NT\$861,776 thousand and NT\$1,543,740 thousand, constituting 5% and 10% of the consolidated total assets as at September 30, 2022 and 2021, respectively, total liabilities amounted to NT\$195,301 thousand and NT\$202,363 thousand, both constituting 3% of the consolidated total liabilities as at September 30, 2022 and 2021, respectively, and the total comprehensive (loss) income (including share of profit or loss of associates and joint ventures accounted

for using equity method) amounted to (NT\$4,899 thousand), NT\$34,006 thousand, NT\$30,818 thousand and NT\$35,057 thousand, constituting (1%), 10%, 3% and 4% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries, investment accounted for using equity method, and information disclosed in Note 13 been reviewed by independent auditors as described in the basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended, and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Wang, Kuo-Hua

Chiang, Tsai-yen

For and on behalf of PricewaterhouseCoopers, Taiwan

October 27, 2022

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

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

ORIENT SEMICONDUCTOR ELECTRONICS, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

(Expressed in thousands of New Taiwan dollars)

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

Assets		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,489,963	21	\$ 2,723,171	16	\$ 2,354,877	15
1136	Current financial assets at amortised cost	6(4) and 8	-	-	11,465	-	38,675	-
1140	Current contract assets	6(24)	231,121	2	296,090	2	275,236	2
1150	Notes receivable, net	6(5)	-	-	146	-	450	-
1170	Accounts receivable, net	6(5)	3,036,263	18	2,892,798	17	2,804,810	18
1180	Accounts receivable due from related parties, net	6(5) and 7	317,435	2	458,409	3	328,022	2
1200	Other receivables		60,615	-	59,042	-	30,677	-
1210	Other receivables due from related parties	7	11	-	56,596	-	53,809	-
1220	Current tax assets		5,962	-	-	-	-	-
130X	Inventories	6(6)	1,931,376	12	1,825,991	11	1,750,616	11
1410	Prepayments		111,808	1	97,313	-	86,287	1
1460	Non-current assets or disposal groups classified as held for sale, net	6(13)	-	-	488,274	3	136,137	1
1479	Other current assets, others		20,644	-	15,941	-	16,852	-
11XX	Current Assets		<u>9,205,198</u>	<u>56</u>	<u>8,925,236</u>	<u>52</u>	<u>7,876,448</u>	<u>50</u>
Non-current assets								
1510	Non-current financial assets at fair value through profit or loss	6(2)	-	-	1,261	-	4,504	-
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	806,920	5	314,683	2	265,043	2
1550	Investments accounted for using equity method	6(7)	5,112	-	467,174	3	455,057	3
1600	Property, plant and equipment	6(8) and 8	5,298,908	32	5,403,685	32	5,009,970	32
1755	Right-of-use assets	6(9)	171,164	1	256,264	2	223,505	1
1760	Investment property - net	6(11)	-	-	-	-	360,667	2
1780	Intangible assets	6(12) and 7	36,746	-	32,972	-	35,441	-
1840	Deferred tax assets		971,247	6	1,205,821	7	1,285,728	8
1915	Prepayments for business facilities		32,929	-	167,490	1	44,512	-
1920	Guarantee deposits paid	8	3,273	-	154,187	1	153,509	1
1940	Long-term notes and accounts receivable due from related parties	7	-	-	85,839	-	86,366	1
1990	Other non-current assets, others		2,869	-	3,877	-	3,794	-
15XX	Non-current assets		<u>7,329,168</u>	<u>44</u>	<u>8,093,253</u>	<u>48</u>	<u>7,928,096</u>	<u>50</u>
1XXX	Total assets		<u>\$ 16,534,366</u>	<u>100</u>	<u>\$ 17,018,489</u>	<u>100</u>	<u>\$ 15,804,544</u>	<u>100</u>

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ORIENT SEMICONDUCTOR ELECTRONICS, LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

(Expressed in thousands of New Taiwan dollars)

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

Liabilities and Equity		Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Current borrowings	6(14) and 8	\$ 400,000	2	\$ 299,408	2	\$ 359,004	2
2110	Short-term notes and bills payable	6(15)	-	-	49,986	-	-	-
2130	Current contract liabilities	6(24)	90,954	1	88,971	1	93,484	1
2150	Notes payable		-	-	59,087	-	22,199	-
2170	Accounts payable		3,068,666	19	3,221,816	19	3,185,339	20
2180	Accounts payable to related parties	7	1,141	-	745	-	530	-
2200	Other payables	6(16)	1,159,098	7	1,637,483	10	1,307,960	9
2220	Other payables to related parties	7	35,581	-	40,986	-	83,297	1
2230	Current tax liabilities		43,639	-	-	-	-	-
2250	Current provisions		13,781	-	10,356	-	10,756	-
2280	Current lease liabilities	7	27,986	-	35,532	-	23,859	-
2320	Long-term liabilities, current portion	6(17) and 8	-	-	60,700	-	29,344	-
2365	Current refund liabilities		33,222	-	24,820	-	20,752	-
2399	Other current liabilities, others		77,844	1	165,963	1	137,645	1
21XX	Current Liabilities		<u>4,951,912</u>	<u>30</u>	<u>5,695,853</u>	<u>33</u>	<u>5,274,169</u>	<u>34</u>
Non-current liabilities								
2540	Non-current portion of non-current borrowings	6(17) and 8	743,962	5	587,694	4	406,356	3
2570	Deferred tax liabilities		-	-	-	-	4,735	-
2580	Non-current lease liabilities	7	139,440	1	213,510	1	193,228	1
2635	Non-current preference share liabilities	6(19)	1,004,178	6	1,005,149	6	1,005,476	6
2640	Net defined benefit liability, non-current		317,069	2	487,200	3	315,158	2
2645	Guarantee deposits received		42,324	-	57,018	-	21,018	-
25XX	Non-current liabilities		<u>2,246,973</u>	<u>14</u>	<u>2,350,571</u>	<u>14</u>	<u>1,945,971</u>	<u>12</u>
2XXX	Total Liabilities		<u>7,198,885</u>	<u>44</u>	<u>8,046,424</u>	<u>47</u>	<u>7,220,140</u>	<u>46</u>
Equity attributable to owners of parent								
	Share capital	6(20)(21)						
3110	Share capital - common stock		5,553,795	34	5,554,319	33	5,568,120	35
3120	Preference share		1,801,800	11	1,801,800	11	1,801,800	12
	Capital surplus	6(22)						
3200	Capital surplus		237,782	1	234,897	1	221,247	1
	Retained earnings	6(23)						
3310	Legal reserve		192,241	1	53,719	-	53,719	-
3320	Special reserve		157,357	1	106,988	1	106,988	1
3350	Unappropriated retained earnings		1,676,268	10	1,385,221	8	1,001,800	6
	Other equity interest							
3400	Other equity interest		(283,762)	(2)	(164,879)	(1)	(169,270)	(1)
31XX	Equity attributable to owners of the parent		<u>9,335,481</u>	<u>56</u>	<u>8,972,065</u>	<u>53</u>	<u>8,584,404</u>	<u>54</u>
3XXX	Total equity		<u>9,335,481</u>	<u>56</u>	<u>8,972,065</u>	<u>53</u>	<u>8,584,404</u>	<u>54</u>
	Significant contingent liabilities and unrecognised contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	Total liabilities and equity		<u>\$ 16,534,366</u>	<u>100</u>	<u>\$ 17,018,489</u>	<u>100</u>	<u>\$ 15,804,544</u>	<u>100</u>

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

ORIENT SEMICONDUCTOR ELECTRONICS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(Reviewed, not audited)

			Three months ended September 30				Nine months ended September 30				
			2022		2021		2022		2021		
Items			Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(24) and 7	\$	3,808,937	100	\$	3,949,810	100	\$	11,936,056	100
5000	Operating costs	6(6)(12)(29)(30) and 7	(	3,197,389)	(84)	(	3,262,385)	(82)	(	9,920,196)	(83)
5900	Net operating margin			611,548	16		687,425	18		2,015,860	17
	Operating expenses	6(12)(29)(30)									
6100	Selling and administrative expenses		(	191,150)	(5)	(	188,276)	(5)	(	580,313)	(5)
6300	Research and development expenses		(	82,113)	(2)	(	82,545)	(2)	(	246,722)	(2)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		13,754	-	(	7,436)	-	(	21,052)	-
6000	Total operating expenses		(	259,509)	(7)	(	278,257)	(7)	(	848,087)	(7)
6500	Net other income (expenses)	6(9)		257	-		-	-		54	-
6900	Operating profit			352,296	9		409,168	11		1,167,827	10
	Non-operating income and expenses										
7100	Interest income	6(25) and 7		1,441	-		923	-		3,967	-
7010	Other income	6(26) and 7		70,607	2		28,776	1		92,671	1
7020	Other gains and losses	6(27)		94,609	2		1,536	-		209,755	1
7050	Finance costs	6(28)	(	6,595)	-	(	7,282)	-	(	18,656)	-
7060	Share of profit of associates and joint ventures accounted for using equity method	6(7)		461	-		21,971	-		33,955	-
7000	Total non-operating revenue and expenses			160,523	4		45,924	1		321,692	2
7900	Profit before income tax			512,819	13		455,092	12		1,489,519	12
7950	Income tax expense	6(31)	(79,978)	(2)	(99,005)	(3)	(268,931)	(2)
8200	Profit for the period		\$	432,841	11	\$	356,087	9	\$	1,220,588	10
			\$			\$			\$		

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ORIENT SEMICONDUCTOR ELECTRONICS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share)
(Reviewed, not audited)

Items	Notes	Three months ended September 30		Nine months ended September 30	
		2022	2021	2022	2021
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 107,257)	(3)	(\$ 16,567)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(31)	(2,030)	-	(34)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(109,287)	(3)	(16,601)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(7)	30,649	1	5,881	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(7)	-	-	342	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(31)	(6,352)	-	(127)	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		24,297	1	6,096	-
8300 Total other comprehensive loss for the period		(\$ 84,990)	(2)	(\$ 10,505)	-
8500 Total comprehensive income for the period		\$ 347,851	9	\$ 345,582	9
Profit, attributable to:					
8610 Owners of parent		\$ 432,841	11	\$ 356,087	9
Comprehensive income attributable to:					
8710 Owners of parent		\$ 347,851	9	\$ 345,582	9
Basic earnings per share	6(32)				
9750 Total basic earnings per share		\$ 0.65		\$ 0.52	
9850 Total diluted earnings per share		\$ 0.58		\$ 0.48	

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

ORIENT SEMICONDUCTOR ELECTRONICS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Equity attributable to owners of the parent									Total equity
		Share capital			Retained earnings			Other equity interest			
		Ordinary stock	Preference share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unearned compensation	
<u>Nine months ended September 30, 2021</u>											
At January 1, 2021		\$ 5,570,425	\$ 1,801,800	\$ 220,723	\$ 53,719	\$ 18,730	\$ 88,258	(\$ 54,047)	(\$ 79,166)	(\$ 17,674)	\$ 7,602,768
Profit for the period		-	-	-	-	-	1,000,439	-	-	-	1,000,439
Other comprehensive loss for the period		-	-	-	-	-	-	(1,579)	(23,423)	-	(25,002)
Total comprehensive income (loss)		-	-	-	-	-	1,000,439	(1,579)	(23,423)	-	975,437
Distribution of 2020 earnings:											
Special reserve		-	-	-	-	88,258	(88,258)	-	-	-	-
Share-based payments transactions	6(20)	(2,305)	-	524	-	-	-	-	-	7,980	6,199
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	-	1,361	-	(1,361)	-	-
At September 30, 2021		\$ 5,568,120	\$ 1,801,800	\$ 221,247	\$ 53,719	\$ 106,988	\$ 1,001,800	(\$ 55,626)	(\$ 103,950)	(\$ 9,694)	\$ 8,584,404
<u>Nine months ended September 30, 2022</u>											
At January 1, 2022		\$ 5,554,319	\$ 1,801,800	\$ 234,897	\$ 53,719	\$ 106,988	\$ 1,385,221	(\$ 41,911)	(\$ 115,445)	(\$ 7,523)	\$ 8,972,065
Profit for the period		-	-	-	-	-	1,220,588	-	-	-	1,220,588
Other comprehensive income (loss)		-	-	-	-	-	-	45,708	(177,755)	-	(132,047)
Total comprehensive income (loss)		-	-	-	-	-	1,220,588	45,708	(177,755)	-	1,088,541
Distribution of 2021 earnings:											
Legal reserve		-	-	-	138,522	-	(138,522)	-	-	-	-
Special reserve		-	-	-	-	50,369	(50,369)	-	-	-	-
Cash dividends	6(23)	-	-	-	-	-	(733,916)	-	-	-	(733,916)
Share-based payments transactions	6(20)	(524)	-	94	-	-	-	-	-	6,430	6,000
Disposal of investments accounted for using equity method		-	-	2,791	-	-	-	-	-	-	2,791
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(3)	-	-	-	-	-	(6,734)	-	6,734	-	-
At September 30, 2022		\$ 5,553,795	\$ 1,801,800	\$ 237,782	\$ 192,241	\$ 157,357	\$ 1,676,268	\$ 3,797	(\$ 286,466)	(\$ 1,093)	\$ 9,335,481

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

ORIENT SEMICONDUCTOR ELECTRONICS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

		Nine months ended September 30	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,489,519	\$ 1,269,262
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(11)(29)	849,147	987,613
Amortization of intangible and other assests	6(12)(29)	19,215	28,061
Loss (gain) on expected credit impairments	12(2)	21,052	(6,300)
Loss on financial assets at fair value through profit or loss	6(27)	1,261	1,982
Interest expense	6(28)	18,656	26,394
Interest income	6(25)	(3,967)	(2,671)
Dividend income	6(26)	(54,660)	(9,538)
Stock option compensation cost from subsidiary	6(20)	6,000	6,199
Share of profit of associates and joint ventures accounted for using equity method	6(7)		
Gains on disposal of property, plant and equipment	6(27)	(33,955)	(29,451)
Loss on disposal of investment properties	6(27)	(20,230)	(4,413)
Gain on disposal of non-current assets held for sale	6(27)	-	8,586
Gain on disposal of investments accounted for using equity method	6(27)	(51,624)	-
Scrapping inventory and loss on decline in market value	6(6)	-	(3,550)
Gain arising from lease modifications		21,740	12,318
Reclassification of exchange differences on translation of foreign financial statements to foreign exchange losses	(	( 2,150)	(1,419)
Changes in operating assets and liabilities		2,957	6,349
Changes in operating assets			
Decrease in contract assets		64,969	29,589
Decrease in notes receivable		146	402
Increase in accounts receivable	(	( 156,134)	(589,286)
Decrease (increase) in accounts receivable due from related parties		140,974	(98,101)
(Increase) decrease in other receiablcs	(	( 3,175)	73
(Decrease) increase in other receivable due from related parties		60,118	(4,951)
Inventories	(	( 99,117)	(625,341)
Increase in prepayments	(	( 2,877)	(778)
Increase in other current assets, others	(	( 4,466)	(1,834)
Decrease in other non-current assets, others		1,181	807
Changes in operating liabilities			
Increase in contract liabilities		1,920	68,113
Increase in notes payable		-	7,591
(Decrease) increase in accounts payable	(	( 171,573)	892,206
Increase (decrease) in accounts payable to related parties		396	(1,956)
(Decrease) increase in other payable	(	( 224,925)	349,760
Increase in other payables to related parties		29,279	1,010
Increase (decrease) in current provisions		3,425	(2,132)
Increase in other current liabilities		31,021	18,130
Decrease in net defined benefit liability	(	( 170,131)	(69,088)
Cash inflow generated from operations		1,763,992	2,263,636
Interest received		3,870	1,314
Net cash flows from operating activities		1,767,862	2,264,950

