

# **Chia Chang Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2022 and 2021 and  
Independent Auditors' Review Report**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Chia Chang Co., Ltd.

### Introduction

We have reviewed the accompanying consolidated financial statements of Chia Chang Co., Ltd. (the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, changes in equity and cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of 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 could 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 disclosed in Note 11 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2022 and 2021, combined total assets of these non-significant subsidiaries were NT\$1,834,230 thousand and NT\$1,862,311 thousand, respectively, representing 17% and 18%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$172,092 thousand and NT\$250,806 thousand, respectively, representing 7% and 9%, of the consolidated total liabilities; for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, the amounts of combined comprehensive income of these subsidiaries were NT\$49,727 thousand, NT\$28,558 thousand, NT\$136,476 thousand and NT\$49,589 thousand, respectively, representing 16%, 17%, 15% and 9%, respectively, of the consolidated total comprehensive income. As disclosed in Note 12 to the consolidated financial statements, the carrying values of the investments accounted for using the equity method were NT\$124,844 thousand and NT\$262,025 thousand as of September 30, 2022 and 2021, respectively. The share of profit (loss) of associates

accounted for using the equity method was NT\$(10,135) thousand, NT\$15,324 thousand, NT\$(81,524) thousand and NT\$69,152 thousand for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, respectively. The financial statements of the associates included in the consolidated financial statements referred to in the first paragraph were not reviewed. Information on some non-significant subsidiaries and the investments accounted for using the equity method as disclosed in Note 30 to the consolidated financial statements were based on the unreviewed financial statements for the same reporting periods as those of the Corporation.

### **Qualified Conclusion**

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of some non-significant subsidiaries and the investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Yao-Lin Huang and Suei-Chin Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 11, 2022

### Notice to Readers

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

*For the convenience of readers, the independent auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ review report and consolidated financial statements shall prevail.*

# CHIA CHANG CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 2,673,215	24	\$ 2,079,687	18	\$ 1,348,084	13
Financial assets at fair value through profit or loss - current (Note 7)	90,053	1	45	-	44	-
Notes and accounts receivable, net (Notes 8 and 20)	3,136,710	28	3,500,115	31	3,530,337	33
Current tax assets (Note 4)	124,819	1	146,115	1	162,440	1
Inventories, net (Note 9)	453,959	4	524,001	5	505,533	5
Prepayments	59,965	1	181,587	2	82,321	1
Other financial assets - current (Note 6)	1,315,854	12	2,051,481	18	2,310,570	22
Other current assets	<u>155,173</u>	<u>1</u>	<u>179,188</u>	<u>2</u>	<u>146,988</u>	<u>1</u>
Total current assets	<u>8,009,748</u>	<u>72</u>	<u>8,662,219</u>	<u>77</u>	<u>8,086,317</u>	<u>76</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 10)	197,540	2	164,082	1	159,276	1
Investments accounted for using the equity method (Note 12)	124,844	1	302,808	3	262,025	3
Property, plant and equipment (Notes 13 and 27)	1,483,778	13	1,535,788	14	1,565,372	15
Right-of-use assets (Notes 14 and 27)	163,337	2	155,318	1	156,408	1
Investment properties (Notes 15 and 27)	54,185	1	54,768	-	54,962	1
Deferred tax assets (Note 4)	26,713	-	23,898	-	20,903	-
Prepayments for machinery and equipment	975,891	9	384,566	4	269,953	3
Other non-current assets	<u>28,809</u>	<u>-</u>	<u>27,703</u>	<u>-</u>	<u>35,128</u>	<u>-</u>
Total non-current assets	<u>3,055,097</u>	<u>28</u>	<u>2,648,931</u>	<u>23</u>	<u>2,524,027</u>	<u>24</u>
<b>TOTAL</b>	<u>\$ 11,064,845</u>	<u>100</u>	<u>\$ 11,311,150</u>	<u>100</u>	<u>\$ 10,610,344</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 16 and 27)	\$ 330,000	3	\$ 470,000	4	\$ 500,000	5
Notes payable (Note 17)	162,141	2	190,503	2	142,149	1
Accounts payable (Note 17)	1,123,324	10	1,564,413	14	1,328,593	12
Other payables (Note 18)	525,514	5	648,661	6	508,622	5
Current tax liabilities (Note 4)	111,624	1	116,788	1	87,945	1
Lease liabilities - current (Note 14)	28,792	-	18,463	-	19,088	-
Other current liabilities	<u>123,421</u>	<u>1</u>	<u>121,370</u>	<u>1</u>	<u>115,452</u>	<u>1</u>
Total current liabilities	<u>2,404,816</u>	<u>22</u>	<u>3,130,198</u>	<u>28</u>	<u>2,701,849</u>	<u>25</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 16 and 27)	4,472	-	-	-	-	-
Deferred tax liabilities (Note 4)	208,047	2	201,147	2	201,135	2
Lease liabilities - non-current (Note 14)	6,611	-	5,940	-	3,343	-
Guarantee deposits	<u>830</u>	<u>-</u>	<u>830</u>	<u>-</u>	<u>600</u>	<u>-</u>
Total non-current liabilities	<u>219,960</u>	<u>2</u>	<u>207,917</u>	<u>2</u>	<u>205,078</u>	<u>2</u>
Total liabilities	<u>2,624,776</u>	<u>24</u>	<u>3,338,115</u>	<u>30</u>	<u>2,906,927</u>	<u>27</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 19)</b>						
Ordinary shares	<u>1,423,676</u>	<u>13</u>	<u>1,423,676</u>	<u>12</u>	<u>1,423,676</u>	<u>13</u>
Capital surplus	<u>2,820,797</u>	<u>25</u>	<u>2,820,768</u>	<u>25</u>	<u>2,820,654</u>	<u>27</u>
Retained earnings						
Legal reserve	890,220	8	799,339	7	799,339	8
Special reserve	597,812	6	524,565	5	524,565	5
Unappropriated earnings	<u>3,013,960</u>	<u>27</u>	<u>2,996,941</u>	<u>26</u>	<u>2,796,732</u>	<u>26</u>
Total retained earnings	<u>4,501,992</u>	<u>41</u>	<u>4,320,845</u>	<u>38</u>	<u>4,120,636</u>	<u>39</u>
Other equity	<u>(312,244)</u>	<u>(3)</u>	<u>(597,812)</u>	<u>(5)</u>	<u>(667,287)</u>	<u>(6)</u>
Total equity attributable to owners of the Corporation	<u>8,434,221</u>	<u>76</u>	<u>7,967,477</u>	<u>70</u>	<u>7,697,679</u>	<u>73</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>5,848</u>	<u>-</u>	<u>5,558</u>	<u>-</u>	<u>5,738</u>	<u>-</u>
Total equity	<u>8,440,069</u>	<u>76</u>	<u>7,973,035</u>	<u>70</u>	<u>7,703,417</u>	<u>73</u>
<b>TOTAL</b>	<u>\$ 11,064,845</u>	<u>100</u>	<u>\$ 11,311,150</u>	<u>100</u>	<u>\$ 10,610,344</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated November 11, 2022)

## CHIA CHANG CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
SALES REVENUE (Note 20)	\$ 1,872,849	100	\$ 2,158,345	100	\$ 6,243,369	100	\$ 6,362,504	100
COST OF GOODS SOLD (Notes 9 and 21)	<u>1,463,408</u>	<u>78</u>	<u>1,646,125</u>	<u>76</u>	<u>4,945,591</u>	<u>79</u>	<u>4,856,688</u>	<u>76</u>
GROSS PROFIT	<u>409,441</u>	<u>22</u>	<u>512,220</u>	<u>24</u>	<u>1,297,778</u>	<u>21</u>	<u>1,505,816</u>	<u>24</u>
OPERATING EXPENSES (Notes 21 and 26)								
Selling and marketing expenses	67,917	4	69,520	3	215,872	3	210,099	3
General and administrative expenses	115,257	6	114,596	6	346,924	6	354,520	6
Research and development expenses	<u>17,706</u>	<u>1</u>	<u>17,341</u>	<u>1</u>	<u>52,404</u>	<u>1</u>	<u>52,465</u>	<u>1</u>
Total operating expenses	<u>200,880</u>	<u>11</u>	<u>201,457</u>	<u>10</u>	<u>615,200</u>	<u>10</u>	<u>617,084</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>208,561</u>	<u>11</u>	<u>310,763</u>	<u>14</u>	<u>682,578</u>	<u>11</u>	<u>888,732</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES								
Share of profit (loss) of associates and joint ventures accounted for using equity method (Note 12)	(10,135)	-	15,324	1	(81,524)	(1)	69,152	1
Interest income	14,782	1	14,791	1	42,035	-	45,262	1
Other income (Note 21)	7,300	-	2,122	-	51,106	1	23,873	-
Interest expense	(1,102)	-	(1,328)	-	(3,230)	-	(3,665)	-
Exchange gains (loss) (Note 29)	<u>133,646</u>	<u>7</u>	<u>6,512</u>	<u>-</u>	<u>266,715</u>	<u>4</u>	<u>(21,264)</u>	<u>-</u>
Total non-operating income and expenses	<u>144,491</u>	<u>8</u>	<u>37,421</u>	<u>2</u>	<u>275,102</u>	<u>4</u>	<u>113,358</u>	<u>2</u>
INCOME BEFORE INCOME TAX	353,052	19	348,184	16	957,680	15	1,002,090	16
INCOME TAX EXPENSE (Notes 4 and 22)	<u>134,631</u>	<u>7</u>	<u>146,416</u>	<u>7</u>	<u>350,140</u>	<u>5</u>	<u>294,026</u>	<u>5</u>
NET INCOME	<u>218,421</u>	<u>12</u>	<u>201,768</u>	<u>9</u>	<u>607,540</u>	<u>10</u>	<u>708,064</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(13,994)	(1)	(7,297)	-	(11,294)	-	(18,503)	-

