

Pan-International Industrial Corp. and  
Subsidiaries  
CONSOLIDATED FINANCIAL STATEMENTS  
AND REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
THIRD QUARTER IN 2021 AND 2022  
(Stock code 2328)

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

Pan-International Industrial Corp. and Subsidiaries  
CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF  
INDEPENDENT ACCOUNTANTS 3<sup>rd</sup> QUARTER IN 2022 AND 2021

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## Independent Auditors' Review Report

(2022) Cai-Shen-Bao-Zi No. 22002219

To Pan-International Industrial Corp.

### **Foreword**

The consolidated balance sheet of Pan-International Industrial Corp. and its subsidiaries as of September 30, 2022 and 2021, the consolidated comprehensive income statement for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statement of changes in equity and consolidated cash flow statement for the nine months ended September 30, 2022 and 2021, as well as the notes to the consolidated financial statements (including the summary of significant accounting policies), have been duly reviewed by us. It is the responsibility of the management to prepare properly expressed consolidated financial reports in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" recognized and released by the Financial Supervisory Commission, and our responsibility is to conclude the consolidated financial reports based on the review results.

### **Scope**

Except for retaining the statement in the basis paragraph of the qualified opinion, we conducted the review in accordance with the "Review of Financial Statements" of the Auditing Standards Bulletin No. 65. The procedures to be carried out in reviewing the consolidated financial reports include inquiry (mainly with the person in charge of financial and accounting affairs), analytical procedures, and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Basis for Qualified Conclusion**

As stated in Notes 4 (3) and 6 (6) to the consolidated financial reports, the financial reports of the same period of some non-significant subsidiaries are included in the consolidated financial reports mentioned above and investments by equity method have not been verified by us. The total assets as of September 30, 2022 and 2021 were NT\$689,390 thousand and 3,432,746 thousand, respectively, which accounted for 3% and 15% of the total consolidated assets (including investment by equity method), respectively. The total liabilities were NT\$362,750 thousand and NT\$1,861,019 thousand, accounting for 3% and 20% of the total consolidated liabilities, respectively. The comprehensive income for the three months and nine months ended September 30, 2022 and 2021 were NT\$3,393 thousand, NT\$4,467 thousand, NT\$16,601 thousand, and NT\$16,803 thousand in income, which accounted for 1%, 32%, 2% and 2% of the consolidated comprehensive income, respectively.

## **Conclusion**

According to our review results and the review report by other independent auditors (please refer to the Other item), except that the financial reports of the non-significant subsidiaries and investments by equity method mentioned in the basis paragraph of the qualified opinion, if audited by us, may lead to adjustments to the consolidated financial reports, it is not found that the consolidated financial reports above have not been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the “Interim Financial Reporting” of IAS 34 recognized and released by the Financial Supervisory Commission which may lead to the inability to properly express the consolidated financial status of Pan-International Industrial Corp. and its subsidiaries as of September 30, 2022 and 2021, the consolidated financial performance for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, and consolidated cash flow for the nine months ended September 30, 2022 and 2021.

## **Other item - Review by Other Accountants**

For some of the subsidiaries included in the consolidated financial statements of the Pan-International Group, their financial reports are not reviewed by us but by other accountants. We have implemented a necessary review of the adjustments to the conversion of these subsidiaries' financial reports into consistent accounting policies. Therefore, in our review report pertaining to the consolidated financial reports above, the amounts in the financial reports of these subsidiaries before adjustments are based on the review reports of other independent auditors. Their total assets as of September 30, 2022 and 2021, were NT\$5,918,789 thousand and NT\$5,239,707 thousand, respectively, accounting for 24% and 23% of the total consolidated assets. Their operating revenue for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021 were NT\$1,769,881 thousand, NT\$1,598,190 thousand, NT\$5,560,279 thousand, and NT\$5,026,132 thousand respectively, accounting for 27%, 23%, 30%, and 30% of the consolidated operating revenue.

PwC Taiwan

Yung-Chien Hsu  
Independent Auditors  
Min-Chuan Feng

Former Financial Supervisory Commission, Executive Yuan  
Approval No.: (84) Tai-Cai-Cheng-VI No. 13377  
Former Securities and Futures Bureau, Financial Supervisory  
Commission, Executive Yuan  
Approval No.: Jin-Guan-Cheng-VI-Zi No. 0960038033

November 8, 2022

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Balance Sheets  
September 30, 2022, December 31, 2021, and September 30, 2021  
(the consolidated balance sheet as of September 30, 2022 and 2021,  
was only reviewed but not audited according to generally accepted auditing standards)

Unit: NTD thousand

Assets	Note	September 30, 2022		December 31, 2021		September 30, 2021		
		Amount	%	Amount	%	Amount	%	
<b>Current Assets</b>								
1100	Cash and cash equivalents	6 (1)	\$ 7,035,532	28	\$ 6,241,785	26	\$ 6,830,001	30
1110	Financial assets at FVTPL -	6 (2)						
	Current		10,125	-	11,336	-	18,040	-
1150	Net notes receivable	6 (3)	5,422	-	5,707	-	40	-
1170	Net accounts receivable	6 (3)	3,691,777	15	2,917,801	12	3,357,863	14
1180	Accounts receivable - Related	7						
	parties net		3,292,817	13	3,305,089	13	2,953,069	13
1200	Other receivables		643,803	3	706,222	3	724,683	3
130X	Inventory	6 (4)	4,089,498	17	4,852,387	20	3,412,276	15
1470	Other current assets	8	182,696	1	267,069	1	198,111	1
11XX	<b>Total Current Assets</b>		<u>18,951,670</u>	<u>77</u>	<u>18,307,396</u>	<u>75</u>	<u>17,494,083</u>	<u>76</u>
<b>Non-Current Assets</b>								
1510	Financial assets measured at	6 (2)						
	fair value through income -							
	Non-current		-	-	-	-	1,902	-
1517	Financial assets measured at	6 (5)						
	fair value through other							
	comprehensive income - Non-							
	current		1,755,517	7	2,406,698	10	2,173,133	10
1550	Investment by equity method	6 (6) and 8	749,972	3	742,334	3	763,315	3
1600	Property, plant, and equipment	6 (7) and 8	2,523,173	10	2,152,912	9	1,894,727	8
1755	Right-of-use assets	6 (8) and 8	393,496	2	319,099	2	301,471	1
1760	Net investment property	6 (9) and 8	132,123	1	214,527	1	216,000	1
1780	Intangible asset	6 (10)	37,261	-	36,218	-	35,980	-
1840	Deferred tax assets		66,359	-	73,568	-	79,678	1
1900	Other non-current assets	8	104,781	-	69,672	-	16,278	-
15XX	<b>Total Non-Current Assets</b>		<u>5,762,682</u>	<u>23</u>	<u>6,015,028</u>	<u>25</u>	<u>5,482,484</u>	<u>24</u>
1XXX	<b>Total Assets</b>		<u>\$ 24,714,352</u>	<u>100</u>	<u>\$ 24,322,424</u>	<u>100</u>	<u>\$ 22,976,567</u>	<u>100</u>

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Balance Sheets  
September 30, 2022, December 31, 2021, and September 30, 2021  
(the consolidated balance sheet as of September 30, 2022 and 2021,  
was only reviewed but not audited according to generally accepted auditing standards)

Unit: NTD thousand

LIABILITIES AND EQUITY	Note	September 30, 2022		December 31, 2021		September 30, 2021		
		Amount	%	Amount	%	Amount	%	
<b>Current liability</b>								
2100	Short-term borrowings	6 (11)	\$ 2,480,371	10	\$ 1,028,206	4	\$ 1,727,367	8
2130	Contractual liabilities - Current	6 (19) and 7	377,683	2	939,066	4	693,238	3
2150	Notes payable		111,839	-	64,745	-	101,247	-
2170	Accounts payable		3,966,773	16	4,883,276	20	3,919,854	17
2180	Accounts payable - Related parties	7	1,233,540	5	1,312,672	6	1,362,982	6
2200	Other payables	6 (12)	1,356,540	6	1,246,495	5	974,180	4
2230	Current tax liabilities		270,103	1	252,298	1	214,141	1
2280	Lease liabilities - Current	7	94,829	-	79,991	-	78,572	-
2399	Other current liabilities - Other		20,934	-	25,990	-	34,338	-
21XX	<b>Total current liabilities</b>		<u>9,912,612</u>	<u>40</u>	<u>9,832,739</u>	<u>40</u>	<u>9,105,919</u>	<u>39</u>
<b>Non-current liabilities</b>								
2570	Deferred tax liabilities		323,521	1	290,552	1	271,376	1
2580	Lease liabilities - Non-current	7	128,589	1	86,182	1	105,301	1
2600	Other non-current liabilities		23,158	-	19,036	-	25,908	-
25XX	<b>Total non-current liabilities</b>		<u>475,268</u>	<u>2</u>	<u>395,770</u>	<u>2</u>	<u>402,585</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>10,387,880</u>	<u>42</u>	<u>10,228,509</u>	<u>42</u>	<u>9,508,504</u>	<u>41</u>
<b>Equity attributable to owners of the parent company</b>								
Share capital								
3110	Common share capital	6 (14)	5,183,462	21	5,183,462	21	5,183,462	23
Capital surplus								
3200	Capital surplus	6 (15)	1,503,606	6	1,503,606	6	1,503,606	6
Retained earnings								
3310	Legal reserve	6 (16)	1,269,138	5	1,138,619	5	1,138,619	5
3320	Special reserve		1,072,435	4	1,349,724	6	1,349,724	6
3350	Undistributed earnings		4,903,477	20	4,308,365	18	4,030,764	18
Other equities								
3400	Other equities	6 (17)	( 1,346,316)	( 5)	( 1,072,434)	( 5)	( 1,351,653)	( 6)
31XX	<b>Total equity attributable to owners of the parent company</b>		<u>12,585,802</u>	<u>51</u>	<u>12,411,342</u>	<u>51</u>	<u>11,854,522</u>	<u>52</u>
36XX	<b>Non-controlling interests</b>	6 (18)	<u>1,740,670</u>	<u>7</u>	<u>1,682,573</u>	<u>7</u>	<u>1,613,541</u>	<u>7</u>
3XXX	<b>Total equity</b>		<u>14,326,472</u>	<u>58</u>	<u>14,093,915</u>	<u>58</u>	<u>13,468,063</u>	<u>59</u>
Significant Contingent Liabilities and Unrecognized Commitments								
3X2X	<b>Total liabilities and equity</b>		<u>\$ 24,714,352</u>	<u>100</u>	<u>\$ 24,322,424</u>	<u>100</u>	<u>\$ 22,976,567</u>	<u>100</u>

The notes to the consolidated financial reports are attached as part of this consolidated financial report; please refer to them, too.

Chairman : Song-Fa Lu

Manager : Song-Fa Lu

Accounting supervisor : Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to September 30, 2022 and 2021

(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand  
(except in NTD for earnings per share)

Item	Note	July 1 to		July 1 to		January 1 to		January 1 to	
		September 30, 2022		September 30, 2021		September 30, 2022		September 30, 2021	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	6 (19) and 7	\$ 6,483,846	100	\$ 6,902,497	100	\$ 18,657,591	100	\$ 17,027,101	100
5000 Operating cost	6 (4) (22) and 7	( 5,623,535)	( 87)	( 6,163,163)	( 89)	( 16,512,282)	( 89)	( 15,148,189)	( 89)
5900 Operating profit margin		<u>860,311</u>	<u>13</u>	<u>739,334</u>	<u>11</u>	<u>2,145,309</u>	<u>11</u>	<u>1,878,912</u>	<u>11</u>
Operating expenses	6 (22)								
6100 Selling and marketing expenses		( 79,915)	( 1)	( 73,474)	( 1)	( 224,884)	( 1)	( 187,125)	( 1)
6200 General and administrative expenses		( 181,588)	( 3)	( 174,747)	( 3)	( 505,324)	( 3)	( 474,397)	( 3)
6300 Research and development expenses		( 110,684)	( 2)	( 99,251)	( 1)	( 289,054)	( 1)	( 235,576)	( 1)
6450 Expected credit impairment benefit (loss)	12 (3)	( 4,847)	-	6,570	-	( 1,933)	-	( 2,566)	-
6000 Total operating expenses		( 377,034)	( 6)	( 340,902)	( 5)	( 1,021,195)	( 5)	( 899,664)	( 5)
6900 Operating profit		<u>483,277</u>	<u>7</u>	<u>398,432</u>	<u>6</u>	<u>1,124,114</u>	<u>6</u>	<u>979,248</u>	<u>6</u>
Non-operating income and expense									
7100 Interest income		29,832	-	17,283	-	65,786	-	66,738	-
7010 Other income	6 (20)	116,820	2	48,167	1	156,046	1	85,239	1
7020 Other gains and losses	6 (21)	66,645	1	36,276	-	142,266	1	26,482	-
7050 Financial costs	6 (23)	( 11,713)	-	( 3,113)	-	( 22,781)	-	( 9,377)	-
7060 Share of profits and losses of affiliated companies and joint ventures recognized by the equity method	6 (6)	133	-	( 20,963)	-	7,638	-	( 41,239)	-
7000 Total non-operating income and expenses		<u>201,717</u>	<u>3</u>	<u>77,650</u>	<u>1</u>	<u>348,955</u>	<u>2</u>	<u>127,843</u>	<u>1</u>
7900 <b>Net income before tax</b>		<u>684,994</u>	<u>10</u>	<u>476,082</u>	<u>7</u>	<u>1,473,069</u>	<u>8</u>	<u>1,107,091</u>	<u>7</u>
7950 Income tax expense	6 (24)	( 130,483)	( 2)	( 138,999)	( 2)	( 341,726)	( 2)	( 291,886)	( 2)
8200 <b>Net income for the period</b>		<u>\$ 554,511</u>	<u>8</u>	<u>\$ 337,083</u>	<u>5</u>	<u>\$ 1,131,343</u>	<u>6</u>	<u>\$ 815,205</u>	<u>5</u>

(To be Continued)

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
January 1 to September 30, 2022 and 2021

(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand  
(except in NTD for earnings per share)

Item	Note	July 1 to September 30, 2022		July 1 to September 30, 2021		January 1 to September 30, 2022		January 1 to September 30, 2021			
		Amount	%	Amount	%	Amount	%	Amount	%		
<b>Items that will not be reclassified subsequently to profit or loss</b>											
8316	Unrealized evaluation profit and loss of equity instrument investment measured at fair value through other comprehensive income	6 (17)									
				(\$ 162,457)	( 2)	(\$ 278,940)	( 4)	(\$ 828,884)	( 4)	\$ 606,901	3
8349	Income tax related to items not reclassified	6 (24)		-	-	-	-	-	-	( 36,885)	-
8310	Total of items not reclassified to profit or loss			( 162,457)	( 2)	( 278,940)	( 4)	( 828,884)	( 4)	570,016	3
<b>Items that may be reclassified subsequently to profit or loss:</b>											
8361	Currency translation difference	6 (17) (18)		267,258	4	( 44,018)	( 1)	606,823	3	( 345,087)	( 2)
8360	Total of items that may be reclassified subsequently to profit or loss:			267,258	4	( 44,018)	( 1)	606,823	3	( 345,087)	( 2)
8300	<b>Other comprehensive income (net)</b>			\$ 104,801	2	(\$ 322,958)	( 5)	(\$ 222,061)	( 1)	\$ 224,929	1
8500	<b>Total comprehensive income in the current period</b>			\$ 659,312	10	\$ 14,125	-	\$ 909,282	5	\$ 1,040,134	6
NET PROFIT ATTRIBUTABLE TO:											
8610	Owners of the parent company			\$ 492,331	7	\$ 290,623	4	\$ 976,683	5	\$ 690,759	4
8620	Non-controlling interests			62,180	1	46,460	1	154,660	1	124,446	1
				\$ 554,511	8	\$ 337,083	5	\$ 1,131,343	6	\$ 815,205	5
Total comprehensive income attributable to:											
8710	Owners of the parent company			\$ 572,606	9	(\$ 14,072)	-	\$ 702,801	4	\$ 1,025,017	6
8720	Non-controlling interests			86,706	1	28,197	-	206,481	1	15,117	-
				\$ 659,312	10	\$ 14,125	-	\$ 909,282	5	\$ 1,040,134	6
Earnings per share (EPS)											
9750	Basic earnings per share	6 (25)		\$ 0.95		\$ 0.56		\$ 1.88		\$ 1.33	
9850	Diluted earnings per share			\$ 0.95		\$ 0.56		\$ 1.88		\$ 1.33	

The attached notes to the consolidated financial reports are part of this consolidated financial report; please refer to them, too.

Chairman : Song-Fa Lu

Manager : Song-Fa Lu

Accounting supervisor :  
Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Changes Equity  
January 1 to September 30, 2022 and 2021

(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand

	Note	Equity attributable to owners of the parent company										
		Capital surplus			Retained earnings			Other equities				
	Common share capital	Capital reserve - Issuance premium	Capital reserve - Treasury share transaction	Legal reserve	Special reserve	Undistributed earnings	Currency translation difference	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Total	Non-controlling interests	Total Equity	
<b>2021</b>												
Balance on January 1		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,062,342	\$ 1,312,274	\$ 3,453,829	(\$ 1,163,132)	(\$ 186,592)	\$ 11,165,789	\$ 1,622,505	\$ 12,788,294
Net income for the period		-	-	-	-	-	690,759	-	-	690,759	124,446	815,205
Other comprehensive income recognized for the period	6 (17)	-	-	-	-	-	-	( 235,758 )	570,016	334,258	( 109,329 )	224,929
Total comprehensive income in the current period		-	-	-	-	-	690,759	( 235,758 )	570,016	1,025,017	15,117	1,040,134
Earnings distribution and provisions for 2020:	6 (16)	-	-	-	-	-	-	-	-	-	-	-
Provision of legal reserve		-	-	-	76,277	-	( 76,277 )	-	-	-	-	-
Provision of special reserve		-	-	-	-	37,450	( 37,450 )	-	-	-	-	-
Cash dividends	6 (18)	-	-	-	-	-	( 336,925 )	-	-	( 336,925 )	-	( 336,925 )
Decrease in non-controlling interests		-	-	-	-	-	-	-	-	-	( 24,081 )	( 24,081 )
The refund of share payments from the investee's capital reduction exceeds the book value		-	-	-	-	-	641	-	-	641	-	641
Equity instruments measured at fair value through other comprehensive income		-	-	-	-	-	336,187	-	( 336,187 )	-	-	-
Balance as at September 30		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,138,619	\$ 1,349,724	\$ 4,030,764	(\$ 1,398,890)	\$ 47,237	\$ 11,854,522	\$ 1,613,541	\$ 13,468,063
<b>2022</b>												
Balance on January 1		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,138,619	\$ 1,349,724	\$ 4,308,365	(\$ 1,360,659)	\$ 288,225	\$ 12,411,342	\$ 1,682,573	\$ 14,093,915
Net income for the period		-	-	-	-	-	976,683	-	-	976,683	154,660	1,131,343
Other comprehensive income recognized for the period	6 (17)	-	-	-	-	-	-	555,002	( 828,884 )	( 273,882 )	51,821	( 222,061 )
Total comprehensive income in the current period		-	-	-	-	-	976,683	555,002	( 828,884 )	702,801	206,481	909,282
Earnings distribution and provisions for 2021:	6 (16)	-	-	-	-	-	-	-	-	-	-	-
Provision of legal reserve		-	-	-	130,519	-	( 130,519 )	-	-	-	-	-
Reversal of special reserve		-	-	-	-	( 277,289 )	277,289	-	-	-	-	-
Cash dividends		-	-	-	-	-	( 518,346 )	-	-	( 518,346 )	-	( 518,346 )
Decrease in non-controlling interests	6 (18)	-	-	-	-	-	-	-	-	-	( 86,844 )	( 86,844 )
The share capital returned from liquidation of the investee company exceeds the book value		-	-	-	-	-	41	-	-	41	-	41
All changes in equities of subsidiaries are recognized	6 (26)	-	-	-	-	-	( 10,036 )	-	-	( 10,036 )	( 61,540 )	( 71,576 )
Balance as at September 30		\$ 5,183,462	\$ 1,402,318	\$ 101,288	\$ 1,269,138	\$ 1,072,435	\$ 4,903,477	(\$ 805,657)	(\$ 540,659)	\$ 12,585,802	\$ 1,740,670	\$ 14,326,472

The attached notes to the consolidated financial reports are part of this consolidated financial report : please refer to them, too.

