



Zhen Ding Technology Holding Limited
臻鼎科技控股股份有限公司

(incorporated in the Cayman Islands as an exempted company with limited liability)

US\$400,000,000

Zero Coupon Convertible Bonds due 2029

Issue Price: 100%

Zhen Ding Technology Holding Limited, a Cayman Islands exempted company with limited liability (the “Company,” “we,” “us” or “our”), is offering US\$400,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2029 (the “Bonds”). The Bonds will mature on January 24, 2029 at 118.22% of their principal amount. The Bonds will not bear any interest. The Bonds will be convertible into ordinary shares, par value NT\$10.00 per share, of the Company (each, a “Share” or “Common Share”) during the period from and including April 25, 2024 to and including January 14, 2029 at an initial conversion price of NT\$109.62 per share with a fixed exchange rate of NT\$31.499 = US\$1.00 applicable on conversion of the Bonds. The Common Shares are listed on the Taiwan Stock Exchange Corporation (the “TWSE”) and are subject to certain restrictions on trading imposed by the rules and regulations of the TWSE. See “Risk Factors – Risk Relating to Ownership of the Bonds and Our Shares.” On January 17, 2024, the closing price of our Shares on the TWSE was NT\$101.50.

At any time on or after January 24, 2027, we may redeem the Bonds, in whole or in part, at the Early Redemption Amount (as defined herein) under the circumstances described in this offering memorandum. At any time, we may also redeem the Bonds then outstanding at the Early Redemption Amount, in whole but not in part, if the principal amount of the Bonds that have been redeemed, repurchased and canceled, or converted is more than 90% of the aggregate principal amount originally issued. We may also redeem the Bonds then outstanding, in whole but not in part, at the Early Redemption Amount, if, as a result of certain changes in the laws or regulations of the Cayman Islands or the Republic of China (the “ROC”) or any other jurisdiction in which the issuer is then organized or resident for tax purposes occurring after January 24, 2024, we become obligated to pay Additional Amounts (as defined herein).

You may require us to repurchase the Bonds, in whole or in part, (i) at 110.56% of their principal amount on January 24, 2027, or (ii) at the Early Redemption Amount if the Shares cease to be listed or admitted to trading on the TWSE or if there is a Change of Control (as defined herein).

The Bonds will be our direct, unconditional, unsubordinated, but subject to a negative pledge, as described in “Description of the Bonds – Negative Pledge”, and unsecured obligations, and will rank *pari passu* without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.

An application will be made to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this offering memorandum. Approval in-principle for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of our Company or the Bonds. Prior to this offering, there has been no market anywhere for the Bonds, or any market outside Taiwan for the Shares.

INVESTING IN THE BONDS INVOLVES RISKS THAT ARE DESCRIBED IN “RISK FACTORS” BEGINNING ON PAGE 8 OF THIS OFFERING MEMORANDUM.

Neither the Bonds, nor the Shares, have been or will be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws, and are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (“Regulation S”), and outside the ROC. The Bonds are sold subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable securities laws of any state or other jurisdiction pursuant to registration thereunder or exemption from registration. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. For a description of restrictions on transfers of the Bonds, see “Transfer Restrictions” and “Plan of Distribution.”

The Bonds will be represented by one or more global certificates (each a “Global Bond”) and will be fully issued in registered form in the name of Citivix Nominees Limited, as the nominee for, and shall be deposited with a common depositary for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. Except as described herein, individual definitive certificates for the Bonds will not be issued in exchange for interests in the Bonds. The Initial Purchasers expect to deliver the Bonds to purchasers on or about January 24, 2024.

Joint Global Coordinators, Joint Overall Coordinators and Joint Bookrunners

Citigroup

(in alphabetical order)

Offering Memorandum dated January 17, 2024

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You should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. Neither we nor the Initial Purchasers are making an offer of these securities in any state or jurisdiction where the offer is not permitted. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

Except as described below, we accept no responsibility for the information contained in this offering memorandum. We, having made all reasonable inquiries, confirm that this offering memorandum contains all information with respect to us, our consolidated subsidiaries, the Bonds, and the Shares to be delivered upon conversion of the Bonds that is material in the context of the issue and offering of the Bonds, that such information contained in this offering memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this offering memorandum are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions. We have compiled all industry and market information and statistics contained in this offering memorandum from various published and private sources, which may be inconsistent with other information compiled elsewhere and such information and statistics have not been independently verified by us, the Initial Purchasers or any of our or the Initial Purchasers' respective affiliates or advisors in connection with this offering.

The distribution of this offering memorandum and the offering and sale of the Bonds, in certain jurisdictions may be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on the offering and sale of the Bonds, and distribution of this offering memorandum, see "Plan of Distribution" and "Transfer Restrictions." This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us or the Initial Purchasers to subscribe for or purchase any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. This offering memorandum may be used only for the purposes for which it has been published.

In making an investment decision regarding the Bonds, you must rely on your own examination of our Company and the terms of the Bonds and this offering, including the merits and risks involved. The contents of this offering memorandum are not to be considered as legal, business, financial or tax advice. You should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Initial Purchasers, the Trustee or the Agents or any of their respective affiliates, as to the accuracy or completeness of the information contained in this offering memorandum or any other information supplied in connection with our Company, the issue and offering of the Bonds or the Shares. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents accept any responsibility for the contents of this offering memorandum or for any other statement, made or purported to be made by the Initial Purchasers, the Trustee or the Agents or on their behalf in connection with our Company, the issue and offering of the Bonds or the Shares. The Initial Purchasers, the Trustee or the Agents accordingly disclaim any and all liabilities whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this offering memorandum or any such statement.

Notification under Section 309B of the Securities and Futures Act 2001 of Singapore: The Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets

Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS –

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPS REGULATION / PROHIBITION OF SALES TO UK RETAIL INVESTORS –

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In addition, prospective investors should be aware that this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at: (i) in the UK, persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), and/or high net-worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (ii) persons who are outside the UK (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to, and will be engaged in only with, relevant persons.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including Citigroup Global Markets Limited and UBS AG Hong Kong Branch (in alphabetical order), are “capital market intermediaries” (“CMIs”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “Code”). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“OCs”) for this offering of the Bonds and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an association (“Association”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering of the Bonds. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering of the Bonds, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering of the Bonds.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with the Initial Purchaser, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchaser or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering of the Bonds. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. If a prospective investor is otherwise affiliated with the Initial Purchaser, such that its order may be considered to be a “proprietary order” (pursuant to the Code), such prospective investor should indicate to the Initial Purchaser when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering of the Bonds, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering of the Bonds.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private bank(s) which acts as a CMI in connection with this offering of the Bonds (“Private Banks”)) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Initial Purchaser and/or any other third parties as may be required by the Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering of the Bonds. Failure to provide such information may result in that order being rejected.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands as an exempted company with limited liability. Substantially all of our directors and executive officers, and certain of the experts named in this offering memorandum are residents of the ROC, and a significant portion of the assets of our Company and these persons are located in the British Virgin Islands, the PRC, and the ROC. As a result, it may not be possible for you to effect service of process upon our Company or these persons outside of the ROC or the PRC, or to enforce against any of their judgments obtained in courts outside of the ROC or the PRC.

The laws of Cayman Islands do not clearly indicate whether a final civil judgment obtained from Taiwan courts, or an ROC Court Judgment, can be enforced in the Cayman Islands. Nevertheless, where the following requirements are met, the Grand Court of the Cayman Islands will recognize and enforce an ROC Court Judgment without any re-examination of the merits at common law if: (1) the judgment at issue is final and conclusive; (2) the ROC court rendering the judgment was competent under the conflict of law rules of the Cayman Islands; (3) the judgment (i) clearly sets out the obligation of the debtor to pay for a liquidated sum in accordance with the decree and does not involve any obligation of paying any penalty, tax, fine or other similar financial obligations, or (ii) grants a non-money relief to a particular person (under certain circumstances); and (4) the judgment obtained does not contravene the fairness and justice or public policy of the Cayman Islands, and the recognition and enforcement of the judgment is not contrary to the fairness and justice or public policy of the Cayman Islands. Where the Grand Court of the Cayman Islands does not recognize an ROC Court Judgment, such judgment will remain unenforceable in the Cayman Islands even if an investor has obtained a final judgment in the ROC. Investors should be cognizant of risks pertaining to the purchase of securities issued by a Cayman Islands company.

Ogier, our counsel as to Cayman Islands law, has advised us that there is uncertainty as to whether the courts of the Cayman Islands would, respectively, (1) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (2) entertain original actions brought in the Cayman Islands against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States. Ogier has further advised us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under civil liability provisions of the United States securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company. Since the courts of the Cayman Islands have yet to rule on making such a determination in relation to judgments obtained from United States courts under civil liability provisions of the United States securities laws, it is uncertain whether such judgments would be enforceable in the Cayman Islands. Ogier has further advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign judgement, without any re-examination or re-litigation of matters adjudicated upon, provided such judgment: (a) is given by a foreign court of competent jurisdiction; (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (c) is final; (d) is not in respect of taxes, a fine or a penalty; (e) was not obtained by fraud; and (f) is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

Lee and Li, Attorneys-at-Law, our counsel as to ROC law, has advised us that any final judgment obtained against us in any court other than the courts of the ROC in respect of any legal suit or proceeding arising out of or relating to the Bonds, or the Shares, will be enforced by the courts of the ROC without further review of the merits only if the court of the ROC in which enforcement is sought is satisfied with the following:

- the court rendering the judgment has jurisdiction over the subject matter according to the laws of the ROC;
- the judgment and the court procedures resulting in the judgment are not contrary to the public order or good morals of the ROC;
- if the judgment was rendered by default by the court rendering the judgment, (i) we were duly served within a reasonable period of time within the jurisdiction of such court in accordance with the laws and regulations of such jurisdiction, or (ii) process was served on us with judicial assistance of the ROC; and
- judgments of the courts of the ROC are recognized in the jurisdiction of the court rendering the judgment on a reciprocal basis.

A party seeking to enforce a foreign judgment in the ROC would, except under limited circumstances, be required to obtain foreign exchange approval from the Central Bank of the Republic of China (Taiwan) for the remittance out of the ROC of any amounts recovered in respect of the judgment denominated in a currency other than NT dollars.

Further, Fangda Partners, our counsel as to PRC law, has advised us that the recognition and enforcement of foreign judgments are governed by the PRC Civil Procedures Law and relevant Judicial Interpretations. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law and relevant Judicial Interpretations based either on treaties between the PRC and the country where the judgment is made or on reciprocity between jurisdictions, subject to (i) the foreign judgments not violating the basic principles of laws of the PRC or its sovereignty, security or social and public interest; (ii) compliance with relevant civil procedural requirements in the PRC, and (iii) the discretion of the courts of competent jurisdiction in the PRC.

Where the applicant applies to the people's court for recognition and enforcement of an effective judgment or ruling of a foreign court, the applicant shall submit a written application, to which the original or the certified error-free duplicate and Chinese translation of the effective judgment or ruling of the foreign court shall be affixed. If the judgment or ruling rendered by the foreign court is a default judgment or ruling, the applicant shall, at the same time, submit the certification documents on a legal summons from the foreign court, unless the judgment or ruling has expressly stated the fact. Where an international treaty concluded or acceded to by the PRC has otherwise provided for the submission documents, the relevant provisions shall apply.

Where a party applies to an intermediate people's court of the PRC having jurisdiction for recognition and enforcement of an effective judgment or ruling of a foreign court, if the home country of the foreign court has neither concluded or jointly acceded to an international treaty nor has a relationship of reciprocity with the PRC, the court shall rule to dismiss the application, unless the party applies to the people's court for recognizing an effective divorce judgment rendered by a foreign court. If the application for recognition and enforcement is dismissed, the party may institute an action in a people's court.

Where an effective judgment or ruling of a foreign court or a foreign arbitration award requires enforcement by a people's court of the PRC, a party may first apply to the people's court for recognition. After the people's court issues a ruling to recognize the aforesaid judgment, ruling or award upon examination, enforcement shall be conducted in accordance with the provisions of Part III of the PRC Civil Procedures Law. Where the party only applies for recognition without applying for enforcement at the same time, the people's court shall examine whether it shall grant recognition or not and render a

ruling.

During the period when one party applies for the recognition and enforcement of an effective judgment or ruling of a foreign court or a foreign arbitration award, Article 246 of the PRC Civil Procedures Law shall apply. Where the party only applies for recognition without applying for enforcement at the same time, the period of application for enforcement shall be recalculated from the date when the ruling issued by the people's court on the recognition application comes into force.

DEFINITIONS, CERTAIN CONVENTIONS AND OTHER DATA

Unless otherwise indicated, the following references in this offering memorandum have the following meaning:

- “3C” refers to computing devices, consumer electronics and communication devices;
- “5G” refers to fifth-generation standard for cellular network technology;
- “ADAS” refers to advanced driver assistance systems;
- “Agents” refers to Paying Agent, Transfer Agent, Conversion Agent and Registrar;
- “AI” refers to artificial intelligence;
- “Amended and Restated Memorandum and Articles of Association” refers to our Amended and Restated Memorandum and Articles of Association adopted on May 30, 2023, as amended from time to time;
- “ABF” refers to Ajinomoto build-up film.
- “Avary” refers to Avary Holding (Shenzhen) Co., Limited;
- “BoardTek” refers to BoardTek Electronics Corporation;
- “Bonds” refers to US\$400.0 million aggregate principal amount of zero coupon convertible bonds due 2029;
- “BT” refers to bismaleimide triazine;
- “CAGR” refers to compound annual growth rate;
- “CBC” refers to the Central Bank of the Republic of China (Taiwan);
- “Clearstream” refers to Clearstream Banking S.A.;
- “Companies Act” refers to the Companies Act (Revised) of the Cayman Islands and every modification, reenactment or revision thereof for the time being in force;
- “COVID-19” refers to the coronavirus disease 2019;
- “CSP” refers to chip scale packaging;
- “CSRC” refers to China Securities Regulatory Commission;
- “Directors’ Remuneration” refers to the amount of surplus profit of our Company which shall be set aside by our Company as remuneration for our Company’s directors pursuant to the Amended and Restated Memorandum and Articles of Association;
- “Employees’ Compensation” refers to the amount of surplus profit of our Company which shall be set aside by our Company as compensation to our Company’s or our subsidiaries’

employees pursuant to the Amended and Restated Memorandum and Articles of Association;

- “EMS” refers to electronic manufacturing services;
- “ERP” refers to enterprise resource planning;
- “ESG” refers to environmental, social and governance;
- “Euroclear” refers to Euroclear Bank SA/NV;
- “FC” refers to flip-chip;
- “FPC” refers to flexible printed circuit;
- “FSC” refers to the Financial Supervisory Commission of the ROC;
- “FSMA” refers to the Financial Services and Markets Act of 2000;
- “GAAP” refers to generally accepted accounting principles;
- “Global Bond” refers to the Bonds that will be represented by one or more global certificates;
- “HDI” refers to high density interconnect;
- “Holder” refers to a holder of the Bonds;
- “Hon Hai” refers to Hon Hai Precision Industry Co., Ltd.;
- “HPC” refers to high performance computing;
- “IAS” refers to International Accounting Standards;
- “IC” refers to integrated circuit;
- “ICS” refers to integrated circuit substrate;
- “IFRS” refers to the International Financial Reporting Standards as issued and revised from time to time by International Accounting Standard Board;
- “Initial Purchaser” refers to each of Citigroup Global Markets Limited and UBS AG Hong Kong Branch (in alphabetical order);
- “IoV” refers to internet of vehicles;
- “IoT” refers to internet of things;
- “Judicial Interpretations” refers to Interpretation of the Supreme People’s Court on the Application of the PRC Civil Procedures Law;
- “MAS” refers to Monetary Authority of Singapore;