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ORIENT SEMICONDUCTOR ELECTRONICS, LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30 2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in non-current financial assets at fair value through other comprehensive income		(\$ 689,654)	(\$ 217,039)
Proceeds from liquidation of financial assets at fair value through other comprehensive income	6(3)	22,082	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	32,727
Decrease in financial assets at amortised cost - current		11,465	92,370
Loss on disposal of investments accounted for using equity method		-	13,535
Acquisition of property, plant and equipment (including prepayment for equipment)	6(33)	(938,808)	(531,487)
Proceeds from disposal of non-current assets held for sale		956,393	-
Proceeds from disposal of property, plant and equipment		31,519	9,895
Decrease in refundable deposits		152,434	14,141
Acquisition of intangible assets	6(12)	(22,827)	(22,210)
Decrease in long-term accounts receivable due from related parties		92,292	-
Dividends received		54,660	22,480
Net cash flows used in investing activities		(330,444)	(585,588)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(34)	1,571,958	2,755,266
Decrease in short-term borrowings	6(34)	(1,472,073)	(3,503,241)
Decrease in short-term notes and bills payable	6(34)	(50,000)	-
Proceeds from long-term borrowings	6(34)	458,262	935,700
Repayments of long-term debt	6(34)	(362,694)	(1,366,446)
(Decrease) increase in guarantee deposits received	6(34)	(14,698)	17,500
Payments of lease liabilities	6(34)	(26,802)	(16,371)
Cash dividends paid	6(23)	(733,916)	-
Payment of interest		(27,304)	(13,348)
Other financing activities		-	26,555
Net cash flows used in financing activities		(657,267)	(1,164,385)
Effect of exchange rate changes on cash and cash equivalents		(13,359)	(5,900)
Net increase in cash and cash equivalents		766,792	509,077
Cash and cash equivalents at beginning of period		2,723,171	1,845,800
Cash and cash equivalents at end of period		<u>\$ 3,489,963</u>	<u>\$ 2,354,877</u>

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

ORIENT SEMICONDUCTOR ELECTRONICS, LIMITED AND SUBSIDIARIES.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

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

1. History and Organisation

(1) Orient Semiconductor Electronics Limited (the “Company”) was incorporated in Kaohsiung City in September 1971 under the provisions of the Company Act of the Republic of China (R.O.C.). The address of the Company’s registered office is at No. 9, Central 3rd Street, Nanzih District, Kaohsiung City. The Company and its subsidiaries (collectively referred herein as the “Group”), were primarily engaged in various types of integrated circuit, semiconductor components, computer motherboard, various types of electronic inventory, manufacture, combination, processing and export of computer and communication circuit board.

(2) The Company was listed on the Taiwan Stock Exchange starting from April 1994.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorised for issuance by the Board of Directors on October 27, 2022.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

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

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2021.

- B. Subsidiaries included in the consolidated financial statements:

Investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
Orient Semiconductor Electronics Limited	OSE Philippines INC. (“OSEP”)	(a) Integrated circuit and semiconductor components.	93.67%	93.67%	93.67%	Notes 1 and 2
		(b) Research, design, manufacture, assembly, processing, test and after-sales service of aforementioned products.				
Orient Semiconductor Electronics Limited	OSE International Limited (“OSE BVI”)	Investments in various production business.	100%	100%	100%	-
Orient Semiconductor Electronics Limited	Coreplus (HK) Limited (“COREPLUS”)	Accepted orders, purchased materials and outsourcing processing of components combination business.	100%	100%	100%	Note 3
Orient Semiconductor Electronics Limited	Hua-Cheng Investment Co. (“Hua-Cheng”)	Reinvestments in various business.	100%	100%	100%	Notes 4 and 5

Investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
OSE International Limited	OSE Philippines INC. ("OSEP")	(a) Integrated circuit and semiconductor components. (b) Research, design, manufacture, assembly, processing, test and after-sales service of aforementioned products.	6.33%	6.33%	6.33%	Notes 1 and 2
Corplus (HK) Limited	Value-Plus Technology (Suzhou) Co. (Value-Plus (Suzhou))	Adhesive processing, plug-in welding processing and related test, combination processing, technique maintenance and after-sale service of the surface of base plate of electronic components	100%	100%	100%	Note 3

Note 1: The Company directly held 93.67% of equity interest of OSEP, plus the equity of 6.33% held by the Company's subsidiary (OSE BVI), the equity held in total was 99.99%.

Note 2: OSEP has stopped operation in the fourth quarter of 2011. The liquidation has been started after the resolution of the Board of Directors on April 30, 2022.

Note 3: The financial statements of the entity as of and for the nine months ended September 30, 2022 and 2021 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 4: Subsidiary which was established and invested by the Group in January 2021.

Note 5: The financial statements of the entity as of and for the nine months ended September 30, 2021 were not reviewed by the independent auditors as the entity is insignificant to the Group.

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

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

(5) Income taxes

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

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand and petty cash	\$ 204	\$ 234	\$ 187
Checking accounts and demand deposits	2,989,759	2,341,393	1,972,952
Time deposits	<u>500,000</u>	<u>381,544</u>	<u>381,738</u>
	<u>\$ 3,489,963</u>	<u>\$ 2,723,171</u>	<u>\$ 2,354,877</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group's demand deposits and time deposits which were provided as collaterals or were restricted due to the foreign capital remitted back in Taiwan and deposited in special account of bank have been transferred to "financial assets at amortised cost – current", please refer to Note 6(4) for details.
- C. Aforementioned time deposits had maturities not exceeding three months and were not pledged as collateral, and were classified as cash equivalents according to its nature.

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

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Value of preference share liability callable option	\$ -	\$ 1,261	\$ 4,504

- A. For details of the Group's financial assets at fair value through profit or loss recognised in net profit or loss, please refer to Note 6(27) other gains and losses.
- B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral.

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

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Non-current items:			
Unlisted stocks	\$ 23,160	\$ 39,879	\$ 55,793
Listed stocks	<u>783,760</u>	<u>274,804</u>	<u>209,250</u>
	<u>\$ 806,920</u>	<u>\$ 314,683</u>	<u>\$ 265,043</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$806,920, \$314,683 and \$265,043 as at September 30, 2022, December 31, 2021 and September 30, 2021, respectively.
- B. In August 2022, the Group received \$22,082 due to the liquidation of the unlisted company which were reinvested by the Group, and the cumulative losses on investment amounting to \$6,734, which have been transferred from other equity to retained earnings.
- C. In July 2021, the Group sold \$32,727 of unlisted stocks at fair value and resulted in cumulative gains on disposal amounting to \$1,361, which have been transferred from other equity to retained earnings.
- D. For the three months and nine months ended September 30, 2022 and 2021, the Group has financial assets at fair value through other comprehensive income recognised in comprehensive loss due to changes of fair value in the amounts of (\$107,257), (\$16,567), (\$175,336) and (\$26,501), respectively.
- E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(4) Financial assets at amortised cost

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Demand deposits-foreign capital special account	\$ -	\$ 1,780	\$ 28,931
Pledged time deposits	<u>-</u>	<u>9,685</u>	<u>9,744</u>
	<u>\$ -</u>	<u>\$ 11,465</u>	<u>\$ 38,675</u>

- A. For the three months and nine months ended September 30, 2022 and 2021, the interest income from time deposits was recognised under interest income from bank deposits, please refer to Note 6(25).
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Demand deposits-foreign capital special account was the amount of the Group deposited in the bank special account in accordance with The Management, Utilization, and Taxation of Repatriated Offshore Funds Act, which were restricted for use based on an approved plan.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable (including related parties)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	\$ -	\$ 146	\$ 450
Less: Loss allowance	-	-	-
	<u>\$ -</u>	<u>\$ 146</u>	<u>\$ 450</u>
Accounts receivable	\$ 3,062,849	\$ 2,898,319	\$ 2,820,133
Less: Loss allowance	(26,586)	(5,521)	(15,323)
	<u>\$ 3,036,263</u>	<u>\$ 2,892,798</u>	<u>\$ 2,804,810</u>
Accounts receivable due from related parties	\$ 317,435	\$ 458,409	\$ 328,022
Less: Loss allowance	-	-	-
	<u>\$ 317,435</u>	<u>\$ 458,409</u>	<u>\$ 328,022</u>

- A. For details of the aging analysis of notes and accounts receivable which were based on the dates past due and information relating to credit risk, please refer to Note 12(2).
- B. As of September 30, 2022, December 31, 2021 and September 30, 2021, accounts and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$2,462,663.
- C. The Group has no notes and accounts receivable pledged to others as collateral.
- D. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$0, \$146 and \$450 as at September 30, 2022, December 31, 2021 and September 30, 2021, respectively, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$3,353,698, \$3,351,207 and \$3,132,832, respectively.

(6) Inventories

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Raw materials	\$ 1,744,148	\$ 1,707,141	\$ 1,670,422
Supplies	158,196	158,991	157,911
Work in progress	283,408	235,247	198,848
Finished goods	<u>29,259</u>	<u>28,139</u>	<u>33,083</u>
	2,215,011	2,129,518	2,060,264
Less: Allowance for valuation loss	(283,635)	(303,527)	(309,648)
	<u>\$ 1,931,376</u>	<u>\$ 1,825,991</u>	<u>\$ 1,750,616</u>

A. The cost of inventories recognised as expense for the period:

		<u>Three months ended September 30</u>	
		<u>2022</u>	<u>2021</u>
Cost of goods sold	\$	3,187,396	\$ 3,269,774
Scrapping inventory and loss on (gain on reversal of) decline in market value		14,063 (	3,018)
Others	(	4,070)	(4,371)
	\$	<u>3,197,389</u>	<u>\$ 3,262,385</u>
		<u>Nine months ended September 30</u>	
		<u>2022</u>	<u>2021</u>
Cost of goods sold	\$	9,916,978	\$ 9,853,795
Scrapping inventory and loss on decline in market value		21,740	12,318
Others	(	18,522)	(12,602)
	\$	<u>9,920,196</u>	<u>\$ 9,853,511</u>

For the three months ended September 30, 2021, the gain on reversal of net realizable value of inventories was due to the clearance of inventories and recognised as decrease in cost of goods sold.

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the fire insurance amount of inventories were \$15,237,162, \$14,069,881 and \$14,068,466, respectively.

(7) Investments accounted for using equity method

		<u>2022</u>	<u>2021</u>
At January 1	\$	467,174	\$ 450,878
Earnings distribution of investments accounted for using equity method		- (	12,942)
Share of profit or loss of investments accounted for using equity method		33,955	29,451
Disposal of investments accounted for using equity method		- (	9,985)
Transfers to non-current assets held for sale	(	500,812)	-
Changes in other equity interest		<u>4,795</u>	(<u>2,345</u>)
At September 30	\$	<u>5,112</u>	<u>\$ 455,057</u>

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	<u>Amount</u>	<u>Shareholding ratio</u>	<u>Amount</u>	<u>Shareholding ratio</u>	<u>Amount</u>	<u>Shareholding ratio</u>
Associates:						
OSE PROPERTIES, INC.	\$ 5,112	39.99%	\$ -	39.99%	\$ -	39.99%
ATP ELECTRONICS, TAIWAN INC.	-		467,174	18.31%	455,057	18.31%
SCS HIGHTECH INC.	-	18.71%	-	18.17%	-	18.17%
	<u>\$ 5,112</u>		<u>\$ 467,174</u>		<u>\$ 455,057</u>	

- A. As of December 31, 2021, the Group's carrying amount of long-term equity investments was decreased to \$0 due to the accumulated investment loss which was recognised as a result of the continuous deficit incurred by OSE Properties, Inc.
- B. The carrying amount of the Group's investment in SCS HIGHTECH, INC. has been recognised as zero, and there is no further legal or constructive obligation to accrue additional losses. The company has been approved to nullify the registration in 2004 and is still pending liquidation.
- C. In April 2022, the Board of Directors of the Group resolved to dispose ATP Electronics Taiwan Inc. In June 2022, the Group signed a share transfer agreement to sell 18.31% of ownership for proceeds of \$501,962, and all proceeds from the sale had been collected in accordance with the agreement and the equity settlement and transfer were completed in September 2022. Additionally, please refer to Note 6(13) for the details of the transfers to non-current assets held for sale.
- D. As of September 30, 2022, December 31, 2021 and September 30, 2021, there were no investments accounted for using equity method pledged as collaterals.
- E. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had no significant associate.
- F. The Group's share of the operating results in all individually immaterial associates is summarized below:

	Three months ended September 30	
	2022	2021
Profit	\$ 461	\$ 21,971
Other comprehensive income, net of tax	-	342
Total comprehensive income for the period	<u>\$ 461</u>	<u>\$ 22,313</u>
	Nine months ended September 30	
	2022	2021
Profit	\$ 33,955	\$ 29,451
Other comprehensive income (loss), net of tax	5,199	(1,778)
Total comprehensive income for the period	<u>\$ 39,154</u>	<u>\$ 27,673</u>

- G. For the three months and nine months ended September 30, 2022 and 2021, the Group's investees accounted for using equity method were valued from investees' financial statements which were reviewed by auditors in the same period.

(8) Property, plant and equipment

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Property, plant and equipment			
- Owner-occupied	\$ 5,298,045	\$ 5,402,722	\$ 5,008,974
- Operating leases	863	963	996
	<u>\$ 5,298,908</u>	<u>\$ 5,403,685</u>	<u>\$ 5,009,970</u>

A. Property, plant and equipment for self-use

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment under installation	Total
Cost and revaluation increment:							
January 1, 2022 (Note)	\$ 7,031,115	\$ 14,745,469	\$ 4,187	\$ 59,325	\$ 376,097	\$ 927,623	\$ 23,143,816
Additions	-	75	-	-	-	724,174	724,249
Disposals	(28,720)	(397,553)	(1,047)	(1,000)	(5,608)	-	(433,928)
Transfers	73,163	771,817	-	-	44,173	(883,668)	5,485
Impact of changes in foreign exchange rate	-	21,405	93	200	465	70	22,233
September 30, 2022	<u>\$ 7,075,558</u>	<u>\$ 15,141,213</u>	<u>\$ 3,233</u>	<u>\$ 58,525</u>	<u>\$ 415,127</u>	<u>\$ 768,199</u>	<u>\$ 23,461,855</u>
Depreciation and impairment:							
January 1, 2022 (Note)	\$ 4,809,885	\$ 12,524,278	\$ 3,930	\$ 58,965	\$ 344,036	\$ -	\$ 17,741,094
Depreciation expense	96,782	719,844	5	16	10,605	-	827,252
Disposals	(20,891)	(394,243)	(1,042)	(1,000)	(5,604)	-	(422,780)
Transfers	-	-	-	-	-	-	-
Impact of changes in foreign exchange rate	-	17,572	86	189	397	-	18,244
September 30, 2022	<u>\$ 4,885,776</u>	<u>\$ 12,867,451</u>	<u>\$ 2,979</u>	<u>\$ 58,170</u>	<u>\$ 349,434</u>	<u>\$ -</u>	<u>\$ 18,163,810</u>

Note: In July 2021, the Group transferred part of buildings and structures held for its own use to non-current assets held for sale, and the related cost and accumulated depreciation amounted to \$124,639 and \$123,359, respectively. Information relating to non-current assets held for sale is provided in Note 6(13).