Chairman: Song-Fa Lu

Manager: Song-Fa Lu

Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Consolidated Statements of Cash Flows  
January 1 to September 30, 2022 and 2021  
(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand

	Note	January 1 to September 30, 2022	January 1 to September 30, 2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Income before income tax		\$ 1,473,069	\$ 1,107,091
Adjustments			
income and expenses items			
Depreciation expenses and amortizations	6 (22)	443,403	307,981
Expected credit impairment loss	12 (3)	1,933	2,566
Net benefits of financial assets and liabilities measured at fair value through the income	6 (21)	( 33,898 )	( 10,323 )
Interest expense	6 (23)	22,781	9,377
Interest income		( 65,786 )	( 66,738 )
Dividend income	6 (20)	( 87,262 )	( 25,408 )
Income from rental reduction		-	( 3,090 )
Share of profits and losses of affiliated companies recognized by the equity method	6 (6)	( 7,638 )	41,239
Gain on disposal of investments	6 (21)	-	( 14,520 )
Net loss from the disposal of property, plant and equipment	6 (21)	8,998	5,225
Unrealized exchange loss (gain)		188,482	( 47,822 )
Changes in assets/liabilities related to operating activities			
Net change in assets related to operating activities			
Financial assets and liabilities measured at fair value through the income		32,766	44,306
Net notes receivable		19,691	3,686
Net accounts receivable		( 706,791 )	( 828,129 )
Accounts receivable - Related parties net		68,434	( 32,150 )
Other receivables		151,917	( 40,213 )
Inventory		873,800	( 1,079,241 )
Other current assets		90,837	( 24,303 )
Net change in liabilities related to operating activities			
Contractual liabilities		( 561,383 )	297,616
Notes payable		44,847	( 17,358 )
Accounts payable		( 1,012,429 )	615,465
Accounts payable - Related parties		( 106,112 )	24,941
Other payables		71,254	1,556
Other current liabilities		( 7,041 )	492
Other non-current liabilities		3,931	1,498
Cash inflow from operations		907,803	273,744
Income tax paid		( 283,904 )	( 393,071 )
Net Cash inflow (outflow) from operating activities		623,899	( 119,327 )
<b><u>Cash flows from investing activities</u></b>			
Acquisition of financial assets at fair value through profit or loss		-	( 1,902 )
Proceeds from disposal of financial assets measured at fair value through other comprehensive income	6 (5)	-	239,883
Refund of capital investment in financial assets measured at fair value through other comprehensive income		-	814
Share capital returned from liquidation of the investee company		41	-
Acquisition of subsidiaries (deducting cash acquired)	6 (28)	-	( 100,004 )
Purchase property, plant and equipment assets	6 (28)	( 650,952 )	( 465,008 )
Proceeds from disposal of property, plant and equipment		5,671	11,405
Decrease (increase) in refundable deposits		( 6,092 )	1,276
Increase in other non-current assets		( 32,223 )	( 3,800 )
Interest received		65,786	66,738
Dividend received		87,262	25,408
Net cash outflow from investment activities		( 530,507 )	( 225,190 )
<b><u>Cash flows from financing activities</u></b>			
Increase in short-term borrowings	6 (29)	1,263,683	206,856
Lease principal repayment		( 43,693 )	( 49,387 )
Cash dividend payment	6 (16)	( 518,346 )	( 336,925 )
Interest paid		( 22,781 )	( 7,940 )
Number of cash dividends paid to non-controlling interests	6 (18)	( 86,844 )	( 61,002 )
Acquisition of stock options in subsidiaries	6 (26)	( 71,576 )	-
Net cash inflow (outflow) from financing activities		520,443	( 248,398 )
Impact of changes in the exchange rate on cash and cash equivalents		179,912	( 121,326 )
Increase (decrease) in cash and cash equivalents in the current period		793,747	( 714,241 )
Cash and cash equivalents at the beginning of the period		6,241,785	7,544,242
Cash and cash equivalents at the end of the period		\$ 7,035,532	\$ 6,830,001

The notes to the consolidated financial reports are attached as part of this consolidated financial report; please refer to them, too.

Chairman: Song-Fa Lu

Manager: Song-Fa Lu

Accounting supervisor: Feng-An Huang

Pan-International Industrial Corp. and Subsidiaries  
Notes to consolidated financial reports  
Third Quarter in 2022 and 2021

(Only reviewed, but not audited according to generally accepted auditing standards)

Unit: NTD thousand  
(unless otherwise noted)

I. Organization and operations

Pan-International Industrial Corp. (hereinafter referred to as “the Company”) was established in the Republic of China. The main business activities of the company and its subsidiaries (hereinafter referred to as “the Group”) are the development, manufacturing and sales of computer peripheral products and components such as electronic signal cables, connectors, electronic signal cables with connectors, precision molds, and printed circuit boards.

II. The Authorization of Financial Reports

This consolidated financial report was announced after being submitted to the Board of Directors on November 8, 2022.

III. Application of Newly Released and Revised Standards and Interpretations

(I) The impact of the adoption of the new and revised International Financial Reporting Standards (IFRS) approved by the Financial Supervisory Commission (FSC)

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2022:

<u>New issued/amended/revised standards and interpretations</u>	<u>Effective date of the release of the International Accounting Standards Board</u>
Amendment to IFRS 3 “Index to conceptual framework”	January 1, 2022
Amendment to IAS 16 “Property, plant and equipment: price before reaching intended use”	January 1, 2022
Amendment to IAS 37 “Loss contracts - Cost of performing contracts”	January 1, 2022
Annual improvement from 2018 to 2020	January 1, 2022

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

(II) Impact of not adopting the new and revised International Financial Reporting Standards approved by the FSC

The following table sets forth the standards and interpretations for the new issues, amendments, and revisions of International Financial Reporting Standards (IFRS) recognized by the FSC for application in 2023:

<u>New issued/amended/revised standards and interpretations</u>	<u>Effective date of the release of the International Accounting Standards Board</u>
Amendment to IFRS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IFRS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 regarding “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

(III) Impact of International Financial Reporting Standards issued by the International Accounting Standards Board not yet approved by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of International Financial Reporting Standards issued by the IASB but not yet recognized by the FSC:

<u>New issued/amended/revised standards and interpretations</u>	<u>Effective date of the release of the International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28 “Asset sales or investments between investors and their associated enterprises or joint ventures”	To be decided by IASB
Amendment to IFRS 16 “Lease Liabilities for Sale and Leaseback”	January 1, 2024
IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Information Comparison”	January 1, 2023
Amendment to IAS 1 “Classification of current or non-current liabilities”	January 1, 2024
Amendment to IAS 1 “Non-current liabilities with contract terms and conditions”	January 1, 2024

The Group has assessed that the standards and interpretations above have no significant impact on the financial position and financial performance of the Group.

IV. Summary of Significant Accounting Policies

The major accounting policies adopted in the preparation of this consolidated financial report are as follows. Unless otherwise stated, these policies apply consistently throughout the reporting period.

(I) Statement of compliance

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard No. 34 “Interim financial reporting” approved by the FSC.

(II) Basis of preparation

1. Except for the following important items, this consolidated financial report is prepared at historical cost:
  - (1) Financial assets and liabilities (including derivatives) are measured at fair value through income.
  - (2) Financial assets measured at fair value through other comprehensive income.
  - (3) Defined benefit liabilities are recognized according to the net amount of retirement fund assets minus the present value of defined benefit obligations.
2. The preparation of financial reports in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Announcements (hereinafter referred to as IFRSs) recognized by the FSC requires the use of some important accounting estimates. In the application of the group's accounting policies, the management also needs to use its judgment, involving items with high judgment or complexity, or major assumptions and estimates involving consolidated financial reports. Please refer to Note 5 for details.

(III) Basis of consolidation

1. Principles for preparation of consolidated financial reports
  - (1) All subsidiaries of the Group are included in the individual entities of the consolidated financial reports. Subsidiaries refer to individual entities (including structured individual entities) controlled by the group. When the group is exposed to or entitled to variable remuneration from participation in an individual entity, and can influence such remuneration through the power over the individual entity, the group controls such an individual entity. Subsidiaries are included in the consolidated financial reports from the date when the Group obtains their control, and the merger is terminated from the date of loss of control.
  - (2) Intra-group transactions, balances, and unrealized gains and losses have been eliminated. Necessary adjustments have been made to the accounting policies of the subsidiaries which are consistent with the policies adopted by the Group.
  - (3) The components of profit and loss and other comprehensive income are attributable to the owners and non-controlling interests of the parent company; the total amount of comprehensive income is also attributable to the owners and non-controlling interests of the parent company, even if it results in a loss of the balance of non-controlling interests.
  - (4) If the changes in the proportion of shareholding over the subsidiary do not result in the loss of control (transactions with non-controlling interests), it is processed as equity transaction and seen as transactions among owners. The difference between the adjustment amount of a non-controlling interest and the fair value of the consideration paid or received is directly recognized under equity.

- (5) When the Group loses control over a subsidiary, the remaining investment in this subsidiary is re-measured at fair value and is regarded as the fair value of the originally recognized financial assets or the cost on initial recognition of the associate or joint venture. Any difference between the fair value and the book value is recognized as the current profit and loss. All amounts previously recognized in other comprehensive income related to the subsidiary are reclassified as profit and loss.

2. Subsidiaries listed in the consolidated financial reports:

Investor	Investee	Main Business	% of Ownership			Explanation
			September 30, 2022	December 31, 2021	September 30, 2021	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS INC.(PIU)	Engaged in the import and sales of various electronic products.	100	100	100	(3)
Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD. (PGH)	Engaged in reinvestment in the Asia Pacific and mainland China businesses, and production and manufacturing of electronic signal cables, connectors, and computer peripheral products.	100	100	100	(2) (3) (4)
Pan-International Industrial Corp.	Yen Yung International Investment Co., Ltd	Engaged in the domestic investment business.	100	100	100	(1) (3) (4)

- (1) New Ocean Precision Components (Ganzhou) Co., Ltd., a 2nd-tier subsidiary of Yen Yung International Investment Co., Ltd., was resolved in April 2021.
- (2) Dongguan Pan-International Precision Electronics Co., Ltd., a 2nd-tier subsidiary of PGH, acquired an 80% equity in Wuhu Ruichang Electric System Co., Ltd. in June 2021. Hence the new investee was included in this consolidated financial report. Dongguan Pan-International Precision Electronics Co., Ltd. acquired an additional 20% shares in circulation of Wuhu Ruichang Electric System Co., Ltd. in September 2022 worth \$71,576 in cash. The book value of non-controlling interests of Wuhu Ruichang Electric Systems Co., Ltd. was \$61,540 as of the date of acquisition. For the specific transaction, non-controlling interests lost were worth \$61,540.
- (3) Please refer to Schedule 8 for the detailed disclosure of information on the indirect reinvestment by the subsidiary above in mainland China companies.
- (4) The financial reports of some insignificant subsidiaries of the Group have not been reviewed by an independent auditor.

3. Subsidiaries not included in the consolidated financial reports: No such situation.

4. Different adjustment and treatment methods of subsidiary accounting period: No such situation.

5. Major limitation: No such situation.
6. Subsidiaries with significant non-controlling interests in the Group.

The total amount of non-controlling interests of the Group as of September 30, 2022, December 31, 2021, and September 30, 2021 were NT\$1,740,670, NT\$1,682,573, and NT\$1,613,541 respectively. The following is the information about the significant non-controlling interests of the Group and its subsidiaries:

Investee	Main business location	Non-controlling interests					
		September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	Shareholding percentage	Amount	Shareholding percentage	Amount	Shareholding percentage
P.I.E. INDUSTRIAL BERHAD	Malaysia	\$ 1,701,794	49	\$ 1,600,134	49	\$ 1,535,639	49

Summary financial information of subsidiaries:

Balance sheet

	September 30, 2022	December 31, 2021	September 30, 2021
Current assets	\$ 4,515,157	\$ 4,226,988	\$ 4,136,819
Non-Current Assets	1,260,540	1,113,530	974,536
Current liability	( 2,221,549 )	( 1,997,828 )	( 1,917,916 )
Non-current liabilities	( 51,073 )	( 48,878 )	( 32,388 )
Net total assets	\$ 3,503,075	\$ 3,293,812	\$ 3,161,051

Comprehensive Income Statement

	July 1 to September 30, 2022	July 1 to September 30, 2021
Income	\$ 1,769,881	\$ 1,589,190
Net income before tax	133,916	117,761
Income tax expense	( 24,942 )	( 29,499 )
Net income for the period	108,974	88,262
Other comprehensive income (after tax)	( 43,896 )	( 37,571 )
Total comprehensive income in the current period	\$ 152,870	\$ 50,691
Total comprehensive profit and loss attributable to non-controlling interests	\$ 74,264	\$ 24,626

	January 1 to September 30, 2022	January 1 to September 30, 2021
Income	\$ 5,560,279	\$ 5,026,132
Net income before tax	376,863	328,547
Income tax expense	( 88,346 )	( 84,550 )
Net income for the period	288,517	243,997
Other comprehensive income (after tax)	106,949	( 218,407 )
Total comprehensive income in the current period	<u>\$ 395,466</u>	<u>\$ 25,590</u>
Total comprehensive profit and loss attributable to non-controlling interests	<u>\$ 192,117</u>	<u>\$ 12,432</u>

### Cash Flow Statement

	January 1 to September 30, 2022	January 1 to September 30, 2021
Net Cash inflow (outflow) from operating activities	\$ 160,849	( \$ 13,495 )
Net cash outflow from investment activities	( 230,580 )	( 226,828 )
Net cash (outflow) inflow from financing activities	( 14,099 )	152,642
Effects of exchange rate changes on the balance of cash and cash equivalents	24,292	( 72,084 )
Decrease in cash and cash equivalents in the current period	( 59,538 )	( 159,765 )
Cash and cash equivalents at the beginning of the period	518,935	1,012,026
Cash and cash equivalents at the end of the period	<u>\$ 459,397</u>	<u>\$ 852,261</u>

#### (IV) Foreign exchange conversion

1. The presentation currency of this consolidated financial report is the functional currency of the Company, “NTD”.
2. Foreign currency transactions and balances
  - (1) Foreign currency transactions are converted into the functional currency at the spot exchange rate on the transaction date or measurement date, and the conversion difference arising from the conversion of such transactions is recognized as current profit and loss.
  - (2) The balance of foreign currency monetary assets and liabilities shall be evaluated and adjusted at the spot exchange rate on the balance sheet date, and the conversion difference arising from the adjustment shall be recognized as the current profit and loss.

- (3) The balance of foreign currency non-monetary assets and liabilities measured at fair value through income shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized as the current profit and loss; if the balance is measured at fair value through other comprehensive income, it shall be evaluated and adjusted according to the spot exchange rate on the balance sheet date, and the exchange difference arising from the adjustment shall be recognized in others comprehensive income; if it is not measured by fair value, it is measured according to the historical exchange rate on the initial trading day.
- (4) All exchange gains and losses are reported in “other gains and losses” in the income statement.

### 3. Conversion of foreign operations

- (1) For all group individuals and affiliated enterprises whose functional currency is different from the presentation currency, their operating results and financial status shall be converted into the presentation currency in the following ways:
  - A. Assets and liabilities expressed on each balance sheet are converted at the closing exchange rate on that balance sheet date;
  - B. The income and expense losses expressed in each consolidated income statement are converted at the current average exchange rate; and
  - C. All exchange differences arising from the conversion are recognized in other comprehensive income.
- (2) When the foreign operation which is partially disposed of or sold is a subsidiary, the accumulated exchange difference recognized in other comprehensive income is returned to the non-controlling interest of the foreign operation on a pro-rata basis. However, if the Group still retains part of its interest in the aforementioned subsidiary, but has lost control of the subsidiary of the foreign operation, it shall be treated as a disposal of all the rights and interests of the foreign operation.
- (3) Goodwill and fair value adjustments arising from the acquisition of a foreign individual entity are treated as assets and liabilities of the foreign individual entity and are converted at the exchange rate at the end of the period.

### (V) Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:
  - (1) The asset is expected to be realized in the normal business cycle or intended to be sold or consumed.
  - (2) Held mainly for trading purposes.
  - (3) Expected to be realized within 12 months after the balance sheet date.
  - (4) Cash or cash equivalents, except for those to be exchanged or used to settle liabilities in at least 12 months after the balance sheet date.

The Group classifies all assets that do not meet the conditions above as non-current.
2. Liabilities that meet one of the following conditions are classified as current liabilities:
  - (1) Those that are expected to be settled in the normal business cycle.
  - (2) Held mainly for trading purposes.
  - (3) Expected to be settled within 12 months after the balance sheet date.

- (4) The repayment period cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms of the liabilities may be based on the choice of the counterparty; the fact that the liabilities are settled due to the issuance of equity instruments does not affect its classification.

The group classifies all liabilities that do not meet the above conditions as non-current.

(VI) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into a fixed amount of cash at any time with little risk of change in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

(VII) Financial assets at FVTPL

1. Financial assets that are not measured at amortized cost or at fair value through other comprehensive income.
2. The group adopts transaction day accounting for financial assets measured at fair value through income in compliance with trading practices.
3. The Group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.
4. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(VIII) Financial assets at FVTOCI

1. Financial assets at FVTOCI refer to an irrevocable choice at the time of initial recognition to report changes in the fair value of equity instrument investments that are not held for trading in other comprehensive income; or debt instrument investments that meet the following conditions at the same time:
  - (1) The financial asset is held under the business model to collect contractual cash flow and for sale.
  - (2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.
2. The Group adopts transaction day accounting for financial assets measured at fair value through other comprehensive income in accordance with trading practices.
3. The Group measures their fair value plus transaction costs at the time of original recognition, and is subsequently measured at fair value:
  - (1) Changes in the fair value of equity instruments are recognized in other comprehensive income. At the time of derecognition, the accumulated profits or losses previously recognized in other comprehensive income shall not be reclassified to profit or loss but transferred to retained earnings. When the right to receive dividends is established, the economic benefits related to dividends are likely to flow in and the number of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

- (2) Changes in the fair value of debt instruments are recognized in other comprehensive income, while the impairment loss, interest income, and foreign currency exchange gain or loss before derecognition are recognized in profit or loss. At the time of derecognition, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(IX) Financial assets measured at after-amortization cost

1. Financial assets measured at after-amortization cost refer to those who meet the following conditions at the same time:
  - (1) Holding the financial asset under the business model to collect the contractual cash flow.
  - (2) The cash flow generated on a specific date from the contractual terms of the financial assets is entirely the interest in the payment of the principal and the outstanding principal amount.
2. The Group adopts transaction day accounting for financial assets measured at after-amortization cost in accordance with trading practices.
3. The Group measures its fair value plus transaction cost at the time of original recognition. Subsequently, the effective interest method is adopted to recognize interest income and impairment loss in the current period according to the amortization procedure, and the profit or loss is recognized in profit and loss at the time of derecognition.
4. Due to the short holding period, the fixed deposits held by the Group that does not conform to cash equivalents have an insignificant discount effect and are therefore measured by the investment amount.