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## CHIA CHANG CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of foreign operations	\$ 115,081	6	\$ (29,364)	(2)	\$ 296,862	4	\$ (124,219)	(2)
Other comprehensive income (loss)	101,087	5	(36,661)	(2)	285,568	4	(142,722)	(2)
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 319,508</u>	<u>17</u>	<u>\$ 165,107</u>	<u>7</u>	<u>\$ 893,108</u>	<u>14</u>	<u>\$ 565,342</u>	<u>9</u>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>								
Owners of the Corporation	\$ 218,735	12	\$ 201,933	9	\$ 608,250	10	\$ 708,592	11
Non-controlling interests	(314)	-	(165)	-	(710)	-	(528)	-
	<u>\$ 218,421</u>	<u>12</u>	<u>\$ 201,768</u>	<u>9</u>	<u>\$ 607,540</u>	<u>10</u>	<u>\$ 708,064</u>	<u>11</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>								
Owners of the Corporation	\$ 319,822	17	\$ 165,272	7	\$ 893,818	14	\$ 565,870	9
Non-controlling interests	(314)	-	(165)	-	(710)	-	(528)	-
	<u>\$ 319,508</u>	<u>17</u>	<u>\$ 165,107</u>	<u>7</u>	<u>\$ 893,108</u>	<u>14</u>	<u>\$ 565,342</u>	<u>9</u>
<b>EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)</b>								
Basic	\$ 1.54		\$ 1.42		\$ 4.27		\$ 4.98	
Diluted	\$ 1.52		\$ 1.41		\$ 4.23		\$ 4.92	

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

(With Deloitte & Touche auditors' review report dated November 11, 2022)

(Concluded)

**CHIA CHANG CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation						Other Equity		Total	Non-controlling Interests	Total Equity	
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total				
			Legal Reserve	Special Reserve	Unappropriated Earnings							Total
BALANCE AT JANUARY 1, 2021	\$ 1,423,676	\$ 2,820,599	\$ 731,633	\$ 588,402	\$ 2,447,928	\$ 3,767,963	\$ (597,795)	\$ 73,230	\$ (524,565)	\$ 7,487,673	\$ 6,266	\$ 7,493,939
Appropriation of 2020 earnings												
Legal reserve	-	-	67,706	-	(67,706)	-	-	-	-	-	-	-
Special reserve	-	-	-	(63,837)	63,837	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(355,919)	(355,919)	-	-	-	(355,919)	-	(355,919)
Total appropriation of 2020 earnings	-	-	67,706	(63,837)	(359,788)	(355,919)	-	-	-	(355,919)	-	(355,919)
Net income (loss) for the nine months ended September 30, 2021	-	-	-	-	708,592	708,592	-	-	-	708,592	(528)	708,064
Other comprehensive loss for the nine months ended September 30, 2021	-	-	-	-	-	-	(124,219)	(18,503)	(142,722)	(142,722)	-	(142,722)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	708,592	708,592	(124,219)	(18,503)	(142,722)	565,870	(528)	565,342
Changes in percentage of ownership interests in subsidiaries	-	55	-	-	-	-	-	-	-	55	-	55
BALANCE AT SEPTEMBER 30, 2021	\$ 1,423,676	\$ 2,820,654	\$ 799,339	\$ 524,565	\$ 2,796,732	\$ 4,120,636	\$ (722,014)	\$ 54,727	\$ (667,287)	\$ 7,697,679	\$ 5,738	\$ 7,703,417
BALANCE AT JANUARY 1, 2022	\$ 1,423,676	\$ 2,820,768	\$ 799,339	\$ 524,565	\$ 2,996,941	\$ 4,320,845	\$ (657,345)	\$ 59,533	\$ (597,812)	\$ 7,967,477	\$ 5,558	\$ 7,973,035
Appropriation of 2021 earnings												
Legal reserve	-	-	90,881	-	(90,881)	-	-	-	-	-	-	-
Special reserve	-	-	-	73,247	(73,247)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(427,103)	(427,103)	-	-	-	(427,103)	-	(427,103)
Total appropriation of 2021 earnings	-	-	90,881	73,247	(591,231)	(427,103)	-	-	-	(427,103)	-	(427,103)
Net income (loss) for the nine months ended September 30, 2022	-	-	-	-	608,250	608,250	-	-	-	608,250	(710)	607,540
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	296,862	(11,294)	285,568	285,568	-	285,568
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	608,250	608,250	296,862	(11,294)	285,568	893,818	(710)	893,108
Changes in percentage of ownership interests in subsidiaries	-	29	-	-	-	-	-	-	-	29	-	29
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,000	1,000
BALANCE AT SEPTEMBER 30, 2022	\$ 1,423,676	\$ 2,820,797	\$ 890,220	\$ 597,812	\$ 3,013,960	\$ 4,501,992	\$ (360,483)	\$ 48,239	\$ (312,244)	\$ 8,434,221	\$ 5,848	\$ 8,440,069

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

(With Deloitte & Touche auditors' review report dated November 11, 2022)

# CHIA CHANG CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 957,680	\$ 1,002,090
Adjustments for:		
Depreciation	185,046	179,497
Amortization	145,965	108,714
Share of profit or loss of associates	81,524	(69,152)
Interest income	(42,035)	(45,262)
Unrealized gain on foreign exchange	(34,911)	(4,761)
Dividend income	(15,995)	(13,073)
Impairment loss recognized on non-financial assets	12,315	6,434
Gain on disposal and retirement of property, plant and equipment	(3,921)	(2,719)
Net loss on disposal of investments	3,917	-
Interest expense	3,230	3,665
Expected credit loss recognized (reversed)	(1,233)	948
Net gain on fair value changes of financial assets at fair value through profit or loss	(565)	-
Changes in operating assets and liabilities		
Notes receivable	32,316	(10,169)
Accounts receivable	371,827	(437,292)
Inventories	68,038	(120,683)
Prepayments	121,622	(21,455)
Other current assets	(119,181)	(110,388)
Accounts payable	(447,714)	9,543
Other payables	(116,452)	(63,513)
Notes payable	(28,362)	41,871
Other current liabilities	2,051	87,420
Cash generated from operations	1,175,162	541,715
Interest received	46,669	62,159
Income tax paid	(328,980)	(277,929)
Net cash generated by operating activities	<u>892,851</u>	<u>325,945</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in other financial assets	735,627	(279)
Increase in prepayments for machinery and equipment	(620,083)	(251,980)
Purchase of financial assets at fair value through profit or loss	(89,440)	-
Dividends received	33,795	15,913
Acquisition of property, plant and equipment	(38,846)	(129,799)
Proceeds from capital reduction of investments accounts for using the equity method	30,000	-
Proceeds from disposal of property, plant and equipment	5,168	5,964
Increase in other non-current assets	(4,877)	(22,988)

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# CHIA CHANG CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
Acquisition of right-of-use assets	\$ -	\$ (68,397)
Acquisition of investments accounted for using the equity method	<u>-</u>	<u>(50,000)</u>
Net cash generated by (used in) investing activities	<u>51,344</u>	<u>(501,566)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to owners of the Corporation	(427,103)	(355,919)
Increase (decrease) in short-term borrowings	(140,000)	42,000
Repayment of the principal portion of lease liabilities	(18,096)	(24,053)
Proceeds from long-term borrowings	4,472	-
Interest paid	(3,433)	(3,930)
Change in non-controlling interests	<u>1,000</u>	<u>-</u>
Net cash used in financing activities	<u>(583,160)</u>	<u>(341,902)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>232,493</u>	<u>(56,110)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	593,528	(573,633)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</b>	<u>2,079,687</u>	<u>1,921,717</u>
<b>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</b>	<u>\$ 2,673,215</u>	<u>\$ 1,348,084</u>

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

(With Deloitte & Touche auditors' review report dated November 11, 2022)

(Concluded)

# CHIA CHANG CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 1. GENERAL INFORMATION

Chia Chang Co., Ltd. (the “Corporation”) was incorporated in September 1985, and engages mainly in manufacturing, processing and trading of various precision machinery, related mechanical mold components, mechanical steel mold accessories and computer peripheral equipment.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since June 2011.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on November 11, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the accounting policies of the Corporation and its subsidiaries (hereinafter collectively referred to as the “Group”).