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and equipment under installation	Total
Cost and revaluation increment:							
January 1, 2021	\$ 7,119,353	\$ 14,463,402	\$ 4,354	\$ 66,823	\$ 389,653	\$ 63,831	\$ 22,107,416
Additions	-	6,356	-	-	32	322,874	329,262
Disposals	(779)	(307,504)	(147)	(2,868)	(3,666)	-	(314,964)
Transfers (Note)	(98,522)	486,313	-	-	18,316	(26,032)	380,075
Impact of changes in foreign exchange rate	-	(6,783)	(54)	(242)	(287)	(2)	(7,368)
September 30, 2021	<u>\$ 7,020,052</u>	<u>\$ 14,641,784</u>	<u>\$ 4,153</u>	<u>\$ 63,713</u>	<u>\$ 404,048</u>	<u>\$ 360,671</u>	<u>\$ 22,494,421</u>
Depreciation and impairment:							
January 1, 2021	\$ 4,779,640	\$ 11,752,849	\$ 4,029	\$ 66,025	\$ 361,047	\$ -	\$ 16,963,590
Depreciation expense	123,234	814,624	64	160	13,374	-	951,456
Disposals	(660)	(302,397)	(147)	(2,613)	(3,664)	-	(309,481)
Transfers (Note)	(123,359)	10,023	-	-	-	-	(113,336)
Impact of changes in foreign exchange rate	-	(6,288)	(50)	(230)	(214)	-	(6,782)
September 30, 2021	<u>\$ 4,778,855</u>	<u>\$ 12,268,811</u>	<u>\$ 3,896</u>	<u>\$ 63,342</u>	<u>\$ 370,543</u>	<u>\$ -</u>	<u>\$ 17,485,447</u>
Carrying amount, net:							
September 30, 2022	<u>\$ 2,189,782</u>	<u>\$ 2,273,762</u>	<u>\$ 254</u>	<u>\$ 355</u>	<u>\$ 65,693</u>	<u>\$ 768,199</u>	<u>\$ 5,298,045</u>
December 31, 2021	<u>\$ 2,221,230</u>	<u>\$ 2,221,191</u>	<u>\$ 257</u>	<u>\$ 360</u>	<u>\$ 32,061</u>	<u>\$ 927,623</u>	<u>\$ 5,402,722</u>
September 30, 2021	<u>\$ 2,241,197</u>	<u>\$ 2,372,973</u>	<u>\$ 257</u>	<u>\$ 371</u>	<u>\$ 33,505</u>	<u>\$ 360,671</u>	<u>\$ 5,008,974</u>

Note: In July 2021, the Group transferred part of buildings and structures held for its own use to non-current assets held for sale, and the related cost and accumulated depreciation amounted to \$124,639 and \$123,359, respectively. Information relating to non-current assets held for sale is provided in Note 6(13).

B. Property, plant and equipment for operating lease

	Buildings and structures	Machinery and equipment	Total
Cost and revaluation increment:			
January 1 and September 30, 2022 (Note)	\$ 10,721	\$ -	\$ 10,721
Depreciation and impairment:			
January 1, 2022 (Note)	\$ 9,758	\$ -	\$ 9,758
Depreciation	100	-	100
September 30, 2022	\$ 9,858	\$ -	\$ 9,858
Cost and revaluation increment:			
January 1, 2021	\$ 279,342	\$ 19,503	\$ 298,845
Disposals	- (	4,058) (	4,058)
Transfer (Note)	(268,621)	(15,445)	(284,066)
September 30, 2021	\$ 10,721	\$ -	\$ 10,721
Depreciation and impairment:			
January 1, 2021	\$ 143,389	\$ 13,713	\$ 157,102
Depreciation	100	368	468
Disposals	- (	4,058) (	4,058)
Transfer (Note)	(133,764)	(10,023)	(143,787)
September 30, 2021	\$ 9,725	\$ -	\$ 9,725
Carrying amount, net:			
September 30, 2022	\$ 863	\$ -	\$ 863
December 31, 2021	\$ 963	\$ -	\$ 963
September 30, 2021	\$ 996	\$ -	\$ 996

Note: In July 2021, the Group transferred part of buildings and structures held for operating leases to non-current assets held for sale, and the related cost and accumulated depreciation amounted \$268,621 and \$133,764, respectively. Information relating to non-current assets held for sale is provided in Note 6(13).

C. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Nine months ended September 30	
	2022	2021
Amount capitalised	\$ 5,572	\$ 1,552
Range of the interest rates for capitalisation	0.89% ~ 1.28%	0.99% ~ 1.33%

D. The significant components of buildings and equipment include main plants and each improvement construction, which are depreciated over 30~51 and 3~21 years, respectively.

E. As of September 30, 2022, December 31, 2021 and September 30, 2021, the insured amount of fire insurance of property, plant and equipment were \$10,153,474, \$10,592,326 and \$10,592,987, respectively.

F. Refer to Note 8 for further information on property, plant and equipment pledged to others as collateral.

(9) Leasing arrangements – lessee

A. The Group leased various assets, including property (land, building and structures), machinery and equipment and transportation equipment. The lease period of each contract was between 3 to 51 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, sublet, subtenant to others, transfer the lease right to others and pledged as collaterals.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 128,108	\$ 206,245	\$ 210,353
Buildings and structures	570	5,607	7,212
Machinery and equipment	35,156	39,490	-
Transportation equipment	<u>7,330</u>	<u>4,922</u>	<u>5,940</u>
	<u>\$ 171,164</u>	<u>\$ 256,264</u>	<u>\$ 223,505</u>
<u>Three months ended September 30</u>			
	<u>2022</u>	<u>2021</u>	
	<u>Depreciation expense</u>	<u>Depreciation expense</u>	
Land	\$ 2,984	\$ 3,756	
Buildings and structures	1,915	1,671	
Machinery and equipment	1,444	-	
Transportation equipment	<u>819</u>	<u>1,033</u>	
	<u>\$ 7,162</u>	<u>\$ 6,460</u>	
<u>Nine months ended September 30</u>			
	<u>2022</u>	<u>2021</u>	
	<u>Depreciation expense</u>	<u>Depreciation expense</u>	
Land	\$ 9,452	\$ 11,279	
Buildings and structures	5,416	5,037	
Machinery and equipment	4,334	-	
Transportation equipment	<u>2,564</u>	<u>2,754</u>	
	<u>\$ 21,766</u>	<u>\$ 19,070</u>	

A. For the nine months ended September 30, 2022 and 2021, the additions to right-of-use assets were \$5,777 and \$4,141, respectively.

B. Information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended September 30</u>	
<u>Items affecting profit or loss</u>	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	\$ 763	\$ 1,141
Expense on short-term lease contracts	1,100	1,277
Expense on leases of low-value assets	699	884
(Excluding expense on leases of low-value assets of short-term lease)		
Gains arising from lease modifications	59	-
(shown as 'other gains and losses')		
Losses arising from lease modifications	(149)	-
(shown as 'other income and expenses - net')		

<u>Items affecting profit or loss</u>	<u>Nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Interest expense on lease liabilities	\$ 2,442	\$ 3,501
Expense on short-term lease contracts	3,557	3,977
Expense on leases of low-value assets	2,297	2,732
(Excluding expense on leases of low-value assets of short-term lease)		
Gains arising from lease modifications	1,872	-
(shown as 'other gains and losses')		
Gains arising from lease modifications	54	-
(shown as 'other income and expenses - net')		

E. For the nine months ended September 30, 2022 and 2021, the total amount of the Group's cash outflow from leasing were \$35,098 and \$26,581, respectively.

F. In March 2022, the Company's subsidiary, OSEP, disposed the plant which had ceased operation in the Philippines and terminated the land lease agreement, where the original plant is located. The related derecognised right-of-use assets and the gain arising from lease modification amounted to \$61,566 and \$1,872, respectively.

G. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to \$0, \$441, \$0 and \$1,324 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(10) Leasing arrangements - lessor

A. The Group leases various assets including plant and office. Rental contracts are typically made for periods of 2 and 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To secure the use of the leased assets, the leased assets may not be subleased, transferred or provided to others in other ways.

B. Gain arising from operating lease agreements are as follows:

	<u>Three months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Related revenue from fixed lease payments	\$ 1,824	\$ 2,006

	<u>Nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Related revenue from fixed lease payments	\$ 5,838	\$ 5,696

C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Within 1 year	\$ 5,248	\$ 6,975	\$ 6,659
Later than one year but not later than two years	4,957	4,395	4,570
Later than two years but not later than three years	703	3,191	4,254
Later than three years but not later than four years	703	-	-
Later than four years but not later than five years	703	-	-
Later than five years	3,104	-	-
	<u>\$ 15,418</u>	<u>\$ 14,561</u>	<u>\$ 15,483</u>

D. For disclosures of property, plant and equipment leased in operating lease and applied to IAS 16, please refer to Note 6(8).

(11) Investment property

	<u>Buildings and structures</u>
<u>Cost</u>	<u>2021</u>
At January 1	\$ 583,773
Disposals	(9,641)
Net exchange differences	(13,055)
At September 30	<u>\$ 561,077</u>

	<u>Buildings and structures</u>
<u>Accumulated depreciation and impairment</u>	<u>2021</u>
At January 1	\$ 189,287
Depreciation expense	16,619
Disposals	(1,055)
Net exchange differences	(4,441)
At September 30	<u>\$ 200,410</u>
Book value	<u>\$ 360,667</u>

- A. For the three months and nine months ended September 30, 2021, rental revenue recognised from investment property was \$392 and \$1,125, respectively, and there were no direct operating expenses.
- B. Compared with December 31, 2020, the fair value of the Group's investment property has no significant change on September 30, 2021. The fair value as of December 31, 2020 was \$462,414. The valuation results were appraised using the cost approach by independent appraisers and belongs to Level 3 fair value.

C. The Group has no investment property pledged to others as collateral.

D. In December 2021, the Group transferred the investment property to non-current assets held for sale, the cost and accumulated depreciation amounted to \$556,793 and \$204,656, respectively.

(12) Intangible assets

	Computer software	
	2022	2021
<u>Cost</u>		
At January 1	\$ 440,354	\$ 405,052
Additions — acquired separately	22,827	22,210
Reclassifications	140	6,587
Net exchange differences	22	-
At September 30	<u>\$ 463,343</u>	<u>\$ 433,849</u>
<u>Accumulated amortisation</u>		
At January 1	\$ 407,382	\$ 370,346
Amortisation charge	19,215	28,061
Net exchange differences	-	1
At September 30	<u>\$ 426,597</u>	<u>\$ 398,408</u>
Book value	<u>\$ 36,746</u>	<u>\$ 35,441</u>

A. Details of amortisation on intangible assets are as follows:

	Three months ended September 30	
	2022	2021
Operating costs	<u>\$ 3,169</u>	<u>\$ 5,648</u>
Operating expenses	<u>\$ 3,032</u>	<u>\$ 4,123</u>
	Nine months ended September 30	
	2022	2021
Operating costs	<u>\$ 10,748</u>	<u>\$ 15,682</u>
Operating expenses	<u>\$ 8,467</u>	<u>\$ 12,379</u>

There was no investment property held by the Group that was pledged to others.

(13) Non-current assets held for sale

A. The assets related to certain plants located in Kaohsiung Nanzih Technology Industrial Park have been reclassified as disposal group held for sale following the approval of the Group's Board of Directors to sell the plants in cooperation with the Land Redevelopment Project of Technology Industrial Park Administration. The transaction and ownership transfer are expected to be completed within a year. As of December 31, 2021 and September 30, 2021, the assets of disposal group held for sale both amounted to \$136,137, and there were no related liabilities. The Company collected the full amount of the consideration for the sale of the plant in July 2022 and completed the related procedures.

- B. In December 2021, the Board of Directors of the Company's subsidiary, OSEP, resolved to dispose the plant which has ceased operation in the Philippines. The transaction was expected to be completed and transferred in one year, thus, the Group classified related assets as held for sale group. On December 31, 2021, the assets of the disposal group classified as held for sale amounted to \$352,137 and had no related liabilities. The Company collected the full amount of the consideration for the sale of the plant in March 2022 and completed the related procedures.
- C. The Board of Directors of the Company resolved to dispose all shares of ATP Electronics Taiwan Inc. held by the Group in April 2022. The transaction was expected to be completed and settled within a year. Therefore, the Group transferred related assets to disposal group held for sale. The assets of the disposal group held for sale as at September 30, 2022 amounted to \$500,812 and there were no related liabilities. The Company collected the full amount of the consideration for the disposal of the shares in September 2022 and completed the related procedures.
- D. No impairment loss was incurred as a result of the remeasurement of the aforementioned disposal group held for sale at the lower of its carrying amount or fair value less costs to sell.

(14) Short-term borrowings

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Borrowings to purchase materials	\$ -	\$ -	\$ 50,931
Unsecured borrowings	400,000	290,000	300,000
Secured borrowings	-	9,408	8,073
	<u>\$ 400,000</u>	<u>\$ 299,408</u>	<u>\$ 359,004</u>
Interest rate range	<u>0.89%~0.999%</u>	<u>0.93%~1.28%</u>	<u>0.93%~1.28%</u>

For the three months and nine months ended September 30, 2022 and 2021, the amounts of interest expense recognised in profit or loss were \$1,221, \$2,214, \$3,401 and \$7,383, respectively.

- A. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's total unused amounts of short-term borrowings was \$3,809,551, \$3,509,312 and \$3,777,431, respectively.
- B. Information about the assets that were pledged for short-term borrowings as collateral is provided in Note 8.

(15) Short-term notes and bills payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Commercial paper payable	\$ -	\$ 50,000	\$ -
Less: Unamortized discounts	-	(14)	-
	<u>\$ -</u>	<u>\$ 49,986</u>	<u>\$ -</u>
Interest rate range of issuance	<u>-</u>	<u>0.86%</u>	<u>-</u>

Aforementioned commercial paper payable was guaranteed and issued by China Bills Finance Corporation.

(16) Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Salary and bonus payable	\$ 383,499	\$ 558,230	\$ 588,686
Pension payable	30,244	37,923	37,866
Employees' compensation and directors' remuneration payable	197,365	238,421	156,710
Payables for machinery and equipment	289,840	574,727	270,761
Utilities expense payable	42,444	31,809	38,497
Compensation payable	11,706	12,232	14,030
Insurance premiums payable	83,236	76,227	81,094
Employment Stability Fund payable	14,953	14,928	15,742
Other payables	105,811	92,986	104,574
	<u>\$ 1,159,098</u>	<u>\$ 1,637,483</u>	<u>\$ 1,307,960</u>

(17) Long-term borrowings

Type of Borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2022
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from August 2021 to March 2029; interest is payable monthly; principal is repayable at maturity	0.975%~1.10% (Note 1)	None	\$ 743,962
Less: Current portion				-
				<u>\$ 743,962</u>
Type of Borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Unsecured borrowings	Borrowing period is from August 2021 to September 2028; interest is payable monthly; principal is repayable at maturity	0.6%~1.1% (Note 1)	None	\$ 558,394
Secured borrowings	Borrowing period is from December 2021 to December 2024; interest is repayable monthly; principal is repayable at maturity (Note 2)	1.05%	Machinery and equipment	60,000
Secured borrowings	Borrowing period is from December 2021 to May 2023; interest is repayable monthly; principal is repayable at maturity (Note 3)	1.1%	Buildings and structures	30,000
				648,394
Less: Current portion				(60,700)
				<u>\$ 587,694</u>
Type of Borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2021
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 2021 to September 2026; interest is payable monthly; principal is repayable at maturity. (Note 4)	0.6%~1.1% (Note 1)	None	\$ 435,700
Less: Current portion				(29,344)
				<u>\$ 406,356</u>

Note 1: Some of the Group's loans were granted in accordance with the 'Guidelines of Project Loans for Returning Overseas Taiwanese Businesses' of National Development Fund, Executive Yuan. The interest rate of the loans for the first 5 years is the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank less 0.245% of annual interest. In the event of failure to meet the requirements of the aforementioned Guidelines of Project Loans during the loan period, the interest rate will be changed to the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank plus 0.255% of annual interest.