(X) Accounts and notes receivable

1. Accounts and notes receivable refer to accounts and notes which, according to the contract, have the unconditional right to receive the amount of consideration obtained from the transfer of goods or services.
2. For short-term accounts and notes receivable with unpaid interest, as they have little effect on discount, the Group measures them based on the original invoice amount.

(XI) Impairment of financial assets

On each balance sheet date, the Group takes into account all reasonable and verifiable information (including forward-looking) for financial assets measured at amortized cost. If the credit risk does not increase significantly after the original recognition, the loss allowance is measured at 12 months expected credit loss; if the credit risk has increased significantly since the original recognition, the loss allowance is measured according to the expected credit loss amount during the duration; for accounts receivable that do not contain significant financial components or contract assets, the loss allowance is measured according to the expected credit loss amount in the period.

(XII) Derecognition of financial assets

When the group's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognised.

(XIII) Lessor's lease transaction - Operating lease

Lease income from operating leases, after deducting any incentives given to the lessee, is amortized and recognized as current income on a straight-line method during the lease period.

(XIV) Inventory

Inventories are measured by the lower of cost and net realizable value, and the cost is determined by the weighted average method. The cost of finished products and work-in-progress includes raw materials, direct labor, other direct costs, and production-related manufacturing expenses (allocated according to normal production capacity), but does not include borrowing costs. When comparing whether the cost or the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the normal business process after subtracting the estimated cost that must be invested before completion and the estimated costs necessary to make the sale.

(XV) Investment by equity method - Affiliated enterprises

1. Affiliated enterprises refer to all individual entities in which the Group has a significant influence on them but has no control over them. Generally, the Group directly or indirectly holds more than 20% of its voting rights. The Group's investment in affiliated enterprises is treated with the equity method and recognized at cost when acquired.
2. The Group recognizes the share of profit or loss of the affiliated enterprise as the current income and recognizes the share of other comprehensive income after the acquisition as other comprehensive income. If the group's share of loss in any affiliated enterprise is equal to or exceeds its interest in the associated enterprise (including any other unsecured receivables), the group does not recognize any further loss, unless the group has a legal or constructive obligation to the associated enterprise or has made payments on its behalf.
3. When there is a change in equity from a related company that is not profit or loss or other comprehensive profit or loss and does not affect the shareholding ratio of the related company, the Group shall recognize the change in ownership as a "capital reserve" based on the shareholding ratio.
4. The unrealized gains and losses arising from the transactions between the Group and its affiliated enterprises have been written off in proportion to the equity in the affiliated enterprises; unless there is evidence showing that the assets transferred by the transaction have been impaired, the unrealized losses will also be eliminated. Necessary adjustments have been made to the accounting policies of affiliated enterprises which are consistent with the policies adopted by the Group.
5. When the Group disposes of an associate, if there is a loss of significant influence over the associate, the accounting treatment of all amounts previously recognized in other comprehensive income related to the associate is the same as if the Group directly disposes of the relevant assets or liabilities, that is, if the interests or losses previously recognized as other comprehensive income will be reclassified as profit and loss when disposing of related assets or liabilities, then if there is a loss of significant influence over the associate, the profit or loss will be reclassified as profit or loss from equity. If the Group still has a significant influence on the affiliated enterprise, the amount previously recognized in other comprehensive income shall be transferred out in the above manner only in proportion.

(XVI) Property, plant, and equipment

1. Property, plant and equipment are recorded based on the acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.
2. Subsequent costs are included in the book value of assets or recognized as a separate asset only when the future economic benefits related to the project are likely to flow into the Group and the cost of the project can be measured reliably. The book value of the reset part should be derecognized. All other maintenance costs are recognized in current profit or loss when incurred.
3. For property, plant and equipment, the cost model is adopted for the subsequent measurement. Except that land is not depreciated, the depreciation is calculated by the straight-line method according to the estimated service life. If the components of property, plant and equipment are significant, they are separately depreciated.
4. The Group reviews the residual value, service life, and depreciation method of each asset at the end of each fiscal year. If the expected value of the residual value or service life is different from the previous estimate, or the expected consumption pattern of the future economic benefits contained in the asset has changed significantly, then from the date of the change, it shall be handled in accordance with the provisions of the International Accounting Standard No. 8 "Accounting Policies, Changes and Errors in Accounting Estimates." The service life of each asset is as follows:

Buildings	20 ~ 40 years
Equipment	2 ~ 10 years
Others	2 ~ 10 years

(XVII) Lessee's lease transaction - Right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Group. When the lease contract is a short-term lease or lease of a low-value target asset, the lease payment shall be recognized as an expense during the lease period by the straight-line method.
2. Lease liabilities are recognized at the present value of the lease payments that have not been paid at the beginning of the lease at the discounted current value of the group's incremental borrowing rate. Lease payments include fixed payments, less any lease incentives receivable.  
Subsequently, the interest method is adopted and measured by the after-amortization cost, and interest expenses are provided during the lease period. When the lease period or lease payment changes but not due to contract modification, the lease liabilities will be reassessed and the right-of-use assets will be re-measured.
3. The right-of-use assets are recognized at cost on the lease start date, and the cost is measured based on the original amount of the lease liability.  
The subsequent measurement is based on the cost model, and the depreciation expense is calculated when the service life of the right-of-use assets expire or the lease term expires, whichever is earlier. When the lease liabilities are reassessed, any re-measurement of the lease liabilities will be adjusted in the right-of-use assets.

(XVIII) Investment property

Investment property is recognized at the acquisition cost, and the cost model is adopted for the subsequent measurement. Except for land, depreciation is made on a straight-line method based on the estimated service life, and the service life is 10 ~ 40 years.

(XIX) Intangible asset

Goodwill is generated by corporate acquisition based on the purchase method.

(XX) Impairment of non-financial assets

1. The Group estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount refers to the fair value of an asset minus disposal cost or its right-of-use value, whichever is higher. Except for goodwill, when there is no impairment or reduction in the assets recognized in the previous year, the impairment loss will be reversed, but the book value of the assets increased by the reversal of the impairment loss shall not exceed the book value of the assets if the impairment loss is not recognized after deduction of the depreciation or amortization.
2. The recoverable amount of goodwill is regularly estimated. When the recoverable amount is lower than its book value, the impairment loss is recognized. The impairment loss of goodwill impairment will not be reversed in subsequent years.
3. Goodwill is allocated to cash-generating units for impairment testing. This allocation is based on the identification of the operating department, and goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the corporate merger that generates goodwill.

(XXI) Borrowings

Refers to short-term borrowings from a bank. The group measures their fair value minus transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in profit and loss during the outstanding period according to the amortization procedure.

(XXII) Notes payable and accounts payable

1. Notes payable and accounts payable refer to debts arising from the purchase of raw materials, commodities, or labor services on credit and notes payable due to business and non-business reasons.
2. For short-term accounts and notes payable that belong to unpaid interest, as the discounting effect is insignificant, the Group uses the original invoice amount to measure the value.

(XXIII) Financial liabilities measured at fair value through the income

1. It refers to financial liabilities that are incurred for the primary purpose of repurchasing in the near term and derivatives held for trading other than those designated as hedging instruments under hedging accounting.
2. The Group measures their fair value at the time of initial recognition, and the relevant transaction costs are recognized in profit or loss; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXIV) Derecognition of financial liabilities

The Group will derecognize financial liabilities if the specified contractual obligation has been performed, canceled, or expired.

(XXV) The offset of financial assets and liabilities

When there is a legally enforceable right to offset the recognized amount of financial assets and liabilities, and the intention is to settle on a net basis or to realize assets and settle liabilities at the same time, the financial assets and financial liabilities can offset each other and be expressed in the net amount on the balance sheet.

(XXVI) Non-hedging derivatives and embedded derivatives

Non-hedging derivatives at the time of original recognition are measured at the fair value on the contract signing date, and recognized as financial assets or liabilities measured at fair value through income; subsequently, they are measured at fair value, and the profit or loss is recognized in profit or loss.

(XXVII) Employee welfare

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid and recognized as expenses when the related services are provided.

2. Pension

(1) Defined allocation plan

For a defined allocation plan, the amount of pension funds to be allocated is recognized as the current pension cost on an accrual basis. Advance allocations are recognized as assets to the extent that cash is refundable or future payments are reduced.

(2) Defined benefit plan

- A. The net obligation under a defined benefit plan is calculated by discounting the future benefit amount earned by the employee in the current or past service, and the fair value of the plan asset is deducted from the present value of the defined benefit obligation on the balance sheet date. The net obligation of defined benefits is calculated annually by an actuary using the projected unit benefit method. The discount rate is determined by reference to the market yield of high-quality corporate bonds that are consistent with the currency and period of the defined benefit plan on the balance sheet date; in countries where there is no deep market for high-quality corporate bonds, the market yield of government bonds (on the balance sheet date) is used.
- B. The remeasured amount arising from a defined benefit plan is recognized in other comprehensive income in the period in which it occurs and is expressed in retained earnings.
- C. The interim pension cost is calculated based on the pension cost rate determined at the end of the previous fiscal year on the basis from the beginning until the end of the current period. If there are major market changes and major reductions, settlements, or other major one-off events after the ending date, adjustments shall be made and relevant information revealed in accordance with the aforementioned policies.

3. Employee remuneration and director's remuneration

Employee remuneration and director's remuneration are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any difference between the actual distribution amount and the estimated amount, it shall be treated as the change of accounting estimate.

(XXVIII) Income tax

1. Income tax expense includes current and deferred income tax. Income tax is recognized in profit or loss, except for income tax related to items included respectively in other comprehensive income or directly included in equity.
2. The group calculates the current income tax based on the tax rate enacted or substantively enacted on the balance sheet date by the country where the group operates and the taxable income is generated. The management assesses the status of income tax returns regularly concerning the applicable income tax laws and regulations, and, where applicable, assesses income tax liabilities based on the amount of tax expected to be paid to the tax authorities. Undistributed earnings are subject to income tax in accordance with the income tax law, and the income tax expense of undistributed earnings shall be recognized in accordance with the actual distribution of earnings in the year following the year in which the earnings are generated after the earnings distribution proposal is passed by the shareholders' meeting.
3. Deferred income tax is recognized according to the temporary difference between the tax base of assets and liabilities and their book value in the consolidated balance sheet by using the balance sheet method. Deferred income tax liabilities arising from originally recognized goodwill are not recognized. If the deferred income tax comes from the originally recognized assets or liabilities in a transaction (excluding business merger), and the accounting profit or tax income (tax loss) is not affected at the time of the transaction, then it is not recognized. If there is a temporary difference arising from the investment in subsidiaries and affiliated enterprises, the group can control the reversal time point of the temporary difference, and the temporary difference is likely to not be reversed in the foreseeable future, then it will not be recognized. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the balance sheet date and is expected to apply when the relevant deferred income tax assets are realized or the deferred income tax liabilities are settled.
4. Deferred income tax assets are recognized to the extent that the temporary differences are likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets are reassessed on each balance sheet date.
5. The current income tax assets and current income tax liabilities can be offset when there is a legal enforcement right to offset the recognized current income tax assets and liabilities and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time. When there is a legal enforcement right to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer, or different taxpayers of the same tax authority and each entity intends to pay off the assets and liabilities on a net basis or realize the assets and settle the liabilities at the same time, then the deferred income tax assets and liabilities can be offset against each other.

6. The portion of unused income tax deduction for deferred use generated from the procurement of equipment or technology, R&D spending and investment in equity shall be recognized as deferred income tax assets within the scope of using unused income tax deduction for taxation with a high probability in the future.
7. The interim income tax expense is calculated by applying the estimated annual average effective tax rate to the interim pre-tax, and relevant information is disclosed in accordance with the policies above.
8. When there is a tax rate change in the interim period, the group will recognize the effect of the change in one go in the current period of the change. For those related to income tax and items other than profit and loss, the effect of the change will be recognized in other comprehensive income or changes in equity. For those related to income tax and items recognized as income, the effect of the change will be recognized in profit and loss.

(XXIX) Dividend distribution

Cash dividends distributed to the Company's shareholders are recognized as liabilities in the financial reports when the Company's board of directors resolves a decision to distribute dividends. Stock dividends distributed to the Company's shareholders are recognized as stock dividends to be distributed in the financial reports when the Company's shareholders' meeting resolves a decision to distribute stock dividends, and reclassified to ordinary shares on the record date of the issue of new shares.

(XXX) Revenue recognition

1. The Group manufactures and sells 3C related products. Revenue from sales is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the buyer, the buyer has discretion over the price of the product, and the Group has no outstanding performance obligation that may affect the customer's acceptance of the product. When the product is delivered to the designated place, the risk of obsolescence and loss has been transferred to the customer, and the customer accepts the product according to the sales contract, or if there is objective evidence to prove that all acceptance criteria have been met. Accounts receivable are recognized when the goods are delivered to the customer. Since then, the Group has unconditional rights to the contract price, and the consideration can be collected from the customer after a certain period of time.
2. The terms of payment for sale transactions are usually due 30 to 120 days after the date of shipment. Since the time interval between the transfer of the promised goods or services to the customer and the customer's payment does not exceed one year, the Group has not adjusted the transaction price to reflect the time value of the currency.

(XXXI) Government subsidy

Government subsidy is recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government subsidy and will receive the subsidy. If the nature of the government subsidy is to compensate for the expenses incurred by the Group, the government subsidy shall be recognized as the current income on a systematic basis during the period of the relevant expenses.

(XXXII) Business combination

1. The Group accounts for business combinations using the acquisition method. Consideration of business combination is determined based on the fair value of assets transferred, the fair value of liabilities created or borne, and the fair value of equity instruments issued. The amount of consideration includes the fair value of any asset or liability given rise by contingent consideration. Acquisition-related costs are expensed at the time incurred. Identifiable assets acquired and liabilities borne in a business combination are measured at fair value as of the acquisition date. The Group accounts for acquisitions on a transaction-by-transaction basis. Components of non-controlling interests that represent shareholders' current ownership and shareholders' proportional entitlement to a business' net assets in the event of liquidation are measured at fair value or based on the percentage of non-controlling interests relative to the acquirer's net identifiable assets as of the acquisition date; all other components of non-controlling interests are measured at fair value as of the acquisition date.
2. If the sum of consideration, acquiree's non-controlling interests, and fair value of acquiree's equity currently held exceeds the fair value of identifiable assets acquired and liabilities borne from the acquisition, the excess is recognized as goodwill on the acquisition date; if the fair value of identifiable assets acquired and liabilities borne from the acquisition exceeds the sum of consideration, acquiree's non-controlling interests, and fair value of acquiree's equity currently held, the shortfall is recognized through current profit and loss on the acquisition date.

(XXXIII) Operating departments

The Group's operating departments information is reported consistently with the internal management reports provided to major operational decision-makers. Major operational decision-makers are responsible for allocating resources to operating departments and assessing their performance.

V. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates, and Assumptions

When the Group prepares the consolidated financial reports, the management has used its judgment to determine the adopted accounting policies and has made accounting estimates and assumptions based on the reasonable expectations of future events based on the situation on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. These estimates and assumptions contain risk that may result in significant adjustments to the book values of assets and liabilities in the next fiscal year. Please see below for a detailed description of the uncertainties of significant accounting judgments, estimates, and assumptions:

(I) Important judgment for accounting policy adoption

Recognition of gross or net income

According to the type of transaction and its economic essence, the Group determines whether the nature of its commitment to customers is the performance obligation of providing specific goods or services by itself (i.e. the Group is the principal), or is the performance obligation of another party providing such goods or services (i.e. the Group is the agent). When the Group controls a particular product or service before transferring it to a customer, the Group acts as the principal and recognizes the total amount of consideration that it is expected to be entitled to receive for the transfer of the particular product or service as income. If the Group does not control the specific product or service before transferring it to customers, the Group acts as an agent to arrange for another party to provide the particular product or service to customers, and any fee or commission that the Group is entitled to receive via this arrangement is recognized as income.

The Group determines whether it controls a particular product or service before it is transferred to a customer based on the following indicators:

1. Being responsible for fulfilling the promise of providing a particular product or service.
2. Bearing the inventory risk before transferring the particular product or service to the customer, or bearing the inventory risk after transferring the control.
3. Having the discretion to fix the price of a particular product or service.

(II) Important accounting estimates and assumptions

The accounting estimates made by the Group are based on the reasonable expectation of future events based on the situation as of the balance sheet date. However, the actual results may be different from the estimates. For the risk of significant adjustment to book values of assets and liabilities in the next fiscal year, please refer to the following details:

Inventory evaluation

Since inventory must be priced at the lower of the cost and net realizable value, the Group must use judgment and estimation to determine the net realizable value of inventory on the balance sheet date. Due to rapid changes in technology, the Group assesses the amount of inventory on the balance sheet due to normal wear and tear, obsolescence, or lack of market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the estimated product demand in a specific period in the future, so significant changes may occur.

VI. Summary of Significant Accounting Items

(I) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand and working capital	\$ 681	\$ 584	\$ 1,033
Checking and demand deposit accounts	5,236,847	4,752,828	5,423,207
Time deposit	1,698,194	1,488,373	1,405,761
Bond repos	99,810	-	-
	<u>\$ 7,035,532</u>	<u>\$ 6,241,785</u>	<u>\$ 6,830,001</u>

1. The credit quality of the financial institutions with which the Group interacts is good, and the Group interacts with several financial institutions to diversify credit risks. The probability of default is expected to be very low.

- The bank deposits pledged by the Group as of September 30, 2022, December 31, 2021, and September 30, 2021 are classified as other current assets and other non-current assets. Please refer to Note 8 for details.