- “MEMS” refers to microelectromechanical systems;
- “MiFID II” refers to Directive 2014/65/EU, as amended;
- “Mini LED” refers to sub-millimeter light-emitting diode;
- “MRP” refers to material requirements planning;
- “New Taiwan dollars”, “NT dollars” and “NT\$” refer to New Taiwan dollars, the lawful currency of the ROC;
- “NFC” refers to near-field communication;
- “Non-ROC Holder” refers to a holder of the Bonds or the Shares who is either a Non-ROC Resident Individual or Non-ROC Resident Entity;
- “Non-ROC Resident Entity” refers to a corporation or a non-corporate body established outside the ROC which does not have a fixed place of business or business agent in the ROC;
- “Non-ROC Resident Individual” refers to a non-ROC citizen who is not physically present in the ROC for 183 days or more within a calendar year;
- “Paying Agent”, “Transfer Agent”, and “Conversion Agent” refer to Citibank, N.A., London Branch;
- “PCB” refers to printed circuit board;
- “PRC Civil Procedures Law” refers to Civil Procedure Law of the PRC;
- “PRC Enterprise Income Tax Law” refers to Enterprise Income Tax Law of the PRC;
- “PRC” or “China” refers to the People’s Republic of China;
- “Prismark” refers to Prismark Partners LLC, an electronics industry consulting firm;
- “QDII” refers to a qualified domestic institutional investor;
- “Registrar” and “Trustee” refer to Citicorp International Limited
- “Regulation S” refers to Regulation S promulgated under the Securities Act;
- “Renminbi” refers to renminbi, the lawful currency of the PRC;
- “ROC Bureau of Labor Insurance” refers to Bureau of Labor Insurance of the ROC;
- “ROC Company Act” refers to Company Act of the ROC;
- “ROC Court Judgment” refers to a final civil judgment obtained from Taiwan courts;
- “ROC Labor Pension Act” refers to Labor Pension Act of the ROC;

- “ROC Labor Standards Act” refers to Labor Standards Act of the ROC;
- “ROC Securities and Exchange Act” refers to Securities and Exchange Act of the ROC;
- “RPCB” refers to rigid printed circuit board;
- “Securities Act” refers to the U.S. Securities Act of 1933, as amended;
- “SFA” refers to Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time;
- “SGX-ST” refers to Singapore Exchange Securities Trading Limited;
- “Shares” or the “Common Shares” refers to our common shares with par value NT\$10.00 per share;
- “SLP” refers to substrate-like PCB which is the next generation of high-density PCB;
- “Taiwan IFRS” refers to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and Standard Interpretations Committee Interpretations as endorsed by the FSC;
- “Taiwan” or the “ROC” refer to Taiwan and other areas under the effective control of the Republic of China;
- “TFT-LCD” refers to thin-film-transistor liquid-crystal display;
- “TWSE” refers to Taiwan Stock Exchange Corporation;
- “UL” refers to Underwriters Laboratories, a global safety certification company;
- “United States dollars”, “US dollars” and “US\$” refer to United States dollars, the lawful currency of the United States;
- “United States” and “U.S.” refer to the United States of America;
- “WB” refers to wire-bonding; and
- “we”, “us”, “Company”, “our Company”, and “our” refer to Zhen Ding Technology Holding Limited, and as the context may require, its consolidated subsidiaries.

Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of investors and should not be construed as representations that the English names actually represent the Chinese characters.

As the Shares are listed on the TWSE, our financial statements are required to be presented in

New Taiwan dollars, the lawful currency of the ROC. In this offering memorandum, “\$”, “US\$” and “U.S. dollars” refer to United States dollars, the lawful currency of the United States, “NT\$” and “NT dollars” refer to New Taiwan dollars, the lawful currency of the ROC, and “Renminbi” refer to the Renminbi, the lawful currency of the PRC. This offering memorandum contains translations of certain NT dollar amounts into U.S. dollars at specified rates solely for the convenience of the reader. The translations from NT dollars to U.S. dollars and from U.S. dollars to NT dollars are made on the basis of the noon buying rate as published by the Federal Reserve H.10 Statistical Release on September 29, 2023, which was NT\$32.24 to US\$1.00. No representation is made that the NT dollar or U.S. dollar amounts referred to in this offering memorandum could have been or could be converted into U.S. dollars or NT dollars, as the case may be, at any particular rate, the above rates or at all.

Unless expressly stated otherwise, all financial information, description and other information regarding our financial condition and results of operations as of and for the years ended December 31, 2020, 2021 and 2022 and as of and for the nine months ended September 30, 2022 and 2023 included in this offering memorandum are presented on a consolidated basis. Our consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 have been audited by PricewaterhouseCoopers, Taiwan, our independent auditors as indicated in our independent auditors’ report for 2020, 2021 and 2022 included in this Offering Memorandum. Our unaudited consolidated interim financial statements as of and for the nine months ended September 30, 2023 and the comparative financial information in respect of the previous period have been reviewed by PricewaterhouseCoopers, Taiwan, in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China (“TWSRE 2410”) as indicated in our independent auditors’ review report included in this Offering Memorandum.

In this offering memorandum, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, the total of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. We refer to the terms EBITDA and EBITDA margin (as defined in “Summary Financial Information”) in various places in this Offering Memorandum. These non-Taiwan-IFRS financial data are supplemental financial measures that are not required by, or presented in accordance with, IFRS or Taiwan IFRS and are therefore referred to as “non-Taiwan-IFRS” financial measures. They are not measurements of our financial performance under Taiwan IFRS or IFRS and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with Taiwan IFRS or IFRS or as an alternative to cash flows from operating activities or as a measure of our liquidity.

Our measurement of these non-Taiwan-IFRS items may not be comparable to those of other companies. See the section captioned “Summary Financial Information” for a more thorough discussion of our use of these non-Taiwan-IFRS items in this Offering Memorandum, including the reasons why we believe this information is useful to management and why they may be useful to investors, and a reconciliation of each non-Taiwan-IFRS items to the most closely comparable financial measure calculated in accordance with Taiwan IFRS.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this offering memorandum. The words “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “plan,” “project,” “seek,” “strategy,” “could,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar words identify forward-looking statements. In addition, all statements other than statements of historical fact included in this offering memorandum are forward-looking statements. Our forward-looking statements contain information regarding:

- our future revenue and profitability;
- our business strategies;
- expected change in demand in the PCB and related markets;
- expected supply growth in the PCB and related markets;
- expected fluctuations of market prices of our products;
- expected industry trends;
- our capital expenditure plans; and
- other matters discussed in this offering memorandum regarding matters that are not historical facts,

are only forecasts based on information currently available to us. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, these forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- the intensely competitive industries in which we operate;
- changes in the supply of products similar to ours;
- our ability to introduce new products in accordance with our customers’ design requirements and design cycles;
- our implementation of strategic acquisitions and joint ventures and the integration of them into our existing business;
- loss of any of our major customers;
- industry risks;
- the effect of the sustained U.S.-China tensions, hostilities and regional instabilities stemming from the military conflicts between Russia and Ukraine, armed conflicts involving Hamas and Israel, and further escalation of tensions between Israel and various countries in the Middle East and North Africa on our industry, our supply chain, the

economic condition of the ROC, the PRC and the other jurisdictions where we operate our business, the main markets for our Company and our brand/EMS customers and the global economy in general;

- the general economic, political and social conditions and developments in the ROC, the PRC and other jurisdictions in which we operate our business;
- our ability to meet financial and other covenants provided under our loan agreements;
- our continued ability to secure funding to meet our liquidity needs and investment objectives;
- market acceptance of our products;
- risks associated with our entry into new markets or businesses;
- technology replacement risks;
- our rate of growth and ability to meet the demands in relation to our growth;
- changes in the availability and prices of raw materials, components and machinery and equipment we need to manufacture our products;
- legal proceedings, if any; and
- other risks identified in the “Risk Factors” section of this offering memorandum.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in “Risk Factors” and elsewhere in this offering memorandum, the forward-looking events in this offering memorandum are not guarantees of future performance and might not occur and our actual results could differ materially from those anticipated in those forward-looking statements.

SUMMARY

The following is only a summary and it may not contain all the information you should consider before deciding to invest in the Bonds. You should read this entire offering memorandum carefully, including the “Risk Factors” section and the financial statements and related notes.

OVERVIEW

Our Shares have been listed on the TWSE since December 26, 2011 under the stock code “4958”. On January 17, 2024, the closing price per Share on the TWSE was NT\$101.50 per Share and our market capitalization was NT\$96,125.5 million (US\$3,051.7 million, calculated on the basis of the fixed exchange rate of NT\$31.50 = US\$1.00). Our registered office is located at P.O. Box 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. Our telephone number is +886 3-383-5678.

We are the world’s largest PCB manufacturer by revenue for six consecutive years since 2017 according to Prismark. We have achieved a revenue CAGR of 12% from 2012 to 2022. We are a leading multinational manufacturer of PCBs with vertically integrated operations across Asia, Europe, and the United States.

Our major manufacturing subsidiaries include Avary, a company listed on the Shenzhen Stock Exchange under stock code “002938”, Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. (“Leading”), and BoardTek Electronics Corp. (“BoardTek”). Avary is primarily engaged in the design, research and development, manufacturing and sales of various types of PCB, focusing on providing a full range of PCB products and services to industry-leading customers. Leading is primarily focused on the production of high-end ICS and semiconductor packaging, which are mainly used in the end-applications such as high-speed computing, 5G, AI, IoT, and automotive electronics. Leading also owns an ABF substrate park in Shenzhen and a BT substrate park in Qinhuangdao, which drive the development and production of high-end ABF and BT products. In November 2020, we completed the acquisition of BoardTek by way of a share swap, which mainly focused the PCBs process technologies for advanced applications, such as high-speed computing PCBs, high-frequency microwave PCBs, automobile related PCBs, and high-power PCBs. Our products are widely used in computing, consumer electronics, communication, networking, automotive, and medical sectors. Through our five major manufacturing campuses across the ROC, the PRC, and India, and over 20 sales offices across the ROC, the PRC, North America, Japan, Korea, Vietnam, and India, we offer one-stop solutions for the design, development, manufacturing, and sales to prominent brand/EMS customers of a broad range of PCB and substrate products, including FPC, SLP, HDI PCBs, RPCB, ICS, rigid-flex PCBs, Mini LED, and modules. In May 2021, we started construction of a plant in Kaohsiung, which is mainly used for the manufacture of FPC advanced module and expected to commence mass production in 2024.

We have two R&D centers in Taoyuan City, Taiwan and Shenzhen, Guangdong Province, the PRC, which enable us to deliver innovative customized products, continually enhance the performance of our products and develop first-to-market technologies. In response to the customized requirements of different end products for PCBs and semiconductors, ZDT has established in-house capability to provide One ZDT one-stop solutions for customers, which include product design, research and development, manufacturing, and after-sales services.

We emphasize on expanding our global footprint. For example, in 2019, we established a new production facility in Chennai, India, which is mainly used for FPC advanced module. In August 2023, in response to customer demands, we strategically collaborated with Saha Group to establish a new production facility in Prachin Buri province, Thailand for the production of primarily automotive and AI

server PCB products in the first phase.

Our operating revenue increased from NT\$131,279 million in 2020 to NT\$155,022 million in 2021 and NT\$171,356 million (US\$5,315 million) in 2022. Our operating revenue was NT\$118,454 million and NT\$97,002 million (US\$3,009 million) for the nine months ended September 30, 2022 and 2023, respectively. Our net profit increased from NT\$11,509 million in 2020 to NT\$13,695 million in 2021 and NT\$20,536 million (US\$637 million) in 2022. Our net profit was NT\$13,677 million and NT\$4,363 million (US\$135 million) for the nine months ended September 30, 2022 and 2023, respectively.

Our Competitive Strengths

The following key strengths enable us to provide cost-effective, tailor-made, full-service system solutions for industry leading customers:

- Market leading position as the world’s largest manufacturer of PCBs by revenue;
- One-stop shop solutions with diverse product portfolio and strategic business transition;
- Long-term collaborative relationships with leading brand/EMS customers for customized products;
- Relentless focus on research and development of innovative products and technologies;
- Strategic presence and vertical integration where our customers operate;
- Unwavering commitment to ESG; and
- Experienced and stable management team with proven technology and operational track record.

Our Strategies

We uphold the idea of “One ZDT” (one-stop shopping service), and we head for expanding our strengths of product design and manufacturing, value, and service to enhance our position as the PCB and substrate provider of choice for leading global customers. Key elements of our strategy to achieve One ZDT synergies are described below:

- Further migrate from FPC to ICS and RPCB to capture AI and Automotive growth;
- Strengthen relationships with brand/EMS customers and continue to engage customers from an early stage;
- Expand our global production capacity and improve operational efficiency with automation and digitalization;
- Enhance our strategic collaborations with supply chain partners;
- Continue to attract, train and retain quality talent to support our rapid growth; and
- Focus on sustainable operation and corporate social responsibility.

Recent Developments

In the first half of 2023, our revenue decreased by 19.5% comparing to the same period of 2022, mainly due to the weak demand in consumer electronics and customer product transitions. However, in the second half of 2023, driven by our preparation of inventories for customer's new products, our revenue generated from the sales of products for ICS, and automotive radar, base station and server applications recovered strongly and our overall utilization rate maintained at a high level. As a result of destocking pressure in ICS industry in 2022 and the first half of 2023 and production delay caused by product redesign and recertification due to trade restrictions, our previous target for the capital expenditure of our phase II ABF manufacturing facilities may be delayed by around 1.5 years from 2023 to 2025. However, our ABF substrate park in Shenzhen commenced phase I mass production in February 2023.

Our monthly operating revenue of October, November, and December 2023 was NT\$20,874 million, NT\$18,840 million, and NT\$14,842 million, respectively. In comparison to the monthly operating revenue of the same period in 2022, our monthly operating revenue of October, November and December 2023 decreased by 1.49%, increased by 25.42%, and decreased by 11.08%, respectively. The decrease in monthly operating revenue of October 2023 compared to the same period in 2022 was relatively minimum, which was affected by weak demand in consumer electronics and customer product transitions, and was in line with the downward trends in PCB industry. The increase in November 2023 compared to the same period in 2022 was significant, which was due to our continued efforts on product development and efficiency optimization and the rebound of market demands. The decrease in December 2023 compared to the same period in 2022 was due to the exceptional high demand of inventory from a major consumer in December 2022, which was impacted by COVID-19. These figures are unaudited preliminary financial information and are based solely on our unaudited accounts prepared by our management for the respective months. These figures may not be indicative of the Company's net sales for the full year 2023. PricewaterhouseCoopers, Taiwan, our independent auditors, has not audited, reviewed or performed any procedures with respect to such figures, and accordingly does not express an opinion or any other form of assurance with respect thereto. Further, such preliminary financial data may change and those changes may be material. See "Special Note Regarding Forward-Looking Statements" and "Risk Factors" for additional information regarding factors that could result in differences between the preliminary financial information presented above and the audited financial data we will ultimately report for the year ended December 31, 2023.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the Bonds, please refer to the section entitled “Description of the Bonds” in this offering memorandum. Capitalized terms used herein and not defined have the same meaning given to them in this offering memorandum.

Issuer	Zhen Ding Technology Holding Limited 臻鼎科技控股股份有限公司
Offering.....	US\$400,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2029, being offered outside the United States (in offshore transactions in reliance on Regulation S) and the ROC in offshore transactions.
Interest	The Bonds will not bear any interest.
Lock-up	We have agreed with the Initial Purchasers that, for a period beginning on the date of the purchase agreement, dated as of January 17, 2024, entered into between the Issuer and the Initial Purchasers and ending 90 days after the Closing Date, we will not, without the Initial Purchasers’ prior written consent, lend, offer, sell, contract to sell, grant any option to purchase, pledge or otherwise dispose of any other Shares or any securities convertible into or exchangeable for the Shares (other than the sale of the Bonds and the issuance of our Common Shares (i) upon conversion of the Bonds, (ii) to implement stock splits and employee stock option plans, or (iii) upon the conversion of existing securities or the exercise of existing warrants). See “Plan of Distribution.”
Closing Date.....	January 24, 2024.
Maturity Date and Final Redemption	Unless previously redeemed, repurchased and canceled, or converted, the Bonds will mature, and the Issuer will redeem the Bonds in US dollars, on January 24, 2029 at a redemption price equal to 118.22% of the unpaid principal amount thereof.
Issue Price	100% of the principal amount of the Bonds.
Ranking.....	The Bonds will be our direct, unconditional, unsubordinated (but subject to a negative pledge, as described in “Negative Pledge” below) and unsecured obligations, and will rank <i>pari passu</i> without any preference or priority among themselves and with all of our other direct, unconditional, unsubordinated and unsecured obligations.
Conversion	Subject to certain conditions, each holder of the Bonds (a “Holder”) will have the right during the Conversion Period (as defined in the Description of the Bonds) to convert its Bonds (being US\$200,000 in principal amount or any higher integral multiple of US\$100,000)

into Common Shares at any time from April 25, 2024 to January 14, 2029 (or if the Bonds are called for redemption prior to the Maturity Date, the date five Trading Days prior to the redemption date), *provided, however*, that the Conversion Right (as defined in the Description of the Bonds) during any Closed Period (as defined in the Description of the Bonds) shall be suspended and the Conversion Period shall not include any such Closed Period.