Note 2: The Group made early repayments on the secured loans from banks in September 2022.

Note 3: The Group made early repayments on the secured loans from banks in January 2022.

Note 4: The Group made early repayments on the secured loans from banks in September 2021.

A. For the three months and nine months ended September 30, 2022 and 2021, the amounts of interest expense recognised in profit or loss were \$1,844, \$1,632, \$4,380 and \$3,110, respectively.

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's total unused amounts of long-term borrowings was \$3,864,038, \$3,792,300 and \$3,962,300, respectively.

C. Information about the assets that were pledged for long-term borrowings as collateral is provided in Note 8.

(18) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. For the Company's domestic employees who are applicable to the Labor Pension Act, the Company and its domestic subsidiaries contribute monthly an amount equal to 10% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) For the three months and nine months ended September 30, 2022 and 2021, the Company recognised pension costs in the amounts of \$2,329, \$1,746, \$7,082 and \$5,239, respectively.

(c) The Company expects to pay contributions for the pension plan in the amount of \$51,984 in the future one year.

B.(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company’s mainland China subsidiary, Value-Plus Technology (Suzhou) Co. (Value-Plus (Suzhou)), has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Company has no further obligations. Other foreign subsidiaries contributed to related pension management plans according to local regulations.

(c) The pension costs under the defined contribution pension plan of the Company for the three months and nine months ended September 30, 2022 and 2021 were \$32,784, \$31,494, \$96,276 and \$88,949, respectively.

(19) Preference share liability

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Class B preferred shares	\$ 1,004,178	\$ 1,005,149	\$ 1,005,476
Less: Maturity within one year	-	-	-
	<u>\$ 1,004,178</u>	<u>\$ 1,005,149</u>	<u>\$ 1,005,476</u>

On December 3, 2020, the Company’s shareholders held an extraordinary general meeting and approved the private placement of class B preferred shares in the amount of 90,090 thousand shares. The subscriber, Chipbond Technology Corporation (Chipbond) has completed the payment on December 16, 2020, with a total amount of \$999,999 at \$11.1 per share. The effective date was set on December 21, 2020. According to the issuance condition of class B preferred shares, the issuance period was 5 years and there was an obligation to pay cash or transfer another financial asset to the counterparty (holder). Thus, the value of the preference share was split into preference share liabilities and call options (shown as financial assets at fair value through profit or loss) in the amounts of \$1,006,485 and \$6,486, respectively. For the three months and nine months ended September 30, 2022 and 2021, the amount of interest expense which was estimated by annual rate and amortised based on interest method was \$4,715, \$4,715, \$13,989 and \$13,949, respectively.

The issuance conditions were as follows:

A. The distribution of earnings was based on the Company’s Articles of Incorporation, current year or current quarter and accumulated undistributable dividend shall first be appropriated to class B preferred shares. If there was no earnings or earnings were not sufficient to be appropriated to class B preferred shares, the distributable earnings shall be appropriated to class B preferred shares. The insufficient dividend shall first then be appropriated in a profitable year or quarter afterward.

- B. The annual dividend rate of class B preferred shares was 2% which were calculated at the issuance price per share and paid in cash, the ex-dividend date of preferred dividend was authorised to be determined by the Board of Directors. The issuance number in issuance year or quarter and recovered year or quarter were calculated at the actual issuance number of days.
- C. If the expected dividend distribution amount of common share exceeds the dividend amount of class B preferred shares in the current year or quarter, the shareholders of class B preferred shares cannot participate in the distribution.
- D. Except for aforementioned dividend, the shareholders of class B preferred shares cannot participate in the appropriation of earnings and reserves to shareholders of common share and other types of preference shares.
- E. Class B preferred shares were not promised to be transferred to common share.
- F. The shareholders of class B preferred shares have no voting right in the common shareholders' meeting and cannot be elected as directors (including independent directors). However, the shareholders of class B preferred shares has voting right in preferred shareholders' meeting and matters of preferred shareholders' right.
- G. When it comes to appropriate residual assets of company, class B preferred shares have priority over common shares and class C preferred shares. However, the amount was limited to the issuance price plus total amount of unpaid dividend.
- H. The issuance period of class B preferred shares was 5 years, shareholders of class B preferred shares did not have the right to demand the Company to call back class B preferred shares. However, on the date after 3 years of the issuance date, the Company can call back all or some of class B preferred shares at actual issuance price in cash or other ways which were permitted by regulations. The rights and obligations of class B preferred shares which have not been called will continue until the Company calls back. In the current year of calling back the class B preferred shares, if the Company's shareholders resolve to appropriate dividends, the amount of dividends which have to be distributed as of the date of call back will be calculated according to the number of actual issuance days in the current year.
- I. The preemptive rights for stockholders of Class B preferred stocks are the same as of common stocks when the Company increases its capital by issuing shares.
- J. When class B preferred shares meet the condition of called back or mature in the issuance period, if the Company cannot call back all or some class B preferred shares due to force majeure or inscrutable fault of the Company, the rights of class B preferred shares which have not been called back will continue according to aforementioned issuance conditions until the Company calls back all the class B preferred shares. The dividends will be calculated according to original annual rate and actual extension period, the rights of class B preferred shares shall not be diminished according to the Company's Articles of Incorporation.
- K. Class B preferred shares will not be listed in the issuance period.

(20) Share-based payment

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

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2019.11.25	5,000 thousand shares	3 years	Note

Note: The service time limit and performance conditions were as follows:

- (a) After employees obtain employee restricted shares, starting from the effective date of capital increase, if employees are on-the-job when the vested period has expired, also, meet certain standard of annual individual performance assessment and comply with regulation, did not violate service contract of the Company, working rules and be punished, the employees can achieve vested conditions.
- (b) The Group can use the earnings per share and profit growth of parent company only financial statements in the latest year of vesting period expires as a basis of performance conditions:
The first year: Earnings per share was above \$0.3 (including \$0.3);
The second year: Earnings per share was above \$0.8 (including \$0.8); and
The third year: Earnings per share was above \$1.0 (including \$1.0).
- (c) After achieving individual performance conditions and company performance conditions in the same time, employees' proportion of shares under vested condition in the current year based on the service conditions were as follows:
Service for one year after distribution, 30% of the distributed shares;
Service for two years after distribution, 30% of the distributed shares;
Service for three years after distribution, 40% of the distributed shares;

Restrictions on the rights and vesting conditions of restricted shares for employees were as follows:

- (a) The restricted shares which the employees will obtain were kept by the designated trust institution as trustee, which the employee cannot request to return the restricted shares for any reasons or ways.
- (b) Before accomplishing the vesting conditions, the employee cannot sell, pledge, transfer, gift, set or dispose in other ways, and they have no right to be allotted or obtain dividends. Other rights are similar with the capital that has been issued.
- (c) Before the employee accomplishes the vesting conditions, the attendance, proposal, speaking, right of voting, and other matters associated with shareholders' meeting were executed based on the trust custody contracts.
- (d) From the book closure date of issuance of bonus shares, cash dividends, issuance of common stock for cash and shareholders' meeting are regulated by Article 165-3 of the Company Law, or other facts that has occurred to the date of rights allocation. The unrestricted shares of the employees that have achieved the vesting conditions during the aforementioned period still have no rights to obtain dividends or allotment.

B. Details of the share-based payment arrangements are as follows: (unit: thousand shares)

	2022	2021
At January 1	1,681	3,283
Called back in the period (Note 1)	(87)	(314)
At September 30 (Note 2)	<u>1,594</u>	<u>2,969</u>

Note 1: For the restricted shares which were called back by the Group during the nine months ended September 30, 2022 and 2021, 50 thousand shares and 107 thousand shares have not yet completed the registration of cancellation as of September 30, 2022 and 2021, respectively.

Note 2: For the restricted shares which were granted as of September 30, 2021, 1,272 thousand shares will be called back because of not meeting the vesting conditions.

C. On November 25, 2019, the fair value of share-based payments transaction which was given by the Group was \$15.8 per share.

D. For the three months and nine months ended September 30, 2022 and 2021, the Group recognised expenses due to share-based payments transaction in the amounts of \$1,864, \$1,919, \$6,000 and \$6,199, respectively.

(21) Share capital

A. On September 30, 2022, the Company's authorised capital was \$20,000,000, consisting of 2,000,000 thousand shares (including the number of option certificate which can be purchased), and will be issued in several times. The shares which were not issued can be issued in common shares and preference shares in several times based on the Company's business requirement, 90,000 thousand shares will be retained for option certificates. As of September 30, 2022, the Company's paid-in capital was \$8,256,495, consisting of 555,380 thousand common shares (including 70,785 thousand shares in private placement and 1,644 thousand shares of restricted shares), 90,090 thousand class B preferred shares and 180,180 thousand class C preferred shares in private placement, with a par value of \$10 per share. All proceeds from shares issued have been collected. The Company's outstanding number of preference shares in the beginning and ending of the period were the same.

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

	2022	2021
Shares outstanding at January 1	553,736	553,736
Restricted shares called back but not yet cancelled at the beginning of the period	15	24
Restricted shares not yet vested at the beginning of the period	1,681	3,283
Shares issued at January 1	555,432	557,043
Cancellation of employee restricted shares (	52)	(231)
Restricted shares called back but not yet cancelled at the end of the period (	50)	(107)
Restricted shares not yet vested at the end of the period (	1,594)	(2,969)
At September 30	553,736	553,736

- B. The Company had increased capital by cash by \$1,800,000 thousand, consisting of 180,000 thousand shares with a par value of \$10 per share and issued at discounted price of \$9.2 on May 30, 2007. The rights and obligations of new shares by private placement are the same as those of common shares. The number of the Company's private placement common shares outstanding as of September 30, 2022 was 70,785 thousand shares due to the reduction of ordinary share capital conducted by the Company in the past. The registration for the retroactive handling of public issuance procedures for the private placement common shares was filed in September 2022 and the registration became effective on October 3, 2022 in accordance with the Order No. Tai-Zheng-Shang-Yi-Zi-1111804957. The shares have been traded and listed on the Taiwan Stock Exchange since October 18, 2022.
- C. On June 29, 2018, the Company's shareholders approved to issue restricted shares in the amount of \$50,000 thousand, which was common share with a par value of \$10, has been applied for effectiveness through FSC on June 10, 2019. The effective date was November 25, 2019 and the registration of changes has been completed on December 10, 2019.
- D. For details of the issuance of class B preferred shares, please refer to Note 6(19).
- E. On December 3, 2020, the Company's shareholders in the extraordinary meeting approved to issue 180,180 thousand class C preferred shares in private placement with a par value of \$10 and issued at \$11.1 per share. The paid-in capital was \$1,801,800 thousand. The effective date of capital increase was set on December 21, 2020 in accordance with the Securities and Exchange Act Article 43-6.

According to the Company's Articles of Incorporation, the rights and obligations of preferred share were as follows:

- (a) The distribution of earnings was based on the Company's Articles of Incorporation, current year or current quarter and accumulated undistributable dividend shall first be appropriated to class B preferred shares then, appropriated to class C preferred shares.
- (b) The annual dividend rate of class C preferred shares was 2% which was calculated at the issuance price per share and paid in cash, the ex-dividend date of preferred dividend was authorised to be determined by the Board of Directors. The issuance number in issuance year or quarter and recovered year or quarter were calculated at the actual issuance number of days.
- (c) If the expected dividend distribution amount of common share exceeds the dividend amount of class C preferred shares in the current year or quarter, the shareholders of class C preferred shares can participate in the distribution until the dividend amount of class C preferred share is the same as common share per share.
- (d) The Company has discretion in dividend distribution of Class A preferred stocks. If the Company has no or has insufficient current year's earnings for distribution or has other necessary considerations, the Company can resolve not to distribute dividend to class C preferred shares and it will not default, and the shareholders of class C preferred shares cannot object. Class C preferred shares are non-cumulative, and the amount of dividends which were not distributed or insufficient will not be appropriated in the profitable year or quarter thereafter.
- (e) Starting from the next day of five years after issuance, the shareholders of class C preferred share can transfer the preferred share to common share at a transfer ratio of 1:1. After the transfer of preferred share to common share, the rights and obligations (excluding the transfer restriction by regulation and not listed) were the same as other outstanding common share of the Company. For class C preferred shares which have been transferred into common shares before the ex-right (ex-dividend) date in the current year or quarter can participate in the common share distribution of earnings or reserves in the current year or quarter and cannot participate in the dividend distribution of preferred shares in the current year or quarter. For class C preferred shares which have been transferred into common shares after the ex-right (ex-dividend) date in the current year or quarter can participate in the dividend distribution of preferred share in the current year or quarter and cannot participate in the dividend distribution of earnings or capital reserves in the current year or quarter. Preferred dividends will not be repeatedly appropriated if it is distributed in the same year or quarter with common stock dividends.
- (f) The shareholders of class C preferred shares have no voting right in the common shareholders' meeting and cannot be elected as directors (including independent directors). However, the shareholders of class C preferred shares have voting right in preferred shareholders' meeting and matters of preferred shareholders' right.
- (g) When it comes to appropriating residual assets of the Company, class C preferred shares have priority over common shares and next to class B preferred shares. However, the amount was limited to the issuance price plus total amount of unpaid dividend.

- (h) Class C preferred shares have no expiry date, and the shareholders of class C preferred shares have no right to require the Company to call back class C preferred shares or transfer the class C preferred share into common share in advance. However, the Company can call back in cash at actual issuance price, mandatorily transfer by issuing new shares or call back all or some class C preferred shares in other ways permitted by regulations on the next day after three years. The rights and obligations of class C preferred shares which have not been called will continue until the Company calls back. In the current year of calling back the class C preferred shares, if the Company's shareholders resolve to appropriate dividends, the amount of dividends which have to be distributed as of the date of call back will be calculated according to the actual days of issuance in the current year.
- (i) The preemptive rights for stockholders of Class C preferred shares are the same as of common shares when the Company increases its capital by issuing shares.
- (j) Class C preferred share was not listed and traded in the issuance period, however, if all or some were transferred into common shares, the Board of Directors was authorised to apply for public offering and listing to the authorisation according to the current situation and related regulations.