- b. The IFRSs endorsed by the FSC for application starting from 2023

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of above standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and its subsidiaries. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 11, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earning.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The same critical accounting judgments and key sources of estimates and uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Checking accounts and demand deposits	\$ 1,190,428	\$ 1,490,722	\$ 890,547
Cash equivalents (time deposits with original maturities of 3 months or less)	1,482,129	588,211	456,787
Cash on hand	<u>658</u>	<u>754</u>	<u>750</u>
	<u>\$ 2,673,215</u>	<u>\$ 2,079,687</u>	<u>\$ 1,348,084</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, time deposits with original maturities of more than 3 months were \$1,315,854 thousand, \$2,051,481 thousand and \$2,310,570 thousand, respectively, which were classified as other financial assets - current. As of September 30, 2022, December 31, 2021 and September 30, 2021, the interest rates of the time deposits with original maturities of more than 3 months were 0.76%-3.85%, 0.22%-2.85%, and 0.25%-2.85%, respectively.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Mutual funds	\$ 45	\$ 45	\$ 44
Hybrid financial assets			
Structured deposits	<u>90,008</u>	<u>-</u>	<u>-</u>
	<u>\$ 90,053</u>	<u>\$ 45</u>	<u>\$ 44</u>

## 8. NOTES AND ACCOUNTS RECEIVABLE

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Notes receivable - operating</u>	<u>\$ 85,394</u>	<u>\$ 117,710</u>	<u>\$ 108,522</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	3,052,722	3,384,975	3,423,059
Less: Allowance for impairment loss	<u>(1,406)</u>	<u>(2,570)</u>	<u>(1,244)</u>
	<u>3,051,316</u>	<u>3,382,405</u>	<u>3,421,815</u>
Total accounts receivable at amortized cost	<u>\$ 3,136,710</u>	<u>\$ 3,500,115</u>	<u>\$ 3,530,337</u>

The average credit period of sales of goods was 60-180 days. No interest is charged on unpaid accounts receivable.

In order to mitigate credit risk, the management of the Group has delegated qualified personnel in accordance with the segregation of duties principle to be responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off accounts receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes and accounts receivable based on the Group's provision matrix.

#### September 30, 2022

	Not Past Due	Past Due				Total
		Less than 90 Days	91 to 120 Days	121 to 150 Days	Over 150 Days	
Expected credit loss rate	0.01%	0.48%	2.21%	-	100%	
Gross carrying amount	\$ 3,111,452	\$ 24,160	\$ 1,632	\$ -	\$ 872	\$ 3,138,116
Allowance for impairment loss (Lifetime ECLs)	<u>(381)</u>	<u>(117)</u>	<u>(36)</u>	<u>-</u>	<u>(872)</u>	<u>(1,406)</u>
Amortized cost	<u>\$ 3,111,071</u>	<u>\$ 24,043</u>	<u>\$ 1,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,136,710</u>

#### December 31, 2021

	Not Past Due	Past Due				Total
		Less than 90 Days	91 to 120 Days	121 to 150 Days	Over 150 Days	
Expected credit loss rate	-	5%	20%	50%	100%	
Gross carrying amount	\$ 3,490,887	\$ 4,597	\$ 4,331	\$ 2,744	\$ 126	\$ 3,502,685
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>(228)</u>	<u>(866)</u>	<u>(1,350)</u>	<u>(126)</u>	<u>(2,570)</u>
Amortized cost	<u>\$ 3,490,887</u>	<u>\$ 4,369</u>	<u>\$ 3,465</u>	<u>\$ 1,394</u>	<u>\$ -</u>	<u>\$ 3,500,115</u>

#### September 30, 2021

	Not Past Due	Past Due				Total
		Less than 90 Days	91 to 120 Days	121 to 150 Days	Over 150 Days	
Expected credit loss rate	-	5%	20%	50%	100%	
Gross carrying amount	\$ 3,524,161	\$ 6,111	\$ 180	\$ 455	\$ 674	\$ 3,531,581
Allowance for impairment loss (Lifetime ECLs)	<u>-</u>	<u>(306)</u>	<u>(36)</u>	<u>(228)</u>	<u>(674)</u>	<u>(1,244)</u>
Amortized cost	<u>\$ 3,524,161</u>	<u>\$ 5,805</u>	<u>\$ 144</u>	<u>\$ 227</u>	<u>\$ -</u>	<u>\$ 3,530,337</u>

The movements of the allowance for impairment loss of notes and accounts receivable were as follows:

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 2,570	\$ 2,704
Add: Impairment loss recognized (reversed)	(1,233)	948
Less: Amounts written off	-	(2,387)
Effect of exchange rate differences	<u>69</u>	<u>(21)</u>
Balance at September 30	<u>\$ 1,406</u>	<u>\$ 1,244</u>

## 9. INVENTORIES

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Finished goods	\$ 194,386	\$ 215,123	\$ 177,757
Work in progress	117,262	106,625	122,261
Raw materials	<u>142,311</u>	<u>202,253</u>	<u>205,515</u>
	<u>\$ 453,959</u>	<u>\$ 524,001</u>	<u>\$ 505,533</u>

The cost of goods sold included the following:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Cost of inventories sold	\$ 1,455,880	\$ 1,640,437	\$ 4,933,276	\$ 4,850,254
Inventory write-downs	<u>7,528</u>	<u>5,688</u>	<u>12,315</u>	<u>6,434</u>
	<u>\$ 1,463,408</u>	<u>\$ 1,646,125</u>	<u>\$ 4,945,591</u>	<u>\$ 4,856,688</u>

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Non-current</u>			
Domestic investments			
Unlisted ordinary shares			
Chimei Motor Electronics Co., Ltd.	\$ 17,112	\$ 8,696	\$ 6,775
Top Taiwan XIII Venture Capital Co., Ltd.	43,623	-	-
WK Technology Fund IX Ltd.	<u>136,805</u>	<u>155,386</u>	<u>152,501</u>
	<u>\$ 197,540</u>	<u>\$ 164,082</u>	<u>\$ 159,276</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 11. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)			Remark
			September 30, 2022	December 31, 2021	September 30, 2021	
The Corporation	CHIA CORPORATION	Investment activities	100.00	100.00	100.00	-
	GOLDSKY ENTERPRISES LIMITED	International trade	100.00	100.00	100.00	1)
	Chia Development Co., Ltd.	New business development and investment	100.00	100.00	100.00	-
CHIA CORPORATION	TARCOOLA TRADING LIMITED	Investment activities	100.00	100.00	100.00	-
	HUGE LINE INTERNATIONAL LIMITED	Investment activities	100.00	100.00	100.00	-
	CHIAPEX HOLDING LIMITED	Investment activities	100.00	100.00	100.00	1)
	CHIA-RUI HOLDING LIMITED	Investment activities	-	100.00	100.00	3)
TARCOOLA TRADING LIMITED	Chia Chang Technology (Suzhou) Co., Ltd.	Manufacturing and selling of IT and optronics components stamped	100.00	100.00	100.00	-
HUGE LINE INTERNATIONAL LIMITED	Ningbo Chia Chang Electronics Hardware Co., Ltd.	Manufacturing and selling of IT and optronics components stamped	100.00	100.00	100.00	-
	Nanjing Chia-Chan Precious Electronics Co., Ltd.	Manufacturing and selling of IT and optronics components stamped	100.00	100.00	100.00	1)
CHIA-RUI HOLDING LIMITED	Quan Rui (Dong Guan) Industrial Co., Ltd.	Manufacturing and selling of IT and optronics components stamped	-	100.00	100.00	2)
Chia Development Co., Ltd.	Energy Magic Co., Ltd.	Manufacturing of electronic components	50.00	50.00	50.00	1)
	EIDEAL Company Limited	Manufacturing of electronic components	80.00	-	-	1) and 4)
Chia Chang Technology (Suzhou) Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd.	Manufacturing and selling of IT and optronics components stamped	100.00	100.00	100.00	1)

- 1) The subsidiaries are not significant subsidiaries, so their financial statements for the nine months ended September 30, 2022 and 2021 have not been reviewed.
- 2) In order to integrate the production plants in China for improving production efficiency and saving both fixed expenses and management costs, on June 3, 2020, the Corporation's board of directors approved the disposal of the equipment and the termination of the operation of Quan Rui (Dong Guan) Industrial Co., Ltd., a subsidiary in China. The tax clearance certificate was obtained on February 18, 2022, and the remaining share capital had been refunded to CHIA-RUI HOLDING LIMITED on April 14, 2022.
- 3) It was deregistered and divested in April 2022.
- 4) It was established in July 2022.

b. Subsidiaries excluded from the consolidated financial statements: None.

c. Details of subsidiaries that have material non-controlling interests: None.



## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Investment in associates</u>			
Associate that is not individually material	<u>\$ 124,844</u>	<u>\$ 302,808</u>	<u>\$ 262,025</u>

The Group held an interest in Top Taiwan XIII Venture Capital Co., Ltd. and it was accounted for as an associate. On May 17, 2022, three additional directors were elected by the Corporation through the resolution of the shareholders' meeting and the Group ceased to have significant influence over Top Taiwan VIII Venture Capital Co., Ltd. The Group accounted for the remaining interests as financial assets at FVTOCI rather than using the equity method. This transaction resulted in the recognition of a loss on disposal, which was calculated as follows:

Proceeds from disposal	\$ -
Plus: Fair value of retained investment	44,752
Less: Carrying amount of investment on the date of loss of significant influence	<u>(48,669)</u>
Loss recognized	<u>\$ (3,917)</u>

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments were based on the associates' financial statements that have not been reviewed for the same periods. The Group considered that there would be no significant adjustments even if such financial statements were reviewed.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 326,047	\$ 824,859	\$ 1,908,841	\$ 298,817	\$ 3,358,564
Additions	-	975	92,956	35,868	129,799
Disposals	-	(630)	(30,189)	(7,248)	(38,067)
Effect of exchange rate differences	-	(10,809)	(27,006)	(4,718)	(42,533)
Reclassification	<u>-</u>	<u>-</u>	<u>69,064</u>	<u>21,815</u>	<u>90,879</u>
Balance at September 30, 2021	<u>\$ 326,047</u>	<u>\$ 814,395</u>	<u>\$ 2,013,666</u>	<u>\$ 344,534</u>	<u>\$ 3,498,642</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ -	\$ 417,897	\$ 1,212,796	\$ 204,739	\$ 1,835,432
Disposals	-	(630)	(27,489)	(6,703)	(34,822)
Depreciation expense	-	24,767	102,133	31,047	157,947
Effect of exchange rate differences	<u>-</u>	<u>(5,998)</u>	<u>(16,288)</u>	<u>(3,001)</u>	<u>(25,287)</u>
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 436,036</u>	<u>\$ 1,271,152</u>	<u>\$ 226,082</u>	<u>\$ 1,933,270</u>
Carrying amount at September 30, 2021	<u>\$ 326,047</u>	<u>\$ 378,359</u>	<u>\$ 742,514</u>	<u>\$ 118,452</u>	<u>\$ 1,565,372</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 326,047	\$ 821,631	\$ 2,031,506	\$ 345,913	\$ 3,525,097
Additions	-	7,709	16,579	8,066	32,354
Disposals	-	(964)	(20,903)	(1,984)	(23,851)
Effect of exchange rate differences	-	20,002	52,083	9,387	81,472
Reclassification	-	-	35,585	10,068	45,653
Balance at September 30, 2022	<u>\$ 326,047</u>	<u>\$ 848,378</u>	<u>\$ 2,114,850</u>	<u>\$ 371,450</u>	<u>\$ 3,660,725</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ -	\$ 448,167	\$ 1,307,060	\$ 234,082	\$ 1,989,309
Disposals	-	(591)	(20,289)	(1,724)	(22,604)
Depreciation expense	-	24,556	100,916	34,031	159,503
Effect of exchange rate differences	-	11,721	32,721	6,297	50,739
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 483,853</u>	<u>\$ 1,420,408</u>	<u>\$ 272,686</u>	<u>\$ 2,176,947</u>
Carrying amount at September 30, 2022	<u>\$ 326,047</u>	<u>\$ 364,525</u>	<u>\$ 694,442</u>	<u>\$ 98,764</u>	<u>\$ 1,483,778</u>

(Concluded)

The above items of property, plant and equipment are depreciated on straight-line basis over the estimated useful lives of the assets as follows:

Buildings	
Main buildings	20-45 years
Elevators	15-20 years
Engineering system	10-20 years
Others	5-8 years
Machinery and equipment	2-10 years
Miscellaneous equipment	2-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Land	\$ 122,383	\$ 121,877	\$ 121,564
Buildings	<u>40,954</u>	<u>33,441</u>	<u>34,844</u>
	<u>\$ 163,337</u>	<u>\$ 155,318</u>	<u>\$ 156,408</u>

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets			<u>\$ 28,285</u>	<u>\$ 85,247</u>
Depreciation charge for right-of-use assets				
Land	\$ 1,048	\$ 1,208	\$ 3,134	\$ 2,113
Buildings	<u>7,791</u>	<u>6,167</u>	<u>21,826</u>	<u>18,854</u>
	<u>\$ 8,839</u>	<u>\$ 7,375</u>	<u>\$ 24,960</u>	<u>\$ 20,967</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2022 and 2021.

The right-of-use assets pledged as collateral for bank borrowings are set out in Note 27.

b. Lease liabilities

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Carrying amount</u>			
Current	<u>\$ 28,792</u>	<u>\$ 18,463</u>	<u>\$ 19,088</u>
Non-current	<u>\$ 6,611</u>	<u>\$ 5,940</u>	<u>\$ 3,343</u>

Range of discount rates for lease liabilities was as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Buildings	0.9%	0.9%	0.9%

c. Material leasing activities and terms

The Group leases certain land, plant and office with lease terms from 2019 to 2025. These arrangements do not contain renewal or purchase options.

The Group also leases land for producing products in China with lease terms of 44 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land at the end of lease terms.

d. Other lease information

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	<u>\$ 2,689</u>	<u>\$ 3,172</u>	<u>\$ 8,866</u>	<u>\$ 8,835</u>
Total cash outflow for leases			<u>\$ 27,072</u>	<u>\$ 101,563</u>

## 15. INVESTMENT PROPERTIES

Except for depreciation recognized during the year, the Group did not have significant addition, disposal, or impairment of investment properties for the nine months ended September 30, 2022 and 2021. Investment properties are depreciated on a straight-line basis over the estimated useful life of 45 years.

Management was unable to reliably measure the fair value of investment properties located at Dafeng St., Luzhu District, Taoyuan City 338028, Taiwan (ROC) because of the remote location. The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Corporation determined that the fair value of the investment properties is not reliably measurable.

The investment properties of the Group were held under freehold interests. The investment properties pledged as collateral for bank borrowings are set out in Note 27.

## 16. BORROWINGS

### a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Secured borrowings</u>			
Bank loans	\$ 190,000	\$ 190,000	\$ 190,000
<u>Unsecured borrowings</u>			
Line of credit borrowings	<u>140,000</u>	<u>280,000</u>	<u>310,000</u>
	<u>\$ 330,000</u>	<u>\$ 470,000</u>	<u>\$ 500,000</u>
Annual interest rate	1.23%-1.50%	0.86%	0.86%

### b. Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Secured borrowings</u>			
Bank loans	\$ 4,472	\$ -	\$ -
Less: Current portion	<u>-</u>	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 4,472</u>	<u>\$ -</u>	<u>\$ -</u>
Annual interest rate	3.95%	-	-

The secured borrowings were secured by the Group's land, buildings, right-of-use assets and investment properties. Refer to Note 27 for details.

## 17. NOTES PAYABLE AND ACCOUNTS PAYABLE

Accounts payable are not bearing interest. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 18. OTHER PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Payable for salaries and bonuses	\$ 217,444	\$ 315,717	\$ 215,567
Payable for transportation	64,808	75,565	68,407
Compensation payable to directors and employees	55,250	49,694	71,350
Payable for purchase of equipment	26,322	32,814	14,358
Others	<u>161,690</u>	<u>174,871</u>	<u>138,940</u>
	<u>\$ 525,514</u>	<u>\$ 648,661</u>	<u>\$ 508,622</u>

## 19. EQUITY

### a. Share capital

	September 30, 2022	December 31, 2021	September 30, 2021
Authorized shares (in thousands)	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>
Authorized capital	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Issued and paid shares (in thousands)	<u>142,368</u>	<u>142,368</u>	<u>142,368</u>
Issued capital	<u>\$ 1,423,676</u>	<u>\$ 1,423,676</u>	<u>\$ 1,423,676</u>

The issued ordinary shares, with a par value of NT\$10, carry one voting right per share and carry a right to dividends.

The authorized shares include 600 thousand shares reserved for the exercise of employee stock options.

### b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Additional paid-in capital	\$ 2,784,898	\$ 2,784,898	\$ 2,784,898
Expired employee share options	14,311	14,311	14,311
<u>May only be used to offset a deficit</u>			
Changes in percentage of ownership interests in subsidiaries (2)	<u>21,588</u>	<u>21,559</u>	<u>21,445</u>
	<u>\$ 2,820,797</u>	<u>\$ 2,820,768</u>	<u>\$ 2,820,654</u>

- 1) Such capital surplus may be used to offset a deficit; when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and to once a year).
  - 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.
- c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 21-(d).

The Corporation distributes dividends after taking into consideration its future capital needs and long-term financial plans. Where the Corporation made a profit in a fiscal year, the Corporation could propose cash dividends between 10% and 100% of distributable earnings. The shareholders may adjust the ratio of dividends to reflect the profit and the adequacy of capital.