(II) Financial assets at FVTPL

Item	September 30, 2022	December 31, 2021	September 30, 2021
Current items:			
Mandatory financial assets measured at fair value through income			
Open-end funds	\$ 10,125	\$ 9,224	\$ 9,253
Foreign exchange forward contracts	-	2,112	8,787
	\$ 10,125	\$ 11,336	\$ 18,040
Non-current items:			
Mandatory financial assets measured at fair value through income			
Non-listed, OTC, or emerging stocks	\$ -	\$ -	\$ 1,902

- For the financial products held by the Group from July 1 to September 30, 2022 and 2021, and from January 1 to September 30, 2022 and 2021, a net gain of NT\$5,547, NT\$12,276, NT\$33,898, and NT\$10,323 were recognized respectively.
- The transaction and contract information of non-hedging derivative financial assets are explained as follows:

Derivative financial assets	December 31, 2021		Contract period
	Contract amount (Nominal principal) (NT\$ thousand)		
Current items:			
Foreign exchange forward contracts	RMB (BUY)	321,135	December 2021 - March 2022
	USD (SELL)	50,000	
	September 30, 2021		
Derivative financial liabilities	Contract amount (Nominal principal) (NT\$ thousand)		Contract period
Current items:			
Foreign exchange forward contracts	RMB (BUY)	202,855	July 2021 - November 2021
	USD (SELL)	31,000	

Foreign exchange forward contracts

The foreign exchange forward transactions entered into by the Group are US dollar forward transactions (selling USD to buy RMB) to avoid the exchange rate risk of working capital, but hedge accounting is not applicable. As of September 30, 2022, the foreign exchange forward transactions above have been squared and settled.

- The Group has not pledged financial assets measured at fair value through income.

(III) Notes and accounts receivable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Note receivable	\$ 5,422	\$ 5,707	\$ 40
Accounts receivable	3,704,039	2,927,776	3,366,878
Less: Allowance for impairment loss	( 12,262 )	( 9,975 )	( 9,015 )
	<u>\$ 3,697,199</u>	<u>\$ 2,923,508</u>	<u>\$ 3,357,903</u>

1. The Group does not hold any collateral.
2. The balance of accounts receivable and notes receivable as of September 30, 2022, December 31, 2021, and September 30, 2021 were generated from customer contracts, and the balance of notes receivable and accounts receivable of customer contracts on January 1, 2021 was NT\$2,570,473.
3. Without considering the collateral or other credit enhancements held, the maximum amount of exposure that best represents the credit risk of notes and accounts receivable of the Group on September 30, 2022, December 31, 2021, and September 30, 2021 is the book value of each type of notes and accounts receivable.
4. Please refer to note 12(2) for details of relevant credit risk information.

(IV) Inventory

	<u>September 30, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation losses</u>	<u>Book value</u>
Raw materials	\$ 1,675,482	( \$ 62,538 )	\$ 1,612,944
Work in process	1,034,749	( 20,014 )	1,014,735
Finished products	1,553,354	( 91,535 )	1,461,819
	<u>\$ 4,263,585</u>	<u>( \$ 174,087 )</u>	<u>\$ 4,089,498</u>
	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation losses</u>	<u>Book value</u>
Raw materials	\$ 1,494,871	( \$ 45,798 )	\$ 1,449,073
Work in process	1,035,532	( 26,019 )	1,009,513
Finished products	2,498,723	( 104,922 )	2,393,801
	<u>\$ 5,029,126</u>	<u>( \$ 176,739 )</u>	<u>\$ 4,852,387</u>
	<u>September 30, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation losses</u>	<u>Book value</u>
Raw materials	\$ 1,611,495	( \$ 79,444 )	\$ 1,532,051
Work in process	975,033	( 23,596 )	951,437
Finished products	1,031,640	( 102,852 )	928,788
	<u>\$ 3,618,168</u>	<u>( \$ 205,892 )</u>	<u>\$ 3,412,276</u>

The cost of inventory recognized as expense losses by the Group in the current period:

	July 1 to September 30, 2022	July 1 to September 30, 2021
Cost of inventory sold	\$ 5,632,643	\$ 6,157,343
Inventory valuation loss	11,935	16,315
Income from sales of scrap materials	( 21,043 )	( 10,495 )
	<u>\$ 5,623,535</u>	<u>\$ 6,163,163</u>

	January 1 to September 30, 2022	January 1 to September 30, 2021
Cost of inventory sold	\$ 16,565,165	\$ 15,192,960
Inventory valuation loss (rebound profit)	26,112	11,524
Income from sales of scrap materials	( 78,995 )	( 33,247 )
	<u>\$ 16,512,282</u>	<u>\$ 15,148,189</u>

From January 1 to September 30, 2021, the Group's net realizable value of inventories rose due to the elimination of some of the inventories whose net realizable value was lower than the cost.

(V) Financial assets measured at fair value through other comprehensive income - Non-current

Item	September 30, 2022	December 31, 2021	September 30, 2022
Non-current items:			
Equity instruments			
Listed and OTC stocks	\$ 864,278	\$ 1,621,037	\$ 1,406,002
Non-listed, OTC, or emerging stocks	891,239	785,661	767,131
Total	<u>\$ 1,755,517</u>	<u>\$ 2,406,698</u>	<u>\$ 2,173,133</u>

1. Please refer to Note 6 (17) other equity items for the items the Group recognized in other comprehensive income due to changes in fair value from January 1 to September 30, 2022 and 2021.
2. The fair value of equity instruments sold by the Group in 2021 was NT\$761,284, and the accumulated disposal benefits were NT\$336,187, which were transferred from other equity to undistributed earnings. According to the agreement, the sale price of the preceding equity transaction shall be collected within 18 months after the closing date. As of September 30, 2022, the Group has not received the sale price of NT\$521,401, which is listed as other receivables.
3. None of the Group's financial assets measured at fair value through other comprehensive income were pledged as of September 30, 2022, December 31, 2021, and September 30, 2021.

(VI) Investment by equity method

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2022</u>
Long Time Tech. Co., Ltd.	\$ 749,972	\$ 742,334	\$ 763,315

1. The Group's investment by equity method on January 1 to September 30, 2021, was evaluated based on financial reports compiled by the affiliated enterprise which were not reviewed by an independent auditor during the same period.
2. The share of operating results of the Group's significant affiliated companies is summarized as follows:

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Current net profit (loss) of continuing business units	\$ 133	( \$ 20,963 )
Total comprehensive income in the current period	\$ 133	( \$ 20,963 )
	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Current net profit (loss) of continuing business units	\$ 7,638	( \$ 41,239 )
Total comprehensive income in the current period	\$ 7,638	( \$ 41,239 )

3. The Group's subsidiaries Pan Global Holding Co., Ltd. and Tekcon Electronics Corporation hold 22.41% of the equity of Long Time Tech. Co., Ltd., but they do not include Long Time Tech as consolidated entity because they don't acquire the control of the company.
4. Please refer to Note 8 for details on investment by equity method that the Group had placed as collateral for contractual liabilities.

(VII) Property, plant, and equipment

	Land	Buildings	Equipment	Others	Unfinished construction and equipment to be accepted	Total
January 1, 2022						
Cost	\$ 23,211	\$ 656,219	\$ 5,110,913	\$ 789,034	\$ 235,854	\$ 6,815,231
Cumulative depreciation	-	( 394,779 )	( 3,681,747 )	( 585,793 )	-	( 4,662,319 )
	<u>\$ 23,211</u>	<u>\$ 261,440</u>	<u>\$ 1,429,166</u>	<u>\$ 203,241</u>	<u>\$ 235,854</u>	<u>\$ 2,152,912</u>
<u>2022</u>						
January 1	\$ 23,211	\$ 261,440	\$ 1,429,166	\$ 203,241	\$ 235,854	\$ 2,152,912
Addition	-	15,982	503,223	78,966	23,851	622,022
Disposal	-	-	( 11,442 )	( 3,182 )	( 45 )	( 14,669 )
Re-classification	-	61,008	124,909	5,687	( 128,648 )	62,956
Depreciation expenses	-	( 18,392 )	( 290,860 )	( 54,964 )	-	( 364,216 )
Net exchange difference	49	8,907	44,780	4,483	5,949	64,168
September 30	<u>\$ 23,260</u>	<u>\$ 328,945</u>	<u>\$ 1,799,776</u>	<u>\$ 234,231</u>	<u>\$ 136,961</u>	<u>\$ 2,523,173</u>
September 30, 2022						
Cost	\$ 23,260	\$ 759,250	\$ 5,745,193	\$ 863,944	\$ 136,961	\$ 7,528,608
Cumulative depreciation	-	( 430,305 )	( 3,945,417 )	( 629,713 )	-	( 5,005,435 )
	<u>\$ 23,260</u>	<u>\$ 328,945</u>	<u>\$ 1,799,776</u>	<u>\$ 234,231</u>	<u>\$ 136,961</u>	<u>\$ 2,523,173</u>
January 1, 2021						
Cost	\$ 24,010	\$ 577,238	\$ 4,673,728	\$ 687,857	\$ 28,766	\$ 5,991,599
Cumulative depreciation	-	( 348,789 )	( 3,425,163 )	( 546,963 )	-	( 4,320,915 )
	<u>\$ 24,010</u>	<u>\$ 228,449</u>	<u>\$ 1,248,565</u>	<u>\$ 140,894</u>	<u>\$ 28,766</u>	<u>\$ 1,670,684</u>
<u>2021</u>						
January 1	\$ 24,010	\$ 228,449	\$ 1,248,565	\$ 140,894	\$ 28,766	\$ 1,670,684
Addition	-	11,584	200,672	74,120	135,837	422,213
Acquisition through business combination	-	35,954	69,078	4,936	-	109,968
Disposal	-	( 629 )	( 8,735 )	( 3,100 )	( 4,166 )	( 16,630 )
Transfer	-	-	-	2,104	( 2,104 )	-
Depreciation expenses	-	( 13,507 )	( 194,383 )	( 30,313 )	-	( 238,203 )
Net exchange difference	( 856 )	( 13,232 )	( 32,736 )	( 2,085 )	( 4,396 )	( 53,305 )
September 30	<u>\$ 23,154</u>	<u>\$ 248,619</u>	<u>\$ 1,282,461</u>	<u>\$ 186,556</u>	<u>\$ 153,937</u>	<u>\$ 1,894,727</u>
September 30, 2022						
Cost	\$ 23,154	\$ 635,377	\$ 4,886,158	\$ 758,760	\$ 153,937	\$ 6,457,386
Cumulative depreciation	-	( 386,758 )	( 3,603,697 )	( 572,204 )	-	( 4,562,659 )
	<u>\$ 23,154</u>	<u>\$ 248,619</u>	<u>\$ 1,282,461</u>	<u>\$ 186,556</u>	<u>\$ 153,937</u>	<u>\$ 1,894,727</u>

1. Please refer to Note 6 (27) for detailed explanation on increases in property, plant and equipment following the business combination in the 2<sup>nd</sup> quarter of 2021.
2. Please refer to note 8 for details of the Group's pledged property, plant and equipment.

(VIII) Lease transaction - Lessee

1. The underlying lease assets of the Group include land, plants and buildings, and the terms of the lease contracts usually range from 1 to 5 years. The lease contracts are negotiated individually and contain various terms and conditions. There are no other restrictions except that the leased assets may not be used as a loan guarantee.
2. The lease term of office equipment and transportation equipment leased by the Group does not exceed 12 months.
3. The book value and recognized depreciation expense information of the right-of-use assets are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Book value</u>	<u>Book value</u>	<u>Book value</u>
Land	\$ 179,291	\$ 158,973	\$ 123,675
Houses	214,205	160,126	177,796
	<u>\$ 393,496</u>	<u>\$ 319,099</u>	<u>\$ 301,471</u>

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 1,804	\$ 984
Houses	21,894	19,352
	<u>\$ 23,698</u>	<u>\$ 20,336</u>

	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
	<u>Depreciation expenses</u>	<u>Depreciation expenses</u>
Land	\$ 5,428	\$ 2,347
Houses	63,578	58,040
	<u>\$ 69,006</u>	<u>\$ 60,387</u>

4. Increases in right-of-use assets for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, were reported at NT\$16,061, NT\$0, NT\$113,605 and NT\$79,535, respectively. The NT\$79,535 increase in right-of-use assets for the periods January 1 to September 30, 2021 was the result of business combination. Please refer to Note 6(27) for details.
5. The information on profit and loss items related to leasing contracts is as follows:

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 2,038	\$ 1,342
Expenses of short-term lease contracts	4,264	3,871

	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 7,426	\$ 4,200
Expenses of short-term lease contracts	11,274	9,933

6. The total cash outflow from the leases of the Group for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, were NT\$27,965, NT\$22,853, NT\$62,393, and NT\$59,529, respectively.

7. Please refer to Note 8 for details of the Group's right-of-use assets pledged as collateral.

(IX) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1, 2022			
Cost	\$ 105,386	\$ 211,248	\$ 316,634
Cumulative depreciation and impairment	-	( 102,107 )	( 102,107 )
	<u>\$ 105,386</u>	<u>\$ 109,141</u>	<u>\$ 214,527</u>
<u>2022</u>			
January 1	\$ 105,386	\$ 109,141	\$ 214,527
Transfer	( 20,773 )	( 61,008 )	( 81,781 )
Depreciation expenses	-	( 4,436 )	( 4,436 )
Net exchange difference	68	3,745	3,813
September 30	<u>\$ 84,681</u>	<u>\$ 47,442</u>	<u>\$ 132,123</u>
September 30, 2022			
Cost	\$ 84,681	\$ 149,858	\$ 234,539
Cumulative depreciation and impairment	-	( 102,416 )	( 102,416 )
	<u>\$ 84,681</u>	<u>\$ 47,442</u>	<u>\$ 132,123</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1, 2021			
Cost	\$ 112,596	\$ 221,048	\$ 333,644
Cumulative depreciation and impairment	-	( 99,086 )	( 99,086 )
	<u>\$ 112,596</u>	<u>\$ 121,962</u>	<u>\$ 234,558</u>
<u>2021</u>			
January 1	\$ 112,596	\$ 121,962	\$ 234,558
Depreciation expenses	-	( 4,468 )	( 4,468 )
Net exchange difference	( 6,058 )	( 8,032 )	( 14,090 )
September 30	<u>\$ 106,538</u>	<u>\$ 109,462</u>	<u>\$ 216,000</u>
September 30, 2022			
Cost	\$ 106,538	\$ 210,456	\$ 316,994
Cumulative depreciation and impairment	-	( 100,994 )	( 100,994 )
	<u>\$ 106,538</u>	<u>\$ 109,462</u>	<u>\$ 216,000</u>

1. Rental income and direct operating expenses of investment property:

	July 1 to September 30, 2022	July 1 to September 30, 2021
Rental income of investment property	\$ 9,670	\$ 6,639
Direct operating expenses of investment property that generate rental income in the current period	\$ 1,487	\$ 1,457
	January 1 to September 30, 2022	January 1 to September 30, 2021
Rental income of investment property	\$ 32,090	\$ 29,479
Direct operating expenses of investment property that generate rental income in the current period	\$ 4,436	\$ 4,468

2. The fair value of the investment property held by the Group as of September 30, 2022, December 31, 2021, and September 30, 2021 were NT\$419,829, NT\$520,052, and NT\$509,846 respectively, which were obtained from the evaluation of government announcement information, and the results belong to the third level of fair value.

3. Please refer to note 8 for details of the Group's pledged investment property.

(X) Intangible assets - Goodwill

	September 30, 2022	December 31, 2021	September 30, 2021
Balance at the beginning of the period	\$ 36,218	\$ 36,963	\$ 36,963
Net exchange difference	1,043	( 745 )	( 983 )
Ending balance	\$ 37,261	\$ 36,128	\$ 35,980

The above-mentioned intangible assets - goodwill was mainly generated by the group's merger with East Honest Holdings Limited by the acquisition method in 2012, and the indirect acquisition of its reinvested mainland China subsidiary Honghuasheng Precision Electronics (Yantai) Co., Ltd.

(XI) Short-term borrowings

Nature of the borrowings	September 30, 2022	Interest rate bracket	Collateral
Bank loans - Credit loans	\$ 2,480,371	1.50%~3.96%	None.
Nature of the borrowings	December 31, 2021	Interest rate bracket	Collateral
Bank loans - Credit loans	\$ 1,028,206	0.50%~0.66%	None.
Nature of the borrowings	September 30, 2021	Interest rate bracket	Collateral
Bank loans - Credit loans	\$ 1,727,367	0.47%~0.65%	None.

As of September 30, 2022, the Group had an undrawn limit of NT\$7,357,161.

(XII) Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Salary, bonus, and employee remuneration payable	570,366	542,179	530,262
Equipment payment payable	213,033	235,818	61,468
Consumables payable	70,680	66,976	62,335
Repair expenses payable	65,161	57,563	47,094
Utility fees payable	62,175	39,702	49,786
Others	375,125	304,257	223,235
	<u>\$ 1,356,540</u>	<u>\$ 1,246,495</u>	<u>\$ 974,180</u>

(XIII) Pension

1. Measures for defined retirement benefits

- (1) The Company and Tekcon Electronics Corporation (hereinafter referred to as Tekcon) have in place measures for defined benefit retirement in accordance with the provisions of the “Labor Standards Act”, which applies to the service years of all regular employees before the implementation of the “Labor Pension Act” on July 1, 2005, and the subsequent service years of employees who choose to continue to apply the Labor Standards Act after the implementation of the “Labor Pension Act.” If an employee is eligible for retirement, the pension payment shall be based on the service years and the average monthly salary of the six months before retirement. Two base numbers shall be given for each full year of service within 15 years (inclusive), and one base number shall be given for each full year of service over 15 years, but the cumulative maximum is 45 base numbers. The Company and Tekcon respectively allocate 6% and 2% of the total salary to the retirement fund every month which is deposited with the trust department of the Bank of Taiwan in the name of the Labor Pension Fund Supervisory Committee. In addition, before the end of each year, the Company estimates the balance of the labor retirement reserve account mentioned in the above. If the balance is insufficient to pay the pension amount of the workers who meet the retirement conditions estimated in the next year according to the above calculation, the Company will provide funding to make up of the shortage before the end of March in the following year. paragraph.
- (2) From July 1 to September 30, 2022 and 2021, and from January 1 to September 30, 2022 and 2021, the Group recognized pension costs of NT\$654, NT\$606, NT\$1,983, and NT\$1,763, respectively, according to the above-mentioned pension measures.
- (3) The Group expected to appropriate \$1,662 for payment to the retirement plan in 2023.

2. Measures for defined retirement allocation

- (1) Since July 1, 2005, the Company and Tekcon have formulated measures for defined retirement allocation in accordance with the “Labor Pension Act” which applies to employees of Taiwan nationality. For employees of the Company and Tekcon who choose to apply the labor retirement pension system of the “Labor Pension Act,” 6% of their monthly salary is allocated as labor pension to the employee's personal account at the Bureau of Labor Insurance. The payment of labor pension shall be based on the balance of the employee's pension account and the number of accumulated benefits and shall be paid in the form of monthly pension or lump sum pension payment.
- (2) The subsidiaries listed in the consolidated statements do not have their own retirement measures. PAN-INTERNATIONAL ELECTRONICS INC., P.I.E. Industrial Berhad and its subsidiaries in mainland China shall allocate a certain percentage of their total salary to the mandatory provident fund in accordance with the local government's mandatory regulations, and be deposited in the independent account of each employee, and the pension of each employee is managed and arranged by the government. The companies mentioned above have no further obligations except for the monthly allocation.
- (3) From July 1 to September 30, 2022 and 2021, and from January 1 to September 30, 2022 and 2021, the pension costs recognized by the Group in accordance with the pension measures above were NT\$40,526, NT\$33,943, NT\$118,320, and NT\$101,291 respectively.