(22) Capital surplus

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Share premium on preferred share	\$ 198,198	\$ 198,198	\$ 198,198
Changes in ownership interests in subsidiaries	5,832	5,717	5,717
Difference between consideration and carrying amount of subsidiaries acquired or disposed	16,940	16,940	16,940
Changes of associates and joint ventures accounted for using equity method	- (	2,675) (	2,675)
Employee restricted shares	16,812	16,717	3,067
	<u>\$ 237,782</u>	<u>\$ 234,897</u>	<u>\$ 221,247</u>

(23) Retained earnings

- A. According to the Company's Articles of Incorporation, after every end of quarter, the Company can appropriate earnings or offset deficits, and for earnings which were appropriated in the form of cash, it shall be resolved by the Board of Directors and reported to shareholders in accordance with the Company Act, Article 228-1 and paragraph 5 of Article 240.
- B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. For setting aside or reversal for special reserve in accordance with related laws or Competent Authority's regulations, if any, the Board of Directors should propose the distribution of the remaining earnings along with prior accumulated undistributed earnings for the approval of the shareholders.
- C. The industry environment of the Company is constantly changing and the enterprise is in the growth stage of its life cycle. Considering the Company's capital requirement in the future and long-term financial plan and satisfying shareholders' demand of cash inflow, the expected appropriation amount in the current year shall not be lower than 10% of accumulated distributable amount. However, if the accumulated distributable earnings is lower than 1% of paid-in capital, the earnings cannot be appropriated, and the cash dividend shall not be lower than 10% of total dividend.
- D. According to the Company Act, the distribution to legal reserve shall continue until the total amount equals to total capital. Legal reserve is used to offset accumulated deficits. If the Company has no deficits, 25% of the part of legal reserve exceeding the paid-in capital can be used to issue new stocks or cash to shareholders in proportion to their share ownership.
- E. Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory- Securities-Corporate-1010012865, which sets out the following provisions for compliance: On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that a company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.
- F. On March 10, 2021, the Company's Board of Directors resolved to offset deficits for the year ended December 31, 2020, and there was no distributable earnings. On July 15, 2021, the Company's shareholders at their meetings resolved to offset deficits for the year ended December 31, 2020.

G. On June 10, 2022, the shareholders resolved the earnings appropriation for the year ended December 31, 2021 with a common share dividend of 1 per share and the total amount was \$553,736; and with Class C preferred stock dividend of 1 per share. The total dividends amounted to \$180,180.

H. On October 26, 2021, the Company's Board of Directors resolved not to distribute the appropriation of earnings in the third quarter of 2021; On October 27, 2022, the Company's Board of Directors resolved not to distribute the appropriation of earnings in the third quarter of 2022.

(24) Operating revenue

The details are as follows:

	Three months ended September 30	
	2022	2021
Revenue from contracts with customers		
IC packaging and testing service revenue	\$ 2,303,196	\$ 2,795,384
Electronics manufacturing service revenue	1,473,478	1,104,873
Other operating revenue	32,263	49,553
	<u>\$ 3,808,937</u>	<u>\$ 3,949,810</u>

	Nine months ended September 30	
	2022	2021
Revenue from contracts with customers		
IC packaging and testing service revenue	\$ 7,773,988	\$ 8,484,280
Electronics manufacturing service revenue	4,051,768	3,305,647
Other operating revenue	110,300	97,150
	<u>\$ 11,936,056</u>	<u>\$ 11,887,077</u>

A. Disaggregation of revenue from contracts with customers

<u>Three months ended September 30, 2022</u>	Semiconductor		
	Group	EMS Group	Total
IC packaging and testing service revenue	\$ 2,303,196	\$ -	\$ 2,303,196
Manufacture of electronic products	-	1,473,478	1,473,478
Other	11,397	20,866	32,263
	<u>\$ 2,314,593</u>	<u>\$ 1,494,344</u>	<u>\$ 3,808,937</u>
Timing of revenue recognition:			
Over time	\$ 2,303,196	\$ -	\$ 2,303,196
At a point in time	11,397	1,494,344	1,505,741
	<u>\$ 2,314,593</u>	<u>\$ 1,494,344</u>	<u>\$ 3,808,937</u>

	Semiconductor		
<u>Three months ended September 30, 2021</u>	<u>Group</u>	<u>EMS Group</u>	<u>Total</u>
IC packaging and testing service revenue	\$ 2,795,384	\$ -	\$ 2,795,384
Manufacture of electronic products	-	1,104,873	1,104,873
Other	23,585	25,968	49,553
	<u>\$ 2,818,969</u>	<u>\$ 1,130,841</u>	<u>\$ 3,949,810</u>

Timing of revenue recognition:

Over time	\$ 2,795,384	\$ -	\$ 2,795,384
At a point in time	23,585	1,130,841	1,154,426
	<u>\$ 2,818,969</u>	<u>\$ 1,130,841</u>	<u>\$ 3,949,810</u>

	Semiconductor		
<u>Nine months ended September 30, 2022</u>	<u>Group</u>	<u>EMS Group</u>	<u>Total</u>
IC packaging and testing service revenue	\$ 7,773,988	\$ -	\$ 7,773,988
Manufacture of electronic products	-	4,051,768	4,051,768
Other	49,796	60,504	110,300
	<u>\$ 7,823,784</u>	<u>\$ 4,112,272</u>	<u>\$ 11,936,056</u>

Timing of revenue recognition:

Over time	\$ 7,773,988	\$ -	\$ 7,773,988
At a point in time	49,796	4,112,272	4,162,068
	<u>\$ 7,823,784</u>	<u>\$ 4,112,272</u>	<u>\$ 11,936,056</u>

	Semiconductor		
<u>Nine months ended September 30, 2021</u>	<u>Group</u>	<u>EMS Group</u>	<u>Total</u>
IC packaging and testing service revenue	\$ 8,484,280	\$ -	\$ 8,484,280
Manufacture of electronic products	-	3,305,647	3,305,647
Other	48,633	48,517	97,150
	<u>\$ 8,532,913</u>	<u>\$ 3,354,164</u>	<u>\$ 11,887,077</u>

Timing of revenue recognition:

Over time	\$ 8,484,280	\$ -	\$ 8,484,280
At a point in time	48,633	3,354,164	3,402,797
	<u>\$ 8,532,913</u>	<u>\$ 3,354,164</u>	<u>\$ 11,887,077</u>

B. Contract assets and liabilities

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current contract assets			
IC packaging and testing service	<u>\$ 231,121</u>	<u>\$ 296,090</u>	<u>\$ 275,236</u>
Current contract liabilities			
IC packaging and testing service	\$ 70,326	\$ 69,907	\$ 70,025
Manufacture of electronic products	<u>20,628</u>	<u>19,064</u>	<u>23,459</u>
	<u>\$ 90,954</u>	<u>\$ 88,971</u>	<u>\$ 93,484</u>

Note: As of January 1, 2021, the Group recognised current contract liabilities in the amount of \$25,371.

(b) Information relating to credit risk of contract assets is provided in Note 12(2).

(c) For the three months and nine months ended September 30, 2022 and 2021, revenue recognised that was included in the contract liability balance at the beginning of the period amounted to \$6,665, \$1,097, \$10,702 and \$14,720, respectively.

(25) Interest income

	<u>Three months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 1,390	\$ 487
Interest income from loans to others	51	432
Interest income from financial assets measured at amortised cost	-	4
	<u>\$ 1,441</u>	<u>\$ 923</u>
	<u>Nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 3,412	\$ 1,327
Interest income from loans to others	554	1,304
Interest income from financial assets measured at amortised cost	1	40
	<u>\$ 3,967</u>	<u>\$ 2,671</u>

(26) Other income

Three months ended September 30			
	2022	2021	
Service revenue	\$ 4,539	\$ 5,251	
Rental revenue	1,824	2,398	
Dividend income	54,660	9,538	
Other income	9,584	11,589	
	<u>\$ 70,607</u>	<u>\$ 28,776</u>	
Nine months ended September 30			
	2022	2021	
Service revenue	\$ 11,200	\$ 17,529	
Rental revenue	5,838	6,821	
Dividend income	54,660	9,538	
Other income	20,973	37,569	
	<u>\$ 92,671</u>	<u>\$ 71,457</u>	

(27) Other gains and losses

Three months ended September 30			
	2022	2021	
Gains on disposal of investments accounted for using equity method	\$ -	\$ -	
Gains on disposals of property, plant and equipment	14,243	1,844	
Losses on disposals of non-current assets held for sale (	3,889)	-	
Net currency exchange gains	84,660	685	
Gains on disposals of investment property	-	25	
Gains on lease modification	59	-	
Losses on financial assets at fair value through profit or loss	- (	721)	
Others	(464)	(297)	
	<u>\$ 94,609</u>	<u>\$ 1,536</u>	

	Nine months ended September 30	
	2022	2021
Gains on disposal of investments accounted for using equity method	\$ -	\$ 3,550
Gains on disposals of property, plant and equipment	20,230	4,413
Gains on disposals of non-current assets held for sale	51,624	-
Net currency exchange gains (losses)	159,123 (	41,989)
Losses on disposals of investment property	- (	8,586)
Gains on lease modification	1,872	-
Losses on financial assets at fair value through profit or loss	(1,261) (	1,982)
Others	(21,833)	7,774
	<u>\$ 209,755</u>	<u>(\$ 36,820)</u>

(28) Finance costs

	Three months ended September 30	
	2022	2021
Interest expense on borrowings from financial institutions	\$ 3,065	\$ 1,994
Interest expense on lease liability	763	1,141
Dividends on preference share liabilities	4,715	4,715
Others	-	1
	<u>8,543</u>	<u>7,851</u>
Less: Capitalisation of qualifying assets	(1,948) (	569)
	<u>\$ 6,595</u>	<u>\$ 7,282</u>

	Nine months ended September 30	
	2022	2021
Interest expense on borrowings from financial institutions	\$ 7,795	\$ 10,493
Interest expense on lease liability	2,442	3,501
Dividends on preference share liabilities	13,989	13,949
Others	2	3
	<u>24,228</u>	<u>27,946</u>
Less: Capitalisation of qualifying assets	(5,572) (	1,552)
	<u>\$ 18,656</u>	<u>\$ 26,394</u>

(29) Expenses by nature

	Three months ended September 30	
	2022	2021
Employee benefit expense	\$ 998,607	\$ 1,102,475
Depreciation charges on property, plant and equipment (Note)	261,274	306,419
Depreciation expense on investment properties	-	5,506
Depreciation expense on right-of-use assets	7,162	6,460
Amortisation charges on intangible assets	6,201	9,771

	Nine months ended September 30	
	2022	2021
Employee benefit expense	\$ 3,138,614	\$ 3,214,988
Depreciation charges on property, plant and equipment (Note)	827,381	952,970
Depreciation expense on investment properties	-	16,619
Depreciation expense on right-of-use assets	21,766	19,070
Amortisation charges on intangible assets	19,215	28,061

Note: Including the amortisation of losses on sale and leaseback transactions to depreciation charges amounting to \$0, \$310, \$30 and \$1,046 for the three months and nine months ended September 30, 2022 and 2021, respectively.

(30) Employee benefit expense

	Three months ended September 30	
	2022	2021
Salary expenses	\$ 802,663	\$ 907,346
Labour and health insurance fees	90,575	86,522
Pension costs	35,113	33,240
Directors' remuneration	6,568	5,883
Employee restricted shares	1,864	1,919
Other personnel expenses	61,824	67,565
	<u>\$ 998,607</u>	<u>\$ 1,102,475</u>

	Nine months ended September 30	
	2022	2021
Salary expenses	\$ 2,562,724	\$ 2,650,156
Labour and health insurance fees	259,851	250,617
Pension costs	103,358	94,188
Directors' remuneration	19,049	16,156
Employee restricted shares	6,000	6,199
Other personnel expenses	187,632	197,672
	<u>\$ 3,138,614</u>	<u>\$ 3,214,988</u>

Under the Company's Articles of Incorporation, the current year's pre-tax profit, net of employees' compensation and directors' remuneration, shall be first used to offset accumulated deficits, than appropriate over 8%~12% for employees' compensation and under 3% for remuneration to directors. In addition, the appropriation ratios were amended to be 10%~15% for employees' compensation and under 1% for remuneration to directors as resolved at the shareholders' meeting on July 15, 2021.

A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, has the determination of distribution ratios of employees' compensation and directors' remuneration and the abovementioned employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders during their meeting. The profit distributable as employees' compensation distributed can be in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

For the three months and nine months ended September 30, 2022 and 2021, the employees' compensation and directors' remuneration were estimated and accrued based on certain proportion of distributable profit of current year amounting to \$57,583, \$51,135, \$166,194 and \$142,464; as well as \$5,758, \$5,113, \$16,619 and \$14,246, respectively.

Employees' bonus of \$216,746 and directors' remuneration of \$21,675 for 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. Additionally, some employees' compensation remuneration for 2021 has not been distributed.

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

(31) Income tax

A. Income tax expense

Components of income tax expense:

	<u>Three months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the period	\$ 16,590	\$ (4)
Prior year income tax overestimation	(5,962)	-
Deferred tax:		
Origination and reversal of temporary differences	2,683	256,647
Origination and reversal of tax loss	<u>66,667</u>	<u>(157,638)</u>
Income tax expense	<u>\$ 79,978</u>	<u>\$ 99,005</u>
	<u>Nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the period	\$ 26,651	\$ 1,335
Prior year income tax underestimation	21,773	-
Deferred tax:		
Origination and reversal of temporary differences	42,715	267,488
Origination and reversal of tax loss	<u>177,792</u>	<u>-</u>
Income tax expense	<u>\$ 268,931</u>	<u>\$ 268,823</u>

B. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	<u>Three months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 2,030	\$ 34
Currency translation differences	7,392	59
Share of other comprehensive income of associates	<u>(1,040)</u>	<u>68</u>
	<u>\$ 8,382</u>	<u>\$ 161</u>

	Nine months ended September 30	
	2022	2021
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 2,419	(\$ 3,078)
Currency translation differences	11,704	(1,436)
Share of other comprehensive income of associates	-	(356)
	<u>\$ 14,123</u>	<u>(\$ 4,870)</u>

C. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(32) Earnings per share

	Three months ended September 30, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 432,841		
Less: Dividends on class C preferred share	(73,445)		
Profit attributable to ordinary shareholders of the parent (Note)	<u>\$ 359,396</u>	<u>553,736</u>	<u>\$ 0.65</u>
<u>Diluted earnings per share</u>			
Profit attributable to the parent	\$ 432,841	553,736	
Less: Dividends on class C preferred shares	(73,445)		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	10,195	
Employee restricted stock	-	1,579	
Convertible preferred stock	<u>73,445</u>	<u>180,180</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 432,841</u>	<u>745,690</u>	<u>\$ 0.58</u>

Three months ended September 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 356,087		
Less: Dividends on class C preferred share	(65,768)		
Profit attributable to ordinary shareholders of the parent (Note)	<u>\$ 290,319</u>	<u>553,736</u>	<u>\$ 0.52</u>
<u>Diluted earnings per share</u>			
Profit attributable to the parent	\$ 356,087	553,736	
Less: Dividends on class C preferred shares	(65,768)		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,609	
Employee restricted stock	-	1,318	
Convertible preferred stock	<u>65,768</u>	<u>180,180</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 356,087</u>	<u>740,843</u>	<u>\$ 0.48</u>
Nine months ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,220,588		
Less: Dividends on class C preferred share	(235,949)		
Profit attributable to ordinary shareholders of the parent (Note)	<u>\$ 984,639</u>	<u>553,736</u>	<u>\$ 1.78</u>
<u>Diluted earnings per share</u>			
Profit attributable to the parent	\$ 1,220,588	553,736	
Less: Dividends on class C preferred shares	(235,949)		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	12,043	
Employee restricted stock	-	1,578	
Convertible preferred stock	<u>235,949</u>	<u>180,180</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,220,588</u>	<u>747,537</u>	<u>\$ 1.63</u>

	Nine months ended September 30, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$ 1,000,439		
Less: Dividends on class C preferred share	(208,141)		
Profit attributable to ordinary shareholders of the parent (Note)	<u>\$ 792,298</u>	<u>553,736</u>	<u>\$ 1.43</u>
<u>Diluted earnings per share</u>			
Profit attributable to the parent	\$ 1,000,439	553,736	
Less: Dividends on class C preferred shares	(208,141)		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,609	
Employee restricted stock	-	1,118	
Convertible preferred stock	<u>208,141</u>	<u>180,180</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,000,439</u>	<u>740,643</u>	<u>\$ 1.35</u>

Note: The Company issued three classes of equity instruments, including ordinary shares, class B preferred shares and class C preferred shares. Since class C preferred shares are non-cumulative and participating equity instruments (refer to Note 6(21)E. (c) for the related terms of issuance), the Company assumed that ordinary shares and participating equity instruments would share in earnings until all of the profit or loss for the period had been distributed when calculating the profit or loss attributable to ordinary shareholders of the parent.