Appropriations of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2021 and 2020 that had been resolved by the shareholders in their meeting on June 22, 2022 and July 30, 2021, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Legal reserve	<u>\$ 90,881</u>	<u>\$ 67,706</u>
Special reserve (reversal)	<u>\$ 73,247</u>	<u>\$ (63,837)</u>
Cash dividends	<u>\$ 427,103</u>	<u>\$ 355,919</u>
Cash dividends per share (NT\$)	\$ 3.0	\$ 2.5

When a special reserve is appropriated for cumulative net debit balance reserves from prior period, the special reserve is only appropriated from the prior unappropriated earnings.

d. Special reserve

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 524,565	\$ 588,402
Appropriations in respect of		
Debits to other equity items	73,247	-
Reversals		
Reversal of the debit to other equity items	<u>-</u>	<u>(63,837)</u>
Balance at September 30	<u>\$ 597,812</u>	<u>\$ 524,565</u>

On the initial application of IFRSs, the Corporation appropriated to special reserve the amount of \$343,684 thousand which was the same amount as the cumulative translation adjustment, and transferred it to retained earnings. In subsequent years, the additional special reserve will be appropriated and reversed under rule No. 1090150022 issued by the FSC.

e. Non-controlling interests

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 5,558	\$ 6,266
Non-controlling interests arising from acquisition of subsidiaries	1,000	-
Attributable to non-controlling interests		
Net income for the period	<u>(710)</u>	<u>(528)</u>
Balance at September 30	<u>\$ 5,848</u>	<u>\$ 5,738</u>

## 20. REVENUE

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue from contracts with customers				
Revenue from the sale of goods	<u>\$ 1,872,849</u>	<u>\$ 2,158,345</u>	<u>\$ 6,243,369</u>	<u>\$ 6,362,504</u>

a. Contract information

The goods are sold at the fair value of the consideration received or receivable. The Group eliminates the estimated customer returns, discounts and other similar discounts from the amount of goods sold to determine the revenue from sale of goods.

b. Contract balances

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>January 1, 2021</b>
Notes and accounts receivable (Note 8)	<u>\$ 3,138,116</u>	<u>\$ 3,502,685</u>	<u>\$ 3,531,581</u>	<u>\$ 3,079,126</u>

c. Disaggregation of revenue

Refer to Note 31 for information on disaggregation of revenue.

**21. INCOME BEFORE INCOME TAX**

a. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Gain on disposal and retirement of property, plant and equipment	\$ 3,501	\$ 528	\$ 3,921	\$ 2,719
Government subsidy income	329	297	28,319	5,211
Dividend income	-	-	15,995	13,073
Loss on disposal of investment	-	-	(3,917)	-
Others	<u>3,470</u>	<u>1,297</u>	<u>6,788</u>	<u>2,870</u>
	<u>\$ 7,300</u>	<u>\$ 2,122</u>	<u>\$ 51,106</u>	<u>\$ 23,873</u>

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Property, plant and equipment	\$ 54,123	\$ 53,538	\$ 159,503	\$ 157,947
Intangible assets and others	61,814	30,269	145,965	108,714
Right-of-use assets	8,839	7,375	24,960	20,967
Investment properties	<u>194</u>	<u>194</u>	<u>583</u>	<u>583</u>
	<u>\$ 124,970</u>	<u>\$ 91,376</u>	<u>\$ 331,011</u>	<u>\$ 288,211</u>
An analysis of depreciation by function				
Operating costs	\$ 52,845	\$ 50,285	\$ 154,943	\$ 146,606
Operating expenses	10,117	10,628	29,520	32,308
Non-operating expenses	<u>194</u>	<u>194</u>	<u>583</u>	<u>583</u>
	<u>\$ 63,156</u>	<u>\$ 61,107</u>	<u>\$ 185,046</u>	<u>\$ 179,497</u>
An analysis of amortization by function				
Operating costs	\$ 60,356	\$ 29,884	\$ 143,122	\$ 106,657
Operating expenses	<u>1,458</u>	<u>385</u>	<u>2,843</u>	<u>2,057</u>
	<u>\$ 61,814</u>	<u>\$ 30,269</u>	<u>\$ 145,965</u>	<u>\$ 108,714</u>



c. Employee benefits expense

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Payroll expense	\$ 299,861	\$ 309,501	\$ 944,644	\$ 975,669
Post-employment benefits				
Defined contribution plans	12,460	10,709	38,273	29,606
Other employee benefits	<u>29,868</u>	<u>29,983</u>	<u>87,063</u>	<u>84,592</u>
Total employee benefits expense	<u>\$ 342,189</u>	<u>\$ 350,193</u>	<u>\$ 1,069,980</u>	<u>\$ 1,089,867</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 235,710	\$ 246,660	\$ 751,494	\$ 767,866
Operating expenses	<u>106,479</u>	<u>103,533</u>	<u>318,486</u>	<u>322,001</u>
	<u>\$ 342,189</u>	<u>\$ 350,193</u>	<u>\$ 1,069,980</u>	<u>\$ 1,089,867</u>

d. Compensation of employees and remuneration of directors

The Corporation accrues compensation of employees at rates of no less than 1% and no higher than 15%, and remuneration of directors at rates of no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, are as follows:

Accrual rate

	<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	5.23%	6.81%
Remuneration of directors	1.34%	1.28%

Amount

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Compensation of employees	<u>\$ 15,500</u>	<u>\$ 12,100</u>	<u>\$ 44,000</u>	<u>\$ 60,100</u>
Remuneration of directors	<u>\$ 3,750</u>	<u>\$ 3,750</u>	<u>\$ 11,250</u>	<u>\$ 11,250</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees and the remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Corporation's board of directors on March 22, 2022 and March 23, 2021, respectively, are as follows:

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	<u>\$ 34,694</u>	<u>\$ 26,251</u>
Remuneration of directors and supervisors	<u>\$ 15,000</u>	<u>\$ 15,000</u>

There was no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	<b><u>For the Three Months Ended</u></b> <b><u>September 30</u></b>		<b><u>For the Nine Months Ended</u></b> <b><u>September 30</u></b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current tax				
In respect of the current year	\$ 130,958	\$ 129,751	\$ 326,702	\$ 275,677
Income tax on unappropriated earnings	-	15,864	19,364	15,864
Adjustments for prior year	<u>591</u>	<u>3</u>	<u>(633)</u>	<u>261</u>
	<u>131,549</u>	<u>145,618</u>	<u>345,433</u>	<u>291,802</u>
Deferred tax				
In respect of the current year	<u>3,082</u>	<u>798</u>	<u>4,707</u>	<u>2,224</u>
Income tax expense recognized in profit or loss	<u>\$ 134,631</u>	<u>\$ 146,416</u>	<u>\$ 350,140</u>	<u>\$ 294,026</u>

### b. Income tax examination

Income tax returns of the following companies have been examined by the tax authorities:

- 1) Chia Chang Co., Ltd. - through 2020
- 2) Energy Magic Co, Ltd. - through 2020
- 3) Chia Development Co., Ltd. - through 2020

## 23. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Basic earnings per share	\$ 1.54	\$ 1.42	\$ 4.27	\$ 4.98
Diluted earnings per share	\$ 1.52	\$ 1.41	\$ 4.23	\$ 4.92

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Income for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Earnings used in the computation of basic earnings per share	\$ 218,735	\$ 201,933	\$ 608,250	\$ 708,592
Effect of potentially dilutive ordinary shares:				
Compensation of employees	-	-	-	-
Earnings used in the computation of diluted earnings per share	\$ 218,735	\$ 201,933	\$ 608,250	\$ 708,592

### Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	142,368	142,368	142,368	142,368
Effect of potentially dilutive ordinary shares:				
Employee share options	1,288	1,324	1,491	1,613
Weighted average number of ordinary shares used in the computation of diluted earnings per share	143,656	143,692	143,859	143,981

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt (borrowing offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on an annual basis. In order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, or the number of new shares issued or repurchased.

## 25. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The disclosures of fair value are not required for financial instruments that are not measured at fair value but with carrying value approximating fair value such as cash and cash equivalents, notes and accounts receivable, other financial asset - current, refundable deposits, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

September 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 45	\$ -	\$ -	\$ 45
Structured deposits	<u>-</u>	<u>90,008</u>	<u>-</u>	<u>90,008</u>
	<u>\$ 45</u>	<u>\$ 90,008</u>	<u>\$ -</u>	<u>\$ 90,053</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,540</u>	<u>\$ 197,540</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,082</u>	<u>\$ 164,082</u>

September 30, 2021

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	\$ <u>44</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>44</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>159,276</u>	\$ <u>159,276</u>

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2022 and 2021.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2022

	<b>Financial Assets at FVTOCI</b>
Balance at January 1, 2022	\$ 164,082
Reclassification from investments accounted for using the equity method	44,752
Recognized in other comprehensive income	<u>(11,294)</u>
Balance at September 30, 2022	\$ <u>197,540</u>

For the nine months ended September 30, 2021

	<b>Financial Assets at FVTOCI</b>
Balance at January 1, 2021	\$ 177,779
Recognized in other comprehensive income	<u>(18,503)</u>
Balance at September 30, 2021	\$ <u>159,276</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

For the domestic non-listed stocks held by the Group and measured at fair value, such fair value is determined by market approach and asset-based approach. The market approach is referring to the observable market price or to the comparable company. The asset-based approach is evaluating the total value of the individual assets and individual liabilities covered by evaluation target to measure its fair value.

c. Categories of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 90,053	\$ 45	\$ 44
Financial assets at amortized cost (1)	7,164,970	7,684,871	7,246,317
Financial assets at FVTOCI	197,540	164,082	159,276

Financial liabilities

Financial liabilities at amortized cost (2)	2,150,306	2,874,407	2,479,964
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- 1) The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, other financial assets - current, other receivables, and refundable deposits.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporation's treasury function reports quarterly to the Corporation's board of directors.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Parts of the Group's sales are denominated in currencies other than the functional currency of the entity in the Group making the sale, whilst parts of costs are denominated in currencies other than the functional currency of the entity in the Group. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (excluding those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 29.