See “Description of the Bonds – Conversion” and “Risk Factors – Risks Relating to Ownership of the Bonds and our Shares – There are limitations on the Holders’ ability to exercise Conversion Rights.”

Subject to changes to ROC laws and regulations, we shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Common Shares in certificated or book-entry form to the converting Holders for the purpose of trading the Common Shares on the TWSE.

Conversion Price The conversion price will initially be NT\$109.62 per share with a fixed exchange rate applicable on conversion of Bonds of NT\$31.499 = US\$1.00. The conversion price will be subject to adjustments for, among other things, subdivision or consolidation of Shares, rights issues, distributions, stock dividends, and other dilutive events. See “Description of the Bonds.”

Early Redemption Amount The Early Redemption Amount for each US\$100,000 of Bonds is determined so that it represents for the Holder a gross yield of 3.375% per annum on a semi-annual basis. See “Description of the Bonds – Early Redemption Amount.”

Redemption at the Option of the Issuer At any time on or after January 24, 2027, the Bonds may be redeemed at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Early Redemption Amount, provided that: (1) the Closing Price of the Common Shares for each of the 20 consecutive Trading Days (the “Calculation Period”), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 125% of the Conversion Price multiplied by the Early Redemption Amount and divided by US\$100,000; and (2) the applicable Redemption Date does not fall within a Closed Period.

Notwithstanding the foregoing, we may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days’ notice, at the Early Redemption Amount on the Redemption Date if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled, or converted, provided that the applicable Redemption

Date does not fall within a Closed Period.

Additional Amounts.....	Payment of principal of and premium and other amounts on the Bonds will be made without withholding or deduction for or on account of certain taxes of the Cayman Islands, the ROC or such other jurisdiction in which we are then organized or resident for tax purposes to the extent set forth under “Description of the Bonds – Additional Amounts”, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds.
Tax Redemption.....	If, as a result of certain changes relating to the tax laws in the Cayman Islands, the ROC or such other jurisdiction in which we are then organized or resident for tax purposes, we become obligated to pay Additional Amounts, the Bonds may be redeemed at the option of us, in whole but not in part, at the Early Redemption Amount; <i>provided</i> that such right cannot be exercised earlier than 45 days prior to the first date on which we would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds. Notwithstanding the foregoing, if the outstanding principal amount of the Bonds at the time when the redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, Bondholders may elect not to have their Bonds redeemed but with no entitlement to any Additional Amounts or reimbursement of additional tax. See “Description of the Bonds – Redemption for Taxation Reasons.”
Repurchase at the Option of Holder.....	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right, at such Holder’s option, to require us to repurchase in US dollars all (or any portion of the principal amount thereof which is US\$200,000 or any higher integral multiple of US\$100,000) of such Holder’s Bonds, on January 24, 2027 at a repurchase price equal to 110.56% of the outstanding principal amount thereof.
Repurchase in the Event of Change of Control	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right, at such Holder’s option, to require us to repurchase all (or any portion of the principal amount thereof which is US\$200,000 or any higher integral multiple of US\$100,000) of such Holder’s Bonds at the Early Redemption Amount upon the occurrence of a Change of Control, as defined herein. See “Description of the Bonds – Repurchase of the Bonds in the Event of Change of Control.”
Repurchase in the Event of Delisting	Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, in the event that the Common Shares cease to be listed or admitted to trading on the TWSE, each Holder shall have the right, at such Holder’s option, to require us to repurchase

all (or any portion of the principal amount thereof which is US\$200,000 or any higher integral multiple of US\$100,000) of such Holder's Bonds on the 20th Business Day after the Paying Agent mails to each Holder, upon written notification from the Issuer, a notice regarding such delisting at the Early Redemption Amount. See "Description of the Bonds – Repurchase of the Bonds in the Event of Delisting."

Negative Pledge Subject to certain exceptions, we will not, and will procure that none of our Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Bonds (1) equally and ratably with such International Investment Securities with a similar Lien or (2) with such other security as shall be approved by a majority of the outstanding registered holders of the Bonds. See "Description of the Bonds – Certain Covenants – Negative Pledge."

Form and Denomination The Bonds will be issuable only in book-entry form and only in denominations of US\$200,000 or any higher integral multiple of US\$100,000. The Bonds will be represented by the Global Bond. On the Closing Date of the Offering, we will deliver the Global Bond to a common depositary for Euroclear and Clearstream. If (1) at any time the common depositary advises the Company in writing that it is at any time unwilling or unable to continue as a depositary for the Global Bond and a successor depositary is not appointed within 90 days, (2) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (3) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, and, in the case of (3) above, if the Holders so request, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond.

The Bonds will not be issuable in a bearer form.

Settlement The Bonds have been accepted for clearance through Euroclear and Clearstream on a book-entry system. Settlement of the Bonds may take place through Euroclear and Clearstream in accordance with the settlement procedures applicable to debt securities in the Euromarket.

Governing Law	The Indenture and the Bonds will be governed by the laws of the State of New York.
Trustee	Citicorp International Limited
Paying Agent, Conversion Agent and Transfer Agent.....	Citibank, N.A., London Branch
Registrar.....	Citicorp International Limited
Listing	An application will be made to the SGX-ST for the listing of the Bonds on the SGX-ST. Approval in-principle for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of our Company or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. Application will be made for the listing of the shares issuable upon conversion of the Bonds on the TWSE. The Shares will not be listed on the SGX-ST.
Trading Market for Our Shares.....	The only trading market for the Shares is the TWSE. Our Shares have been listed on the TWSE since December 2011 under the stock code “4958.”
Use of Proceeds.....	The gross proceeds to us from this offering will be US\$400,000,000. We will use the gross proceeds of this offering to supplement working capital and repay loans.
Transfer Restrictions.....	This offering is being made in offshore transactions in reliance on Regulation S. The Bonds and our Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state in the United States or other jurisdiction. The Bonds may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S and outside the ROC, in each case in accordance with any other applicable law.
Delivery of the Bonds	Delivery of the Bonds, against payment in same-day funds, is expected on or about January 24, 2024.

SUMMARY FINANCIAL INFORMATION

The following selected financial information has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 and our unaudited consolidated interim financial statements as of and for the nine months ended September 30, 2023 and the comparative financial information in respect of the previous years and periods included elsewhere in this offering memorandum.

The consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 have been audited by PricewaterhouseCoopers, Taiwan, our independent auditors. The unaudited consolidated interim financial statements as of and for the nine months ended September 30, 2023 and the comparative financial information in respect of the previous period have been reviewed by our independent auditors. Our audited consolidated financial statements are presented in conformity with the Taiwan IFRS. Our unaudited consolidated interim financial statements are presented in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34 “Interim Financial Reporting” endorsed by the FSC and had been reviewed by the independent auditors in accordance with TWSRE 2410 and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit and should not be taken as an indication of the expected financial condition and financial performance for the year ended December 31, 2023. You should read the following selected financial information together with our financial statements included elsewhere in this offering memorandum.

Taiwan IFRS differs from IFRS, U.S. GAAP or the generally accepted accounting principles of certain other countries in certain respects, including, but not limited to, the extent that any new or amended standards or interpretations applicable under IFRS may not be timely endorsed and issued into effect by the FSC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME DATA

	Year Ended December 31,				Nine Months Ended September 30,		
	2020	2021	2022		2022	2023	
	NT\$	NT\$	NT\$	US\$	NT\$	NT\$	US\$
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
			(in millions, except for earnings per share)				
Operating revenue	131,279	155,022	171,356	5,315	118,454	97,002	3,009
Operating costs.....	(104,694)	(124,485)	(131,468)	(4,078)	(92,479)	(81,221)	(2,519)
Gross profit from operations.....	26,585	30,537	39,888	1,237	25,975	15,781	490
Selling expenses	(1,930)	(1,647)	(1,960)	(61)	(1,358)	(1,306)	(41)
Administrative expenses.....	(4,946)	(5,822)	(7,197)	(223)	(4,957)	(4,771)	(148)
Research and development expenses.....	(5,545)	(7,302)	(8,280)	(257)	(5,884)	(6,799)	(211)
(Expected credit loss) reversal of impairment loss in accordance with IFRS 9	(23)	16	(4)	(0.13)	(23)	0.57	0.02
Operating expenses	(12,444)	(14,755)	(17,441)	(541)	(12,222)	(12,875)	(400)
Net operating income	14,141	15,782	22,447	696	13,753	2,906	90
Non-operating income and expenses.....	(346)	437	1,022	32	1,995	1,298	40
Profit before income tax...	13,795	16,219	23,469	728	15,748	4,204	130
Income tax (expense) benefit.....	(2,286)	(2,524)	(2,933)	(91)	(2,071)	159	5
Profit	11,509	13,695	20,536	637	13,677	4,363	135
Other comprehensive income (loss).....	1,194	(1,113)	2,585	80	4,460	2,999	93
Total comprehensive income.....	12,703	12,582	23,121	717	18,137	7,362	228

Basic earnings per share	8.90	10.21	15.02	0.47	10.04	2.84	0.09
Diluted earnings per share ..	8.64	9.58	13.92	0.43	9.33	2.83	0.09

CONSOLIDATED BALANCE SHEET DATA

	As of December 31,				As of September 30,		
	2020	2021	2022		2022	2023	
	NT\$	NT\$	NT\$	US\$	NT\$	NT\$	US\$
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(in millions)			
Cash and cash equivalents	44,223	33,790	55,244	1,714	47,854	57,664	1,789
Total current assets	99,312	95,935	110,293	3,421	114,097	117,300	3,638
Total non-current assets	81,809	99,821	122,268	3,792	115,610	130,500	4,048
Total assets	181,121	195,756	232,561	7,213	229,707	247,800	7,686
Total current liabilities	63,424	56,880	74,227	2,302	75,027	83,303	2,584
Total non-current liabilities	13,659	25,356	25,468	790	26,847	30,026	931
Total liabilities	77,083	82,236	99,695	3,092	101,874	113,329	3,515
Total equity	104,038	113,520	132,866	4,121	127,833	134,471	4,171
Total liabilities and equity	181,121	195,756	232,561	7,213	229,707	247,800	7,686

OTHER SELECTED FINANCIAL DATA

	As of December 31,				As of September 30,		
	2020	2021	2022		2022	2023	
	NT\$	NT\$	NT\$	US\$	NT\$	NT\$	US\$
				(unaudited)	(unaudited)	(unaudited)	(unaudited)
				(in millions, except percentage data and financial ratios)			
Gross margin ¹	20.3%	19.7%	23.3%		21.9%	16.3%	
Operating margin ²	10.8%	10.2%	13.1%		11.6%	3.0%	
Net margin ³	8.8%	8.8%	12.0%		11.5%	4.5%	
EBITDA ⁴	NT\$23,232	NT\$27,945	NT\$37,861	US\$1,174	NT\$24,597	NT\$16,748	US\$519
EBITDA margin ⁵	17.7%	18.0%	22.1%		20.8%	17.3%	

¹ Gross margin is gross profit from operations as percentage of operating revenue.

² Operating margin is net operating income as percentage of operating revenue.

³ Net margin is net profit as percentage of operating revenue.

⁴ EBITDA is defined as profit before income tax excluding other income, other gains and losses, finance costs and depreciation and amortization. The items of net profit excluded from EBITDA are significant components in understanding and assessing our financial performance, and our computation of EBITDA may not be comparable to other similarly titled measures of other companies.

⁵ EBITDA margin is EBITDA as percentage of operating revenue.

⁶ We have presented EBITDA and EBITDA margin because we consider them important supplemental measures of our operating performance and believe they are frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. Other companies in our industry may calculate EBITDA and EBITDA margin differently than we do. EBITDA and EBITDA margin are not measures of operating performance under Taiwan IFRS and should not be considered (i) as an alternative for operating margin, operating income or any measures prepared in accordance with Taiwan IFRS, (ii) an indicator of our operations or cash flow data prepared in accordance with Taiwan IFRS; or (iii) an alternative to cash flow as a measure of liquidity. EBITDA and EBITDA margin have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results as reported under Taiwan IFRS. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating EBITDA and EBITDA margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

RISK FACTORS

Investing in the Bonds involves risks, and you should carefully consider the risks described below before making an investment decision. If any of the following risk factors and uncertainties develops into actual events, our businesses, financial condition or results of operations could be materially adversely affected. In addition, you should also carefully consider all of the information contained in this offering memorandum, including our financial statements and related notes. You should pay particular attention to the fact that we are a Cayman Islands company and are governed in the Cayman Islands, the ROC and the PRC by a legal and regulatory regime which in some respects may be different from that prevailing in other countries.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

A substantial portion of our business is derived from a limited number of key customers.

We derived a significant portion of our business from a limited number of key customers and therefore our ability to maintain stable business relationships with these customers is critical to our business and future prospects. In 2020, 2021 and 2022, sales to our customers representing 10% or more of our operating revenue accounted for 67.01%, 71.11% and 74.49% of our operating revenue, respectively. The concentration of our revenue among a limited number of key customers that operate within certain markets and applications exposes us to a variety of risks that could have a material adverse impact on our revenue and profitability, including reductions in any major customer's demand for our PCB products and solutions or loss of any major customer. There can be no assurance that we will be able to continue to retain these customers or maintain the current levels of business from them. If one or more of our key customers reduces, delays or cancels their orders, or their financial condition or market share deteriorates, our financial condition, results of operations and business could be seriously harmed. Similarly, a failure to manufacture sufficient quantities of products to meet customer demand, our inability to meet the evolving design specifications of customers or the exclusion of our products from new products introduced by our customers may cause us to lose customers, which may adversely affect our results of operations, financial condition and cash flows. If we lose any of our key customers, it may be difficult to attract new customers or generate comparable levels of business from other existing customers to offset the loss. Moreover, as we have significant capital expenditures and depreciation expenses that are fixed in nature, any fluctuations in demand from our major customers could negatively affect our profitability. Furthermore, litigation and other challenges as to the products, technologies or intellectual properties of any of our major customers may also reduce revenue derived from such customers or in certain key markets.

Increases in costs or the shortage of supply of our raw materials from our suppliers could decrease our profitability.

The cost of raw materials constitutes the majority of our cost of goods sold. We must obtain sufficient quantities of high quality raw materials at acceptable prices and in a timely manner in order to manufacture our products. The main raw materials used in the manufacture of our PCB products include copper foil, copper-clad laminates, process chemicals and copper balls. The pricing of raw materials can be volatile and difficult to predict. The volatility in pricing is often attributable to factors beyond our control, including changes in general economic conditions, currency exchange rates, industry cycles and production levels. There can be no assurances that the price of our raw materials will not significantly increase or fluctuate in the future. If the price of raw materials increases and we are not able to compensate for or pass on such increased costs to customers, our profitability and financial results may be adversely affected. In line with industry practice, we generally do not enter into long-term supply contracts with our suppliers. A shortage of any key raw materials could limit the number of units we are

able to produce and increase the production costs of our products, thereby depressing the margins for our products to the extent that we are not able to pass on the increased costs to our customers, for example, as a result of fixed pricing mechanisms in our supply contracts with our customers. Moreover, we currently source our main raw materials and key components from a number of third-party suppliers. Deterioration in business relationships with these suppliers may result in our failure to source sufficient quantities of raw materials and components of satisfactory quality at acceptable costs. Although we have not experienced any significant shortage in the supply of raw materials in the past five years, nor do we have significant concentration or reliance on a single supplier, there can be no assurance that a significant shortage in the supply of raw materials will not take place in the future.

We operate in a highly competitive industry and we may not be able to sustain our current market position.