(XIV) Share capital

As of September 30, 2022, the authorized capital of the Company comprised 600,000,000 shares (including 30,000,000 shares under subscription warrants or subscription rights of convertible bonds); 518,346,282 shares were outstanding with a par value of NT\$10 per share.

(XV) Capital surplus

In accordance with the Company Act, the premium from the issuance of shares above par value and the capital reserve from the receipt of gifts may be used to make up for the losses. When the Company has no accumulated loss, new shares or cash shall be issued or paid in proportion to the original shares of the shareholders. In addition, according to the relevant provisions of the Securities and Exchange Act, when the capital reserve above is appropriated to capital, its total amount each year shall not exceed 10% of the paid-in capital. The company shall not use the capital reserve to make up for the capital loss unless the earnings reserve is still insufficient to make up for the capital loss.

(XVI) Retained earnings

1. According to the articles of association of the Company, if there is any surplus in the annual final accounts, in addition to paying all taxes according to law, the Company shall first make up for the losses of previous years, and then set aside 10% as the legal reserve. If there is still a surplus, it shall be retained or distributed according to the resolution of the shareholders' meeting.

2. The Company authorizes the Board of Directors to distribute all or part of the dividends and bonuses that shall be distributed, capital surplus, or legal reserves in cash, which shall be approved through a resolution by more than half of the directors present at a Board meeting attended by more than two-thirds of all directors, and the rule that a resolution by a shareholders' meeting is required as in the preceding paragraph shall not apply.
3. The Company is in a growth stage, and the dividend distribution policy shall be based on the Company's current and future investment environment, capital demand, domestic and foreign competition status, capital budget, and other factors, while taking into account the shareholders' interests and the Company's long-term financial planning. The shareholders' dividend shall be allocated from the cumulative distributable earnings and shall not be less than 15% of the distributable earnings of the current year, and the cash dividend ratio shall not be less than 10% of the total dividend.
4. The legal reserve shall not be used except to make up for the Company's losses and issuing new shares or paying cash in proportion to the original number of shares held by the shareholders. However, if new shares or cash are issued, the amount of such reserve shall exceed 25% of the paid-in capital.
5. When the Company distributes earnings, it is required by laws and regulations to set aside a special reserve for the debit balance of other equity items on the balance sheet date of the current year before distribution. When the debit balance of other equity items is subsequently reversed, the amount of reversal can be included in the earnings available for distribution.
6. The shareholders resolved to pass distribution of 2021 and 2020 earnings during the meetings held on June 15, 2022 and July 15, 2021; details are as follows:

	2021		2020	
	Amount	Dividend per share (NT\$)	Amount	Dividend per share (NT\$)
Legal reserve	\$ 130,519		\$ 76,277	
Special reserve	( 277,289 )		37,450	
Cash dividends	518,346	\$ 1.00	336,925	\$ 0.65
	<u>\$ 371,576</u>		<u>\$ 450,652</u>	

(XVII) Other items of equity

	<u>Financial assets at FVTOCI</u>	<u>Adjustment for currency conversion</u>	<u>Total</u>
January 1, 2022	\$ 288,225	(\$ 1,360,659)	(\$ 1,072,434)
Unrealized profit or loss of financial products - Group	( 828,884 )	-	( 828,884 )
Currency conversion difference - Group	-	555,002	555,002
September 30, 2022	<u>(\$ 540,659)</u>	<u>(\$ 805,657)</u>	<u>(\$ 1,346,316)</u>
	<u>Financial assets at FVTOCI</u>	<u>Adjustment for currency conversion</u>	<u>Total</u>
January 1, 2021	(\$ 186,592)	(\$ 1,163,132)	(\$ 1,349,724)
Unrealized profit or loss of financial products - Group	570,016	-	570,016
Transfer of valuation adjustment to retained earnings -Group	( 373,072 )	-	( 373,072 )
Tax on transfer of valuation adjustment to retained earnings -Group	36,885	-	36,885
Currency conversion difference - Group	-	( 235,758 )	( 235,758 )
September 30, 2022	<u>\$ 47,237</u>	<u>(\$ 1,398,890)</u>	<u>(\$ 1,351,653)</u>

(XVIII) Non-controlling interests

	<u>2022</u>	<u>2021</u>
January 1	\$ 1,682,573	\$ 1,622,505
Share of non-controlling interest:		
Net income for the period	154,660	124,446
Business combination	-	36,921
Conversion difference from the conversion of financial statements of a foreign operation	51,821 (	109,329 )
Cash dividend payment	( 89,844 ) (	61,002 )
Decrease in non-controlling interests	( 61,540 )	-
March 31	<u>\$ 1,740,670</u>	<u>\$ 1,613,541</u>

(XIX) Operating revenue

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Revenue from customer contracts	\$ 6,483,846	\$ 6,902,497

  

	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Revenue from customer contracts	\$ 18,657,591	\$ 17,027,101

The revenue of the Group is derived from goods and services transferred at a certain time point. Please refer to Note 14 for details of revenue.

Contractual liabilities

The contractual liabilities related to the contractual income recognized by the Group are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>January 1, 2021</u>
Contractual liabilities	\$ 377,683	\$ 939,066	\$ 693,238	\$ 395,622

Recognized income of contract liabilities at the beginning of the period:

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Opening balance of contract liabilities recognized as income in the current period	\$ 19,010	\$ 6,066

  

	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Opening balance of contract liabilities recognized as income in the current period	\$ 642,524	\$ 57,750

(XX) Other income

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Rental income	\$ 12,156	\$ 8,908
Dividend income	87,256	24,746
Subsidy income	13,218	5,976
Other income - Other	4,190	8,537
	<u>\$ 116,820</u>	<u>\$ 48,167</u>

  

	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Rental income	\$ 39,111	\$ 36,563
Dividend income	87,262	25,408
Subsidy income	23,657	11,914
Other income - Other	6,016	11,354
	<u>\$ 156,046</u>	<u>\$ 85,239</u>

(XXI) Other gains and losses

	July 1 to September 30, 2022	July 1 to September 30, 2021
Net gains of financial assets and liabilities measured at fair value through the income	\$ 5,547	\$ 12,276
Losses from the disposal of property, plant and equipment	( 199 )	( 386 )
Net foreign currency conversion gain	64,743	24,843
Others	( 3,446 )	( 457 )
	<u>\$ 66,645</u>	<u>\$ 36,276</u>

	January 1 to September 30, 2022	January 1 to September 30, 2021
Net gains of financial assets and liabilities measured at fair value through the income	\$ 33,898	\$ 10,323
Losses from the disposal of property, plant and equipment	( 8,998 )	( 5,225 )
Gain on disposal of investments	-	14,520
Net foreign currency conversion gain	119,114	12,265
Others	( 1,748 )	( 5,401 )
	<u>\$ 142,266</u>	<u>\$ 26,482</u>

(XXII) Employee benefit, depreciation and amortization expenses

<u>By nature</u>	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Employee benefits expense		
Salary expenses	\$ 784,382	\$ 672,006
Labor and national health insurance expenses	17,277	17,546
Pension expenses	41,180	34,549
Other HR expenses	62,533	99,851
	<u>\$ 905,372</u>	<u>\$ 823,952</u>
Depreciation expenses	<u>\$ 155,899</u>	<u>\$ 104,286</u>
Amortization expenses	<u>\$ 3,468</u>	<u>\$ 2,406</u>

<u>By nature</u>	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Employee benefits expense		
Salary expenses	\$ 2,082,552	\$ 1,772,458
Labor and national health insurance expenses	55,938	53,047
Pension expenses	120,303	103,054
Other HR expenses	158,359	221,381
	<u>\$ 2,417,152</u>	<u>\$ 2,149,940</u>
Depreciation expenses	<u>\$ 437,658</u>	<u>\$ 303,058</u>
Amortization expenses	<u>\$ 5,745</u>	<u>\$ 4,923</u>

1. According to the articles of association of the Company, if the Company has any profit in the year (the so-called profit refers to the gains before deducting the distribution of employee remuneration and directors' remuneration), it shall allocate no less than 5% of it as employee remuneration and no more than 0.5% as directors' remuneration, which shall be distributed after the special resolution of the Board of Directors, and shall be reported to the shareholders' meeting. However, where the Company still has accumulated losses, amount shall be reserved for making up the accumulated loss first.
2. The estimated amounts of the Company's employee remuneration for the periods July 1 to September 30, 2022 and 2021, and January 1 to September 30, 2022 and 2021, were NT\$27,304, NT\$18,104, NT\$58,779, and NT\$43,853, respectively. The remuneration to the Directors was estimated at NT\$2,731, NT\$1,810, NT\$5,878, and NT\$4,385, respectively. The aforementioned amount was presented as a salary expense account in the book.

The period from January 1 to September 30, 2022 and 2021 are based on the profit status as of the current period. It is estimated according to the proportion specified in the articles of association of the Company.

The amounts of employee remuneration and director's remuneration for 2021 were NT\$60,674 and NT\$6,067, respectively, which were consistent with the amounts recognized in the 2021 financial statements and paid in cash. The unpaid 2021 employee remuneration and director's remuneration as of September 30, 2022 were in the amounts of NT\$52,127 and NT\$3,032, respectively, and recognized in "Other payables".

The above information on the remuneration of employees and directors approved by the Board of Directors of the Company can be obtained on MOPS.

(XXIII) Financial costs

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Interest expenses on bank loans	\$ 9,599	\$ 1,771
Interest expenses on lease liabilities	2,038	1,342
Other financial costs	76	-
	<u>\$ 11,713</u>	<u>\$ 3,113</u>
	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Interest expenses on bank loans	\$ 14,161	\$ 5,177
Interest expenses on lease liabilities	7,426	4,200
Other financial costs	1,194	-
	<u>\$ 22,781</u>	<u>\$ 9,377</u>

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expenses:

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Income tax for the current period:		
Income tax arising from current income	\$ 115,783	\$ 115,983
Extra tax on undistributed earnings	-	15,606
Income tax over estimates of previous year	( 1,190 )	( 195 )
Total income tax for the current period	<u>114,593</u>	<u>131,394</u>
Deferred income tax:		
The original value and reversal of temporary differences	<u>15,890</u>	<u>7,605</u>
Income tax expense	<u>\$ 130,483</u>	<u>\$ 138,999</u>

	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Income tax for the current period:		
Income tax arising from current income	\$ 288,522	\$ 258,445
Extra tax on undistributed earnings	46,681	15,606
Income tax under (over)estimates of previous years	( 32,907 )	5,665
Total income tax for the current period	<u>302,296</u>	<u>279,716</u>
Deferred income tax:		
The original value and reversal of temporary differences	<u>39,430</u>	<u>12,170</u>
Income tax expense	<u>\$ 341,726</u>	<u>\$ 291,886</u>

(2) Other comprehensive income related income tax amount:

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Changes in fair value of financial assets measured at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ -</u>

	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Changes in fair value of financial assets measured at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ 36,885</u>

2. The corporate income tax return of the Company has been approved by the tax collection authorities up to 2020.

(XXV) Earnings per share (EPS)

	July 1 to September 30, 2022		
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	\$ 492,331	518,346	\$ 0.95
<u>Diluted earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	492,331	518,346	
Effect of potentially dilutive common shares:			
Employee remuneration	-	1,792	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	\$ 492,331	520,138	\$ 0.95
	July 1 to September 30, 2021		
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	\$ 290,623	518,346	\$ 0.56
<u>Diluted earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	290,623	518,346	
Effect of potentially dilutive common shares:			
Employee remuneration	-	1,120	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	\$ 290,623	519,466	\$ 0.56
	January 1 to September 30, 2022		
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	\$ 976,683	518,346	\$ 1.88
<u>Diluted earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	976,683	518,346	
Effect of potentially dilutive common shares:			
Employee remuneration	-	2,277	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	\$ 976,683	520,623	\$ 1.88

	January 1 to September 30, 2021		
	After-tax amount	The weighted average number of outstanding shares (1000 shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	\$ 690,759	518,346	\$ 1.33
<u>Diluted earnings per share</u>			
Net income for the period attributable to the common shareholders of the parent company	690,759	518,346	
Effect of potentially dilutive common shares:			
Employee remuneration	-	1,384	
Net income for the period attributable to the common shareholders of the parent company plus the effect of potential common shares	\$ 690,759	519,730	\$ 1.33

(XXVI) Transactions with non-controlling interests

Dongguan Pan-International Precision Electronics Co., Ltd., a 2nd-tier subsidiary of the Company, acquired an additional 20% shares in circulation of Wuhu Ruichang Electric System Co., Ltd. in the third quarter of 2022 worth RMB 16,000 thousand in cash. The book value of non-controlling interests of Wuhu Ruichang Electric Systems Co., Ltd. was \$61,540 as of the date of acquisition. For the specific transaction, non-controlling interests lost were worth \$61,540 and equity attributable to owners of the parent company dropped by \$10,036. Impacts of the changes in the equity of Wuhu Ruichang Electric Systems Co., Ltd. for the third quarter of 2022 on the equity attributable to the owners of the parent company are as follows:

	July 1 to September 30, 2022	
Book value of acquired non-controlling interests	\$	61,540
Consideration paid to non-controlling interests	(	71,576)
Retained earnings - All changes in equities of subsidiaries are recognized	(\$	10,036)

(XXVII) Business combination

1. Dongguan Pan-International Precision Electronics Co., Ltd., one of the Company's 2nd-tier subsidiaries, acquired an 80% equity in Wuhu Ruichang Electric System Co., Ltd. (referred to as "Wuhu Ruichang" below) on June 1, 2021 for a sum of RMB 34,054 thousand, and gained controlling interest over Wuhu Ruichang. Business registrations were completed on June 1, 2021, and the new entity has since been included in the consolidated report. Wuhu Ruichang is mainly involved in the manufacturing of wiring harnesses for automobiles. The purpose of the acquisition is to integrate the resources of the two parties, which in turn creates synergy and expands automobile product lines for the Group.

2. Information on the consideration paid for the acquisition of Wuhu Ruichang, the fair value of assets acquired and liabilities assumed on the acquisition date, and the fair value of non-controlling interests on the acquisition date is as follows:

	<u>June 1, 2021</u>	
Consideration for acquisition - cash	\$	147,548
Fair value of non-controlling interests		36,921
	<u>\$</u>	<u>184,469</u>
Fair value of identifiable assets acquired and liabilities borne		
Cash	\$	47,544
Receivables		244,038
Inventory		460,705
Other receivables		63,428
Other current assets		15,680
Property, plant, and equipment		109,968
Right-of-use assets		79,535
Other non-current assets		864
Accounts payable	(	683,599 )
Other payables	(	119,136 )
Current tax liabilities	(	3,359 )
Lease liabilities	(	22,688 )
Other current liabilities	(	7,190 )
Other non-current liabilities	(	1,321 )
Total net identifiable assets		<u>184,469</u>
Goodwill	<u>\$</u>	<u>-</u>

3. The Group merged Wuhu Ruichang on June 1, 2021. If it is assumed that Wuhu Ruichang has been merged into the Group since January 1, 2021, the Group's operating revenue and net income before tax for the nine months ended September 30, 2021 would have been NT\$17,636,738 and NT\$1,107,833, respectively.

(XXVIII) Supplementary information on cash flow

1. Investment activities with partial cash payment:

	<u>January 1 to September 30, 2022</u>		<u>January 1 to September 30, 2021</u>	
Purchase of property, plant and equipment	\$	622,022	\$	422,213
Add: equipment payable at the beginning of the period		235,818		105,069
Less: equipment payable at the end of the period	(	213,033 )	(	61,468 )
Net exchange difference		6,145	(	806 )
Cash paid during the period	<u>\$</u>	<u>650,952</u>	<u>\$</u>	<u>465,008</u>

2. Fair value information relating to assets and liabilities acquired through business combination:

	<u>January 1 to September 30, 2021</u>
Fair value of net identifiable assets	\$ 184,469
Less: fair value of non-controlling interests	( 36,921 )
Cash paid for business combination	147,548
Less: cash received from business combination	( 47,544 )
Consolidated net cash inflow from business combination	<u>\$ 100,004</u>

(XXIX) Changes in liabilities from financing activities

	<u>2022</u>		
	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 1,028,206	\$ 166,173	\$ 1,194,379
Changes in financing cash flow	1,263,683	( 51,119 )	1,212,564
Net exchange difference	188,482	5,936	194,418
Other non-cash changes	-	102,428	102,428
September 30	<u>\$ 2,480,371</u>	<u>\$ 223,418</u>	<u>\$ 2,703,789</u>
	<u>2021</u>		
	<u>Short-term borrowings</u>	<u>Lease liabilities</u>	<u>Total liabilities from financing activities</u>
January 1	\$ 1,568,333	\$ 220,959	\$ 1,789,292
Changes in financing cash flow	206,856	( 55,023 )	151,833
Net exchange difference	( 47,822 )	( 2,329 )	( 50,151 )
Change in value of subsidiaries	-	22,688	22,688
Other non-cash changes	-	( 2,422 )	( 2,422 )
September 30	<u>\$ 1,727,367</u>	<u>\$ 183,873</u>	<u>\$ 1,911,240</u>

VII. Related Party Transactions

(I) Related party's name and relationship

<u>Related Party Name</u>	<u>Relationship with the Group</u>
Hon Hai Precision Industry Co., Ltd. and subsidiaries (Hon Hai and subsidiaries)	With significant influence on the group
Sharp Corporation and subsidiaries (Sharp and subsidiaries)	Other related parties
Foxconn Technology Co., Ltd. and subsidiaries (FTC and subsidiaries)	Other related parties
GENERAL INTERFACE SOLUTION LIMITED	Other related parties
Cyber TAN Technology, Inc and Subsidiaries	Other related parties
Chery Holding Group and Subsidiaries	Other related parties (Note 1)
Long Time Tech. Co., Ltd.	Affiliates

(Note 1) Listed as non-related party in September 2022

(II) Major transactions with related parties

1. Operating revenue

	<u>July 1 to September 30, 2022</u>		<u>July 1 to September 30, 2021</u>
With significant influence on the group			
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 1,975,138	\$	2,097,763
Other related parties			
- Sharp and subsidiaries	303,200		514,267
- Other	620,112		471,540
	<u>\$ 2,898,450</u>	<u>\$</u>	<u>3,083,570</u>
	<u>January 1 to September 30, 2022</u>		<u>January 1 to September 30, 2021</u>
With significant influence on the group			
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 4,928,039	\$	4,994,759
Other related parties			
- Sharp and subsidiaries	1,295,262		1,755,440
- Other	1,657,953		613,495
	<u>\$ 7,881,254</u>	<u>\$</u>	<u>7,363,694</u>

The price and loan period were determined by both sides after consultation, except where there is no similar transaction for reference. For the remainders of the Group's sale to abovementioned related parties, the price is similar to the sale price of other general customers. The Group's period of payment for the related parties ranged from 30 to 120 days.

2. Purchase

	<u>July 1 to September 30, 2022</u>		<u>July 1 to September 30, 2021</u>
With significant influence on the group			
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 653,692	\$	574,425
Other related parties			
- Foxconn Technology Co., Ltd. and subsidiaries	270,950		467,905
- Sharp and subsidiaries	63	(	-)
	<u>\$ 924,705</u>	<u>\$</u>	<u>1,042,330</u>

	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
With significant influence on the group		
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	\$ 1,749,286	\$ 1,859,665
Other related parties		
- Foxconn Technology Co., Ltd. and subsidiaries	900,654	1,420,062
- Sharp and subsidiaries	63	( 951 )
	<u>\$ 2,650,003</u>	<u>\$ 3,278,776</u>

The above amount includes purchase, discount, and sale return. The purchase price and payment term were determined by both sides through consultation. The payment term offered by the Group to related parties ranged from 30 to 90 days on monthly settlement of open account.