The Group was mainly exposed to the U.S. dollar.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the U.S. dollar. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the U.S. dollar. For a 1% weakening of the New Taiwan dollar against the U.S. dollar, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	<b>U.S. Dollar Impact</b>	
	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2022</b>	<b>2021</b>
Profit or loss*	\$ 26,941	\$ 24,480

\* The result was mainly attributable to the exposure on outstanding receivables and payables in U.S. dollar which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrow funds at fixed interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>September 30,</b> <b>2022</b>	<b>December 31,</b> <b>2021</b>	<b>September 30,</b> <b>2021</b>
Fair value interest rate risk			
Financial assets	\$ 2,055,630	\$ 2,322,308	\$ 2,374,984
Financial liabilities	369,875	494,403	522,431
Cash flow interest rate risk			
Financial assets	1,932,781	1,808,106	1,282,920

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis was prepared assuming the amount of the asset outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$3,507 thousand and \$2,565 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$1,975 thousand and \$1,593 thousand, respectively, as a result of the changes in financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to mitigate credit risk, the management of the Group has delegated qualified personnel in accordance with the segregation of duties principle to be responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

Since the counterparty of current funds and derivative financial instruments is a financial institution with a good credit rating, the Group does not expect any material credit risk.

The Group's concentration of credit risk of 53%, 53% and 54% of total accounts receivable as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively, was attributable to the Group's three largest customers.



### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loan facilities*			
Amount used	\$ 110,000	\$ 280,000	\$ 310,000
Amount unused	<u>890,000</u>	<u>670,000</u>	<u>640,000</u>
	<u>\$ 1,000,000</u>	<u>\$ 950,000</u>	<u>\$ 950,000</u>
Secured bank loan facilities*			
Amount used	\$ 224,472	\$ 190,000	\$ 190,000
Amount unused	<u>1,804,328</u>	<u>150,000</u>	<u>150,000</u>
	<u>\$ 2,028,800</u>	<u>\$ 340,000</u>	<u>\$ 340,000</u>

\* Including the amount signed by the Group and the bank.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

#### September 30, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months-1 Year</b>	<b>1+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 521,489	\$ 1,289,490	\$ -	\$ 830
Lease liabilities	11,717	-	17,277	6,671
Fixed interest rate borrowings	<u>-</u>	<u>331,142</u>	<u>-</u>	<u>4,888</u>
	<u>\$ 533,206</u>	<u>\$ 1,620,632</u>	<u>\$ 17,277</u>	<u>\$ 12,389</u>

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months-1 Year</b>	<b>1+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 648,661	\$ 1,754,916	\$ -	\$ 830
Lease liabilities	-	1,150	17,500	5,967
Fixed interest rate borrowings	<u>470,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,118,904</u>	<u>\$ 1,756,066</u>	<u>\$ 17,500</u>	<u>\$ 6,797</u>

September 30, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months-1 Year</b>	<b>1+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing liabilities	\$ 508,622	\$ 1,470,742	\$ -	\$ 600
Lease liabilities	-	2,815	16,421	3,354
Fixed interest rate borrowings	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,008,622</u>	<u>\$ 1,473,557</u>	<u>\$ 16,421</u>	<u>\$ 3,954</u>

## 26. RELATED PARTY TRANSACTIONS

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note.

### Remuneration of key management personnel

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 8,986	\$ 9,212	\$ 26,660	\$ 27,438
Post-employment benefits	<u>216</u>	<u>237</u>	<u>643</u>	<u>711</u>
	<u>\$ 9,202</u>	<u>\$ 9,449</u>	<u>\$ 27,303</u>	<u>\$ 28,149</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 27. PLEDGED ASSETS

The following assets were provided as collateral or guarantee for bank financing, amount of endorsement and guarantee, and for issuing commercial paper.

	September 30, 2022	December 31, 2021	September 30, 2021
Property, plant and equipment			
Land	\$ 185,000	\$ 185,000	\$ 185,000
Buildings	96,922	92,548	93,567
Right-of-use assets	67,379	-	-
Investment properties	<u>54,185</u>	<u>54,768</u>	<u>54,962</u>
	<u>\$ 403,486</u>	<u>\$ 332,316</u>	<u>\$ 333,529</u>

## 28. OTHER ITEMS

The Group has evaluated the effect of the COVID-19 pandemic which has evolved globally and currently in Taiwan. Because of the industrial characteristics and strategies formulated, the Group has assessed that there were no significant impacts on the Group.

## 29. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and respective functional currencies were as follows:

September 30, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	US\$ 22,954	31.750 (USD:NTD)	\$ 728,782
USD	US\$ 69,756	7.0998 (USD:RMB)	2,214,450
RMB	RMB 33,358	0.1408 (RMB:USD)	149,175
RMB	RMB 1	4.4720 (RMB:NTD)	4
<u>Financial liabilities</u>			
Monetary items			
USD	US\$ 2,967	31.750 (USD:NTD)	94,193
USD	US\$ 9,580	7.0998 (USD:RMB)	304,152

December 31, 2021

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	US\$ 27,410	27.680 (USD:NTD)	\$ 758,701
USD	US\$ 98,155	6.3757 (USD:RMB)	2,716,972
RMB	RMB 1	4.3415 (RMB:NTD)	4
RMB	RMB 32,517	0.1568 (RMB:USD)	141,173
<u>Financial liabilities</u>			
Monetary items			
USD	US\$ 7,037	27.680 (USD:NTD)	194,771
USD	US\$ 23,160	6.3757 (USD:RMB)	641,075

September 30, 2021

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	US\$ 17,361	27.850 (USD:NTD)	\$ 483,506
USD	US\$ 93,989	6.4854 (USD:RMB)	2,617,319
RMB	RMB 32,517	0.1542 (RMB:USD)	139,635
<u>Financial liabilities</u>			
Monetary items			
USD	US\$ 5,145	27.850 (USD:NTD)	143,296
USD	US\$ 23,309	6.4854 (USD:RMB)	649,171

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	<b>For the Three Months Ended September 30</b>			
	<b>2022</b>		<b>2021</b>	
<b>Functional Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	29.282 (USD:NTD)	\$ 52,565	28.067 (USD:NTD)	\$ 1,216
USD	6.5977 (USD:RMB)	89,196	6.4703 (USD:RMB)	7,000
RMB	0.1516 (RMB:USD)	(8,115)	0.1546 (RMB:USD)	(556)
RMB	4.4382 (RMB:NTD)	-	4.3378 (RMB:NTD)	(1,148)
		<u>\$ 133,646</u>		<u>\$ 6,512</u>

<b>For the Nine Months Ended September 30</b>				
<b>2022</b>			<b>2021</b>	
<b>Functional Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	29.282 (USD:NTD)	\$ 102,264	28.067 (USD:NTD)	\$ (8,037)
USD	6.5977 (USD:RMB)	180,024	6.4703 (USD:RMB)	(13,771)
RMB	0.1516 (RMB:USD)	(15,573)	0.1546 (RMB:USD)	831
RMB	4.4382 (RMB:NTD)	-	4.3378 (RMB:NTD)	(287)
		<u>\$ 266,715</u>		<u>\$ (21,264)</u>

### 30. ADDITIONAL DISCLOSURES

a. Information on significant transactions:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant transactions. (Table 4)

b. Information on investees. (Table 5)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income (loss) of the investee, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 4)
  - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 4)
  - The amount of property transactions and the amount of the resultant gains or losses. (None)
  - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
  - The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
  - Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services. (None)
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 7)

### 31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments are stamping department and others.

#### a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	<b>For the Nine Months Ended September 30, 2022</b>		
	<b>Stamping Business</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	<u>\$ 6,243,197</u>	<u>\$ 172</u>	<u>\$ 6,423,369</u>
Segment income	\$ 684,575	\$ (1,997)	\$ 682,578
Share of profit or loss of associate and joint venture for using the equity method	(969)	(80,555)	(81,524)
Interest income	41,912	123	42,035
Other gains and losses	35,111	15,995	51,106
Interest expense	(3,230)	-	(3,230)
Exchange gains and losses	<u>266,715</u>	<u>-</u>	<u>266,715</u>
Income (loss) before income tax	<u>\$ 1,024,114</u>	<u>\$ (66,434)</u>	<u>\$ 957,680</u>

**For the Nine Months Ended September 30, 2021**

	<b>Stamping Business</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	\$ <u>6,362,504</u>	\$ <u>          -</u>	\$ <u>6,362,504</u>
Segment income	\$ 889,977	\$ (1,245)	\$ 888,732
Share of profit or loss of associate and joint venture for using the equity method	(55)	69,207	69,152
Interest income	45,182	80	45,262
Other gains and losses	10,800	13,073	23,873
Interest expense	(3,665)	-	(3,665)
Exchange gains and losses	<u>(21,264)</u>	<u>          -</u>	<u>(21,264)</u>
Income before income tax	\$ <u>920,975</u>	\$ <u>81,115</u>	\$ <u>1,002,090</u>

Segment profit represented the profit before tax earned by each segment without the allocation of central administration costs and directors' salaries, share of profit of associates, gains on disposal of interests in associates, lease income, interest income, gains or losses on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Segment assets</u>			
Stamping business segment	\$ 10,765,334	\$ 10,887,824	\$ 10,230,732
Others	<u>299,511</u>	<u>423,326</u>	<u>379,612</u>
Consolidated total assets	\$ <u>11,064,845</u>	\$ <u>11,311,150</u>	\$ <u>10,610,344</u>
<u>Segment liabilities</u>			
Stamping business segment	\$ 2,620,667	\$ 3,337,302	\$ 2,906,654
Others	<u>4,109</u>	<u>813</u>	<u>273</u>
Consolidated total liabilities	\$ <u>2,624,776</u>	\$ <u>3,338,115</u>	\$ <u>2,906,927</u>