The markets for our products are highly competitive with intense pressure on prices and margins. Our competitors may have better research and development capabilities, larger global logistics and distribution networks, and greater financial, marketing and other resources than us. Our current and prospective customers constantly evaluate our capabilities against the merits of manufacturing products internally and the offerings of our competitors. Customers seek, among other things, to reduce cost. The competitive nature of our industry has resulted in substantial price competition, leading to lower margins, particularly for products containing older technology. We cannot guarantee that competition in our industry will not lead to price erosion, lower revenue growth rates and lower margins for our products in the future. If we cannot advance our technologies or improve our efficiencies to a degree sufficient to maintain our required margins, we may not be able to make a profit from the sale of our products. Moreover, we may not be able to cease production of such products, either due to contractual obligations or for customer relationship reasons, and as a result may incur losses on the production and sale of such products.

We typically compete with other major Taiwanese, PRC, Japanese, and Korean PCB manufacturers, among others for orders from the same customers. We may lose our customers to our competitors if we fail to keep pace with technology changes, invest in research and development, meet their design specifications standards, enhance product differentiation and improve our cost efficiency. Increased competition could result in significant price competition, reduced revenues, lower profit margins or loss of market share, any of which would have a material adverse effect on our business, financial condition and results of operations. We cannot be certain that we will be able to compete successfully against either current or potential competitors in the future. In recent years, many participants in the PCB industry have substantially expanded their manufacturing capacity. There can be no assurance that we will be able to competitively develop the technology and provide the services necessary to retain business or attract new customers. The markets in which our customers compete are characterized by rapidly changing technology and innovation.

The markets in which our customers compete are characterized by rapid technological change and innovation, evolving industry standards and continuous improvements in products and services. In recent years, there have been significant shifts in the demand for computing devices, consumer electronics and communication devices. 5G, IoT, IoV, Industrial Internet of Things, and AI are leading current trends and development for electronic products, while the development of PCBs is advancing toward features of lightweight, thin, short, small, high-frequency, high speed, low pollution, low loss, low power consumption, multi-functional, precision, aesthetics, refinement, and intelligence. Our viability and success will depend on the success achieved by our brand/EMS customers in developing and marketing their products to their consumers. If the technologies or standards supported by our customers become obsolete or fail to gain widespread commercial acceptance, we may experience a loss of certain key customers, a decline in revenue, and a decline in operating margins.

We are attempting to reduce the risks inherent in relying on a small number of products by developing and producing high-end PCBs with efficient conductive paths, smaller size and lighter weight to be used in 3C products. We cannot assure you, however, that we will be able to develop and produce these high-end PCBs as planned or that these measures will be effective in reducing the risks associated with our reliance on 3C products.

Products that do not meet customer specifications or that contain, or are perceived to contain, defects or errors or that are otherwise incompatible with their intended end use could impose significant costs on us.

The design and production processes for our products are complex. It is possible that we may produce products that do not meet customer specifications, contain or are perceived to contain defects or errors, or are otherwise incompatible with their intended uses. We may incur substantial costs in remedying such defects or errors, which could include material inventory write-offs. Moreover, if actual or perceived problems with nonconforming, defective or incompatible products occur after we have shipped the products, we might not only bear direct liability for providing replacements or otherwise compensating customers, but could also suffer from long-term damage to our relationship with important customers or to our reputation in the PCB industry generally. This could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to offset increased labor costs, our profitability and results of operations could be adversely affected.

As of September 30, 2023, the substantial majority of our total workforce were employed in the PRC. The PRC has experienced rapid social, political and economic changes in recent years which have led to rising salaries and wages. The average wage paid to manufacturing workers in the PRC has steadily increased in the recent past and may continue to increase. In addition, there has been a growing shortage of workers in the PRC who are willing to work in factories. Rising wages coupled with a shortage of manufacturing workers in the PRC may increase our overall cost of production, cause delays in production and lower the cost competitiveness of our PRC operations, which may have a material adverse effect on our business, financial condition and results of operations.

If we are unable to maintain high capacity utilization rates and production yields, our profitability will be adversely affected.

High capacity utilization rates and production yields allow us to allocate fixed costs over a greater quantity of products. Decreases in capacity utilization rates and production yields can have an adverse impact on our gross margin. Our ability to maintain or improve our gross margin will continue to depend, in part, on maintaining high capacity utilization rates and production yields. We cannot assure you that our utilization rates and production yields will not be negatively affected by adverse factors such as, among others, excess capacity, equipment malfunction, interruption in the availability of utilities, deficiencies in quality control, inadequate sample testing, labor shortages, the inability of our labor force to return to work and human errors. We cannot assure you that we will be able to maintain high capacity utilization rates and production yields in the future. If demand for our products does not meet our expectations, our capacity utilization and gross margin will decrease. In addition, if we fail to maintain high quality production standards, our reputation may suffer and our customers may cancel their orders or return our products, which will negatively affect our business, financial condition and results of operations.

Loss on valuation of inventory may adversely affect our results of operations and financial condition.

Our major inventory includes raw materials, finished products and semi-finished products. For the year ended December 31, 2021 and 2022, our loss on valuation of inventory amounted to NT\$146 million and reversal of valuation of inventory amounted to NT\$340 million (US\$11 million), respectively. There can be no assurances that we will not experience higher loss on valuation of inventory in the future. For example, if there is unpredictable inventory loss due to natural disasters or the market value of our inventory drops significantly due to a change in market demand, the amount of our loss on valuation of inventory may increase. If this occurs, our results of operations and financial condition may be adversely affected.

Our ability to compete will be harmed if we are unable to adequately protect our intellectual property.

We believe that the protection of our intellectual property rights is, and will continue to be, important to the success of our business. We rely primarily on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. However, these afford only limited protection, and despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain, copy, or use information that we regard as proprietary, such as product design and manufacturing process expertise. As of December 31, 2022, we held a total of 1,440 patents, including 589 in the ROC, 625 in the PRC and 226 in the United States. Any future patent applications may not be sufficiently broad to protect our proprietary technologies. Moreover, policing any unauthorized use of our products is difficult and costly, and we cannot be certain that the measures we have implemented will prevent misappropriation or unauthorized use of our technologies. Others may independently develop substantially equivalent intellectual property or otherwise gain access to our trade secrets or intellectual property. Our failure to effectively protect our intellectual property could materially and adversely harm our business.

We may be involved in intellectual property disputes which, if determined adversely to us, could cause us to pay significant damage awards and interrupt our business and operations.

Our success will depend in part on our ability to protect our proprietary right and to operate without infringing on the proprietary right of third parties. There can be no assurance that any of our or our subsidiaries' current or future patent applications will result in issued patents, that the scope of the claims in any patents currently held by or to be issued to us in the future will prevent competitors from introducing competitive products or that any patent currently held by us or to be issued to us in the future would be enforceable if challenged.

We have no means of knowing what patent applications have been filed anywhere in the world until they are published, as such information is not available until such time. In addition, there is a possibility that PCB and substrate products designed and manufactured by us may inadvertently incorporate aspects of existing design patents. We may also use or develop components or technologies which infringe on patents or other intellectual property rights owned by our competitors or other third parties. If any third party were to make valid intellectual property infringement claims against us or our customers, we could be required to:

- discontinue using disputed components, technologies or products incorporating those components or featuring those technologies in certain regions;
- pay substantial monetary damages;
- seek to develop or license non-infringing component or technologies, which may not be feasible; or
- seek to acquire licenses to the component or technologies, which may not be available on

commercially reasonable terms, if at all.

This could restrict us from making, using, selling or exporting some of our products, which could in turn materially and adversely affect our business, results of operations and financial condition. The PCB industry frequently features disputes over intellectual property. We may in the future be required to defend our intellectual property rights against infringement, duplication, discovery and misappropriation by third parties or to defend ourselves against third party claims of infringement.

We rely upon trade secrets and other unpatented proprietary know-how to maintain our leading position in the PCB industry and any loss of our rights to, or unauthorized disclosure of, our trade secrets or other unpatented know-how could negatively affect our business.

We rely upon trade secrets, unpatented proprietary know-how and information, as well as continuing technological innovation in our business. The information we rely upon includes price forecasts, core technology and key customer information. Our current standard employment agreement with our employees contains a confidentiality provision which generally provides that all confidential information shall be kept confidential. All unpatented know-how and other intellectual property rights developed or made known to the individual employee during the term of the employment relationship is our exclusive property during and after the employment term. Our agreements with contractors also contain confidentiality provisions that are similar to the ones that exist in our standard employment agreements with our employees. However, there can be no assurances that our employees or contractors will not breach any of their confidentiality obligations under such agreements or that such agreements will be enforceable. Moreover, it is uncertain whether we will have adequate remedies in the event of any breach. Our competitors may come to know about our trade secrets and other proprietary information through a variety of methods. Failure to protect our trade secrets or other know-how could materially and adversely affect our business, financial condition and results of operations.

If our cybersecurity is breached, we may incur significant legal and financial exposure, damage to our reputation and a loss of confidence of our customers.

Our business involves the storage and transmission of confidential information relating to us as well as our customer and suppliers, and any breach in our cybersecurity system could expose us to a risk of loss, the improper use or disclosure of such information, ensuing potential liability or litigation, any of which could harm our reputation and adversely affect our business. Although there has been no material instance where an unauthorized party was able to obtain access to our data or our customers' data and despite our efforts in implementing comprehensive cybersecurity training for our employees and utilizing anti-virus and firewall systems which are regularly updated, there can be no assurance that we will not be vulnerable to cyber-attacks in the future. If an actual or perceived breach of our cybersecurity occurs or the market perception of the effectiveness of our cybersecurity measures is adversely affected, we may incur significant legal and financial exposure, including legal claims and regulatory fines and penalties, damage to our reputation and a loss of confidence of our customers, which could have an adverse effect on our business, financial condition and results of operations.

We intend to continue to engage in acquisitions, joint ventures and other transactions that may complement or expand our business. We may not be able to complete these transactions, and even if executed, these transactions pose significant risks and could have a negative impact on our financial condition and results of operation.

Our future success may be dependent on opportunities to enter into joint ventures and to buy other businesses or technologies that could complement, enhance or expand our current business or products or that might otherwise offer us growth opportunities or gains in productivity. If we are unable to identify suitable targets, our growth prospects may suffer, and we may not be able to realize sufficient

scale advantages to compete effectively in all relevant markets. We may also face competition for desirable targets from other companies in the PCB industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in the jurisdictions in which we do business. We may not be able to complete such transactions, for reasons including, but not limited to, a failure to secure financing or as a result of restrictive covenants in our debt arrangements. The success of any acquisition depends, in part, on our ability to capture anticipated synergies, growth opportunities and cost savings, which may be impeded, delayed or reduced as a result of numerous factors, some of which are beyond our control. These factors include:

- complexity of managing a more diversified business, including supply chain management, manufacturing capacity management, research and development, human resources and financial and audit management;
- difficulties in integrating the operations and financial condition, products, personnel and cultures;
- our inability to adapt to new economic, political and regulatory landscapes in the jurisdictions where target companies operate;
- the diversion of our management's attention from our existing business;
- unforeseen contingent risks or latent liabilities relating to the merger that may become apparent in the future;
- effects on our capacity utilization as a result of post-merger excess capacity and market conditions;
- possible negative impacts on our results of operations during business integration; and
- our possible inability to achieve the intended objectives of the transaction.

We have entered and may from time to time enter into strategic acquisitions and investments, and have established and may establish strategic alliances, joint ventures with third parties from time to time in the PCB industry for the purpose of building up our competitive strengths if suitable opportunities arise. Since January 2020, we have undertaken the following strategic acquisitions and joint ventures, which we consider material to our business. On November 4, 2020, we completed the acquisition of BoardTek by way of a share swap. In August 2023, in response to customer demands and to further expand our global footprint, we strategically collaborated with Saha Group to establish a new production facility in Prachin Buri province, Thailand for the production of primarily automotive and AI server PCB products in the first phase. However, there is no assurance that our joint venture with Saha Group will be implemented effectively and our goal for capital expenditure will be achieved on a timely basis as per our original planning, or at all. In the event that we fail to effectively implement the joint venture with Saha Group or fail to achieve our goal for capital expenditure, our financial condition, results of operations and business could be materially and adversely affected.

In order to further improve our competitiveness in market, we may engage in similar or other acquisitions, investments and alliances that we believe will complement our expansion strategies in the future. We may also make strategic divestiture of our assets or restructure our business operations. We may raise additional financing through the divestiture of our stakes in any business. Any strategic acquisition, investment, alliance and joint venture with third parties could subject us to a number of risks, including risks associated with sharing proprietary information and a reduction or loss of control of operations that are material to our business. Moreover, strategic acquisitions, investments, alliances and joint venture may be expensive to implement and subject us to the risk of non-performance by a counterparty, which may in turn lead to monetary losses that may materially and adversely affect our business. If we cannot successfully integrate acquisitions, alliances, joint ventures and other partnerships

on a timely basis, we may be unable to generate sufficient revenue to offset upfront costs, we may incur costs in excess of what we anticipate, and our expectations of future results of operations and synergies may not be achieved. In addition, our business, financial condition and results of operations may be materially and adversely affected if we are unable to improve the efficiency of our operations.

We may have capital requirements in connection with our business strategy and there is no assurance that we will be able to obtain the financing necessary to fund substantial capital expenditures.

Our business and the nature of the industry in which we operate may require us to make substantial capital expenditures in the future, leading to a higher level of fixed costs. For example, we may be required to expand our production capacity in certain of our existing production facilities to cater to an expected or actual increase in demand for our products. These capital expenditures will be spent in advance of any additional revenue to be generated by new or upgraded production facilities as a result of these expenditures. Given the fixed cost nature of our business, we may in the future incur operating losses if our operating revenue does not adequately recover our capital expenditures.

In connection with our business strategy, we have spent NT\$29,032 million (US\$900 million) on capital expenditure in 2022, primarily for expanding and upgrading our production capacity. We anticipate that we will fund our capital expenditures with proceeds from existing cash balances and credit lines, cash inflow from operations, together with the expected proceeds of this offering and existing and future bank borrowings. However, in the event of adverse market conditions in the future or changes in our growth plan, manufacturing process, product technologies, prices of machinery and equipment or interest rates, our actual expenditures may exceed our planned expenditures and we may not have sufficient sources of liquidity to affect our current operational plan and would need to secure additional financing from external sources to partially fund our expenditures. There can be no assurance that external sources of liquidity will be available to fund our ongoing operations or our product development. The failure to obtain financing would hinder our ability to make continued investments in product development, which could materially and adversely affect our business, results of operations and financial condition.

We need to observe certain financial and other covenants under the terms of our debt obligations, the failure to comply with which would put us in default under such debt obligations.

We are a party to numerous loans and other agreements relating to the incurrence of debt, many of which include financial covenants and broad default provisions. The financial covenants primarily include current ratios, leverage ratios, interest coverage ratios, tangible net worth and other technical requirements, which, in general, govern our existing long-term debt and debt we may incur in the future. Such financial covenants could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner and we may have to curtail some of our operations and growth plans to maintain compliance. In addition, any global or regional economic deterioration may cause us to incur significant net losses or force us to assume considerable liabilities, which would adversely impact our ability to comply with the financial covenants of our outstanding loans. If the relevant creditors decline to grant waivers for any noncompliance with the covenants, such non-compliance will constitute an event of default which may trigger a requirement for acceleration of the amounts due under the applicable loan agreements. Some of our loan agreements also contain cross-default clauses, which could enable creditors under our other debt instruments to declare an event of default when there is a default in other loan agreements. We cannot assure you that we will be able to remain in compliance with our financial covenants. In the event of default, we may not be able to cure the default or obtain a waiver on a timely basis. An event of default under any agreement governing our existing or future debts, if not cured by us or waived by our creditors, could have a material adverse effect on our liquidity, financial condition and

results of operations. If we breach our financial or other covenants, our financial condition will be adversely affected to the extent we are not able to cure such breaches or repay the relevant debt.

The slowdown in the global economy has put downward pressure on prices and demand for our products.