### 3. Receivables from related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Note receivable:			
Other related parties - others	\$ -	\$ 18,940	\$ 30,563
Accounts receivable:			
With significant influence on the group			
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	2,650,606	2,505,760	2,398,463
Other related parties			
- Sharp and subsidiaries	439,900	352,461	286,668
- Others	203,775	429,560	238,881
	<u>3,294,281</u>	<u>3,306,721</u>	<u>2,954,575</u>
Less: Allowance for impairment loss	( 1,464 )	( 1,632 )	( 1,506 )
	<u>\$ 3,292,817</u>	<u>\$ 3,305,089</u>	<u>\$ 2,953,069</u>

The receivables from related parties were mainly from sales and purchases on behalf of the related parties. The payment term for sales to related parties ranged from 30 to 120 days. The receivables are not secured and not interest bearing.

4. Accounts payables from related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Accounts receivable:			
With significant influence on the group			
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	1,079,905	988,250	992,564
Other related parties			
- Foxconn Technology Co., Ltd. and subsidiaries	153,635	324,346	370,418
- Others	-	76	-
	<u>\$ 1,233,540</u>	<u>\$ 1,312,672</u>	<u>\$ 1,362,982</u>

Accounts payable from related parties mainly comes from purchasing and purchase on behalf of others, and there is no interest attached to the accounts payable.

5. Contractual liabilities

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
With significant influence on the group			
- Hon Hai Precision Industry Co., Ltd. and subsidiaries	117,388	297,807	306,313
Other related parties	269	70	10,167
	<u>\$ 117,657</u>	<u>\$ 297,877</u>	<u>\$ 316,480</u>

The preceding contract liabilities of NT\$116,960, NT\$297,369 and NT\$305,670 dated September 30, 2022, December 31, 2021, and September 30, 2021 are guaranteed by the Group's investment by equity method, and the number of pledged shares is 7,812,500 shares. Please refer to Note 8 for details.

6. Lease transaction - Lessee

(1) The Group leases the plant from the Group which has a significant impact on the Group. The lease term is 5 years. The rent is paid at the end of each month.

(2) Lease liabilities:

A. Ending balance

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
With significant influence on the group	<u>\$ 49,680</u>	<u>\$ 76,578</u>	<u>\$ 84,957</u>

B. Interest expenses

	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
With significant influence on the group	<u>\$ 382</u>	<u>\$ 625</u>
	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
With significant influence on the group	<u>\$ 1,344</u>	<u>\$ 2,079</u>

## 7. Others

In an attempt to expand the current line of automobile products, the Group acquired a 50% equity in Wuhu Ruichang Electric Systems Co., Ltd. in June 2021 from Hon Hai Precision Industry Co., Ltd. and subsidiaries, a group of companies that has significant influence in the Group. Consideration of this transaction amounted to NT\$91,472.

### (III) Compensation of key management personnel

	July 1 to September 30, 2022		July 1 to September 30, 2021	
Short-term employee benefits	\$	7,161	\$	6,905
Post-employment benefits		60		60
Total	\$	7,221	\$	6,965

  

	January 1 to September 30, 2022		January 1 to September 30, 2021	
Short-term employee benefits	\$	12,164	\$	11,517
Post-employment benefits		180		180
Total	\$	12,344	\$	11,697

## VIII. Pledged Assets

The details of the guarantees provided with the Group's assets are as follows:

Asset item	Book value			Guarantee purpose
	September 30, 2022	December 31, 2021	September 30, 2021	
Other current assets - Pledge deposit	\$ 636	\$ 1,937	\$ 1,917	Issuing of letter of credit and customs deposit
Other non-current assets - Pledge time deposit	4,920	3,483	-	Customs deposit
Property, plant, and equipment	40,148	42,548	43,205	Guarantee mortgage for bank line overdraft (note)
Investment property	9,614	9,495	9,423	Guarantee mortgage for a bank line
Right-of-use assets	56,520	56,175	55,967	Guarantee mortgage for a bank line
Investment by equity method (Long Time Technology)	209,252	207,123	212,977	Contractual liabilities
	\$ 321,090	\$ 320,761	\$ 323,489	

Note: As of September 30, 2022, the land, buildings and structures above have been pledged as collateral for the overdraft facilities of financial institutions since 2005. The overdraft had been paid off, but the pledge has not been canceled.

## IX. Significant Contingent Liabilities and Unrecognized Commitments

### (I) Contingent matters

The Group has no contingent liabilities for material legal claims arising from daily operating activities.

(II) Commitments

On November 30, 2021, the Group's Board of Directors approved the purchase of pre-sale factory buildings. The total transaction amount is NT\$488,880 and paid in 5 installments. As of September 30, 2022, the outstanding payment is \$410,660.

X. Major Disaster Losses

None.

XI. Significant Subsequent Events

None.

XII. Others

(I) The Group has adopted relevant measures in response to the outbreak of COVID-19. The spread of disease did not have a material impact on the Group's operations and business performance during the three months ended September 30, 2022.

(II) Capital management

The Group's capital management objectives are to ensure the Group's sustained operation, maintain the optimal capital structure, reduce the cost of capital, and provide returns to shareholders. In order to maintain or adjust the capital structure, the group may adjust the number of dividends paid to shareholders, issue new shares, or sell assets to reduce liabilities. To monitor its capital, the group uses the net debt ratio which is calculated by dividing net debt by total net worth. Net debt is calculated as total borrowings (including the "current and non-current borrowings" reported in the consolidated balance sheet) less cash and cash equivalents. The total net value is calculated as "equity" as shown in the consolidated balance sheet less total intangible assets.

The group's strategy for 2022 is the same as that in 2021, both of which are committed to maintaining the net debt ratio below 70%.

(III) Financial instrument

1. Types of financial instruments

The book values of the financial assets measured at amortized cost as classified by the Group as per IFRS 9 (including cash and cash equivalents, notes receivable, accounts receivables (including related parties), and other receivables) as of September 30, 2022, December 31, 2021, and September 30, 2021 were NT\$14,669,351, NT\$13,176,604, and NT\$13,865,656, respectively. The book values of financial liabilities measured at amortized cost as classified by the Group (including short-term borrowings, notes payable, accounts payable (including related parties), and other payables) were NT\$9,149,063, NT\$8,535,394, and NT\$8,085,630, respectively. In addition, the book values of lease liabilities as of September 30, 2022, December 31, 2021, and September 30, 2021 were NT\$223,418, NT\$166,173, and NT\$183,873, respectively. Please refer to Notes 6 (2) and (5) for the book values of financial assets/liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

## 2. Risk management Policy

### (1) Types of risks

The group adopts a comprehensive financial risk management and control system to clearly identify, measure and control various financial risks of the group, including market risk (including exchange rate risk, interest rate risk and price risk), credit risk, and liquidity risk.

### (2) Management objectives

- A. All the risks above can be eliminated by internal control or operation process, except that market risk is controlled by external factors. Therefore, each risk can be reduced to zero through management.
- B. In terms of market risk, the objective is to optimize the overall position through rigorous analysis, proposal, implementation, and process, with due consideration of the overall external trend, internal operating conditions, and the actual impact of market fluctuations.
- C. The Group's overall risk management policy focuses on the unpredictability of the financial market and seeks to reduce potential adverse effects on the Group's financial position and financial performance.

### (3) Management system

- A. Risk management shall be carried out by the Finance Department of the Group in accordance with the policies approved by the Board of Directors. It is responsible for identifying, assessing and avoiding financial risks through close cooperation with group operating units.
- B. The board of directors has written principles for overall risk management, and also provides written policies for specific areas and matters, such as exchange rate risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments, and investment of surplus working capital.

## 3. Nature and extent of significant financial risks

### (1) Market risk

#### Exchange rate risk

- A. Nature: The group is a multinational electronic OEM company, and most of the exchange rate risks in its operating activities come from:
  - a. As the posting times of non-functional foreign currency accounts receivable and accounts payable are different, the exchange rate of the functional currency is different, thus resulting in an exchange rate risk. Because the amount of assets and liabilities after offsetting is not large, the amount of profit or loss is not large. (Note: The group has offices in many countries around the world, so there is an exchange rate risk in a variety of different currencies, but the main ones are the US dollar, RMB, and Malaysian ringgit. )
  - b. In addition to the commercial transactions (operating activities) on the above-mentioned income, the assets and liabilities recognized on the balance sheet, and the net investment in foreign operations also have exchange rate risks.

B. Management

- a. For such risks, the group has established a policy that requires companies within the group to manage the exchange rate risk relative to their functional currencies.
- b. The exchange rate risk of each functional currency against the reporting currency of the consolidated statements is managed by the group's finance office.

C. Intensity

The group's business involves a number of non-functional currencies (New Taiwan dollar is the functional currency of the company and some subsidiaries, and RMB and Malaysian ringgit are the functional currencies of some subsidiaries). Therefore, the group is affected by exchange rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

September 30, 2022						
				Sensitivity analysis		
Foreign currency (thousand)		Exchange rate	Book value (NT\$)	Range of change	Impact on profit and loss	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary item</u>						
USD: NTD	\$ 133,736	31.75	\$ 4,246,118	5%	\$ 212,306	
USD: RMB	50,927	7.0998	1,617,309	5%	80,865	
USD: MYR	52,274	4.6361	1,659,700	5%	82,985	
EUR: MYR	6,108	4.5645	190,936	5%	9,547	
<u>Foreign operations</u>						
USD: NTD	337,376	31.75	10,711,683			
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD: NTD	128,817	31.75	4,089,940	5%	204,497	
USD: RMB	8,863	7.0998	281,466	5%	14,073	
USD: MYR	48,832	4.6361	1,550,416	5%	77,521	

December 31, 2021						
	Foreign currency (thousand)	Exchange rate	Book value (NT\$)	Sensitivity analysis		
				Range of change	Impact on profit and loss	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary item</u>						
USD: NTD	\$ 136,157	27.68	\$ 3,768,826	1%	\$ 37,688	
USD: RMB	88,708	6.3757	2,462,573	1%	24,626	
USD: MYR	56,691	4.1701	1,569,207	1%	15,692	
EUR: MYR	3,782	4.7185	118,452	1%	1,185	
<u>Foreign operations</u>						
USD: NTD	344,199	27.68	9,527,433			
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD: NTD	152,958	27.68	4,233,877	1%	42,339	
USD: RMB	16,294	6.3757	452,329	1%	4,523	
USD: MYR	60,002	4.1701	1,660,855	1%	16,609	

September 30, 2021						
	Foreign currency (thousand)	Exchange rate	Book value (NT\$)	Sensitivity analysis		
				Range of change	Impact on profit and loss	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary item</u>						
USD: NTD	\$ 150,847	27.85	\$ 4,201,089	1%	\$ 42,011	
USD: RMB	86,365	6.4854	2,413,185	1%	24,132	
USD: MYR	64,797	4.1876	1,804,596	1%	18,046	
<u>Foreign operations</u>						
USD: NTD	333,858	27.85	9,297,946			
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD: NTD	135,535	27.85	3,774,650	1%	37,747	
USD: RMB	56,357	4.1876	1,569,542	1%	15,695	
USD: MYR	17,091	6.4854	477,552	1%	4,776	

#### D. Nature

The total amount of exchange gains and losses (including realized and unrealized) recognized on monetary accounts due to exchange rate fluctuations for the three months ended September 30, 2022 and 2021, and for the nine months ended September 30, 2022 and 2021, were NT\$64,743 (gain), NT\$24,843 (gain), NT\$119,114 (gain), and NT\$12,265 (gain), respectively.

### Price risk

- A. The equity instruments of the Group exposed to price risk are financial assets measured at fair value through other comprehensive incomes. In order to manage the price risk of equity instrument investment, the Group diversifies its portfolio in accordance with the limits set by the Group.
- B. The Group mainly invests in equity instruments issued by domestic and foreign companies. The prices of these equity instruments will be affected by the uncertainty of the future values of the investment objects. If the prices of these equity instruments rose or fell by 1%, with all other factors remain unchanged, the impact on other comprehensive income of equity investment classified measured at fair value through other comprehensive income would increase or decrease by NT\$17,555 and NT\$21,731, respectively, for the nine months ended September 30 2022 and 2021.

### Cash flow and fair value interest rate risk

The interest rate risk of the group comes from short-term borrowings. Borrowings at fixed interest rates expose the group to an interest rate risk at fair value, but after assessment, the group has no significant interest rate risk.

### (2) Credit risk

- A. The credit risk of the Group is the risk of financial loss due to the failure of customers or counterparties of financial instrument transactions to fulfill their contractual obligations, which mainly comes from the inability of the counterparties repaying the accounts receivable in accordance with the collection conditions, and the contractual cash flow classified as debt instrument investment measured at after-amortization cost.
- B. In accordance with the internal credit policy, management and credit risk analysis shall be carried out on each operating entity within the Group and each new customer before proposing terms and conditions for payment and delivery. Internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience, and other factors. The limits of individual risks are determined by the Board of Directors based on internal or external ratings, and the use of credit lines is regularly monitored.
- C. The basis for the Group to judge whether the credit risk of financial instruments has increased significantly since the original recognition is as follows:  
When the contract payment is overdue for more than 60 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the original recognition.
- D. When the contract payment is overdue for more than 90 days according to the agreed payment terms, the Group deems it a breach of contract.
- E. The Group classifies notes receivable and accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit loss based on the loss rate method.
- F. The indicators used by the Group to determine the credit impairment of debt instrument investment are as follows:

- (A) The issuer encounters major financial difficulties, or the possibility of going into bankruptcy or other financial restructuring is greatly increased;
- (B) The issuer makes the active market of the financial asset disappear due to its financial difficulties;
- (C) The issuer delays or fails to pay the interest or principal;
- (D) Adverse changes in national or regional economic conditions leading to issuer default.

G. The aging analysis of notes receivable and accounts receivable (including those of related parties) are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Not Past Due	\$ 6,989,612	\$ 6,214,073	\$ 6,301,093
Less than 90 days	9,272	19,208	14,096
91 ~ 180 days	361	957	302
More than 181 days	4,497	5,966	6,002
	<u>\$ 7,003,742</u>	<u>\$ 6,240,204</u>	<u>\$ 6,321,493</u>

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

H. Other receivables (including related parties):

Other receivables of the Group are mainly tax refund receivables, receivables on disposal of investments, and receivables on advance payments for other parties. There is no doubt of material non-performance or repayment. Therefore, the allowance for loss is measured according to the expected 12 months credit loss amount. The allowance for loss recognized by the Group on September 30, 2022, December 31, 2021, and September 30, 2021 all amounted to NT\$0.

I. The Group classifies the accounts receivable of customers according to the characteristics of credit rating standards, and for future-looking considerations, the Group adjusts the loss rate established according to the historical and current information of a specific period to estimate the allowance loss of notes receivable and accounts receivable. Loss rate methods as of September 30, 2022, December 31, 2021, and September 30, 2021 are as follows:

	Group 1	Group 2	Group 3	Group 4	Total
<u>September 30, 2022</u>					
Expected loss rate	0.04%	0.04%	0.09%	0.1%~100%	
Total Book value	\$ 6,440,905	\$ 548,386	\$ -	\$ 14,451	\$ 7,003,742
Allowance for loss	\$ 2,576	\$ 219	\$ -	\$ 10,931	\$ 13,726
<u>December 31, 2021</u>					
Expected loss rate	0.04%	0.04%	0.09%	0.1%~100%	
Total Book value	\$ 5,813,366	\$ 414,897	\$ -	\$ 11,941	\$ 6,240,204
Allowance for loss	\$ 2,325	\$ 166	\$ -	\$ 9,116	\$ 11,607
<u>September 30, 2021</u>					
Expected loss rate	0.04%	0.04%	0.09%	0.1%~100%	
Total Book value	\$ 5,901,553	\$ 407,803	\$ -	\$ 12,137	\$ 6,321,493
Allowance for loss	\$ 2,362	\$ 163	\$ -	\$ 7,996	\$ 10,521

Group 1: Rated A by Standard & Poor's, Fitch or Moody's, or no external agency rating, and rated A according to the Group's credit standards.

Group 2: Rated BBB by Standard & Poor's or Fitch, or Baa by Moody's, or no external agency rating, and rated B or C according to the Group's credit standards.

Group 3: Rated BB+ or below by Standard & Poor's or Fitch, or Ba1 or below by Moody's.

Group 4: No external agency rating, and non-A, B, or C rated customers according to the Group's credit standards.

- J. The table of changes in the allowance for losses of accounts receivable (including notes) and other receivables (including related parties) after the Group adopted a simplified approach is as follows:

	2022	2021
January 1	\$ 11,607	\$ 7,082
Recognition of impairment loss	1,933	2,566
Effect of first-time consolidation of subsidiary	-	752
Net exchange difference	186	121
September 30	<u>\$ 13,726</u>	<u>\$ 10,521</u>

- K. All the Group's debt instrument investments measured at after-amortization cost as of September 30, 2022 and December 31, September 30, 2021 had a low credit risk. Therefore, the book value is measured according to the expected credit loss in 12 months after the balance sheet date.

(3) Liquidity risk

- A. The cash flow forecast is carried out by each operating entity within the Group and summarized by the Group's finance department. The group's finance department monitors the forecast of the group's liquidity funds demand to ensure that it has sufficient funds to meet operational needs, and maintains sufficient unspent loan commitments at all times so that the group will not exceed the relevant borrowing limits or violate the terms. These forecasts take into account the group's debt financing plan, compliance with debt terms, and compliance with the financial ratios in the internal balance sheet and external regulatory requirements, such as foreign exchange control.
- B. When the remaining cash held by the Group exceeds the requirement for the management of working capital, the finance department will invest the remaining funds in interest-bearing demand deposits, time deposits, money market deposits, and securities. The instruments selected have appropriate maturities or sufficient liquidity to meet the forecast above and provide sufficient liquidity. It is expected that cash flow will be generated immediately for the management of liquidity risk.

C. The following table shows the grouping of the Group's non-derivative financial liabilities according to their maturity dates. The non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to the contract maturity date. The amount of contractual cash flow disclosed in the table below is the undiscounted amount.

September 30, 2022	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 101,981	\$ 61,837	\$ 73,601	\$ 237,419
December 31, 2021	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 83,529	\$ 82,889	\$ 4,645	\$ 171,063
September 30, 2021	Less than 1 year	1 ~ 2 years	2 ~ 5 years	Total
<u>Non-derivative financial liabilities:</u>				
Lease liabilities	\$ 82,610	\$ 82,779	\$ 24,532	\$ 189,921

In addition to the above, the group's non-derivative financial liabilities are all due within the next year.

#### (IV) Fair value information

1. The levels of evaluation techniques used to measure the fair value of financial and non-financial instruments are defined as follows:

Level 1: The quoted price (unadjusted) is available to the enterprise in an active market for the same assets or liabilities on the measurement date. An active market refers to a market in which assets or liabilities are traded in sufficient frequency and quantity to provide pricing information on an ongoing basis. The fair value of the listed and OTC stocks and beneficiary certificates invested by the Group belongs to this level.