(33) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine months ended September 30	
	2022	2021
Purchase of property, plant and equipment	\$ 729,395	\$ 818,531
Decrease in prepayments for business facilities	(134,561)	(56,258)
Add: Opening balance of payable on equipment (Note1)	633,814	87,975
Less: Ending balance of payable on equipment (Note1)	(289,840)	(318,761)
Cash paid during the period	<u>\$ 938,808</u>	<u>\$ 531,487</u>

Note 1: Shown as 'notes payables' and 'other payables' .

B. Investing and financing activities with no cash flow effects :

	Nine months ended September 31	
	2022	2021
Prepayments for business facilities transferred to prepayments	\$ 195	\$ 21,143
Prepayments for business facilities transferred to property, plant and equipment	\$ -	\$ 489,269
Prepayments for business facilities transferred to intangible assets	\$ 140	\$ 6,587
Prepayments transferred to property, plant and equipment	\$ 339	\$ -
Long-term borrowings, current portion	\$ -	\$ 29,344

(34) Changes in liabilities from financing activities

	January 1, 2022	Cash flows	Changes in foreign		September 30, 2022
			exchange rate	Others	
Short-term borrowings	\$ 299,408	\$ 99,885	\$ 707	\$ -	\$ 400,000
Short-term note and bills payables	49,986	(50,000)	-	14	-
Long-term borrowings	648,394	95,568	-	-	743,962
Lease liabilities	249,042	(26,802)	4,029	(58,843)	167,426
Guarantee deposits received	57,018	(14,698)	4	-	42,324
Preference share liabilities	1,005,149	-	-	(971)	1,004,178

	January 1, 2021	Cash flows	Changes in foreign		September 30, 2021
			exchange rate	Others	
Short-term borrowings	\$ 1,106,413	(\$ 747,975)	\$ 566	\$ -	\$ 359,004
Long-term borrowings	866,446	(430,746)	-	-	435,700
Lease liabilities	236,984	(16,371)	(6,248)	2,722	217,087
Guarantee deposits received	3,519	17,500	(1)	-	21,018
Preference share liabilities	1,006,485	-	-	(1,009)	1,005,476

7. Related Party Transactions

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
ATP Electronics Taiwan Inc. (ATP)	Associate (Note 1)
Infofab, Inc. (Infofab)	Associate (Note 2)
OSE Properties, Inc. (PROPERTIES)	Associate
Chipbond Technology Corporation (Chipbond)	Entities with significant influence to the Group (Note 3)
Phison Electronics Corp. (Phison)	Key management personnel

Note 1: The Company sold all its equity interests in ATP in September 2022; therefore, it was no longer the Company's associate.

Note 2: The Group sold all its equity interests in Infotab on September 23, 2021; therefore, it was no longer the Group's associate.

Note 3: Chipbond acquired 29.44% equity interest in the Company on December 30, 2020, and was the company's associate.

(2) Significant related party transactions

A. Sales

	Three months ended September 30	
	2022	2021
Phison	\$ 574,691	\$ 707,369
Associates	37,080	39,561
Entities with significant influence to the Group	<u>45</u>	<u>482</u>
	<u>\$ 611,816</u>	<u>\$ 747,412</u>
	Nine months ended September 30	
	2022	2021
Phison	\$ 1,892,095	\$ 1,845,144
Associates	142,197	106,347
Entities with significant influence to the Group	<u>573</u>	<u>842</u>
	<u>\$ 2,034,865</u>	<u>\$ 1,952,333</u>

The sales price to the above related parties was determined through mutual agreement based on the market rates. The collection term is available to third parties.

B. Purchases

	Three months ended September 30	
	2022	2021
Key management personnel of the Group	\$ 107	\$ 401
Entities with significant influence to the Group	<u>521</u>	<u>377</u>
	<u>\$ 628</u>	<u>\$ 778</u>
	Nine months ended September 30	
	2022	2021
Key management personnel of the Group	\$ 822	\$ 604
Entities with significant influence to the Group	1,161	414
Associates	<u>654</u>	<u>13</u>
	<u>\$ 2,637</u>	<u>\$ 1,031</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The payment term is available to third parties.

C. Receivables from related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable:			
Phison	\$ 317,435	\$ 437,602	\$ 295,240
Associates	-	20,166	32,277
Entities with significant influence to the Group	-	641	505
	<u>\$ 317,435</u>	<u>\$ 458,409</u>	<u>\$ 328,022</u>
Other receivables:			
Properties	\$ -	\$ 46,986	\$ 46,739
Entities with significant influence to the Group	-	4,977	5,704
Associate	-	4,533	1,366
Key management personnel of the Group	11	100	-
	<u>\$ 11</u>	<u>\$ 56,596</u>	<u>\$ 53,809</u>

Receivables from related parties mainly arose from sales, leases, sales of equipment and interest income from borrowings. The terms for receivables from sales are 30~60 days after delivery or 30 days after monthly billings. The receivables are unsecured in nature and bear no interest.

D. Payables to related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts payable:			
Associate	\$ -	\$ 383	\$ -
Entities with significant influence to the Group	612	7	395
Key management personnel of the Group	529	355	135
	<u>\$ 1,141</u>	<u>\$ 745</u>	<u>\$ 530</u>
Other payables:			
Phison	\$ -	\$ -	\$ 48,000
PROPERTIES	20,622	20,384	19,735
Entities with significant influence to the Group	14,959	20,602	15,562
	<u>\$ 35,581</u>	<u>\$ 40,986</u>	<u>\$ 83,297</u>

Payables to related parties pertain to purchase of materials, machinery and equipment, computer software, data maintenance and service fees, purchase of equipment, rents and dividends on preference share liabilities. The payment terms are 150 days after acceptance, 30 days after monthly billings and 60 days after delivery. The payables bear no interest.

E. Property transactions

(a) Acquisition of property, plant and equipment:

	Three months ended September 30	
	2022	2021
Key management personnel of the Group	\$ -	\$ 48,020
	Nine months ended September 30	
	2022	2021
Key management personnel of the Group	\$ 360	\$ 48,020

(b) Disposal of property, plant and equipment:

	Three months ended September 30			
	2022		2021	
	<u>Disposal proceeds</u>	<u>Gain on disposal</u>	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Entities with significant influence to the Group	\$ -	\$ -	\$ 5,273	\$ 560
	Nine months ended September 30			
	2022		2021	
	<u>Disposal proceeds</u>	<u>Gain on disposal</u>	<u>Disposal proceeds</u>	<u>Gain on disposal</u>
Entities with significant influence to the Group	\$ 6,180	\$ 6,149	\$ 5,433	\$ 720

(c) Acquisition of intangible assets:

	Three months ended September 30, 2021
Infofab	\$ -
	Nine months ended September 30, 2021
Infofab	\$ 6,311

F. Lease transactions — lessee

- (a) The Group leased land from OSE Properties, Inc. Rental contracts are typically made covering the period from 1999 to 2049 and the rental is payable monthly based on mutual agreements. The contract was terminated since January 1, 2022 due to the sale of land by OSE Properties, Inc. Please refer to Note 6 (27) for the related gain on lease modification.

(b) Lease liabilities

i. Outstanding balance:

	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Lease liabilities - current	\$ 1,564	\$ 1,565
Lease liabilities - non - current	<u>57,439</u>	<u>58,188</u>
	<u>\$ 59,003</u>	<u>\$ 59,753</u>

ii. Interest expense

	<u>Three months ended September 30, 2021</u>
PROPERTIES	<u>\$ 336</u>
	<u>Nine months ended September 30, 2021</u>
PROPERTIES	<u>\$ 1,021</u>

G. Lease transactions — lessor

	<u>Three months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Rental income:		
ATP	\$ 710	\$ 1,064
Entities with significant influence to the Group	<u>225</u>	<u>416</u>
	<u>\$ 935</u>	<u>\$ 1,480</u>
	<u>Nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Rental income:		
ATP	\$ 2,838	\$ 3,193
Entities with significant influence to the Group	676	784
Associate	-	1,052
	<u>\$ 3,514</u>	<u>\$ 5,029</u>

Plant, office and equipment were leased under mutual agreement, and the collection term is available to third parties.

H. Loans to/from related parties

Loans to PROPERTIES:

(a) Long-term accounts receivable to related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Outstanding balance	<u>\$ -</u>	<u>\$ 85,839</u>	<u>\$ 86,366</u>

	Three months ended September 30	
	2022	2021
Interest income	\$ 17	\$ 432
	Nine months ended September 30	
	2022	2021
Interest income	\$ 519	\$ 1,304

As of September 30, 2022, December 31, 2021 and September 30, 2021, interest income recognised in other receivables amounted to \$0, \$46,986 and \$46,739, respectively. For the nine months ended September 30, 2022 and 2021, interest income was collected at 2.5% and 2 % per annum, respectively.

- (b) The Group's subsidiary, OSE Philippines, Inc. lent US\$4,387 thousand to the associate, PROPERTIES, on July 31, 1996, principal and interest are paid after disposal of properties, and the Group has first mortgage right under mutual agreement. In the first quarter of 2015, PROPERTIES repaid US\$1,285 thousand due to disposal of certain land. As of September 30, 2022, PROPERTIES has fully paid the borrowings.

I. Others

- (a) For the three months and nine months ended September 30, 2022 and 2021, the Company recognised dividends received from associates and entities with significant influence to the Group amounting to \$54,660, \$9,538, \$54,660 and \$22,480, respectively. Also, details of the Company's class B preferred shares held by the entities with significant influence to the Group are provided in Notes 6(19) and (28).
- (b) The Company sold all its equity interests in ATP in September 2022, some of which were purchased by ATP as treasury shares at a transaction price of \$137,067, resulting in a gain on disposal of \$2,302. Details of the disposal are provided in Note 6(7).

(3) Key management compensation

	Three months ended September 30	
	2022	2021
Salaries and other short-term employee benefits	\$ 15,289	\$ 10,849
Post-employment benefits	158	135
Share-based payment	61	132
	<u>\$ 15,508</u>	<u>\$ 11,116</u>
	Nine months ended September 30	
	2022	2021
Salaries and other short-term employee benefits	\$ 41,654	\$ 32,503
Post-employment benefits	482	378
Share-based payment	495	395
	<u>\$ 42,631</u>	<u>\$ 33,276</u>

8. Pledged Assets

Pledged asset	Book value			Purpose
	September 30, 2022	December 31, 2021	September 30, 2021	
Current financial assets at amortised cost	\$ -	\$ 9,685	\$ 9,744	Short-term borrowings
- time deposits				
Property, plant and equipment				
- Buildings and structures	778,773	800,215	807,377	Long-term and short-term borrowings
- Machinery and equipment	372,894	499,167	551,825	Long-term and short-term borrowings
Guarantee deposits paid - time deposits	500	131,500	131,500	Customs guarantee or others
	<u>\$ 1,152,167</u>	<u>\$ 1,440,567</u>	<u>\$ 1,500,446</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. As of September 30, 2022, December 31, 2021 and September 30, 2021, guarantee given by the bank for the payment of input tax imposed for sales from a tax free zone to non-tax free zone amounted to \$400,000.

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company issued promissory notes of \$8,054,944, \$7,178,012 and \$7,182,024, respectively, as guarantees for bank loans.

C. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Company issued promissory notes of \$0, \$6,573 and \$22,220, respectively, as guarantees for payments of raw materials and machineries purchased.

D. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had letter of credit issued but not used amounting to US\$252 thousand, US\$358 thousand and US\$452 thousand, respectively.

E. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Property, plant and equipment	<u>\$ 231,269</u>	<u>\$ 203,667</u>	<u>\$ 913,808</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(a) Refer to Note 6(21) for details of the Company's registration for the retroactive handling of public issuance procedures for the private placement common shares.

(b) On October 27, 2022, the Board of Directors of the Company resolved not to distribute the earnings of the third quarter of 2022. Refer to Note 6(23) for details.

(c) On October 27, 2022, the Board of Directors resolved to increase the capital in the 100%-owned subsidiary, Hua-Cheng Investment Co., and authorized the chairman to implement the resolution within the limit amount of \$1,000,000 in installments.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the nine months ended September 30, 2022, the Group's strategy, which was unchanged from 2021, was to balance overall capital structure. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's gearing ratio is as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Total liabilities	\$ 7,198,885	\$ 8,046,424	\$ 7,220,140
Total assets	\$ 16,534,366	\$ 17,018,489	\$ 15,804,544
Gearing ratio	44%	47%	46%

(2) Financial instruments

A. Financial instruments by category

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 1,261	\$ 4,504
Financial assets measured at fair value through other comprehensive income			
Designation of equity instrument	\$ 806,920	\$ 314,683	\$ 265,043
Financial assets at amortised cost			
Cash and cash equivalents (excluding cash on hand)	\$ 3,489,759	\$ 2,722,937	\$ 2,354,690
Financial assets at amortised cost	-	11,465	38,675
Notes receivable	-	146	450
Accounts receivable (including related parties)	3,353,698	3,351,207	3,132,832
Other receivables (including related parties)	60,626	115,638	84,486
Guarantee deposits paid	3,273	154,187	153,509
Long-term accounts receivable due from related parties	-	85,839	86,366
	\$ 6,907,356	\$ 6,441,419	\$ 5,851,008

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 400,000	\$ 299,408	\$ 359,004
Short-term notes and bills payable	-	49,986	-
Notes payable	-	59,087	22,199
Accounts payable (including related parties)	3,069,807	3,222,561	3,185,869
Other payables (including related parties)	1,194,679	1,678,469	1,391,257
Long-term borrowings (including current portion)	743,962	648,394	435,700
Preference share liability	1,004,178	1,005,149	1,005,476
	<u>\$ 6,412,626</u>	<u>\$ 6,963,054</u>	<u>\$ 6,399,505</u>
Lease liability (including current and non-current)	<u>\$ 167,426</u>	<u>\$ 249,042</u>	<u>\$ 217,087</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) The Group has established appropriate policies, procedures and internal controls in accordance with the relevant regulations to manage the aforementioned financial risks. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on the relevant regulations and internal control procedures. The Group complies with its financial risk management policies at all times.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.
- ii. The Group's management hedges foreign exchange risk through natural hedges or derivative financial instruments (including forward foreign exchange contracts) to prevent decreases in value of assets denominated in foreign currencies and fluctuations in future cash flows. The use of these derivative financial instruments assists in decreasing the effect of foreign currency fluctuations but cannot eliminate the impact entirely. The Group's purpose to hold certain investments in foreign operations is for strategic investments; thus, the Group does not hedge those investments.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