The recent slowdown in the global economy has adversely affected the market demand for our products and negatively impacted our product sales. The key markets for our products, the United States, the PRC and the ROC, continues to grow at a comparatively slow rate. A decrease in market demand typically puts significant downward pressure on our average selling prices. At the same time, reduced corporate and commercial activity has also had a negative impact on the demand for and prices of our products. We cannot predict when the key markets for our products will recover if at all. While various governments, including that of the ROC, have implemented measures to stimulate the economy and increase liquidity in the financial markets, there can be no assurance that these measures will be successful. If the economies of the United States, the PRC and the ROC, continue to grow at a slower rate, or experience a prolonged recession, our business, financial condition and results of operations would be adversely affected.

Sustained Tensions between the United States and the PRC and other geopolitical tensions, and the fluctuations in the global economy and financial markets may adversely impact our business, financial condition and results of operations.

The majority of our products are physically delivered to our brand/EMS customers in the PRC, where they are used as components in a wide range of technology products, such as 3C products, manufactured by our customers. Although some of these products are sold domestically to end customers within the PRC, a significant portion is exported and sold to end customers in the U.S. There have been sustained tension between the United States and the PRC over trade policies including tariffs and barriers on imports and exports and government incentives to onshore and/or nearshore production and supply chains to favored jurisdictions. The imposition of tariffs, retaliatory tariffs or other trade restrictions and prohibitions, on our customers' products which are manufactured and exported from the PRC to the U.S. could cause their prices to increase. This could reduce demand for such products, or reduce our customer's margins, and adversely impact their revenues, financial results and ability to service debt, which, in turn, could lead a reduction of orders placed with us by our customers. Moreover, our customers may pass cost of tariffs on their products on to us, which would depress our margins and reduce our profitability. To offset the increases in price caused by tariffs and retaliatory tariffs on our customers' products, our customers may move their manufacturing operations to locations outside of the PRC. We may also be required to move our manufacturing operations in tandem with our customers in order to continue to maintain a presence in the strategic locations where they operate. This may require us to fund significant capital expenditures to establish new or upgrade existing production facilities outside the PRC which will be spent in advance of any additional revenue to be generated such production facilities. Given the fixed cost nature of our business, we may in the future incur operating losses if our operating revenue does not adequately recover our capital expenditures. Further, against escalating trade tensions, our indigenous PRC brand/EMS customers may demand that all components and PCB and substrate products used in their products must be produced by indigenous PRC manufacturers which may reduce demand for our products and negatively impact our revenues. It remains unclear what the U.S. or the PRC governments will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies. The sustained tension between the United States and the PRC or other governmental action related to tariffs or international trade agreements or policies may negatively impact ours and/or our customers' costs, demand for our customers' products, and/or the world economy or certain sectors thereof and, thus, adversely impact our business, financial condition and results of operations.

In addition to the sustained tension between the United States and the PRC, the uncertain nature, magnitude, and duration of hostilities and regional instabilities stemming from the military conflicts between Russia and Ukraine, the armed conflicts involving Hamas and Israel, and further escalation of tensions between Israel and various countries in the Middle East and North Africa, including the potential effects of sanctions limitations, retaliatory cyber-attacks on the world economy and markets, and potential shipping delays, have contributed to increased market volatility and uncertainty, which could have an adverse impact on macroeconomic factors that affect our business. The United States and several countries in the North Atlantic Treaty Organization (NATO) imposing sanctions on Russia, following which the Russian government has issued a list of countries and territories taking “unfriendly actions” against Russia, including, among others, Taiwan, UK, the United States, European Union member states and Singapore. Whilst we currently have not been materially adversely affected by any geo-political conflicts, it is uncertain whether our business prospects will be adversely affected as the current geo-political conflicts continue, new geo-political conflicts occur, and consequential sanctions and countermeasures develop. It is not possible to predict the broader consequences of geo-political conflicts, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, the availability and cost of raw materials, supplies, freight and labor, currency exchange rates and financial markets, all of which could impact our business, financial condition and results of operations.

Our business is sensitive to other global economic conditions. There are ongoing concerns relating to the political gridlock in the United States over government spending and debt levels and the consequences for economic growth and investor confidence in the United States. Central banks of some countries, including the Federal Reserve Board of Governors of the United States, have also accelerated their shifts in monetary policies and increased interest rates. There can be no assurance that monetary and fiscal policy measures adopted by central banks or national governments will have the intended effect or that a global economic downturn will not occur or market volatilities will not persist. In 2023, the global financial markets have experienced further turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank, the crisis of Credit Suisse, and the seizure of First Republic Bank, which has resulted in the tightening of bank credit and reduced capital reduced investment activities. This could adversely affect growth rates globally and could materially and adversely affect our business, financial condition, and results of operations. To the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be materially and adversely impacted in the future.

We may not be able to effectively manage our rapid expansion.

We have expanded our production in recent years and, in conjunction with the execution of our strategy, expects to continue to expand our production in terms of geography, industry, customers and end-user products. For example, in 2019, we established a new production facility in Chennai, India, which is mainly used for FPC advanced module. In August 2023, in response to customer demands, we strategically collaborated with Saha Group to establish a new production facility in Prachin Buri province, Thailand for the production of primarily automotive and AI PCB server products in the first phase.

To manage our growth, we must continue to improve our managerial, technical, operational and other resources, and to implement an effective management information system. In order to fund our ongoing operations, research and development and future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, equipment vendors and other third parties. There can be no assurance that we will not experience issues, such as shortages of raw materials and components, shortage of local talents, capacity constraints, construction delays, difficulties in ramping up production at new facilities or upgrading or expanding existing facilities and training an

increasing number of personnel to manage and operate those facilities. In particular, failure of us to implement our expansion plans in a timely manner could adversely affect our ability to maintain, expand and diversify our customer base and to maintain the quality of our production. There can be no assurance that such expansion plans will not adversely affect the our business existing operations, which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We rely on certain key personnel and failure to attract, retain or replace such personnel could adversely affect our business.

Our success depends to a significant extent upon the continued services and our ability to attract, retain and motivate our key technical, managerial, and sales personnel. Without a sufficient number of such key personnel, our operations and manufacturing quality would suffer. We do not maintain key person insurance with respect to the loss of any of our key personnel. If we lose the services of these key personnel, we may not be able to find suitable replacements or integrate replacement personnel in a timely manner or at all, which would materially and adversely harm our business, financial condition and results of operations.

We engage in a variety of transactions with our related parties.

We engage in a variety of transactions with our related parties, in particular Hon Hai and its subsidiaries, on an ongoing basis. As of September 30, 2023, Hon Hai indirectly holds approximately 32.26% of our outstanding Shares. Although there can be no assurance as to the actual terms of those transactions, our policy is that transactions with related parties will generally be conducted on terms that we could obtain in a comparable arm's length transaction with an independent third party. We will continue to enter into additional transactions with our related parties in the future.

Principal shareholders' interests may differ from those of other shareholders.

As of September 30, 2023, Hon Hai indirectly holds approximately 32.26% of our outstanding Shares. Hon Hai has, and is expected to continue to have, significant influence on certain of our decisions and transactions, including those transactions with Hon Hai and its subsidiaries. The interests of Hon Hai may differ from the interests of other shareholders.

Our operating results may fluctuate due to factors beyond our control.

Our operating results are affected by a wide variety of factors beyond our control that could materially affect our sales revenues and profitability. These factors could also result in a significant variation in our quarterly or annual operating results. These factors include, but are not limited to:

- breakdown, failure, or substandard performance of equipment;
- delays in delivery, improper installation, or improper operation of equipment;
- new product introductions and delays in developing the capability to produce new PCB and substrate products;
- raw material price fluctuations and shortages;
- market prices of PCB and substrate products;
- seasonality of operating results;
- technological changes and changes in manufacturing processes;
- timing of orders and delays in shipments to customers; and

- volume of orders relative to our production capacity.

The occurrence of any such or other problems could materially and adversely affect our business, financial condition, and results of operation. Thus it is possible that in some future period our operating results or growth rate may be below the expectations of investors.

Our multinational operations subject us to various business, economic, political, regulatory and legal risks.

We have five major manufacturing campuses across the ROC, the PRC, and India, and over 20 sales offices across the ROC, the PRC, North America, Japan, Korea, Vietnam, and India. As a result of our international operations, we are affected by economic and political conditions in foreign countries, including the imposition of government controls, regulatory restrictions, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, the lack of development of local infrastructure, labor unrest and difficulties in staffing, coordinating communications among and managing international operations, fluctuations in currency exchange rates and earnings, expatriation restrictions, difficulties in obtaining export licenses, and misappropriation of intellectual property. If we cannot successfully manage the risks and challenges generally associated with multinational operations, we may have difficulty successfully completing orders, which might lead to customer dissatisfaction and loss of future orders.

We are vulnerable to natural disasters and other disruptive events, such as earthquakes and contagious diseases, in the locations in which we, our customers or our suppliers operate that could severely disrupt the normal operation of our business and adversely affect earnings.

Many countries, such as the ROC and the PRC, are susceptible to earthquakes. Some earthquakes in recent years caused damage to production facilities and adversely affected the operations of many companies. Although we did not experience significant structural damage to our facilities, there can be no assurance that future earthquakes will not occur and result in major damage to our facilities, which could have a material adverse effect on our results of operations. Our major production and research facilities, as well as many of our suppliers and customers, are located in the ROC and the PRC. If our customers are affected by earthquakes or other natural disasters, demand for our products could decline. If our suppliers are affected, our production schedule could be interrupted or delayed. As a result, a major earthquake, natural disaster or other disruptive events in the ROC, the PRC or elsewhere could severely disrupt the normal operations of our business and have a material adverse effect on our financial condition and results of operations.

The outbreak of communicable diseases may adversely affect global or regional economy, as well as our business operations. For example, the COVID-19 pandemic adversely affected our business and results of operations from 2020 to 2022 in several ways, including interruption of the operations of global PCB supply chains and those of our suppliers, downward pressure on demand from our brand/EMS customers and production delays for our products due to forced temporary closures of our Huai'an, Qinhuangdao and Shenzhen production facilities. Influenza viruses circulating in animals pose threats to human health. Humans can become ill when infected with viruses from animal sources, such as avian influenza virus subtypes H5N1, H9N2 and H7N9 and swine influenza virus subtype H1N1 and H3N2. An outbreak of a contagious disease such as New Influenza A, more commonly known as the "bird flu" and "swine flu," SARS, or avian influenza with virus subtype H7N9, for which there is inadequate treatment or no known cure or vaccine, may potentially result in a quarantine of infected employees and related persons and adversely affect our operations at one or more of our facilities or the operations of our customers or suppliers. We cannot predict the impact that any further future outbreak of the aforementioned influenza viruses or other diseases could have on our business and results of operations.

Outbreak of contagious diseases may restrict the level of economic activity in affected regions, result in sporadic volatility in capital markets, and adversely affect the global economy, all of which may also adversely affect our business. There is no assurance that any future outbreak of such diseases would not have a material adverse effect on our business, financial condition and results of operations.

Foreign exchange fluctuations may adversely affect our results of operations and financial condition.

As the Shares are listed on the TWSE, our financial statements are required to be presented in NT dollars, the lawful currency of the ROC. Therefore, when translating our financial statements from U.S. dollars to NT dollars, assets and liabilities are translated using the exchange rates at the balance sheet date. Profit and loss accounts are translated at weighted-average rates of the year. The equity accounts are translated at historical rates except for that of the beginning of the year, which is carried from prior year's balance.

Most of our sales are denominated in U.S. dollars, while the majority of our raw materials and component costs are paid for primarily in U.S. dollars and Renminbi, with a substantial portion of our labor cost paid in Renminbi. Accordingly, our operations are exposed to fluctuations among U.S. dollar, Renminbi and NT dollar exchange rates and, to a lesser extent, exchange rates between other currencies.

The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the U.S. dollars. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, against which its value can rise or fall by as much as 0.3% each day. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed range in relation to a basket of specified foreign currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. On June 19, 2010, the PRC government announced its intention to further relax its currency policy, and the Renminbi slightly appreciated against U.S. dollars. We cannot assure you that the Renminbi will not experience significant appreciation against U.S. dollars again. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against U.S. dollars. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars, of our net assets or earnings.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

The impact of future exchange rate fluctuations among these currencies on our financial performance and financial condition cannot be accurately predicted, and there can be no assurance that our attempt to mitigate the adverse effects of exchange rate fluctuations will be successful or that such exchange rate fluctuations will not in the future have a material adverse effect on our financial performance, financial condition and prospects.

Our insurance coverage may not adequately protect us against certain operating and other hazards which may have an adverse effect on our business.

We believe that the coverage from our insurance policies for our production facilities is in line with industry norms, based on our present operations and include adequate coverage for risks relating to

fires and public liability. However, there can be no assurance that any claim under the insurance policies maintained will be timely honored in full or at all. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our business, results of operations and financial condition may be materially and adversely affected. Further, we do not maintain insurance which provides coverage for all risks which may materialize in our business and operations. For example, we do not maintain business interruption insurance. Therefore, loss arising from the temporary closures of our production facilities as a result of the COVID-19 pandemic were not recoverable under insurance. There can also be no assurance that insurance will continue to be available to provide reasonable, or any, coverage on reasonable commercial terms.

If we fail to comply with environmental regulations, we may be subject to adverse publicity and potential monetary damages and fines.

Some of our manufacturing processes employ or create various hazardous substances, including waste water, sewerage and exhaust gas. In response, we have implemented wastewater and sewage management systems at production sites and have also established comprehensive exhaust gas management regulations to minimize the impact of wastewater, sewerage and exhaust gas on the environment. We are subject to a variety of regulations in the relevant jurisdictions relating to the use, storage, discharge and disposal of chemicals and waste used in its manufacturing processes. From time to time, we receive requests from competent authorities to improve or rectify our environmental measures. In 2020, 2021, 2022 and the nine months ended September 30, 2023, no administrative sanctions or penalties have been imposed upon us for the violation of environmental regulations. However, there can be no assurances that we will never fail to comply with these environmental regulations. Any failure to comply with present and future regulations or obtain the necessary certificates and permits could subject us to future fines and liabilities or other government sanctions. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. Any failure to control the use of or to restrict adequately the discharge of hazardous substances could subject us to monetary fines and liabilities or other government sanctions. If we are held liable for damages in the event of contamination or injury, it could have a material and adverse effect on our business, financial condition and results of operations.

In accordance with the environmental regulations, we are required to obtain relevant licenses and discharge permits. Our ability to obtain, maintain, or renew such licenses and permits on acceptable terms is subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. There can be no assurances that we will be successful and timely in obtaining the required approvals, licenses and permits. Failure to do so may subject us to monetary fines and liabilities or government sanctions.

We are subject to stringent health and safety laws and regulations that give rise to significant costs and could give rise to significant liabilities.

We are subject to a broad range of health and safety laws and regulations in each of the jurisdictions in which we operate. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent health and safety protection standards. The costs of complying with, and the imposition of liabilities pursuant to, health and safety laws and regulations could be significant, and failure to comply could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties. In addition, under certain circumstances, the relevant authorities could demand our facilities to be curtailed or operations to be suspended on grounds of health and safety concerns. Despite our efforts to monitor and minimize accidents at our facilities, health and safety incidents do occur, some of which may result in costs and liabilities and may negatively impact our operations and reputation. Such accidents could include explosions, gas leaks or fires, vehicular accidents,

and other accidents involving mobile equipment, or exposure to potentially hazardous materials. Some of our industrial activities involve the use, storage and transport of dangerous chemicals and toxic substances, and we are therefore subject to the risk of industrial accidents which could have significant adverse consequences for our workers and facilities, as well as the environment. Such accidents could lead to production stoppages, loss of key personnel and key assets, and would put at risk our employees (and those of subcontractors and suppliers) and persons living near affected sites.

Negative publicity could adversely affect our reputation and our business, financial results and stock price.

Our reputation and brand are critical to our success. Unfavorable media related to our industry, company, brand, personnel, operations, business performance, or prospects may impact our stock price and the performance of our business, regardless of its accuracy or inaccuracy. The speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites, and blogs. Our success in maintaining and expanding our brand image depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlets could damage our reputation and reduce the demand for our products, which would adversely affect our business.

Claims made against us and our directors from time to time can result in litigation or regulatory proceedings which could result in liability or harm our reputation.