Level 2: The input value of assets or liabilities is directly or indirectly observable, except those in Level 1. The fair value of the derivative instruments invested by the Group belongs to this level.

Level 3: The input value of assets or liabilities is unobservable. The equity instruments invested by the Group without an active market belong to this level.

2. Financial instruments not measured at fair value

The book values of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current assets, notes payable, accounts payable, other payable, lease liabilities, and other current liabilities) are reasonable approximations of their fair values.

3. For the Group's financial and non-financial instruments measured at fair value, the Group classifies them according to the nature, characteristics, risk, and fair value level of the assets and liabilities. The relevant information is as follows:

(1) The information about the Group's classification of its assets and liabilities by their nature is as follows:

September 30, 2022	Level 1	Level 2	Level 3	Total
Financial assets: <u>Repetitive fair value</u>				
Financial assets at FVTPL				
-Open-end funds	\$ 10,125	\$ -	\$ -	\$ 10,125
Financial assets at FVTOCI				
- Equity securities	\$ 864,278	\$ -	\$ 891,239	\$ 1,755,517
December 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets: <u>Repetitive fair value</u>				
Financial assets at FVTPL				
-Open-end funds	\$ 9,224	\$ -	\$ -	\$ 9,224
-Foreign exchange forward contracts	-	2,112	-	2,112
	\$ 9,224	\$ 2,112	\$ -	\$ 11,336
Financial assets at FVTOCI				
- Equity securities	\$ 1,621,037	\$ -	\$ 785,661	\$ 2,406,698
September 30, 2021	Level 1	Level 2	Level 3	Total
Financial assets: <u>Repetitive fair value</u>				
Financial assets at FVTPL				
-Open-end funds	\$ 9,253	\$ -	\$ -	\$ 9,253
-Foreign exchange forward contracts	-	8,787	-	8,787
- Equity securities	-	-	1,902	1,902
	\$ 9,253	\$ 8,787	\$ 1,902	\$ 19,942
Financial assets at FVTOCI				
- Equity securities	\$ 1,406,002	\$ -	\$ 767,131	\$ 2,173,133

(2) The methods and assumptions used by the group to measure fair value are as follows:

- A. If the group adopts a market quotation as the input value of fair value (i.e. level 1), the instruments classified by their characteristics are as follows:

	<u>Listed and OTC stocks</u>	<u>Open-end funds</u>
Market quotation	Closing price	Net value

- B. Except for the above-mentioned financial instruments with active markets, the fair values of other financial instruments are obtained through evaluation techniques or reference to the quotations of counterparties. The fair value obtained through the evaluation techniques can be calculated by referring to the current fair value of other financial instruments with similar conditions and characteristics, or the value can be obtained through other evaluation techniques, including using models to calculate market information available on the consolidated balance sheet date.
- C. The evaluation of derivative financial instruments is based on evaluation models widely accepted by market users, such as the discount method and the option pricing model. Foreign exchange forward contracts are usually evaluated according to the current forward exchange rate.
- D. The output of the evaluation model is the estimated value, and the evaluation technique may not reflect all the factors related to the Group's holding of financial instruments and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policies and related control procedures, the management believes that the evaluation adjustment is appropriate and necessary to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameters used in the evaluation process have been carefully evaluated and appropriately adjusted according to current market conditions.
- E. The Group has incorporated credit risk assessment adjustments into its calculation for the fair values of financial and non-financial instruments to reflect counterparty credit risks and the Group's credit quality, respectively.
4. There was no transfer between Levels 1 and 2 between January 1 to September 30, 2022 and 2021.

5. The following table shows the changes in level 3 during the nine months ended September 30, 2022 and 2021:

	Equity securities	
	2022	2021
January 1	\$ 785,661	\$ 1,201,559
Acquired this period	-	1,902
Amounts sold of current period	-	( 761,284 )
Profit recognized in other comprehensive income	603	346,005
The refund of cost and share payment from investee	-	( 173 )
Net exchange difference	104,975	( 18,976 )
September 30	<u>\$ 891,239</u>	<u>\$ 769,033</u>

6. There was no transfer into or out of Level 3 during the nine months ended September 30, 2022 and 2021.
7. For the fair value of Level 3 of the Group, the investment management department is responsible for the independent verification of the fair value of such financial instruments in the evaluation process. The evaluation results are close to the market status through independent sources of information, and the data sources are independent, reliable, consistent with other resources, and represent executable prices. The evaluation model is calibrated regularly, backtracked, and updated for the input values and information required by the evaluation model, and any other necessary fair value adjustments are made to ensure that the evaluation results are reasonable.
- In addition, the investment management department formulates the fair value evaluation policies, evaluation procedures, and confirmation of financial instruments in accordance with the relevant international financial reporting standards.
8. The quantitative information about the significant unobservable input value of the evaluation model used for Level 3 fair value measurement and the sensitivity analysis of the significant unobservable input value changes are as follows:

	Fair value on September 30, 2022	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Non-listed and non-OTC stocks	\$ 820,454	Net asset value method	Lack of market liquidity discount	26%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non-OTC stocks	70,785	Comparable public company approach	Price-to-book ratio	1.34	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.

	Fair value on December 31, 2021	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Non-listed and non- OTC stocks	\$ 711,849	Net asset value method	Lack of market liquidity discount	26%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non- OTC stocks	73,812	Comparable public company approach	Price-to-book ratio	1.41	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.
	Fair value on September 30, 2021	Evaluation techniques	Significant unobservable input value	Range (weighted average)	Relationship between input value and fair value
Non-derivative equity instruments:					
Non-listed and non- OTC stocks	\$ 676,689	Net asset value method	Lack of market liquidity discount	24%	The higher the market liquidity discount, the lower the fair value.
Non-listed and non- OTC stocks	92,344	Comparable public company approach	Price-to-book ratio	1.72	The higher the multiplier, the higher the fair value.
			Lack of market liquidity discount	20%	The higher the market liquidity discount, the lower the fair value.

9. The Group carefully selects the evaluation model and evaluation parameters; however, different evaluation models or parameters may lead to different evaluation results. For financial assets and financial liabilities classified as Level 3, if the evaluation parameters change, the impact on current profit and loss or other comprehensive income is as follows:

Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	September 30, 2022	Lack of market liquidity discount	±1%	\$ 3,879	(\$ 3,879)
Equity instruments	September 30, 2022	Price-to-book ratio	±1%	\$ 528	(\$ 528)
Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	December 31, 2021	Lack of market liquidity discount	±1%	\$ 3,785	(\$ 3,785)
Equity instruments	December 31, 2021	Price-to-book ratio	±1%	\$ 523	(\$ 523)

Financial assets	Period	Input value	Change	Recognized in other comprehensive income	
				Favorable change	Unfavorable change
Equity instruments	September 30, 2021	Lack of market liquidity discount	±1%	\$ 3,263	(\$ 3,263)
Equity instruments	September 30, 2021	Price-to-book ratio	±1%	\$ 532	(\$ 532)

### XIII. Additional Disclosures

#### (I) Information about significant transactions

1. Loans to others: Please refer to Table 1.
2. Endorsements/guarantees provided: Please refer to Table 2.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries, affiliated enterprises and jointly controlled entities): Please refer to Table 3.
4. The cumulative amount of buying or selling the same securities reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
5. The cumulative amount of property acquired reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
6. The cumulative amount of property disposal reaches NT\$300 million or more, or 20% of the paid-in capital: No such situation.
7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: Please refer to Table 4.
8. Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please refer to Table 5.
9. Engagement in derivatives trading: Please refer to note 6(2).
10. Significant Inter-company Transactions during the Reporting Period: Please refer to Table 6.

#### (II) Information about investees

The name and location of the investee company and other relevant information (excluding mainland China investee companies): Please refer to Table 7.

#### (III) Information on investments in mainland China

1. Basic information: Please refer to Table 8.
2. Major transactions directly with investee companies in mainland China or indirectly through a third regional enterprise: Please refer to Tables 4, 5, and 6.

#### (IV) Information on major shareholders

Information of major shareholders: Please refer to Table 9.

#### XIV. Operating Departments Information

##### (I) General information

The main businesses of the Group are the development, manufacturing and sales of electronic components such as electronic signal cables, connectors, electronic signal cables with connectors, printed circuit boards and precision molds, and computer peripheral products. The operation decision-makers also operate various businesses from the perspective of product categories and develop businesses according to different market attributes and demands. At present, the Group is mainly divided into the “Electronic Components Segment” and “Consumer Electronics and Computer Peripherals Segment,” which are also the segments to be reported.

The operating departments information is compiled in accordance with the accounting policies of the Group. The main operational decision-makers of the group mainly use the income and pre-tax profit and loss of each operating department as indicators for performance evaluation and resource allocation.

##### (II) Segments Information

Information on the reportable departments as provided to major operational decision-makers is as follows:

<u>July 1 to September 30, 2022</u>	<u>Electronic Components</u>	<u>Consumer Electronics and Computer Peripherals</u>	<u>Total</u>
Segment Revenue	\$ 3,989,377	\$ 2,494,469	\$ 6,483,846
Segment profit and loss	\$ 414,452	\$ 255,450	\$ 669,902

  

<u>July 1 to September 30, 2021</u>	<u>Electronic Components</u>	<u>Consumer Electronics and Computer Peripherals</u>	<u>Total</u>
Segment Revenue	\$ 3,742,920	\$ 3,159,577	\$ 6,902,497
Segment profit and loss	\$ 351,523	\$ 130,984	\$ 482,507

  

<u>January 1 to September 30, 2022</u>	<u>Electronic Components</u>	<u>Consumer Electronics and Computer Peripherals</u>	<u>Total</u>
Segment Revenue	\$ 10,282,406	\$ 8,375,185	\$ 18,657,591
Segment profit and loss	\$ 930,901	\$ 607,767	\$ 1,538,668

  

<u>January 1 to September 30, 2021</u>	<u>Electronic Components</u>	<u>Consumer Electronics and Computer Peripherals</u>	<u>Total</u>
Segment Revenue	\$ 9,030,899	\$ 7,996,202	\$ 17,027,101
Segment profit and loss	\$ 754,680	\$ 637,178	\$ 1,391,858

Note: Since the measured amount of the assets of the operating department is not provided to the operation decision-maker, the measured amount of the assets should be disclosed as zero.

(III) Information on the adjustment to the income and profit and loss of the segments to be reported

Since the income of the segments to be reported is the income of the enterprise, there is no need to adjust it. In addition, the adjustments to the profit and loss of the segments to be reported and to the pre-tax profit and loss of continuing operating departments are as follows:

<u>Income</u>	<u>July 1 to September 30, 2022</u>	<u>July 1 to September 30, 2021</u>
Profit and loss of the segments to be reported	\$ 669,902	\$ 482,507
Other profit and loss	<u>15,092</u>	<u>( 6,425 )</u>
Pre-tax profit and loss of continuing operating departments	<u>\$ 684,994</u>	<u>\$ 476,082</u>
<u>Income</u>	<u>January 1 to September 30, 2022</u>	<u>January 1 to September 30, 2021</u>
Profit and loss of the segments to be reported	\$ 1,538,668	\$ 1,391,858
Other profit and loss	<u>( 65,599 )</u>	<u>( 284,767 )</u>
Pre-tax profit and loss of continuing operating departments	<u>\$ 1,473,069</u>	<u>\$ 1,107,091</u>

Pan-International Industrial Corp. and Subsidiaries

Loans to others

September 30, 2022

Table 1

Unit: NTD thousand  
(unless otherwise noted)

Serial No. (Note 1)	Loan extending company	Borrower	Dealing items (Note 2)	Whether a related party	Maximum amount of the period (Note 3)	Ending balance (Note 8)	Transaction Amounts	Interest Rate	Loan nature (Note 4)	Business Transaction Amounts (Note 5)	Reason for short-term financing (Note 6)	Provision for allowance for loss for bad debt	Collateral		Loans limits for individual entities (Note 7)	Total loan limit (Note 7)	Remarks
													Name	Value			
1	Dongguan Pan-International Precision Electronics Co., Ltd.	Wuhu Ruichang Electric Systems Co., Ltd.	Other receivables - related parties	Yes	\$ 222,750	\$ 44,730	\$ 44,730	4.00%	Short-term financing	\$ -	Operating turnover	\$ -	None.	None.	\$ 2,519,180	\$ 5,038,360	
2	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Wuhu Ruichang Electric Systems Co., Ltd.	Other receivables - related parties	Yes	268,380	268,380	268,380	3.70%	Short-term financing	-	Operating turnover	-	None.	None.	8,712,364	17,424,728	

Note 1: The explanation of the number column is as follows:

- (1) Fill in 0 for the issuer.
- (2) Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: Dealing items include receivables from affiliated enterprises, receivables from related parties, transactions with shareholders, prepayments, provisional payments, etc. if the nature is a loan to others.

Note 3: The maximum balance of loans to others in the current year.

Note 4: The loan shall be recognized under this item if the nature of the fund denotes a business transaction or a need for short-term financing.

Note 5: Where the nature of the loan is a business transaction, the amount of the business transaction shall be disclosed. The business transaction amount refers to the total amount of business transactions between the lending company and the borrower in the most recent year.

Note 6: If the nature of the loan denotes a necessity for short-term financing, the reason and the purpose of the loan by the borrower must be specified, such as loan repayment, purchase of equipment, business turnover, etc.

Note 7: The total amount of funds lending from the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 400% of the lender's net worth, and the limit for an individual entity shall not exceed 200% of the lender's net worth.

Note 8: If a public company submits its lending to the board of directors' meeting for resolution one by one in accordance with paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, the amount of the resolution of the board of directors' meeting shall be included in the announced balance to disclose the risks it bears before the funds are lent out; if the funds are repaid later, the balance after repayment shall be disclosed to reflect the adjustment of risks. If the Board of Directors' meeting of a public company authorizes the chairman of the board to extend loans in several trenches or recycle the loan balance within a certain limit in a year in accordance with paragraph 2, Article 14 of the Regulations, the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration. Although the funds will be repaid later, other loans may still be extended again, so the loan limit approved by the Board of Directors' meeting shall still be used as the balance for the public announcement and declaration.

Table 1 page 1

Pan-International Industrial Corp. and Subsidiaries  
Endorsement/guarantee provided  
September 30, 2022

Table 2

Unit: NTD thousand  
(unless otherwise noted)

Serial No. (Note 1)	Name of company of the endorsement/guarantee	Guaranteed Party		Endorsement/ guarantee limit for a single enterprise (Note 3)	Maximum endorsement/ guarantee balance of the period (Note 4)	Endorsement/ guarantee balance of the period (Note 5)	Transaction Amounts (Note 6)	Amount of endorsement/ guarantee backed by assets	Ratio of the cumulative endorsement/ guarantee amount to the net value in the latest financial report	Endorsement/ guarantee limit (Note 3)	Endorsement/ guarantee from the parent company to subsidiary (note 7)	Endorsement/ guarantee from subsidiary to parent company (note 7)	Endorsement/ guarantee to entities in the Mainland China (Note 7)	Remarks
		Company name	Relation (Note 2)											
1	P.I.E INDUSTRIAL BERHAD	PANINTERNATIONAL ELECTRONICS(M) SDN.BHD.	2	\$ 1,751,538	\$ 1,221,921	\$ 1,221,921	\$ 636,821	\$ -	9.71	\$ 3,503,075	Y	N	N	
1	P.I.E INDUSTRIAL BERHAD	PANINTERNATIONAL WIRE&CABLE(M) SDN.BHD.	2	1,751,538	92,140	92,140	4,178	-	0.73	3,503,075	Y	N	N	

Note 1: The explanation of the number column is as follows:

- (1). Fill in 0 for the issuer.
- (2). Investee companies are numbered in sequence in each company type starting numerically from 1.

Note 2: There are 7 types of relations between the endorsement guarantor and the endorsement guaranteed as follows; simply mark the type:

- (1). A company with business relations.
- (2). A company with more than 50% of its voting shares is directly or indirectly held by the company.
- (3). A company directly or indirectly holding more than 50% of the voting shares of the company.
- (4). A company with more than 90% of its voting shares is directly or indirectly held by the company.
- (5). A company with mutual guarantees in accordance with the contract which is in the same industry or a joint constructor to contract the project.
- (6). A company that has been endorsed/guaranteed by all the contributing shareholders in accordance with their shareholding ratios due to a joint investment relationship.
- (7). Joint and several guarantees for the performance of a contract for the sale of pre-sold houses among companies in the same industry in accordance with the provisions of the Consumer Protection Act.

Note 3: The sum of endorsements and guarantees granted by the Company to external parties are capped at 100% of the Company's net worth overall, and 50% of the Company's net worth per endorsed/guaranteed party; the sum of endorsements and guarantees granted by the Company and subsidiaries to external parties are capped at 100% of the Company's net worth overall, and 50% of the Company's net worth per endorsed/guaranteed party. The total amount of endorsements/guarantees provided by the Company to a foreign subsidiary that the Company, directly and indirectly, holds 100% of its voting shares shall not exceed 50% of the parent company's net worth, and the limit for an individual entity shall not exceed 20% of the parent company's net worth.

Note 4: The maximum balance of endorsements/guarantees for others in the current year.

Note 5: The amount approved by the Board of Directors' meeting shall be filled in. However, if the Board of Directors' meeting authorizes the chairman of the board to decide in accordance with subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies, it refers to the amount decided by the chairman of the board.

Note 6: The actual amount of the Company's disbursement within the range of using the balance of the endorsements/guarantees shall be disclosed.

Note 7: Y is required only for an endorsement/guarantee of a listed parent company to a subsidiary, an endorsement/guarantee of a subsidiary to a listed parent company, and an endorsement/guarantee to entities in Mainland China.