September 30, 2022						
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	\$ 106,093	31.74	\$ 3,367,392	1%	\$ 33,674	\$ -
JPY:NTD	359,154	0.2202	79,086	1%	791	-
Non-monetary items						
USD:NTD	19,829	31.74	629,366	1%	-	6,294
Financial liabilities						
Monetary items						
USD:NTD	67,478	31.74	2,141,752	1%	21,418	-
JPY:NTD	137,323	0.2202	30,239	1%	302	-
December 31, 2021						
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	\$ 154,483	27.67	\$ 4,274,545	1%	\$ 42,745	\$ -
JPY:NTD	434,991	0.2405	104,615	1%	1,046	-
Non-monetary items						
USD:NTD	20,127	27.67	556,909	1%	-	5,569
Financial liabilities						
Monetary items						
USD:NTD	76,781	27.67	2,124,530	1%	21,245	-
JPY:NTD	393,748	0.2405	94,696	1%	947	-

	September 30, 2021					
	Foreign currency amount		Book value	Sensitivity analysis		
	(In thousands)	Exchange rate	(NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	\$ 125,207	27.84	\$ 3,485,763	1%	\$ 34,858	\$ -
JPY:NTD	264,492	0.2491	65,885	1%	659	-
Non-monetary items						
USD:NTD	2,004	27.84	55,793	1%	-	558
Financial liabilities						
Monetary items						
USD:NTD	70,694	27.84	1,968,121	1%	19,681	-
JPY:NTD	302,399	0.2491	75,328	1%	753	-

- iv. The 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 \$84,660, \$685, \$159,123 and (\$41,989), respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.
- ii. The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$8,069 and \$2,650, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Interest rate risk

The Group's long-term borrowings are floating-rate debts; therefore, the effective interest rate of its long-term borrowings will vary according to changes in market interest rates. If the market interest rate had increased/decreased by 25 basis points with all other variables held constant, post-tax profit for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$1,116 and \$654, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the counterparties of financial instruments on the contract obligations. The Group is exposed to credit risk from its operating activities (mainly accounts receivable and notes receivable) and from its financing activities (mainly bank deposits and various financial instruments). The maximum exposure to aforementioned credit risk was the carrying amount of financial assets recognised in the consolidated balance sheet.
- ii. Customer credit risk is managed by each business unit in accordance with the Group's policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

- iii. As of September 30, 2022, December 31, 2021 and September 30, 2021, the amounts of accounts and notes receivable from top ten customers constitute 85%, 82% and 78%, respectively, of the Group's total accounts and notes receivable. The credit concentration risk of the remaining accounts and notes receivable is immaterial.
- iv. The Group's treasury manages the credit risks of bank deposits and other financial instruments based on the Group's credit policy. Because the Group's counterparties are determined based on the Group's internal control, only banks and companies with good credit rating and with no significant default risk are accepted. Consequently, there is no significant credit risk.
- v. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customer's contract assets and notes and accounts receivable in accordance with credit rating of customer, geographic area and industry sector. The Group applies the simplified approach using a provision matrix to estimate the expected credit loss.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2022, December 31, 2021 and September 30, 2021, the provision matrix classified by customers is as follows:

<u>September 30, 2022</u>		<u>Overdue</u>					
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
IC semiconductor group							
Gross carrying amount (Note)	\$ 2,131,405	\$ 62,294	\$ -	\$ 45,813	\$ 79,323	\$ -	\$ 2,318,835
Lifetime expected credit losses	(4,676)	(2,727)	-	(5,713)	(13,334)	-	(26,450)
Carrying amount	\$ 2,126,729	\$ 59,567	\$ -	\$ 40,100	\$ 65,989	\$ -	\$ 2,292,385
Loss ratio	0% ~ 0.41%	0% ~ 4.44%	0% ~ 12.01%	0% ~ 12.47%	0% ~ 16.81%	100%	
		<u>Overdue</u>					
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
Electronics manufacturing services group							
Gross carrying amount	\$ 1,245,289	\$ 35,462	\$ 11,683	\$ -	\$ -	\$ 136	\$ 1,292,570
Lifetime expected credit losses	-	-	-	-	-	(136)	(136)
Carrying amount	\$ 1,245,289	\$ 35,462	\$ 11,683	\$ -	\$ -	\$ -	\$ 1,292,434
Loss ratio	0%	0%	0%	0% ~ 7.85%	0% ~ 33.63%	100%	
<u>December 31, 2021</u>		<u>Overdue</u>					
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
IC semiconductor group							
Gross carrying amount (Note)	\$ 2,445,447	\$ 68,416	\$ 6,157	\$ 8,815	\$ 2,752	\$ -	\$ 2,531,587
Lifetime expected credit losses	(1,325)	(712)	(713)	(1,240)	(1,456)	-	(5,446)
Carrying amount	\$ 2,444,122	\$ 67,704	\$ 5,444	\$ 7,575	\$ 1,296	\$ -	\$ 2,526,141
Loss ratio	0% ~ 0.13%	0% ~ 2.48%	0% ~ 13.55%	0% ~ 14.07%	52.91%	100%	
		<u>Overdue</u>					
	<u>Not past due</u>	<u>Up to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 180 days</u>	<u>Over 180 days</u>	<u>Total</u>
Electronics manufacturing services group							
Gross carrying amount	\$ 1,085,375	\$ 28,737	\$ 7,911	(\$ 891)	\$ 126	\$ 119	\$ 1,121,377
Lifetime expected credit losses	-	-	-	74	(30)	(119)	(75)
Carrying amount	\$ 1,085,375	\$ 28,737	\$ 7,911	(\$ 817)	\$ 96	\$ -	\$ 1,121,302
Loss ratio	0%	0%	0%	0% ~ 7.85%	0% ~ 24.04%	100%	

September 30, 2021		Overdue					
IC semiconductor group	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Gross carrying amount (Note)	\$ 2,212,420	\$ 55,514	\$ 18,444	\$ 28,627	\$ 5,468	\$ 1,911	\$ 2,322,384
Lifetime expected credit losses	(1,595)	(1,310)	(2,820)	(4,546)	(3,021)	(1,911)	(15,203)
Carrying amount	\$ 2,210,825	\$ 54,204	\$ 15,624	\$ 24,081	\$ 2,447	\$ -	\$ 2,307,181
Loss ratio	0% ~ 0.19%	0% ~ 2.40%	0% ~ 15.29%	0% ~ 15.88%	0% ~ 55.26%	100%	
		Overdue					
Electronics manufacturing services group	Not past due	Up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Gross carrying amount	\$ 1,074,307	\$ 15,434	\$ 11,469	\$ 127	\$ -	\$ 120	\$ 1,101,457
Lifetime expected credit losses	-	-	-	-	-	(120)	(120)
Carrying amount	\$ 1,074,307	\$ 15,434	\$ 11,469	\$ 127	\$ -	\$ -	\$ 1,101,337
Loss ratio	0%	0%	0%	0%	0% ~ 8.98%	100%	

Note: Including the total amount of current contract assets, notes and accounts receivable.

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

	2022	2021	
	Accounts receivable	Accounts receivable	Other receivables
At January 1	\$ 5,521	\$ 21,634	\$ 1,200
Provision for impairment	21,052	-	-
Reversal of impairment loss	-	(6,300)	-
Effect of foreign exchange	13	(11)	-
At September 30	\$ 26,586	\$ 15,323	\$ 1,200

For provisioned loss for the nine months ended September 30, 2022 and 2021, there were no impairment losses arising from the contract assets and notes receivable.

(c) Liquidity risk

- The Group's objective on liquidity risk management is to ensure the sufficiency of financial flexibility by maintaining cash and bank deposits for operations and adequate bank financing quota.
- The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 1 year</u>	<u>Between 2 and 3 years</u>	<u>Between 4 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>September 30, 2022</u>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 400,682	\$ -	\$ -	\$ -	\$ 400,682
Accounts payable					
(including related parties)	3,069,807	-	-	-	3,069,807
Other payables					
(including related parties)	1,194,679	-	-	-	1,194,679
Long-term borrowings					
(including current portion)	7,930	317,020	408,308	38,059	771,317
Preference share liabilities	20,000	40,054	1,004,382	-	1,064,436
Lease liabilities	30,681	45,073	24,321	90,701	190,776
	<u>Less than 1 year</u>	<u>Between 2 and 3 years</u>	<u>Between 4 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>December 31, 2021</u>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 301,819	\$ -	\$ -	\$ -	\$ 301,819
Notes payable	59,087	-	-	-	59,087
Accounts payable					
(including related parties)	3,222,561				3,222,561
Other payables					
(including related parties)	1,678,469	-	-	-	1,678,469
Long-term borrowings					
(including current portion)	65,820	273,122	280,634	44,082	663,658
Preference share liabilities	20,000	40,054	1,019,341	-	1,079,395
Lease liabilities	23,356	35,150	34,271	169,629	262,406
	<u>Less than 1 year</u>	<u>Between 2 and 3 years</u>	<u>Between 4 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
<u>September 30, 2021</u>					
Non-derivative financial liabilities:					
Short-term borrowings	\$ 361,975	\$ -	\$ -	\$ -	\$ 361,975
Notes payable	22,199	-	-	-	22,199
Accounts payable					
(including related parties)	3,185,869	-	-	-	3,185,869
Other payables					
(including related parties)	1,391,257	-	-	-	1,391,257
Long-term borrowings					
(including current portion)	32,561	108,384	225,601	50,394	416,940
Preference share liabilities	20,000	40,054	1,024,382	-	1,084,436
Lease liabilities	28,142	38,150	34,256	174,205	274,753

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(11).

C. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, current financial assets at amortised cost, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, long-term accounts receivable due from related parties, short-term borrowings, accounts payable (including related parties), other payables (including related parties), lease liabilities, preference share liabilities, long-term borrowings (including current portion) and guarantee deposits received, are approximate to their fair values.

D. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets at September 30, 2022, December 31, 2021 and September 30, 2021 are as follows:

(a) The related information of nature of the asset and liabilities is as follows:

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ 783,760</u>	<u>\$ -</u>	<u>\$ 23,160</u>	<u>\$ 806,920</u>

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Preference share liabilities returned	\$ -	\$ -	\$ 1,261	\$ 1,261
Financial assets at fair value through other comprehensive income				
Equity securities	<u>274,804</u>	<u>14,304</u>	<u>25,575</u>	<u>314,683</u>
	<u>\$ 274,804</u>	<u>\$ 14,304</u>	<u>\$ 26,836</u>	<u>\$ 315,944</u>
<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Preference share liabilities returned	\$ -	\$ -	\$ 4,504	\$ 4,504
Financial assets at fair value through other comprehensive income				
Equity securities	<u>209,250</u>	<u>18,858</u>	<u>36,935</u>	<u>265,043</u>
	<u>\$ 209,250</u>	<u>\$ 18,858</u>	<u>\$ 41,439</u>	<u>\$ 269,547</u>

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

- i. The fair value of equity instruments without active market (such as unlisted shares) was measured by applying a market approach based on the prices and other relevant information (such as the discount for lack of marketability and inputs like price to earnings ratio or price to book ratio) arising from the market transactions of the Company's same or comparable equity instruments. Additionally, for equity instruments that lack sufficient or appropriate observable market information and comparable counterparties, net asset value is used to measure the profitability of underlying investments.
- ii. The fair value of derivative financial instrument options that do not have a quoted market price in an active market was measured by applying a binary tree valuation model.
- iii. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.

- E. For the nine months ended September 30, 2022 and 2021, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 for the nine months ended September 30, 2022 and 2021:

	2022	
	Derivative instrument	Non-derivative equity instrument
At January 1	\$ 1,261	\$ 25,575
Losses recognised in profit or loss	(1,261)	-
Losses recognised in other comprehensive income	-	(2,415)
At September 30	<u>\$ -</u>	<u>\$ 23,160</u>
	2021	
	Derivative instrument	Non-derivative equity instrument
At January 1	\$ 6,486	\$ 88,374
Losses recognised in profit or loss	(1,982)	-
Losses recognised in other comprehensive income	-	(18,712)
Sold in the period	-	(32,727)
At September 30	<u>\$ 4,504</u>	<u>\$ 36,935</u>

- G. For the nine months ended September 30, 2022 and 2021, there was no transfer into or out from Level 3.
- H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to frequently evaluate and measure fair value of financial instruments.
- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument:					
Preference share liabilities returned	\$ -	Binary tree convertible valuation model	Discount rate	2.8367%	The higher the discount rate, the lower the fair value.
Non-derivative equity instrument:					
Unlisted shares	\$ 23,160	Net assets value	N/A	N/A	N/A

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument:					
Preference share liabilities returned	\$ 1,261	Binary tree convertible valuation model	Discount rate	2.0648%	The higher the discount rate, the lower the fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 25,575	Net assets value	N/A	N/A	N/A
	Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Derivative instrument:					
Preference share liabilities returned	\$ 4,504	Binary tree convertible valuation model	Discount rate	1.8135%	The higher the discount rate, the lower the fair value.
Non-derivative equity instrument:					
Unlisted shares	\$ 36,935	Net assets value	Not applicable	Not applicable	Not applicable

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

		September 30, 2022				
		Recognised in profit or loss		Recognised in other comprehensive income		
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
<u>Financial assets</u>						
Preference share liabilities returned	Discount rate	±1%	\$ -	\$ 4,324	\$ -	\$ -
		December 31, 2021				
		Recognised in profit or loss		Recognised in other comprehensive income		
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
<u>Financial assets</u>						
Preference share liabilities returned	Discount rate	±1%	\$ 1,261	\$ 16,667	\$ -	\$ -
		September 30, 2021				
		Recognised in profit or loss		Recognised in other comprehensive income		
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
<u>Financial assets</u>						
Preference share liabilities returned	Discount rate	±1%	\$ 4,504	\$ 17,838	\$ -	\$ -

(4) Others

Due to the impact of the COVID-19 pandemic and various preventive measures imposed by the government, the Group has complied with the relevant measures and regulations on epidemic prevention announced by the government to reduce risks of personnel contact and cross transmission. The pandemic had no significant impact on the Group's overall operations and financial position.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 9.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 11.

(4) Major shareholders information

Names, number of shares and ownership of the Company's shareholders who hold more than 5% of equity share: Please refer to Note 12.

14. Segment Information

(1) General information

For management purpose, the Group separated operating units based on business which operates individually from the main business in each region. The Group was divided into the following two reportable segments:

- A. IC semiconductor group: This segment mainly provides IC packaging and testing services.
- B. Electronics manufacturing services group: This segment provides professional electronics manufacturing services.

(2) Segment information

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, finance costs, finance income and income taxes in the consolidated financial statements are managed on a group basis and are not allocated to operating segments.