## CHIA CHANG CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period (Foreign Currencies in Thousands)	Ending Balance (Foreign Currencies in Thousands)	Amount Actually Drawn (Foreign Currencies in Thousands) (Note 3)	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Foreign Currencies in Thousands) (Note 1)	Financing Company's Total Financing Amount Limits (Foreign Currencies in Thousands) (Note 2)
													Item	Value		
1	GOLDSKY ENTERPRISES LIMITED	Chia Chang Co., Ltd.	Other receivables	Yes	\$ 63,500 (US\$ 2,000)	\$ 63,500 (US\$ 2,000)	\$ -	-	Short-term financing	Not applicable	Operating capital	\$ -	-	-	\$ 163,227 (US\$ 5,141)	\$ 326,454 (US\$ 10,282)
2	CHIA CORPORATION	Chia Chang Co., Ltd.	Other receivables	Yes	635,000 (US\$ 20,000)	635,000 (US\$ 20,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	1,332,598 (RMB 297,987)	2,665,200 (RMB 595,975)
		Nanjing Chia-Chan Precious Electronics Co., Ltd.	Other receivables	Yes	63,500 (US\$ 2,000)	63,500 (US\$ 2,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	1,332,598 (RMB 297,987)	2,665,200 (RMB 595,975)
		Chia Chang Technology (Suzhou) Co., Ltd.	Other receivables	Yes	635,000 (US\$ 20,000)	635,000 (US\$ 20,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	1,332,598 (RMB 297,987)	2,665,200 (RMB 595,975)
		Chia Chang Technology (Chong Qing) Co., Ltd.	Other receivables	Yes	222,250 (US\$ 7,000)	222,250 (US\$ 7,000)	89,440 (RMB 20,000) (Note 3)	4.35%	Short-term financing	Not applicable	Operating capital	-	-	-	1,332,598 (RMB 297,987)	2,665,200 (RMB 595,975)
3	Chia Chang Technology (Suzhou) Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd.	Other receivables	Yes	89,440 (RMB 20,000)	89,440 (RMB 20,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	714,970 (RMB 159,877)	1,429,944 (RMB 319,755)
4	Ningbo Chia Chang Electronics Hardware Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd.	Other receivables	Yes	89,440 (RMB 20,000)	89,440 (RMB 20,000)	44,720 (RMB 10,000) (Note 3)	4.35%	Short-term financing	Not applicable	Operating capital	-	-	-	140,613 (RMB 31,443)	562,457 (RMB 125,773)
		Chia Chang Technology (Suzhou) Co., Ltd.	Other receivables	Yes	89,440 (RMB 20,000)	89,440 (RMB 20,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	140,613 (RMB 31,443)	562,457 (RMB 125,773)
5	Nanjing Chia-Chan Precious Electronics Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd.	Other receivables	Yes	44,720 (RMB 10,000)	44,720 (RMB 10,000)	22,360 (RMB 5,000) (Note 3)	4.35%	Short-term financing	Not applicable	Operating capital	-	-	-	63,748 (RMB 14,255)	255,002 (RMB 57,022)
		Chia Chang Technology (Suzhou) Co., Ltd.	Other receivables	Yes	44,720 (RMB 10,000)	44,720 (RMB 10,000)	-	-	Short-term financing	Not applicable	Operating capital	-	-	-	63,748 (RMB 14,255)	255,002 (RMB 57,022)

Note 1: The limit for lending to each borrower is as follows:

- a. For companies with transactions and short-term funding needs, the amount for lending to a company shall not exceed 2% of the net equity of the Corporation based on its latest financial statements. The total amount for lending shall not exceed 5% of the net equity of the Corporation based on its latest financial statements.
- b. For associates with short-term funding needs, in which the Corporation holds less than 100% of the voting shares of each associate, the amount for lending shall not exceed 10% of the net equity of the associate. For associates with short-term funding needs, in which the Corporation holds 100% of the voting shares of each associate, the amount for lending shall not exceed 20% of the net equity of the associate.

Note 2: The total amount for lending shall not exceed 40% of the net equity of the Corporation based on its latest financial statements.

Note 3: All intercompany transactions have been eliminated upon consolidation.



## CHIA CHANG CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Foreign Currencies in Thousands)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals (Foreign Currencies in Thousands)	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Provided by Parent Company	Endorsement/ Guarantee Provided by Subsidiaries	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Relationship										
0	Chia Chang Co., Ltd.	GOLDSKY ENTERPRISES LIMITED	Note 1	\$ 4,217,110	\$ 571,500 (US\$ 18,000)	\$ 571,500 (US\$ 18,000)	\$ -	\$ -	6.78%	\$ 4,217,110	Yes	No	No
		CHIA CORPORATION	Note 1		1,587,500 (US\$ 50,000)	1,587,500 (US\$ 50,000)	-	635,000 (US\$ 20,000)	18.82%		Yes	No	No
1	Chia Chang Technology (Suzhou) Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd.	Note 1	4,217,110	89,440 (RMB 20,000)	89,440 (RMB 20,000)	-	-	1.06%	4,217,110	No	No	Yes
2	Ningbo Chia Chang Electronics Hardware Co., Ltd.	Chia Chang Technology (Chong Qing) Co., Ltd.	Note 1	4,217,110	89,440 (RMB 20,000)	89,440 (RMB 20,000)	-	-	1.06%	4,217,110	No	No	Yes

Note 1: Subsidiary in which the Corporation directly or indirectly owns more than 50% of its voting shares.

Note 2: According to the Corporation's endorsement/guarantee operating procedures, the total amount of guarantee provided by the Corporation to any individual entity shall not exceed 2% of the Corporation's net equity based on its latest financial statements, except for the guarantee provided to any entity whose voting shares are 50% owned. The total balance of guarantee shall not exceed 50% of the Corporation's net equity based on its latest financial statements.

## CHIA CHANG CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
 SEPTEMBER 30, 2022  
 (In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2022				Note
				Number of Shares (Units in Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chia Chang Co., Ltd.	<u>Ordinary share(s)</u> Chimei Motor Electronics Co., Ltd.	None	Financial assets at FVTOCI - non-current	1,372	\$ 17,112	4.65	\$ 17,112	Notes 1 and 2
	Top Taiwan XIII Venture Capital Co., Ltd.	The Corporation is its corporate directors	Financial assets at FVTOCI - non-current	5,000	43,623	5.81	43,623	Notes 1 and 2
TARCOOLA TRADING LIMITED	<u>Mutual fund(s)</u> Capital RMB Money Market Fund-RMB	None	Financial assets at PVTPL - current	1	45	-	45	Notes 1 and 2
Chia Development Co., Ltd.	<u>Ordinary share(s)</u> WK Technology Fund IX Ltd.	One of the Corporation's key management personnel is one of its supervisors	Financial assets at FVTOCI - non-current	7,690	136,805	7.69	136,805	Notes 1 and 2
Chia Chang Technology (Suzhou) Co., Ltd.	<u>Structured deposit(s)</u> CTBC Bank RMB Structured deposit financial products	None	Financial assets at PVTPL - current	-	90,008	-	90,008	Notes 1 and 2

Note 1: The unlisted stocks mentioned above are calculated using a valuation method at fair value, and the mutual fund is calculated at net value on September 30, 2022. Additionally, the fair value of structured deposits is estimated based on the reference market value provided by the bank on September 30, 2022.

Note 2: The securities held at end of period have not been provided as collateral or pledged for loans.

## CHIA CHANG CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars)

No.	Transaction Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Corporation	GOLDSKY ENTERPRISES LIMITED	1	Other current liabilities	\$ 53,796	Note 6	-
1	CHIA CORPORATION	Chia Chang Technology (Chong Qing) Co., Ltd.	3	Other receivables	92,136	Note 3, interest rate 4.35%	1
2	GOLDSKY ENTERPRISES LIMITED	Chia Chang Co., Ltd.	2	Accounts receivable	53,796	Note 6	-
3	Chia Chang Technology (Suzhou) Co., Ltd.	Nanjing Chia-Chan Precious Electronics Co., Ltd.	3	Purchase	14,321	Note 2	-
4	Ningbo Chia Chang Electronics Hardware Co., Ltd.	Nanjing Chia-Chan Precious Electronics Co., Ltd. Chia Chang Technology (Chong Qing) Co., Ltd.	3 3	Purchase Other receivables	32,796 46,157	Note 2 Note 4, interest rate 4.35%	1 -
5	Nanjing Chia-Chan Precious Electronics Co., Ltd.	Chia Chang Technology (Suzhou) Co., Ltd. Ningbo Chia Chang Electronics Hardware Co., Ltd. Chia Chang Technology (Chong Qing) Co., Ltd.	3 3 3	Sales revenue Sales revenue Other receivables	14,321 32,796 23,089	Note 2 Note 2 Note 5, interest rate 4.35%	- 1 -
6	Chia Chang Technology (Chong Qing) Co., Ltd.	Nanjing Chia-Chan Precious Electronics Co., Ltd. Ningbo Chia Chang Electronics Hardware Co., Ltd. CHIA CORPORATION	3 3 3	Other payables Other payables Other payables	23,089 46,157 92,136	Note 5, interest rate 4.35% Note 4, interest rate 4.35% Note 3, interest rate 4.35%	- - 1

Note 1: The flow of transactions are identified by the following numbers in the "Relationship" column:

- a. 1 - from parent company to subsidiary;
- b. 2 - from subsidiary to parent company;
- c. 3 - between subsidiaries.