From time to time, we are or may be involved in litigations, claims and other proceedings relating to the conduct of our business, including environmental claims, non-compliance with provisions of our licenses, torts, and labor disputes. Any claim could result in litigation against us, and could also result in regulatory proceedings being brought against us by various government and state agencies. Usually, these cases would raise complex factual and legal issues, which are subject to risks and uncertainties and could require significant time from our management team. Litigations, other claims and regulatory proceedings against us or our management could result in unexpected expenses and liabilities, and could also materially and adversely affect our operations and our reputation.

Unfavorable tax law changes, unfavorable import and export tariffs changes, an unfavorable government review of our tax returns, or the imposition of withholding taxes on repatriated earnings could adversely affect our effective tax rate and our operating results.

We are subject to, among others, income and transaction taxes in the ROC, the PRC, India, Thailand and other jurisdictions in which we conduct business. An adverse change in the tax laws of the jurisdictions in which we conduct business, such as an increase in tax rates or an adverse change in the treatment of an item of income or expense, could result in a material increase in the amount of taxes we incur. We are subject to periodic audits or other reviews by tax authorities in the jurisdictions in which we conduct our activities. Any such audit, examination or review requires our management's time, diverts internal resources and, in the event of an unfavorable outcome, may result in additional tax liabilities or other adjustments to our historical results.

We may not be able to obtain or renew all licenses, approvals or permits necessary for our current and future operations.

Our current and future operations in Asia, Europe, the United States and other regions require a number of regulatory licenses, approvals and permits. We cannot assure you that we will be able to obtain licenses, approvals or permits or make filings and registrations necessary for our operations in Asia, Europe, the United States and other regions, or that we will be able to successfully renew our existing

licenses, approvals or permits. In addition, if the relevant authorities enact new regulations, we may not be able to meet successfully the requirements under such regulations. If we fail to obtain or renew the necessary regulatory licenses, approvals or permits, or make the necessary filings and registrations, we may have to cease construction or operation of the relevant projects, be subject to fines, or face other penalties, which could have a material adverse effect on our business, financial condition and results of operations. Even if we already obtained the licenses, approvals and permits, there could be parties or interest groups with different views who may take actions against the renewal of such licenses, approvals and permits, which may have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO TAIWAN

Strained relations between the ROC and the PRC governments, and political developments in the ROC, could adversely affect our business.

A small portion of our assets are located in Taiwan and the Shares are listed on the TWSE. Accordingly, our financial condition and results of operations and the market price of the Shares may be affected by changes in the ROC governmental policies, taxation, inflation, interest rates, social instability and other political, economic, diplomatic or social developments in or affecting the ROC which are outside our control. Taiwan has a unique international political status. Both the governments of the PRC and the ROC assert sovereignty over Taiwan. The PRC government does not recognize the legitimacy of the government of the ROC. Although significant economic and cultural relations have been established in the past decade between Taiwan and the PRC, the PRC has refused to renounce the possibility that it may use force to gain control over Taiwan if Taiwan declared independence or if a foreign power interfered in Taiwan's domestic affairs. Relations between the ROC and the PRC have at times been strained. Past developments in relations between the ROC and the PRC have on occasion depressed the market price of the securities listed on the TWSE. There is no assurance that relations between the ROC and the PRC will not deteriorate, or that future military actions or economic sanctions or other disruptive activities will not be undertaken by either the PRC or ROC governments.

Financial reporting and accounting standards in the ROC differ from those in certain other countries.

We are subject to financial reporting requirements in the ROC that differ in significant respects from those applicable to companies in certain other countries, including the United States. In addition, our financial statements are prepared in accordance with Taiwan IFRS, which differ in certain significant respects from generally accepted accounting principles in certain other countries, such as U.S. GAAP or IFRS. The accounting treatment adopted by us under Taiwan IFRS may cause volatility of our revenue and/or profits. Potential investors should consult their own professional advisors for an understanding of such differences and how they might affect the financial information contained herein.

The imposition of foreign exchange restrictions may have an adverse effect on foreign investors' abilities to acquire ROC securities, including the Shares, or to repatriate the interest, dividends or sale proceeds from those securities.

The ROC government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the ROC government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in Taiwan. These restrictions may require foreign investors to obtain Taiwan government's approval before acquiring ROC securities, repatriating the interest or dividends from those securities or repatriating the proceeds from the sale of those securities.

There can be no assurance that these restrictions, if imposed, will not adversely affect, among other things, the secondary market price of the Bonds.

As we are a public company, actions taken by us or third parties may result in a change in control of the Company.

We are a public company listed on the TWSE. As a result, we may be subject to potential takeovers or acquisitions by third parties through the purchase of our publicly traded Shares. In addition, there may be potential mergers or acquisitions, consolidations or share swaps that result in a change of control. A change of control may lead to changes in management, strategies or business direction, as well as the termination of agreements that contain relevant change of control provisions, all of which may have a material and adverse effect on our business, prospects, overall financial condition and results of operations.

The value of the Shares and the Bonds as well as the value of certain marketable securities held by us may be adversely affected by the volatility of the ROC securities market.

The ROC securities market is smaller and more volatile than the securities markets in the United States and in certain European countries. The TWSE has experienced substantial fluctuations in the prices of listed securities and has shown particular volatility following certain political events, market events, scandals, and there are currently limits on the range of daily price movements on the TWSE. Furthermore, the TWSE has experienced problems such as market manipulation, insider trading, and payment defaults. The reoccurrence of these or similar problems could adversely affect the market price and liquidity of the securities listed on the TWSE, in both domestic and international markets.

RISKS RELATING TO THE PRC

The permit, filing or other requirements of the CSRC or other PRC government authorities in relation to our proposed issuance of the Bonds or further capital raise activities may be required under PRC laws.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”), the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) and five supporting guidelines, which came into effect on March 31, 2023. According to the Overseas Listing Trial Measures, securities offerings and listings in an overseas market made under the name of an offshore entity but based on the underlying equity, assets, earnings or other similar rights of a Chinese company that operates its main business in mainland China falls within the ambit of filing requirement. The Overseas Listing Trial Measures states that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of Shares, exchangeable bonds and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering.

We may be required to go through filing procedures with the CSRC after the completion of this offering of the Bonds, which will not substantially affect the Settlement of the Bonds. We will comply with applicable filing requirements as appropriate. The Overseas Listing Trial Measures were recently promulgated and may continue to evolve. We cannot assure you that we could meet such requirements, or complete such filing in a timely manner or at all. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us. If it is determined that we are subject to any approval, filing, other governmental authorization or requirements

from the CSRC or other PRC government authorities, we may fail to perform such filing procedures, obtain such approval or meet such requirements in a timely manner or at all. Such failure may or perceived failure of us to fully comply with such new regulatory requirements could severely damage our reputation and may cause a material adverse effect on our future capital raising activities and result in negative publicity and legal proceedings or regulatory actions against us.

On January 5, 2023, the National Development and Reform Commission (the “NDRC”) released the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises(《企業中長期外債審核登記管理辦法》) (the “Foreign Debts of Enterprises Measures”), which came into effect on February 10, 2023. According to the Foreign Debts of Enterprises Measures, an enterprise whose principal business activities are conducted within the territory of China, under the name of an offshore entity, issues bonds or borrows commercial loans overseas based on the equity, assets, earnings or other similar rights of a Chinese company, shall prior to the borrowing of foreign debts, obtain the Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises and complete the formalities of examination and registration. Those that have not completed examination and registration formalities are not allowed to borrow foreign debts.

We have been advised by the NDRC that we are not required to complete formalities for examination and registration of foreign debts pursuant to the provisions (“examination and registration”). The Foreign Debts of Enterprises Measures may continue to evolve. There remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. Although the risk that the Issuer would be required to complete the registration of the Bond with NDRC as per its further requirement is quite remote, we cannot assure you that we could meet such requirements, obtain such permit from the relevant government authorities, or complete such filing in a timely manner or at all. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us. If it is determined that we are subject to any approval, filing, other governmental authorization or requirements from the NDRC or other PRC government authorities, we may fail to perform such filing procedures, obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions, limit our ability to offer or continue to offer the Bond to investors, severely damage our reputation which may have a material adverse effect on our business, operation and financial condition.

We are subject to the political, economic and legal environments in the PRC.

We are subject to the political, economic and legal environments in the PRC. Currently we manufacture and sell the majority of our products to brand/EMS customers in the PRC. Accordingly, our business is subject to the political, economic and legal environments in the PRC. There can be no assurance that our investments and business activities in the PRC will not be adversely affected if relations between the PRC and the ROC are further strained.

Prior to 1978, the PRC had adopted a central economic planning system. All production and economic activities in the country were governed by the economic goals set out in the five-year plans and the annual plans adopted by the central authorities. Since 1978, the PRC government has permitted foreign investment and implemented several economic reforms, gradually changing from a planned economy towards a market-oriented economy. However, many of the reforms and economic policies adopted or to be adopted by the PRC government are unprecedented or experimental in nature and may have unforeseen results, which may have an adverse effect on enterprises with substantial businesses in the PRC.

The PRC government has implemented policies from time to time to regulate economic

expansion in the PRC. Although in recent years the PRC government has implemented measures emphasizing the use of market force for economic reform, it continues to play a significant role in regulating market activities. The PRC government exercises significant control over the PRC's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies.

While the PRC's economy has experienced significant growth in the past 30 years, growth has been uneven both geographically and among various sectors. The PRC government has implemented various measures to encourage economic growth and guided the allocation of resources. While some of these measures benefit the PRC's overall economy, they may have a negative effect on us. For example, our business, overall financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

Our production facilities located in the PRC are subject to political, economic and social conditions, laws, regulations and policies of the PRC. The economy of the PRC differs from the economies of most developed countries in a number of respects, including:

- its structure;
- level of government involvement;
- level of development;
- level of capital reinvestment;
- control of capital reinvestment;
- control of foreign exchange; and
- allocation of resources.

Uncertainties in the PRC legal system could adversely affect our business and results of operations.

Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. However, since these laws and regulations are relatively new and continue to evolve rapidly, interpretations of laws and regulations are not always uniform, and enforcement of such laws and regulations involves uncertainties. The development of the PRC legal system is not yet complete. In addition, there may be PRC laws and regulations that are peculiar to the PRC and not commonly seen in developed countries and may impose additional procedural or compliance requirements on those to whom they apply. Furthermore, the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaty between the PRC and the country where the judgment is made or on reciprocity between jurisdictions.

Therefore, if a foreign judgment is rendered by a foreign court in which the country and the PRC do not have any treaty or agreement providing for the reciprocal recognition and enforcement of foreign judgments, such a judgment may not be enforced by a PRC court. The PRC's relatively inexperienced legal system in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of laws and regulations of the PRC may be subject to government policies reflecting domestic political changes.

We cannot predict the future development of the PRC legal system, such as the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local

regulations or the overturn of local government's decisions by superior laws. These uncertainties may limit the legal protections available to us. In addition, any litigation in the PRC may be protracted and may result in substantial costs, diversion of our resources and disruption of our business.

Dividends we receive from our PRC subsidiaries may be subject to PRC withholding tax.

The PRC Enterprise Income Tax Law provides that income tax may be applicable to dividends payable to non-PRC enterprise investors that are "non-resident enterprises" to the extent such dividends are derived from sources within the PRC. The PRC State Council has reduced such rate to 10% through the implementation of the PRC Enterprise Income Tax Law. We are therefore subject to such withholding tax with respect to business operations carried out by our PRC subsidiaries.

Changes in the preferential tax treatments of our PRC subsidiaries may adversely affect our profitability.

Our major operational subsidiaries in the PRC are categorized as high and new technology enterprises, which are subject to a 15% preferential tax rate, as compared with the unified enterprise income tax rate of 25%. Such preferential tax treatment is subject to renewal every three years. In addition, our subsidiaries and operations in the PRC also benefit from certain other preferential tax treatments. There can be no assurances that our subsidiaries in the PRC will be able to successfully renew such preferential tax treatments or if such preferential tax treatments will continue in the future. If such preferential tax treatments discontinue in the future, the resulting increase in our tax liability would have an adverse effect on our net profit and cash flow.

Labor laws in the PRC may adversely affect our results of operations.

Labor laws and regulations in the PRC impose strict requirements on signing labor contracts, paying remuneration, paid annual leave, probation and dissolving labor contracts. PRC labor law also requires the terms of employment contracts to be placed in writing within one month of the commencement of an employment relationship, which makes hiring temporary workers difficult. In the event we decide to significantly change or decrease the workforce of our PRC subsidiaries, the PRC labor laws and regulations could adversely affect our ability to enact such changes in a manner that is most advantageous to our business in the PRC subsidiaries or in a timely and cost-effective manner, which may materially and adversely affect our business, financial condition and results of operations.

Our production facilities in the PRC are subject to risks of power shortages.

Many cities and provinces in the PRC have historically suffered serious power shortages. Many of the regional grids do not have sufficient power generating capacity to satisfy fully the increased demand for electricity driven by continual economic growth and persistent hot weather. Local governments have required local factories to temporarily shut down their operations, reduce their daily operational hours or operate on different shifts in order to reduce local power consumption levels. Many factories have also experienced temporary power outages as a result of the persistent full load operations of the power grids. Since 2018, our operations in the PRC have not been affected by such administrative measures. However, there is no assurance that our PRC operations will not be affected by those administrative measures in the future, thereby causing material production disruption and delay in delivery schedules. In such event, our business, results of operations and financial condition could be materially adversely affected.

RISKS RELATING TO OWNERSHIP OF THE BONDS AND OUR SHARES

There are limitations on the Holders' ability to exercise Conversion Rights.

The Holders will not be able to exercise Conversion Rights (as defined in “*Description of the Bonds*”) during any Closed Period (as defined in “*Description of the Bonds*”). In addition, under the current ROC law, regulations and policy, PRC persons are not permitted to convert the Bonds or to register as our shareholders unless (i) it is a PRC qualified domestic institutional investor, or a QDII, and (ii) provided that the total shareholding of PRC persons with respect to the Issuer after the conversion does not exceed 30%. In addition, there are restrictions on the amount remitted to Taiwan for investments by each QDII and all QDIIs. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might cause a Holder who is a PRC person to be unable to convert and hold the Shares issuable upon conversion of the Bonds. Under current ROC laws, a “PRC person” means an individual holding a passport issued by the PRC, a resident of any area of the PRC under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of Taiwan), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area, or in countries outside of the ROC or PRC that is directly or indirectly controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency, instrumentality, corporation, partnership or entity.

Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Shares that are eligible for future sale by us or our current shareholders may adversely affect the value of your investment.

The market prices of the Bonds and the Shares could decline as a result of sales of a large number of the Shares or any securities that are substantially similar to the Shares including, but not limited to any securities that may be convertible into, or exchangeable for, the Shares after this offering or the perception that such sales could occur. In connection with the offering, we agreed to certain lock-ups, subject to certain exceptions, for a period of beginning at the date and time the purchase agreement, dated as of January 17, 2024, entered into between our Company and the Initial Purchasers and ending 90 days after the Closing Date not to lend, offer, sell, contract to sell, grant any option to purchase, pledge, or otherwise dispose of any of our Shares directly or indirectly or any securities that are convertible into or exchangeable for the Shares without the prior written consent of the Initial Purchasers. Nevertheless, the Initial Purchasers may lift or waive all or some of these restrictions at their sole discretion, and when the applicable restrictive period expires, we will be able to sell or otherwise dispose of the Shares, subject to legal restrictions. In addition, we cannot assure you that any of our shareholders will not sell, or otherwise dispose of, the Shares. If our shareholders sell a large number of the Shares after this offering, the market price of the Bonds and the Shares could be depressed and the value of your investment could substantially decrease. The market prices of the Shares and the Bonds could also decline if substantial amounts of the Shares or securities convertible or exchangeable into the Shares are sold after the closing of this offering, or if there is a perception that these sales could occur.

A liquid market for the Bonds may not develop, and the market for the Shares may not be liquid.

Prior to this offering, there has been no market for the Bonds. An application will be made to the SGX-ST for the listing of the Bonds but not our Shares on the SGX-ST. An active trading market for the Bonds might not develop or could not be maintained. Holders of the Bonds may experience difficulty in reselling the Bonds or may be unable to sell them at all. If a market for the Bonds develops, it may be discontinued at any time. Although the Initial Purchaser have advised the Company that they currently intend to make a market in the Bonds, they are not obligated to do so and may discontinue market-making activity at any time without notice. The Bonds are subject to the restrictions on transfer described under

“Transfer Restrictions.”