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

Three months ended September 30, 2022					
	IC semiconductor group	Electronics manufacturing services group	All other segments	Reconciliation and write-offs (Notes 1 and 2)	Total
Revenue					
Revenue from external customers	\$ 2,314,593	\$ 1,494,344	\$ -	\$ -	\$ 3,808,937
Inter-segment revenue	-	53,855	-	(53,855)	-
Total revenue	<u>\$ 2,314,593</u>	<u>\$ 1,548,199</u>	<u>\$ -</u>	<u>(\$ 53,855)</u>	<u>\$ 3,808,937</u>
Segment income	<u>\$ 384,794</u>	<u>\$ 131,945</u>	<u>\$ 43,994</u>	<u>(\$ 47,914)</u>	<u>\$ 512,819</u>
Three months ended September 30, 2021					
	IC semiconductor group	Electronics manufacturing services group	All other segments	Reconciliation and write-offs (Notes 1 and 2)	Total
Revenue					
Revenue from external customers	\$ 2,818,969	\$ 1,130,841	\$ -	\$ -	\$ 3,949,810
Inter-segment revenue	(3)	74,581	-	(74,578)	-
Total revenue	<u>\$ 2,818,966</u>	<u>\$ 1,205,422</u>	<u>\$ -</u>	<u>(\$ 74,578)</u>	<u>\$ 3,949,810</u>
Segment income	<u>\$ 421,865</u>	<u>\$ 32,316</u>	<u>\$ 19,486</u>	<u>(\$ 18,575)</u>	<u>\$ 455,092</u>
Nine months ended September 30, 2022					
	IC semiconductor group	Electronics manufacturing services group	All other segments	Reconciliation and write-offs (Notes 1 and 2)	Total
Revenue					
Revenue from external customers	\$ 7,823,784	\$ 4,112,272	\$ -	\$ -	\$ 11,936,056
Inter-segment revenue	-	142,614	-	(142,614)	-
Total revenue	<u>\$ 7,823,784</u>	<u>\$ 4,254,886</u>	<u>\$ -</u>	<u>(\$ 142,614)</u>	<u>\$ 11,936,056</u>
Segment income	<u>\$ 1,277,910</u>	<u>\$ 220,463</u>	<u>\$ 57,191</u>	<u>(\$ 66,045)</u>	<u>\$ 1,489,519</u>
Nine months ended September 30, 2021					
	IC semiconductor group	Electronics manufacturing services group	All other segments	Reconciliation and write-offs (Notes 1 and 2)	Total
Revenue					
Revenue from external customers	\$ 8,532,913	\$ 3,354,164	\$ -	\$ -	\$ 11,887,077
Inter-segment revenue	762	132,281	-	(133,043)	-
Total revenue	<u>\$ 8,533,675</u>	<u>\$ 3,486,445</u>	<u>\$ -</u>	<u>(\$ 133,043)</u>	<u>\$ 11,887,077</u>
Segment income	<u>\$ 1,218,656</u>	<u>\$ 19,804</u>	<u>\$ 23,082</u>	<u>\$ 7,720</u>	<u>\$ 1,269,262</u>

Note 1: Inter-segment revenue has been written-off when preparing the consolidated financial statements.

Note 2: Income or loss for each operating segment does not include income tax expense.

(3) Reconciliation for segment income (loss)

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

Orient Semiconductor Electronics, Limited and Subsidiaries
Loans to others
Nine months ended September 30, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2022	Balance at September 30, 2022	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 1)	Ceiling on total loans granted (Note 1)	Footnote
							Item	Value									
0	Orient Semiconductor Electronics,Limited	OSE PHILIPPINES, INC.	Long-term accounts receivables due from related parties	Y	\$ 707,058	\$ 37,453	\$ 37,453	1.80	Short-term financing	\$ -	Capital requirement of OSEP	\$ 34,864	-	\$ -	\$ 2,800,644	\$ 3,734,192	-
1	OSE PHILIPPINES, INC.	OSE PROPERTIES, INC.	Long-term accounts receivables due from related parties	Y	98,465 (USD 3,102)	-	-	2.00	Short-term financing	-	Capital requirement	-	-	-	-	-	Note 2
2	COREPLUS (HK) LIMITED	Valve-Plus Technology (Suzhou) Co.	Long-term accounts receivables due from related parties	Y	31,740 (USD 1,000)	31,740 (USD 1,000)	11,109 (USD 350)	-	Short-term financing	-	Short-term capital requirements for operating and business purposes	-	-	-	651,622 (USD 20,530)	651,622 (USD 20,530)	-

Note 1: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to others is 40% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

However, limit on loans to direct or indirect wholly-owned foreign subsidiaries of the Company is 200% of the Company's net asset. Limit on endorsements to a single party is 30% of the Company's net asset based on the latest audited or reviewed financial statements.

Note 2: OSE PROPERTIES, INC. disposed the idle land amounting to 18,380 square meters in the first quarter of 2015. The consideration from disposal, net of related expenses, should be used to settle the borrowings in the amount of US\$1,285 thousand loaned from OSEP. OSE PROPERTIES, INC. disposed the idle land amounting to 30,460 square meters in the first quarter of 2022. The consideration from disposal, net of related expenses, should be used to settle the borrowings in the amount of US\$3,102 thousand loaned from OSEP.

Orient Semiconductor Electronics, Limited and Subsidiaries

Provision of endorsements and guarantees to others

Nine months ended September 30, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2022	Outstanding endorsement/ guarantee amount at September 30, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/guarantor	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	Orient Semiconductor Electronics,Limited	COREPLUS (HK) LIMITED	Note 2	\$ 2,800,644	\$ 79,350 (USD 2,500)	\$ 79,350 (USD 2,500)	\$ 11,109 (USD 350)	\$ -	0.85%	\$ 9,335,481	Y	N	N	-
0	Orient Semiconductor Electronics,Limited	OSE PHILIPPINES, INC.	Note 2	2,800,644	31,740 (USD 1,000)	-	-	-	-	9,335,481	Y	N	N	-

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

(1)The Company is '0'.

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

Note 2: The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

Note 3: Limit on total endorsements is the Company's net asset based on the latest audited or reviewed financial statements, and limit on endorsements to a single party is 30% of the Company's net asset based on the latest audited or reviewed financial statements.

Orient Semiconductor Electronics, Limited and Subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
September 30, 2022

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

				As of September 30, 2022				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Orient Semiconductor Electronics,Limited	STRATEDGE's stocks - common shares	None	Financial assets at fair value through other comprehensive income - non-current	5,135	\$ -	-	\$ -	-
Orient Semiconductor Electronics,Limited	SPINERGY's stocks - common shares	None	Financial assets at fair value through other comprehensive income - non-current	999,641	-	-	-	-
Orient Semiconductor Electronics,Limited	Golfware's stocks - common shares	None	Financial assets at fair value through other comprehensive income - non-current	4,687	-	-	-	-
Orient Semiconductor Electronics,Limited	SCREENBEAM's stocks - common shares	None	Financial assets at fair value through other comprehensive income - non-current	2,141,176	8,230	-	8,230	-
Orient Semiconductor Electronics,Limited	SCREENBEAM's stocks - preference share	None	Financial assets at fair value through other comprehensive income - non-current	2,352,941	14,930	-	14,930	-
Hua-Cheng Investment Co.	Chipbond Technology Corporation	Entity with significant influence	Financial assets at fair value through other comprehensive income - non-current	15,520,000	783,760	2.10%	783,760	-

Orient Semiconductor Electronics, Limited and Subsidiaries
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Nine months ended September 30, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition		Disposal				Balance as at September 30, 2022	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
HUA-CHENG INVESTMENT CO.	Stocks-Chipbond Technology Corporation	Financial assets at fair value through other comprehensive income - non-current	-	-	4,120,000	\$ 274,804	11,400,000	\$ 508,956	-	\$ -	\$ -	\$ -	15,520,000	\$ 783,760
Orient Semiconductor Electronics,Limited	Equity interest of ATP Electronics Taiwan Inc.	Non-current asset held for sale (Note 1)	ATP Electronics Taiwan Inc. (Note 2), FU DING YU Inc.	Associates, non-associates	7,518,750	241,856	-	-	7,518,750	262,365	257,959	4,406	-	-
OSE INTERNATIONAL LTD.	Equity interest of ATP Electronics Taiwan Inc.	Non-current asset held for sale (Note 1)	FU DING YU Inc.	Non-associates	6,866,250	225,317	-	-	6,866,250	239,597	242,853 (USD 8,163)	(12,396) (USD 417)	-	-

Note 1: The Board of Directors of the Company resolved to dispose all shares of ATP Electronics Taiwan Inc. held by the Group in April 2022, Therefore, the Group transferred related assets as disposal group held for sale, and the Group completed the disposal of shares and the related procedures in September 2022.

Note 2: ATP Electronics Taiwan Inc. repurchased the treasury shares.

Orient Semiconductor Electronics, Limited and Subsidiaries
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
Nine months ended September 30, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Real estate disposed by	Real estate	Transaction date or date of the event (Note)	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the seller	Reason for disposal	Basis or reference used in setting the price	Other commitments
OSE PHILIPPINES, INC.	Plant	December 8, 2021	1998	\$ 403,923	\$ 558,465	\$ 558,465	\$ 57,320	MICROSEMI SEMICONDUCTORS-MANILA (PHILIPPINES),INC.	Non-related party	Effectively use of the Group's resource	Appraisal report and mutual agreement	None
				(USD 12,726)	(USD 17,595)	(USD 17,595)	(USD 1,927)					

Note: Transaction date or date of the event refers to the resolution date of the Board of Directors.

Orient Semiconductor Electronics, Limited and Subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Nine months ended September 30, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Orient Semiconductor Electronics,Limited	Phison Electronics Corp.	Key management personnel of the Company	Sales	1,892,095	15.85%	30 days after monthly billings	-	-	317,435	9.47%	-
Orient Semiconductor Electronics,Limited	ATP Electronics Taiwan Inc	Associate of the Company (Note)	Sales	142,197	1.19%	30 days after monthly billings or delivery	-	-	-	-	-

Note: Since the Company sold all its shares of ATP Electronics Taiwan Inc. in September 2022, the company is no longer a related party of the Company.

Orient Semiconductor Electronics, Limited and Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
September 30, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Orient Semiconductor Electronics, Limited	Phison Electronics Corp.	Key management personnel of the Company	Accounts receivable \$ 317,435	6.68	\$ 15	-	\$ 15	\$ -

Orient Semiconductor Electronics, Limited and Subsidiaries
Significant inter-company transactions during the reporting periods
Nine months ended September 30, 2022

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Transactions amount between the parent company and subsidiaries or between subsidiaries reaching \$10 million is provided below:

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
0	Orient Semiconductor Electronics,Limited	OSE PHILIPPINES, INC.	1	Long-term accounts receivable	\$ 39,992	-	0.24%
0	Orient Semiconductor Electronics,Limited	OSE INTERNATIONAL LTD.	1	Other payables	77,925	-	0.47%
1	COREPLUS (HK) LIMITED	Orient Semiconductor Electronics,Limited	2	Sales revenue	140,734	Same with general transaction terms	1.18%
2	Valve-Plus Technology (Suzhou) Co.	COREPLUS (HK) LIMITED	3	Sales revenue	112,703	Same with general transaction terms	0.94%
2	Valve-Plus Technology (Suzhou) Co.	COREPLUS (HK) LIMITED	3	Accounts receivable	19,130	-	0.12%

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

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries

or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction;
for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Orient Semiconductor Electronics, Limited and Subsidiaries
Information on investees
Nine months ended September 30, 2022

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss) of the investee for the nine months ended September 30, 2022	Investment income (loss) recognised by the Company for the nine months ended September 30, 2022	Footnote
				Balance as at September 30, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Orient Semiconductor Electronics, Limited	OSE PHILIPPINES, INC.	Philippines	(1)Manufacture and export of integrated circuits and computers (2) Research, design, manufacture, assembly, processing and test of abovementioned products and after-sales service	\$ 4,106,375 (USD 129,375,408)	\$ 4,106,375 (USD 129,375,408)	3,680,365	93.67%	(\$ 31,922)	\$ 21,473	\$ 20,114	Note 1
Orient Semiconductor Electronics, Limited	OSE PROPERTIES, INC.	Philippines	(1) Sales of properties (2) Lease of properties (3) Other property-related business	9,698 (USD 305,559)	9,698 (USD 305,559)	7,998	39.99%	5,112	76,708	8,062	
Orient Semiconductor Electronics, Limited	OSE INTERNATIONAL LTD.	British Virgin IS.	Investments of various manufacturing businesses	507,840 (USD 16,000,000)	507,840 (USD 16,000,000)	16,000,000	100%	335,573	4,283	4,283	Note 1
Orient Semiconductor Electronics, Limited	ATP Electronics Taiwan Inc.	Taiwan	Design and sales of RAM module of high Level Communication	-	326,969 (USD 10,301,492)	-	0.00%	-	170,369	13,385	
Orient Semiconductor Electronics, Limited	SCS HIGHTECH INC.	Taiwan	Manufacture of data storage and processing equipment and providing information software and data processing services	256,000	256,000	25,600,000	18.17%	-	-	-	Note 2
Orient Semiconductor Electronics, Limited	COREPLUS (HK) LIMITED	Hong Kong	Procure to order and components assembly outsourcing	238,050 (USD 7,500,000)	238,050 (USD 7,500,000)	7,500,000	100%	325,715 (	12,619) (	12,619)	Note 1
Orient Semiconductor Electronics, Limited	HUA-CHENG INVESTMENT CO.	Taiwan	Reinvestments in various business	999,920	290,000	88,993,437	100%	873,604	52,880	52,880	Note 1
OSE INTERNATIONAL LTD.	ATP Electronics Taiwan Inc.	Taiwan	Design and sales of RAM module of high Level Communication	-	380,880 (USD 12,000,000)	-	-	-	170,369	12,508	Note 3
OSE INTERNATIONAL LTD.	OSE PHILIPPINES, INC.	Philippines	(1)Manufacture and export of integrated circuits and computers (2) Research, design, manufacture, assembly, processing and test of abovementioned products and after-sales service	158,700 (USD 5,000,000)	158,700 (USD 5,000,000)	248,660	6.33% (	2,157)	21,473	1,359	Notes 1 and 3

Note 1: Inter-company transactions between companies within the Group are eliminated.

Note 2: The investee was abolished on March 8, 2007.

Note 3: Initial investment amount of the reinvestee which use foreign currencies to prepare financial statements is translated to NTD at the spot rate at the period end.

Orient Semiconductor Electronics, Limited and Subsidiaries
Information on investments in Mainland China
Nine months ended September 30, 2022

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee as of September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2022	Book value of investments in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan							
Valve-Plus Technology (Suzhou) Co.	Adhesive processing, plug-in welding processing and related test, combination processing of the surface of base plate of electronic and sales of its products, and providing technique maintenance and after-sale service accordingly	171,032 (USD 5,388,522)	Investment and establishment in COREPLUS, and then reinvestment (2)	\$ 158,328	\$ -	\$ -	\$ 158,328	(\$ 16,853)	100%	(\$ 16,853)	\$ 52,251	\$ -	Note 3
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA	Footnote									
Orient Semiconductor Electronics,Limited	\$ 158,328	\$ 182,326	\$ 5,601,289	Note 3									

Note 1: Investment methods are classified into the following three categories;

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- (3) Others

Note 2: Limit amount prescribed by the Jing-Shen-Zi Letter No. 09704604680 of Ministry of Economic Affairs, dated August 29, 2008, and is calculated based on 60% of the Company's consolidated net assets.

Note 3: Paid-in capital was translated to NTD at the spot rate at the period end.

Orient Semiconductor Electronics, Limited and Subsidiaries

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

Nine months ended September 30, 2022

Table 11

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Sale (purchase)		Service revenue		Accounts receivable (payable)		Other receivables		Provision of endorsements/guarantees or collaterals		Financing			Other	
	Amount	%	Amount	%	Balance at September 30, 2022		Balance at September 30, 2022	Purpose	Balance at September 30, 2022		Maximum balance during the nine months ended September 30, 2022		Balance at September 30, 2022		Interest rate
Valve-Plus Technology (Suzhou) Co.	\$ -	-	\$ 112,703	98%	\$ 19,130	100%	\$ -	-	\$ -	-	\$ 31,740	\$ 31,740	-	\$ -	

Orient Semiconductor Electronics, Limited and Subsidiaries
Major shareholders information
September 30, 2022

Table 12

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Chipbond Technology Corporation	163,995,498	29.53%

Note: Chipbond Technology Corporation held the Company’s common shares and class B and class C preferred shares without voting rights amounting to 163,995,498 shares, 90,090,000 shares and 180,180,000 shares, respectively, and totally held 434,265,498 shares.