Pan-International Industrial Corp. and Subsidiaries  
 Marketable securities held at period end (excluding investment in subsidiaries, associates and jointly controlled entities).  
 September 30, 2022

Table 3

Unit: NTD thousand  
(unless otherwise noted)

Holding Company Name	Type of marketable securities	Name of marketable securities	Relationship with the Holding Company	Financial report Account	Period end				Remarks
					Number of shares/beneficiary certificates	Book value	Shares Ratio	Fair value	
Pan-International Industrial Corp.	Common share	Innolux Corporation	None.	Financial assets measured at fair value through other comprehensive income - Non-current	82,705,987	\$ 864,278	0.78	\$ 864,278	
Pan-International Industrial Corp.	Common share	Syntrend Creative Park Co., Ltd.	The largest shareholder of this company is the largest shareholder of Hon Hai Precision Co., Ltd.	Financial assets measured at fair value through other comprehensive income - Non-current	12,831,500	70,785	5.23	70,785	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	EASTSPRING INVESTMENTS ISLAMIC INCOME FUND	None.	Financial assets measured at fair value through income - Current	23,348	84	-	84	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG AIIMAN MONEY MARKET FUND I	None.	Financial assets measured at fair value through income - Current	540,344	2,015	-	2,015	
P.I.E. INDUSTRIAL BERHAD	Open-end funds	AFFIN HWANG USD CASH FUND	None.	Financial assets measured at fair value through income - Current	255,243	8,026	1.50	8,026	
Yen Yung International Investment Co., Ltd	Common share	Lico Technology Corporation	None.	Financial assets measured at fair value through income - Non-current	3,400,000	-	2.73	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	UER HOLDINGS CORPORATION	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through income - Non-current	1,781,979	-	8.22	-	
PAN GLOBAL HOLDING CO., LTD.	Common share	FSK HOLDINGS LIMITED	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	50,400,000	36,892	17.50	36,892	
PAN GLOBAL HOLDING CO., LTD.	B share	CYBERTAN TECHNOLOGY CORP.	The investment company is evaluated by the equity method; the same as the Company.	Financial assets measured at fair value through other comprehensive income - Non-current	28,498,993	783,562	16.87	783,562	

Pan-International Industrial Corp. and Subsidiaries  
Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.  
January 1 to September 30, 2022

Table 4

		Transaction Details							Differences in transaction terms from those of general transactions and reasons		Note/Accounts Receivable (Payable)	Remarks
Buyer/Seller	Related Party	Relation	Purchase (Sale)	Amount	Percentage over total purchase (sale)	Credit period	Unit Price	Credit period	Balance	Percentage over total notes and accounts receivable (payable)		
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	\$ 605,158	7	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	\$ 262,947		8	
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	517,290	6	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	163,458		5	
Pan-International Industrial Corp.	FIH (Hong Kong) Mobil Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	630,406	7	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	291,134		9	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS(USA) INC.	Subsidiary of the Company's indirect reinvestment	Sales	279,982	3	Monthly settlement 120 days T/T	No sale to other customers with no basis for comparison	No significant difference	66,330		2	
Pan-International Industrial Corp.	Hongfujin Precision Industry (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,218,235	14	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	679,687		21	
Pan-International Industrial Corp.	Foxconn Technology Co., Ltd.	Other related parties	Sales	245,261	3	Monthly settlement 90 days T/T	No sale to other customers with no basis for comparison	No significant difference	130,778		4	
Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the Company's indirect reinvestment	Purchase	3,551,557	44	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	( 666,186 )	(	37 )	
Pan-International Industrial Corp.	Dongguan Pan-International Precision Electronics Co., Ltd.	Subsidiary of the Company's indirect reinvestment	Purchase	793,526	10	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	( 180,166 )	(	10 )	
Pan-International Industrial Corp.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	770,277	10	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	( 403,012 )	(	22 )	
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	1,060,760	99	Monthly settlement 60 days	No sale to other customers with no basis for comparison	No significant difference	510,867		95	
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	SHARP NORTH MALAYSIA SDN.BHD.	Other related parties	Sales	1,240,453	22	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	413,419		22	
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	Foxconn Technology Co., Ltd	Other related parties	Purchase	900,648	18	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	( 153,631 )	(	15 )	
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	Hon Hai Precision Industry Co., Ltd.	A company that evaluates the Company by the equity method	Purchase	202,585	4	Monthly settlement 90 days	A single supplier with no basis for comparison	No significant difference	( 30,936 )	(	3 )	
Tekcon Electronics Corporation	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Purchase	575,698	82	Monthly settlement 120 days	A single supplier with no basis for comparison	No significant difference	( 365,328 )	(	84 )	
Dongguan Pan-International Precision Electronics Co., Ltd.	Hong-qi Mechatronics (Anhui) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	Sales	164,153	13	Monthly settlement 90 days	No sale to other customers with no basis for comparison	No significant difference	160,048		33	
Wuhu Ruichang Electric Systems Co., Ltd.	Chery Automobile Co., Ltd.	Other related parties	Sales	221,684	12	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	-		- Note 1	
Wuhu Ruichang Electric Systems Co., Ltd.	Wuhu Chery Automobile Purchasing Co Ltd.	Other related parties	Sales	1,114,537	59	Monthly settlement of 30 days	No sale to other customers with no basis for comparison	No significant difference	-		- Note 1	

Note 1: Listed as non-related party in September 2022

Pan-International Industrial Corp. and Subsidiaries  
Total accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more.  
September 30, 2022

Table 5

Unit: NTD thousand (unless otherwise noted)									
Company Name	Related Party	Relation	Balance of accounts receivable from related parties (Note 1)		Turnover Rate	Overdue		Accounts receivable from related parties recovered after the period	Provision for bad debt
						Amount	Actions Taken		
Pan-International Industrial Corp.	Hongfujin Precision Industry (Wuhan) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.	\$	163,458	3.23	\$ -	Payment received after the period	\$ -	\$ 65
Pan-International Industrial Corp.	FIH (Hong Kong) Mobil Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		291,134	2.59	-	Payment received after the period	124,473	116
Pan-International Industrial Corp.	Hongfujin Precision Industry (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		679,687	3.62	-	Payment received after the period	20,881	272
Pan-International Industrial Corp.	Kunshan Fuchengke Precision Electrical Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		115,251	4.52	-	Payment received after the period	5,393	46
Pan-International Industrial Corp.	Hongfutai Precision Electronics (Yantai) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		262,947	2.93	-	Payment received after the period	1,802	105
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	The Company's parent company		666,186	5.75	-	Payment received after the period	-	267
Dongguan Pan-International Precision Electronics Co., Ltd.	Pan-International Industrial Corp.	The Company's parent company		180,166	5.41	-	Payment received after the period	93,875	-
Dongguan Pan-International Precision Electronics Co., Ltd.	Hong-qi Mechatronics (Anhui) Co., Ltd.	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		160,048	2.74	-	Payment received after the period	51,011	64
New Ocean Precision Component (Jiangxi) Co., Ltd.	Foxconn Interconnect Technology Limited	Subsidiary of the indirect reinvestment of Hon Hai Precision Industry Co., Ltd.		510,867	2.38	-	Payment received after the period	37,728	204
PAN-INTERNATIONAL ELECTRONICS(M) SDN.BHD.	SHARP NORTH MALAYSIA SDN.BHD.	Other related parties		413,419	4.39	-	Payment received after the period	124,233	-

Note 1: Please refer to the description in Table 1 for the transaction information of the related party's capital loan and its receivables amounting to NT\$100 million or over 20% of the paid-in capital.

Pan-International Industrial Corp. and Subsidiaries  
Significant Inter-company Transactions during the Reporting Period  
January 1 to September 30, 2022

Table 6

Unit: NTD thousand  
(unless otherwise noted)

Serial No. (Note 1)	Transaction Company	Counterparty	Relationship with the transaction parties (Note 2)	Description of Transactions (note 4 and note 7)			Percentage over consolidated total revenue or total assets (note 3)
				Account	Amount	Transaction Terms	
0	Pan-International Industrial Corp.	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	1	Purchase	\$ 3,551,557	Note 6	19
0	Pan-International Industrial Corp.	Dongguan Pan-International Precision Electronics Co., Ltd.	1	Purchase	793,526	Note 6	4
0	Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS (USA) INC.	1	Sales	279,982	Note 6	2
1	Dongguan Pan-International Precision Electronics Co., Ltd.	Pan-International Industrial Corp.	2	Accounts receivable	180,166	Note 6	1
2	Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Pan-International Industrial Corp.	2	Accounts receivable	666,186	Note 6	3

Note 1: The business information between the parent company and the subsidiary shall be indicated in the number column respectively, and the number shall be filled in as follows:

- (1) Fill in 0 for the parent company.
- (2) Subsidiaries are numbered in sequence in each company type starting numerically from 1.

Note 2: There are three types of relationship with the transaction parties; mark the type (there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies. For example, if a parent company discloses a transaction with a subsidiary, the subsidiary does not have to repeat the disclosure of the transaction; if a subsidiary discloses a transaction with another subsidiary, the other subsidiary does not have to disclose the transaction again):

- (1) Parent company with a subsidiary.
- (2) A subsidiary with the parent company.
- (3) A subsidiary with a subsidiary.

Note 3: For the calculation of the ratio of the transaction amount to the total consolidated revenue or total assets, if the item is classified as an asset or liability, the ratio is calculated with its ending balance as a percentage over the total consolidated assets; if the item is classified as an income, the ratio is calculated with the income accumulated at the end of the period as a percentage over the total consolidated revenue.

Note 4: The standard for disclosing the transaction information above between the parent company and a subsidiary is that the amount of purchase, sale, and receivables from related parties reaches NTD\$100 million or 20% of the paid-in capital.

Note 5: The transaction price is similar to that of the general customer, with a collection period of 120 days monthly settlement.

Note 6: Transaction prices are negotiated and the collection period is monthly settlement 90 days.

Note 7: Please refer to the description in Table 1 for the transaction information of the related party's capital loan and its receivables amounting to NTD\$100 million or over 20% of the paid-in capital.

Pan-International Industrial Corp. and Subsidiaries  
The name and location of the investee company and other relevant information (excluding mainland China investee companies)  
September 30, 2022

Table 7

		Unit: NTD thousand (unless otherwise noted)									
Investor	Investor Company	Location	Main Businesses and Products	Original Investment Amount		Shares held as at end of the period			Net income (loss) of the Investee for current period	Investment gains and losses recognized in the current period	Remarks
				End of the period	End of last year	Shares	Ratio	Book value			
Pan-International Industrial Corp.	PAN GLOBAL HOLDING CO., LTD.	The British Virgin Islands	Holding company	\$ 3,472,484	\$ 3,472,484	\$ 12,220	100	\$ 10,475,214	\$ 706,518	\$ 706,518	
Pan-International Industrial Corp.	PAN-INTERNATIONAL ELECTRONICS INC.	USA	Sale of electronic products	73,142	73,142	28,000	100	236,469	12,283	12,283	
Pan-International Industrial Corp.	Yen Yung International Investment Co., Ltd	Taiwan	Investment company	363,997	363,997	33,316,236	100	206,654	8,117	8,117	
Yen Yung International Investment Co., Ltd	Tekcon Electronics Corporation	Taiwan	Manufacturing and sale of connectors for electronic signal cables	393,898	393,898	21,960,504	83.58	197,883	9,743	8,143	
PAN GLOBAL HOLDING CO., LTD.	P.I.E. INDUSTRIAL BERHAD (PIB)	Malaysia	Holding company	44,291	44,291	197,459,985	51.42	1,801,281	288,517	148,355	Note 1
PAN GLOBAL HOLDING CO., LTD.	GREAT HAVEN HOLDINGS LTD. (GHH)	The British Virgin Islands	Holding company	-	612,775	1	100	8	6	6	Note 2
PAN GLOBAL HOLDING CO., LTD.	BEYOND ACHIEVE ENTERPRISE LTD. (BAE)	The British Virgin Islands	Holding company	304,800	304,800	9,600,000	100	687,154	27,778	27,778	Note 3
PAN GLOBAL HOLDING CO., LTD.	TEAM UNION INTERNATIONAL LTD. (TUI)	Hong Kong	Holding company	520,700	520,700	3,120,001	100	1,259,590	158,241	158,241	Note 4
PAN GLOBAL HOLDING CO., LTD.	EAST HONEST HOLDINGS LIMITED (EHH)	Hong Kong	Holding company	3,404,152	3,404,152	665,799,420	100	4,356,840	455,812	455,812	Note 5
PAN GLOBAL HOLDING CO., LTD.	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	646,000	646,000	20,187,500	16.93	540,720	65,631	5,509	
Tekcon Electronics Corporation	Long Time Tech. Co., Ltd.	Taiwan	Electronic Components	250,000	250,000	7,812,500	5.48	209,252	65,631	2,129	

Note 1: The Company mainly reinvests indirectly through PIB in Pan-International Electronics (Malaysia) Sdn. Bhd. and Pan-International Wire & Cable (Malaysia) Sdn. Bhd. from the production of cable-attached connectors or electronic products and sales in Malaysia.

Note 2: The Company mainly reinvests in NCIH International Holdings Limited indirectly through GHH. It was dissolved in September 2020.

Note 3: The Company mainly reinvests in New Ocean Precision Component (Jiangxi) Co., Ltd. indirectly through BAE. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 4: The Company mainly reinvests in Dongguan Pan-International Precision Electronics Co., Ltd. indirectly through TUI. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 5: The Company mainly reinvests in Honghuasheng Precision Electronics (Yantai) Co., Ltd. indirectly through EHH. Please refer to Table 8 for details on the disclosure of information about the investment in Mainland China.

Note 6: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Pan-International Industrial Corp. and Subsidiaries  
Mainland China investment information - Basic information  
January 1 to September 30, 2022

Table 8

Unit: NTD thousand  
(unless otherwise noted)

Name of the investee in mainland China	Main Businesses and Products	Paid-in Capital	Method of Investments (Note 2)	Cumulative outward remittance of investment amount from Taiwan at the beginning of the period	Investment Flows of current period		Cumulative outward remittance of the investment amount from Taiwan in the period end	Net income (loss) of the Investee for current period	% Ownership of Direct or Indirect Investment	Investment gains and losses recognized in the current period	Book value of the investment at the end of the period	Investment gains repatriated as of the end of the period	Remarks
					Outward	Inward							
Dongguan Pan-International Precision Electronics Co., Ltd.	Manufacturing and sale of wires, cables, connecting wires, connecting wire connectors, and wire plugs.	\$ 520,700	2	\$ 396,875	\$ -	\$ -	\$ 396,875	\$ 158,241	100	\$ 158,241	\$ 1,259,590	\$ -	Note 5
Fuyu Property (Shanghai) Co., Ltd.	Engaging in the e-commerce business of industrial design, other specialized design services, car rental, retail of other commodities, sale of computer and peripheral equipment and software, retail of communication equipment, retail of audio-visual equipment, retail of spare parts and supplies for locomotives, and e-commerce of retail goods and equipment above.	5,240,231	2	865,188	-	-	865,188	69,290	16.87	-	783,562	-	Note 7
New Ocean Precision Component (Jiangxi) Co., Ltd.	Manufacturing and operation of various types of plugs and sockets and telecommunications.	304,800	2	-	-	-	-	27,778	100	27,778	687,154	-	
Honghuasheng Precision Electronics (Yantai) Co., Ltd.	Production and sale of hard single (double) side printed circuit boards, hard multi-layer printed circuit boards, flexible multi-layer printed circuit boards, and other printed circuit boards	2,724,150	2	2,809,875	-	-	2,809,875	455,851	100	455,851	4,356,182	-	Note 3

Table 8 page 1

Company name	The cumulative amount of outward remittance of investment from Taiwan to mainland China at the end of the period (notes 4 and 5)	Investment amount approved by the Investment Commission, MOEA	In compliance with the investment limit stipulated by the Investment Commission, MOEA for investment in mainland China. (note 6).
Pan-International Industrial Corp.	\$ 4,501,864	\$ 6,427,451	\$ -

Note 1: The relevant figures in this table are in NTD. Where foreign currencies are involved, they will be converted into NTD at the exchange rate on the date of financial reporting.

Note 2: There are three investment modes:

1. Direct investment in mainland China.
2. Re-investment in mainland China through Pan Global Holding Co., Ltd. of a third region.
3. Other modes.

Note 3: In the first quarter of 2012, the Company acquired 100% of the equity of East Honest Holdings Limited through the subsidiary Pan Global Holding Co., Ltd. and indirectly acquired Honghuasheng Precision Electronics (Yantai) Co., Ltd.; the investment amount approved by the Investment Commission, MOEA was USD 107,217 thousand.

Note 4: As of September 30, 2022, the Company has the following investment withdrawal cases approved by the Investment Commission of the Ministry of Economic Affairs:

Date	Approval letter No.	Investor Company	Original investment amount remitted from Taiwan	
September 5, 2003	0920028972	Dongguan Junwang Technology Co., Ltd.	USD	91 thousand
December 9, 2010	09900496780	Saibo Digital Technology (Guangzhou) Co., Ltd.		476 thousand
May 30, 2011	10000205680	Yunnan Saibo Digital Technology Co., Ltd.		190 thousand
May 30, 2011	10000205690	Chongqing Saibotel Digital Square Co., Ltd.		454 thousand
May 30, 2011	10000205700	Nanchong Saibo Digital Square Co., Ltd.		58 thousand
March 22, 2017	10600038030	UER Battery Technology (Shenzhen) Co., Ltd.		1,100 thousand
May 9, 2017	10630024870	Ganchuang International Trade (Shenzhen) Co., Ltd.		8,650 thousand
			USD	11,019 thousand

Because these reinvestment companies suffer losses, the amount of investment originally remitted from Taiwan cannot offset the amount of investment in mainland China.

Note 5: The company received the letter from the Investment Commission, MOEA referenced Jing-Shen-II No. 10000518690 in November 2011 for cancellation of the approved investment amount of US\$500 thousand in Dongguan Pan-International Precision Electronics Co., Ltd. which had not yet been invested; on October 30, 2014, the company received the letter from the Investment Commission, MOEA referenced Jing-Shen-Er-Zi No. 10300233110 for transfer of 42 companies including Qingdao Saiboter Digital Technology Square Co., Ltd. to Samoa Le Zhiwan Ranch Holding Investment Limited; in March 2017, the company received the letter from the Investment Commission, MOEA referenced Jing-Shen-Er-Zi No. 10600038030 for cancellation of the approved investment amount of US\$5,200 thousand in UER Battery Technology (Shenzhen) Co., Ltd. which had not yet been invested.

Note 6: In December 2019, the Company was granted a document, IDB No. 10820432920 by the Industrial Development Bureau, MOEA, certifying the compliance with the operation scope of operation headquarters, and no investment limit is required from December 4, 2019 to December 3, 2022.

Note 7: the Company's subsidiary Pan Global Holding Co., Ltd. sold 16.87% of its-owned Class A shares of CYBERTAN TECHNOLOGY CORP. in the second quarter of 2021. The reinvestment business Fuyu Property (Shanghai) Co., Ltd. was indirectly disposed of. As of September 30, 2022, the Company indirectly held 16.87% of Class B shares of its reinvestment business Fuyu Property (Shanghai) Co., Ltd.

Pan-International Industrial Corp. and Subsidiaries  
Information on major shareholders  
September 30, 2022

Table 9

Name of major shareholders	Share	
	Number of shares held	Shares Ratio
Hon Hai Precision Industry Co., Ltd.	107,776,254	20.79%

Note 1: The information of major shareholders in this table is based on the information from the Central Depository on the last business day at the end of each quarter, covering shareholders stake of more than 5% of the Company's common and special shares that have completed dematerialized registration and delivery (including treasury shares).

The share capital reported in the financial report and the actual number of shares that have completed the scriptless registration may be different due to differences in the basis of compilation and calculation.

Note 2: If the shareholder puts the shares into a trust, the aforementioned information will be disclosed by the trustors' individual account opened by the trustee. As for shareholders' insider declaration of the ownership percentage over 10% according to the Securities and Exchange Act, including the shares on hand and those being put in a trust but with the decision power over the usage of the trust assets, please refer to the insider declaration information on MOPS.

Note 3: The preparation principle of this table is to calculate the distribution of the balance of each credit transaction based on the shareholders' register on the book-close day of the extraordinary shareholders' meeting (short-sale securities are not purchased back).

Note 4: Shareholding ratio (%) = total number of shares held by the shareholder / total number of shares that have completed scriptless registration.

Note 5: Total number of shares that have completed scriptless registration (including treasury shares) that have completed dematerialized registration and delivery is 518,346,282 shares = 518,346,282 (common shares) + 0 (preferred shares).