The Bonds have not been registered under the securities laws of the United States or elsewhere and cannot be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. The Bonds may not be publicly offered or sold, directly or indirectly, in the ROC. Furthermore, there has been no trading market for the Shares outside the ROC, and the only trading market for the Shares is the TWSE.

Holders of the Bonds will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. It is impossible to predict how the price of the Shares will change. Trading prices of the Shares will be influenced by, among other things, our results of operations and political, economic, financial and other factors that affect capital markets generally. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Fluctuations in the exchange rate between the NT dollar and the U.S. dollar may have a material adverse effect on the value of the Bonds in U.S. dollar terms.

Although the principal amount of the Bonds is denominated in U.S. dollars, the Shares are listed on the TWSE, which quotes and trades the Shares in NT dollars. As a result, fluctuations in the exchange rate between the NT dollar and the U.S. dollar will affect, among other things, the market price of the Bonds and the U.S. dollar equivalent of the Shares received upon conversion of the Bonds.

Holders of the Bonds will have no rights as shareholders until they acquire the Shares upon conversion of the Bonds.

Unless and until the holders of the Bonds acquire the Shares upon conversion of the Bonds, the holders of the Bonds will have no rights as shareholders, including any voting rights or rights to receive any dividends or other distributions with respect to the Shares. Subject to the indenture and other applicable ROC laws, holders of the Bonds who acquire the Shares upon the exercise of their Conversion Rights will be entitled to exercise the rights of shareholders only as to actions for which the applicable record date occurs after the Conversion Date.

Non-ROC holders of the Bonds will be required to register with the TWSE and appoint several local agents in Taiwan if they convert the Bonds and become our shareholders, which may make ownership burdensome.

Under current ROC law, if a non-ROC person (other than a PRC person) wishes to convert the Bonds and hold the Common Shares, such non-ROC person will be required to register with the TWSE to obtain the Foreign Investor Investment I.D. for making investments in the ROC securities market prior to converting the Bonds into Common Shares. In addition, a non-ROC person (other than a PRC person) will be required to appoint an eligible agent in the ROC to open a securities trading account with a local brokerage firm, a Taiwan Depository & Clearing Corporation (“TDCC”) book entry account and a bank account, to pay ROC taxes, remit funds, exercise shareholders’ rights and perform such other functions as such person may designate upon conversion. In addition, a non-ROC person (other than a PRC person) will be required to appoint a custodian in the ROC to hold the securities in safekeeping, make confirmation, settle trades and report all relevant information. Without obtaining the Foreign Investor Investment I.D. and opening such accounts, a non-ROC person would be unable to hold or subsequently sell the Common Shares converted from the Bonds on the TWSE or otherwise. In addition, these regulations may change from time to time. There can be no assurance that a non-ROC person (other than

a PRC person) will be able to register with the TWSE and open the requisite accounts in a timely manner.

When a non-ROC Holder exercises its conversion right with respect to the Bonds in order to receive Common Shares, that holder will be required to appoint an agent (a “Tax Guarantor”) in the ROC. Such Tax Guarantor will be required to meet the qualifications set by the ROC Ministry of Finance and will act as the guarantor of such holder’s tax payment obligations. Generally, evidence of the appointment of a Tax Guarantor and the approval of such appointment may be required as a condition to such holder’s repatriation of profits. There can be no assurance that non-ROC holders of Bonds will be able to appoint and obtain approval for a Tax Guarantor in a timely manner.

Under the current ROC law and regulations, except for QDIIs registered with TWSE and obtained the QDII Investment I.D., PRC persons are not permitted to convert the Bonds and hold our Common Shares and in order to hold our Common Shares, such QDIIs are required to appoint the agent, custodian and the Tax Guarantor as required by the ROC law and regulations.

We should point out that these regulations may change from time to time. We cannot assure you that current ROC law will remain in effect or that future changes in ROC law will not adversely affect your ability to convert the Bonds into our Common Shares.

An account number of TDCC and the Foreign Investor Investment I.D. (or the QDII Investment I.D., if one is required) must be specified in any conversion notice.

Delivery of our Shares into which the Bonds may be converted will only be made through the book entry system maintained by the TDCC. No physical share certificates will be delivered to the converting Holder (or its designee) upon conversion. Thus, a book entry account number of TDCC maintained by the converting Holder or its designee must be specified in the conversion notice. The conversion agent will deem any conversion notice that does not include an account number of TDCC or the Foreign Investor Investment I.D. (or the QDII Investment I.D., if one is required) incomplete and will reject such conversion notice in accordance with the terms of the Indenture. If the non ROC converting Holder (or its designee) does not have a TDCC book entry account, the conversion notice executed by such converting Holder will not become valid unless and until such Holder (or its designee) registers with the TWSE and obtains a Foreign Investor Investment I.D. (or the QDII Investment I.D., if one is required) and opens a TDCC account.

Our public shareholders may have more difficulty in protecting their interests than they would as a shareholder of a corporation of other jurisdictions.

Our corporate affairs are governed by our Amended and Restated Memorandum and Articles of Association governing Cayman Islands companies, the Companies Act and the common law of the Cayman Islands. The rights of our shareholders to bring shareholders’ suits against our board of directors under Cayman Islands laws are much more limited than those of the shareholders of corporations of some other jurisdictions.

The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some other jurisdictions.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association, our register of mortgages and charges and special resolutions of our shareholders) or to obtain copies of lists of shareholders of these companies. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Therefore, our public shareholders may have more difficulty in protecting their interests in connection with actions taken by our management, members of our board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

We may not have the ability to redeem the Bonds.

We will at maturity be required to redeem all of the Bonds and the Holders may require us to redeem for cash all or some of their Bonds on January 24, 2027 or upon a transaction or event constituting a change of control or delisting or otherwise as described under “*Description of the Bonds.*” We may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. Failure to repay, repurchase or redeem tendered Bonds by us would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by us.

Investors may face difficulties in protecting their interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide different remedies to minority shareholders when compared with the laws of other jurisdictions.

Subject to the Companies Act and the common law of the Cayman Islands, our corporate affairs are governed by our Amended and Restated Memorandum and Articles of Association. The laws of Cayman Islands relating to the protection of the interests of minority shareholders (including the rights of our shareholders to bring shareholders’ suits against our board of directors under Cayman Islands laws) differ in some respects from those established under statutes or judicial precedents in some other jurisdictions. Such differences may mean that the remedies available to our minority shareholders may be different from those they would have under the laws of other jurisdictions. Therefore, our shareholders may have more difficulty in protecting their interests in connection with actions taken by our management, members of our board of directors or controlling shareholders than they would as shareholders of corporations of other jurisdictions.

Holders of the Bonds or their designee requesting the conversion of the Bonds into the Shares may be required to provide certain information to the Company, and failure to provide such information may result in a delay of the conversion.

A Holder or its designee requesting the conversion of the Bonds into the Shares may be required to provide certain information to the Company or the Paying Agent, including the name and nationality of the person to be registered as the shareholder, the number of Shares to be acquired by such person and the number of Shares acquired by such person in the past through the Conversion Date. Under applicable ROC laws, the Company is required to report to the FSC if the person to be registered as a shareholder (1) is a “related party” of the Company as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers or (2) will hold, immediately following such conversion, more than 10% of the total number of the Shares deliverable upon conversion of the aggregate principal amount of the Bonds at the time of issuance based on the initial conversion price. Failure to provide such information may result in a delay of the conversion of the Bonds.

USE OF PROCEEDS

Our gross proceeds from this offering will be US\$400.0 million before deducting underwriting discount and commission and other offering expenses. We will use the net proceeds of this offering to supplement our working capital and for the repayment of loans.

MARKET PRICE INFORMATION

The Shares have been listed on the TWSE since December 26, 2011 under the stock code “4958”.

On January 17, 2024, the reported closing price of our Shares was NT\$101.50 per Share, and the TWSE Index closed at 17,161.79.

Information regarding our historical Share price may be obtained from the TWSE website. The trading price and the daily closing price of the Shares are available on the Market Observation Post System (<https://mops.twse.com.tw>). For the avoidance of doubt, none of the information contained on the TWSE website and the Market Observation Post System is incorporated by reference into this offering memorandum, nor should any of such information be considered part of this offering memorandum.

The TWSE has experienced substantial fluctuations in the prices of listed securities and there are currently limits on the range of daily price movements. See “Risk Factors – Risks Relating to Taiwan – The value of the Shares and the Bonds as well as the value of certain marketable securities held by us may be adversely affected by the volatility of the ROC securities market” and “Appendix A – The Securities Markets of the ROC – The Taiwan Stock Exchange.”

DIVIDENDS AND DIVIDEND POLICY

Pursuant to our Amended and Restated Memorandum and Articles of Association, our board of directors may declare a dividend to be paid to the shareholders in proportion to the number of shares held by them and such dividend may be paid in cash, shares or wholly or partly in specie. Subject to approval by shareholders by an ordinary resolution, our board of directors may determine that a dividend shall be paid wholly or partly by the distribution of specific assets, subject to obtaining the prior consent of any shareholder to whom it is proposed to make a distribution in specie and an assurance on the valuation of the assets for distribution from an ROC certified public accountant, prior to our board of directors fixing the value of the assets for distribution. Our board of directors may make cash payments to some shareholders on the footing of the value so fixed in order to adjust the rights of the shareholders.

With respect to the dividend to be distributed at the end of each financial year, subject to the Companies Act and our Amended and Restated Memorandum and Articles of Association and except as otherwise provided by the rights attached to any shares, we may distribute profits after each financial year in accordance with a proposal for profits distribution approved by, in the case of dividend to be paid in cash, a majority of the directors at a meeting attended by two-thirds or more of the total number of the directors, or, in the case of the following circumstances, shares by a supermajority resolution in the annual general meeting subject to applicable public company rules. After our board of directors approves the distribution of dividend in cash, our board of directors shall report such distribution in the next annual general meeting.

Upon the final settlement of our accounts, if there is surplus profit, we shall set aside 0.5% to 20% as Employees' Compensation and no more than 0.5% thereof as Directors' Remuneration. The distribution proposals in respect of Employees' Compensation and Directors' Remuneration shall be approved by a majority of the directors at a meeting attended by two-thirds or more of the total number of the directors and submitted to the shareholders' meeting for report. However, if the Company has accumulated losses, the Company shall reserve an amount thereof for making up the losses before proceeding with the above distributions and allocation. The "surplus profit" referred to above means the net profit before tax and for the avoidance of doubt, such amount is before any payment of compensation to employees and remuneration for the directors.

In determining the Company's dividend policy, the board of directors recognizes that the Company operates in a mature industry, and has stable profit streams and a sound financial structure. In determining the amount, if any, of the dividend or other distribution it recommends to shareholders for approval in any financial year, the board of directors:

- (a) may take into consideration the earnings of the Company, overall development, financial planning, capital needs, industry outlook and future prospects of the Company in the relevant financial year, so as to ensure the protection of shareholders' rights and interests; and
- (b) shall set aside out of the profits of the Company for each financial year: (i) a reserve for payment of tax for the relevant financial year; (ii) an amount to offset losses incurred in previous years; (iii) 10% as a general reserve (unless the general reserve reserved in the past years has reached the total paid up capital of the Company), and (iv) a special surplus reserve as required by the applicable securities authority under the applicable public company rules or a reserve as determined by the board of directors, in its absolute discretion, to be proper to be used to meet contingencies or for meeting the deficiencies for implementing dividend distribution plans or for any other purpose to which those funds may be properly applied.

Subject to compliance with the Companies Act and after setting aside the amounts for Employees' Compensations and Directors' Remuneration and such amounts as the board of directors deems fit in accordance with the distribution policy, the board of directors shall recommend to distribute no less than 10% of the distributable amount as dividend to the shareholders.

Dividends to the shareholders and the Employees' Compensation may be distributed, at the discretion of our board of directors, by way of cash or by way of applying such sum in paying up in full unissued shares or a combination of both for allocation and distribution to employees or shareholders, provided that, in the case of a distribution to shareholders, no less than 50% of the total amount of such dividend shall be paid in cash. No unpaid dividend and compensation shall bear interest as against the Company.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2023, on an actual basis and as adjusted for the issuance of the Bonds, without deducting underwriting discount and commission and other offering expenses. Other than as disclosed herein, there has been no material change in our capitalization since September 30, 2023.

The following table should be read in conjunction with our financial statements and notes thereto included elsewhere herein.

	As of September 30, 2023 (Unaudited)			
	Actual		As Adjusted for Offering of Bonds	
	NT\$	US\$ ¹	NT\$	US\$
Long-Term Borrowings:				
Long-term borrowings – non-current.....	18,225	565	18,225	565
Lease liabilities – non-current.....	294	9	294	9
Bonds payable – non-current ²	-	-	12,896	400
Total long-term liabilities	18,519	574	31,415	974
Stockholders' Equity:				
Share capital – Ordinary share	9,470	294	9,470	294
Capital surplus	38,875	1,206	38,875	1,206
Retained earnings – legal reserve.....	8,417	261	8,417	261
Retained earnings – special reserve	2,882	89	2,882	89
Retained earnings – unappropriated retained earnings	38,244	1,186	38,244	1,186
Other equity interest	(2,006)	(62)	(2,006)	(62)
Treasury shares	(257)	(8)	(257)	(8)
Non-controlling interest	38,845	1,205	38,845	1,205
Total Equity	134,470	4,171	134,470	4,171
Total Capitalization ³	152,989	4,745	165,885	5,145

¹ The principal amount of the Bonds is denominated in U.S. dollars. Solely for the convenience of the reader, unless otherwise noted, all translations from U.S. dollars to N.T. dollars were made at the noon buying rate in The City of New York for cable transfers in N.T. dollars per U.S. dollar set forth in the statistical release of the U.S. Federal Reserve Board of the United States, as of September 29, 2023, which was NT\$32.24 = US\$1.00 as of that date.

² The bifurcation of the equity component and derivatives embedded in the Bonds is not taken into consideration for this as adjusted basis.

³ Total capitalization includes total long-term liabilities (excluding the current portion of long-term loans shown as short-term borrowings), lease liabilities – non-current and total equity.

OUR INDUSTRY

PRINTED CIRCUIT BOARD INDUSTRY

PCBs are used to mechanically support and electrically connect electronic components using conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate. In coming years, the PCB industry is expected to see a stable demand outlook and grow in step with the global electronics market and the global economy.

The increasing sales of consumer electronics, automotive, high-performance computing, high-speed networking, and satellite communications have been and are expected to continue to drive the demand for FPCs and HDIs, which are expected to grow at a quicker rate than RPCBs. Overall, market demand for PCB products is expected to steadily increase, fueled by the strong adoption of AI, IoT and 5G technologies and the resulting growth in demand for 3C products.