Note 2: For the purchase and sales transactions between the Group and its related parties, the collection period is 60-180 days.

Note 3: Other receivables from Chia Chang Technology (Chong Qing) Co., Ltd. recognized by CHIA CORPORATION included loan of \$89,440 thousand and interest receivable of \$2,696 thousand.

Note 4: Other receivables from Chia Chang Technology (Chong Qing) Co., Ltd. recognized by Ningbo Chia Chang Electronics Hardware Co., Ltd. included loan of \$44,720 thousand and interest receivable of \$1,437 thousand.

Note 5: Other receivables from Chia Chang Technology (Chong Qing) Co., Ltd. recognized by Nanjing Chia-Chan Precious Electronics Co., Ltd. included loan of \$22,360 thousand and interest receivable of \$729 thousand.

Note 6: Accounts receivable and accounts payable that resulted from the mold payments on behalf and mold receipts under custody between the Group and the related parties.

Note 7: A transaction is disclosed if it amounts to more than \$10,000 thousand.

Note 8: All intercompany transactions have been eliminated upon consolidation.

## CHIA CHANG CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS AND RELATED INFORMATION ON INVESTEEES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2022			Net Income (Loss) of the Investee (Foreign Currencies in Thousands)	Share of Profit (Loss) (Note 1)	Note
				September 30, 2022 (Foreign Currencies in Thousands)	December 31, 2021 (Foreign Currencies in Thousands)	Number of Shares (Units in Thousands)	Percentage of Ownership	Carrying Amount (Foreign Currencies in Thousands)			
Chia Chang Co., Ltd.	CHIA CORPORATION	Samoa	Investment holdings	\$ 1,513,766	\$ 1,513,766	46,740	100.00	\$ 6,663,004 (Note 3)	RMB 126,263	\$ 560,381 (Note 3)	Subsidiary
	GOLDSKY ENTERPRISES LIMITED	Samoa	International trade	33,892	33,892	15	100.00	816,189 (Note 3)	US\$ (180)	(5,285) (Note 3)	Subsidiary
	Chia Development Co., Ltd.	Taoyuan, Taiwan	New business development and investment	263,564	263,564	19,784	100.00	289,732 (Note 3)	(69,292)	(69,292) (Note 3)	Subsidiary
	Zen Material Technology Inc.	Kaohsiung, Taiwan	Electronic components production	92,950	92,950	1,334	46.01	-	(458)	-	Associate
CHIA CORPORATION	TARCOOLA TRADING LIMITED	British Virgin Islands	Investment holdings	US\$ 30,589	US\$ 30,589	37,100	100.00	RMB 799,851 (Note 3)	RMB 69,576	Not applicable	Subsidiary
	HUGE LINE INTERNATIONAL LIMITED	Samoa	Investment holdings	US\$ 11,400	US\$ 11,400	11,601	100.00	RMB 489,324 (Note 3)	RMB 49,786	Not applicable	Subsidiary
	CHIAPEX HOLDING LIMITED	Samoa	Investment holdings	US\$ 4,911	US\$ 4,911	4,851	100.00	RMB 10,126 (Note 3)	RMB 537	Not applicable	Subsidiary
	CHIA-RUI HOLDING LIMITED	Samoa	Investment holdings	-	US\$ 23,807	-	-	- (Note 4)	RMB (126)	Not applicable	Subsidiary
Chia Development Co., Ltd.	Energy Magic Co., Ltd.	Taoyuan, Taiwan	Electronic components production	15,496	15,496	1,500	50.00	5,489 (Note 3)	(1,150)	Not applicable	Subsidiary
	EIDEAL Company Limited	Taoyuan, Taiwan	Electronic components production	4,000	-	400	80.00	3,455 (Note 3)	(681)	Not applicable	Subsidiary
	Top Taiwan IX Venture Capital Co., Ltd.	Taipei, Taiwan	Investment business	70,000	100,000	7,000	12.50	124,844	(644,437)	Not applicable	Associate

Note 1: Profit or loss on investment was accounted by the reviewed financial statements, except for the financial statements of GOLDSKY ENTERPRISES LIMITED, Zen Material Technology Inc., CHIAPEX HOLDING LIMITED, Energy Magic Co., Ltd., Top Taiwan IX Venture Capital Co., Ltd and EIDEAL Company Limited.

Note 2: Information on investments in mainland China is referred to Table 6.

Note 3: All intercompany transactions have been eliminated upon consolidation.

Note 4: CHIA-RUI HOLDING LIMITED had liquidated and the remaining share capital had been refunded to CHIA CORPORATION in April 2022.

## CHIA CHANG CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (RMB in Thousands)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (US\$ in Thousands)	Remittance of Funds		Accumulated Outflow of Investment from Taiwan as of September 30, 2022 (US\$ in Thousands)	Net Income (Loss) of the Investee (RMB in Thousands)	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (RMB in Thousands) (Note 1)	Carrying Amount as of September 30, 2022 (RMB in Thousands)	Accumulated Inward Remittance of Earnings as of September 30, 2022 (RMB in Thousands)
					Outward	Inward						
Chia Chang Technology (Suzhou) Co., Ltd.	Production and sale of IT and optronics metal stamped components	\$ 1,284,980 (RMB 287,339)	Indirect investment in TARCOOLA TRADING LIMITED through CHIA CORPORATION, with the former investing operating funds	\$ 956,913 (US\$ 30,139)	\$ -	\$ -	\$ 956,913 (US\$ 30,139)	\$ 308,783 (RMB 69,574)	100.00%	\$ 308,783 (RMB 69,574) (Note 3)	\$ 3,574,868 (RMB 799,389) (Note 3)	\$ 756,135 (RMB 169,082)
Ningbo Chia Chang Electronics Hardware Co., Ltd.	Production and sale of IT and optronics metal stamped components	307,611 (RMB 68,786)	Indirect investment in HUGE LINE INTERNATIONAL LIMITED through CHIA CORPORATION, with the former investing operating funds	203,200 (US\$ 6,400)	-	-	203,200 (US\$ 6,400)	215,000 (RMB 48,443)	100.00%	215,000 (RMB 48,443) (Note 3)	1,406,149 (RMB 314,434) (Note 3)	1,399,472 (RMB 312,941)
Quan Rui (Dong Guan) Industrial Co., Ltd.	Production and sale of IT and optronics metal stamped components	-	Indirect investment in CHIA-RUI HOLDING LIMITED through CHIA CORPORATION, with the former investing operating funds	166,688 (US\$ 5,250)	-	-	166,688 (US\$ 5,250)	240 (RMB 54)	-	240 (RMB 54) (Note 3)	-	81,359 (RMB 18,193)
Nanjing Chia-Chan Precious Electronics Co., Ltd.	Production and sale of IT and optronics metal stamped components	317,400 (RMB 70,975)	Indirect investment in HUGE LINE INTERNATIONAL LIMITED through CHIA CORPORATION, with the former investing operating funds	-	-	-	-	(182) (RMB -41)	100.00%	(182) (RMB -41) (Note 3)	637,506 (RMB 142,555) (Note 3)	85,728 (RMB 19,170)
Chia Chang Technology (Chong Qing) Co., Ltd.	Production and sale of IT and optronics metal stamped components	134,160 (RMB 30,000)	Through Chia Chang Technology (Suzhou) Co., Ltd. invest operating funds	-	-	-	-	8,903 (RMB 2,006)	100.00%	8,903 (RMB 2,006) (Note 3)	75,644 (RMB 16,915) (Note 3)	-
Chia Chain Precious Hardware & Electronics (Suzhou) Co., Ltd.	Production and sale of IT and optronics metal stamped components	157,397 (RMB 35,196)	Indirect investment in CHIAPEX HOLDING LIMITED through CHIA CORPORATION, with the former investing operating funds	155,924 (US\$ 4,911)	-	-	155,924 (US\$ 4,911)	(1,380) (RMB -311)	49.00%	-	-	319,900 (RMB 71,534)

Accumulated Investment in Mainland China as of September 30, 2022 (US\$ in Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (US\$ in Thousands)	Upper Limit on Investment Stipulated by the Investment Commission, MOEA
\$ 1,482,725 (US\$ 46,700)	\$ 4,196,874 (US\$ 132,185)	\$ 5,060,532 (Note 2)

Note 1: Except Chia Chain Precious Hardware & Electronics (Suzhou) Co., Ltd., the share of profit or loss and other comprehensive income of the investments were based on the associates' financial statements that have been reviewed for the same period.

Note 2: The investment limit is 60% of the Corporation's net equity.

Note 3: All intercompany transactions have been eliminated upon consolidation.

**TABLE 7****CHIA CHANG CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
SEPTEMBER 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Yung Hsiang Investment Co., Ltd.	13,438,441	9.43
Hsin Ho Investment Co., Ltd.	11,785,492	8.27

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Corporation as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.