We believe the PCB industry will benefit from favorable growth trends in its downstream end markets:

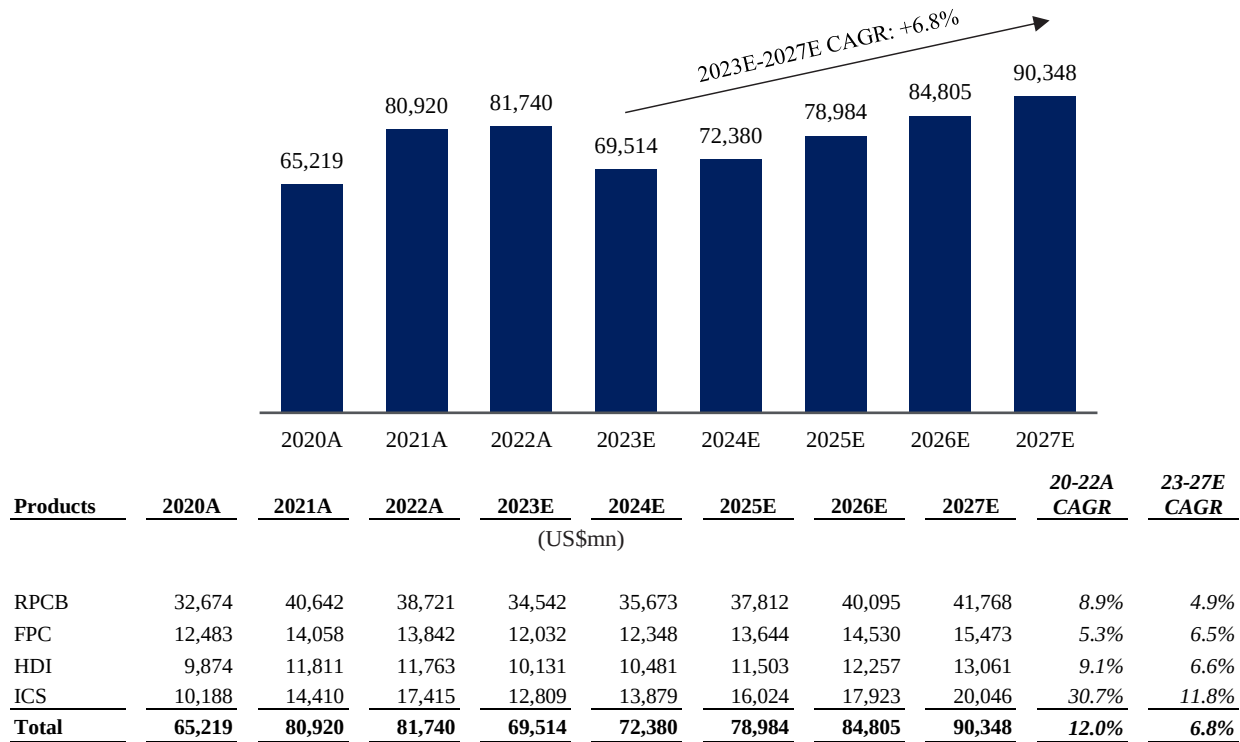
Communication Electronics Industry: The communication electronic industry is a key downstream sector of PCB products, consisting of smartphones, base stations, routers, switches, satellites, etc. The deployment of 5G is expected to further drive the growth of this industry. According to Prismark, the communication electronics market size was approximately US\$628 billion in 2022, and is expected to grow at a 3.3% CAGR between 2022 and 2027.

Consumer Electronics Industry: As technologies advance in recent years, new applications based on augmented reality (AR), virtual reality (VR), tablets and smart wearables technologies have emerged and the related products gained significant traction among consumers. The innovative products such as IoT, smart home and AI technologies, are expected to drive further growth of PCB products. According to Prismark, the consumer electronics market size was approximately US\$337 billion in 2022, and expected to grow at a 2.6% CAGR between 2022 and 2027.

Automotive Electronics Industry: The advancement of the global automotive industry from electric vehicles (EV) to autonomous vehicles has promoted the continuous growth of automotive PCBs as multiple PCB operators vied to invest in technologies to gain a share of the market. According to Prismark, the automotive electronics market size was approximately US\$252 billion in 2022, and expected to grow at a 6.0% CAGR between 2022 and 2027.

According to Prismark, global PCB market size in term of revenue has increased by 25% from approximately US\$65.2 billion in 2020 to US\$81.7 billion in 2022. The PCB market has experienced weak demand, oversupplies and steep price erosion in 2023, and thus the market is expected to drop to US\$69.5 billion in 2023. However, driven by growth of various markets, the global PCB market has been recovering since the end of 2023 and is expected to grow at a 6.8% CAGR between 2023 and 2027, and reach US\$90.3 billion in 2027.

(US\$mn)



Source: Prismark

Global PCB market is relatively fragmented but it has been undergoing consolidation. Over the past 10 years, top players continued to gain shares and out-competed sub-scale players due to their advanced technology, product quality and performance, early joint R&D collaboration with customers, and economies of scale. The aggregate market share in terms of revenue for the top 30 players in global PCB market was 69.9% in 2022, according to Prismark. Furthermore, there has been a notable shift in the production of global PCBs to Asia. Asia's share of global PCB production has risen from 87.8% in 2010 to 93.6% in 2022, according to Prismark.

OUR BUSINESS

OVERVIEW

We are the world's largest PCB manufacturer by revenue for six consecutive years since 2017 according to Prismark. We have achieved a revenue CAGR of 12% from 2012 to 2022. Our PCB and substrate products include FPC, SLP, HDI, RPCB, ICS, rigid-flex PCB, Mini LED and module, etc., which are widely adopted in wearable devices, communications, tablet computers, automotive electronics, servers/storage devices, Internet communications, personal computers, and various consumer electronic products.

We believe our competitive strengths derive from our technological leadership, collaborative product development capabilities, vertically integrated production, high standard of operating discipline and economies of scale. Our competitive strengths also lie in our prompt transition of our customer products from traditional PCB products to high-end ICS products and adoption of an aggressive expansion in ICS markets, given that ICS products are expected to have high growth rate within the PCB sector. Capitalizing on these competitive strengths, we have solidified our market leading position and forged long-term collaborative relationships with most of our major customers, many of whom are leading electronics device manufacturers. With the advancement of digital technologies such as AI, big data, cloud computing, blockchain, and the global consensus on “carbon peak in 2030 and carbon neutrality from 2050 to 2060,” the scope of applicable products has broadly expanded. In response to the customized requirements of different end products for PCBs and semiconductors, we provide One ZDT one-stop solutions for customers, which include product design, research and development, manufacturing, and after-sales services, while continuing to focus on developing high-end products, including AR/VR, low orbit satellites, autonomous driving, and big data and AI applications.

To facilitate our strategy of vertical integration, all our production facilities are located in close proximity to our primary electronic manufacturing services (EMS) customers. We have production facilities in the PRC including Shenzhen, Guangdong Province, Huai'an, Jiangsu Province and Qinhuangdao, Hebei Province, the ROC and India. Our major manufacturing subsidiaries includes Avary, a company listed on the Shenzhen Stock Exchange under stock code “002938”, Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. (“Leading”), and BoardTek Electronics Corp. (“BoardTek”). Avary is primarily engaged in the design, research and development, manufacturing and sales of various types of PCB, focusing on providing a full range of PCB products and services to industry-leading customers. Leading is primarily focused on the production of high-end ICS and semiconductor packaging, which are mainly used in the end-applications such as high-speed computing, 5G, AI, IoT, and automotive electronics. Leading also owns an ABF substrate park in Shenzhen and a BT substrate park in Qinhuangdao, which drive the development and production of high-end ABF and BT products. In November 2020, we completed the acquisition of BoardTek by way of a share swap, which mainly focused the PCBs process technologies for advanced applications, such as high-speed computing PCBs, high-frequency microwave PCBs, automobile related PCBs, and high-power PCBs.

Our products are widely used in computing, consumer electronics, communication, networking, automotive, and medical sectors. Through our five major manufacturing campuses across the ROC, the PRC, and India, and over 20 sales offices across the ROC, the PRC, North America, Japan, Korea, Vietnam, and India, we offer one-stop solutions for the design, development, manufacturing, and sales to prominent brand/EMS customers of a broad range of PCB and substrate products. We continue to make investments in upgrading our production facilities in order to enhance operational efficiency and bolster production capacity in response to growing customer demand for our products. In May 2021, we started construction of a plant in Kaohsiung, which is mainly used for the manufacture of FPC advanced module and expected to commence mass production in 2024. In the fourth quarter of 2022, we completed the

construction of an ABF substrate park at Shenzhen facility and expanded the ABF substrate production line. The ABF substrate park started sample certification of ABF substrate in 2022 and commenced phase I mass production in February 2023. Also, in May 2022, we completed the construction of a BT substrate park and expanded the BT substrate production line at Qinhuangdao facility, which commenced mass production of BT substrate in 2023. We also emphasize on expanding our global footprint to better serve diversified customer needs. In 2019, we established a new production facility in Chennai, India, which is mainly used for FPC advanced module. In August 2023, in response to customer demands, we strategically collaborated with Saha Group to establish a new production facility in Prachin Buri province, Thailand for the production of primarily automotive and AI PCB server products in the first phase.

Since 2017, we have implemented AI based quality control systems at all of our major production facilities. Once our new high-end factories are completed and put into production, they will definitely drive a new wave of growth for the Company. In addition, given we have collected large volume of product data since 2017 for the AI-based quality control system to accurately identify products defects, our yield rate has improved over the past several years and we have been able to optimize our quality control function significantly.

While our research centers are based in Taoyuan City, Taiwan and Shenzhen, Guangdong Province, we retain the flexibility to rapidly tailor to different customers' needs through our global presence of logistics and service centers, including those located in Asia, Europe, and the United States. Our global production footprint and service network provide immediate support for regional customers as well as logistic support for the global operations of brand/EMS customers. We are committed to conducting our business and operations in a manner that complies with applicable environmental laws and regulations. In addition, we have taken steps to ensure that waste produced as a result of our operations is properly disposed of so as to minimize adverse effects to the environment. We have also been awarded numerous awards and accolades for our commitment to environmental protection.

Our operating revenue increased from NT\$131,279 million in 2020 to NT\$155,022 million in 2021 and NT\$171,356 million (US\$5,315 million) in 2022. Our operating revenue was NT\$118,454 million and NT\$97,002 million (US\$3,009 million) for the nine months ended September 30, 2022 and 2023, respectively. Our net profit increased from NT\$11,509 million in 2020 to NT\$13,695 million in 2021 and NT\$20,536 million (US\$637 million) in 2022. Our net profit was NT\$13,677 million and NT\$4,363 million (US\$135 million) for the nine months ended September 30, 2022 and 2023, respectively.

On January 17, 2024, our market capitalization was NT\$96,125.5 million based on the closing price of the Shares on the TWSE of NT\$101.50 per share on the same date.

OUR COMPETITIVE STRENGTHS

The following key strengths enable us to provide cost-effective, tailor-made, full-service system solutions for industry leading customers:

Market leading position as the world's largest manufacturer of PCBs by revenue

We are the world's largest PCB manufacturer by revenue for six consecutive years since 2017 according to Prismark. Our operating revenue increased from NT\$131,279 million in 2020 to NT\$155,022 million in 2021 and NT\$171,356 million (US\$5,315 million) in 2022 respectively. We earned this leading position by, among others, our in-depth strategic collaboration with customers and suppliers, extensive product portfolio, strong research and development capabilities and state of the art manufacturing. We believe we will continue to benefit from our market leading position to compete

effectively in the PCB market. Our scale and market leadership also create a self-reinforcing virtuous cycle, allowing us to continuously attract more customers and strengthen customer loyalty, which further solidifies our market leadership.

Our dedication and expertise have also yield wide recognition from our clients, industry associations and social media. Among others, we have been ranked as the top 25 listed electronic companies by TWSE/TPEX Corporate Governance and selected as a constituent of the TWSE Corporate Governance Index and the FTSE4Good TIP Taiwan ESG Index.

One-stop shop solutions with diverse product portfolio and strategic business transition

We design, develop, manufacture and sell a wide variety of PCB and substrate products, covering FPC, SLP, HDI, RPCB, ICS, rigid-flex PCB, Mini LED and module, etc. Leveraging our diverse product portfolio, we have established a one-stop shop for a broad portfolio of PCB and substrate products, covering entire product lines and multiple links of the supply chain, to meet the diverse and evolving requirements of our brand/EMS customers. Moreover, by utilizing our strong technical expertise, our deep-rooted understanding of electronic design and experience in the implementation of an extensive range of different PCBs and substrates in customer products, we are able to provide customers with comprehensive design, development and sample production services. With the development of 5G, AI, IoT, and IoV, we are devoted to continuously innovate and develop advanced technologies and high-end products, including FPC, SLP, HDI, RPCB, ICS, rigid-flex PCBs, chip-on-film integrated circuit, and modules, as well as semiconductor-related applications. These technologies and products are widely used in end products such as smartphones, networking, tablets, wearable devices, laptops, servers, base stations, smart appliances, automotive, and medical devices. We believe these capabilities allow us to better serve our customers and create stickiness that will benefit our results of operations in the long run. For example, we are well positioned to win and we have won urgent purchase orders from customers who are seeking a supplier that can comprehensively meet their PCB and design requirements, ramp up volume production of new PCB and substrate products and achieve economies of scale within a short period of time, thereby allowing them to quickly bring new products to the market. More importantly, as we build up an extensive suite of solutions, we are able to achieve significant synergies and efficiencies across our product lines. Leveraging our strong presence in the mobile communication and consumer electronics vertical, we are rolling out more application-specific integrated solutions for customers to increase our wallet share and maximize our value proposition.

Long-term collaborative relationships with leading brand/EMS customers for customized products

We have built and maintained long-term collaborative relationships with the world's leading brand/EMS customers for customized products through joint development manufacturing (JDVM) and joint design manufacturing (JDSM). Recognizing that every client has application specific requirements that cannot be addressed by a one-size-fit-all solution, our engineer team work closely with customers to understand their pain points and deliver a wide variety of customized technology solutions. Our seamlessly cooperation with key customers translate to major product purchase orders wins directly from them, rather than through intermediaries. By cooperating with customers in joint development and design, our products and solutions are “design-in”, highly customized and tailored to our customers' specifications. Early involvement with our customers by our specialist design engineers in the initial product design phase enables us to gain a deep understanding of the technical challenges faced by our customers and to work closely and efficiently with them to transform early product concepts to actual prototypes that are ready for mass production. We believe that this approach is particularly critical to our customers who need to quickly bring new products to the market and is one way by which we are able to add significant value in comparison to our competitors that only offer production services. Our collaborative relationships with customers from initial product design to mass production reinforce the

customer relationship and create natural customer stickiness. Our track record of serving industry leading customers also built a strong reputation of our business in the PCB industry, which helps us acquire new customers.

Relentless focus on research and development of innovative products and technologies

To maintain our position as a leading PCB provider, capture new market opportunities and further bolster our product portfolio, we continue to make significant investments in research and development. We believe this is critical in enabling us to deliver innovative and customized products, enhance the performance of our products and develop first-to-market technologies in a rapidly evolving and dynamic PCB industry. In line with our customer product transitions and aggressive expansion in ICS markets, we have directed many research and development resources towards high-end substrates products to build up and accumulate our strengths in ICS industry. For ABF substrates, we have collaborated with customers with a focus on developing high-end substrates for chiplet and offering products with 18-20 layers and a maximum body size of 92mm x 92mm to customers, with yield improved to be on par with tier-1 ABF substrate suppliers. We plan to further advance our products to over 20 layers and over 100mm x 100mm body size in the future. For BT substrates, currently we can offer fineline 6/8um embedded trace substrate and our yield is on par with tier-1 BT substrate suppliers. We have also directed our research and development efforts on breakthroughs in circuit board products for key circuit board components, automotive-related product development, energy storage industry, 5G/6G, AR/VR and AI server product development with technology focus on high density, thinness, high frequency and high speed, functional modules, alternative technologies, automotive electronics, energy management, and high-end arbitrary layers. Our dedicated research and development team is based in our research centers in Taoyuan City, Taiwan and Shenzhen, Guangdong Province. They provide strong support to our innovation efforts and regularly collaborate with leading universities and research institutions across Asia. Our research and development expenditure increased from NT\$5,545 million in 2020 to NT\$7,302 million in 2021 and NT\$8,280 million (US\$257 million) in 2022.

Strategic presence and vertical integration where our customers operate

In the recent past, brand customers have been focusing on brand management, product design and development, sales channels and marketing, and have been engaging EMS companies to manufacture and distribute their products. The PRC is one of the world's major centers for EMS companies to source and produce electronic products. As a leading upstream components manufacturer, we have maintained a long-term presence in the PRC to better serve the demands of our EMS customers. Our production facilities have been established near the production facilities of our primary EMS customers in the PRC. Our close proximity to customers help to foster closer collaborative relationships, address their various needs in a timely fashion and provide them with tailor-made full service solutions in a consistent, efficient and cost effective manner. In 2019, we established a new production facility in Chennai, India to service EMS customers who expanded their operations into India. In August 2023, in response to customer demands and to further expand our global footprint, we strategically collaborated with Saha Group to establish a new production facility in Prachin Buri province, Thailand for the production of primarily automotive and AI server PCB products in the first phase. We believe our focus on maintaining a presence in strategic locations where our key customers operate and vertical integration will continue to translate into larger cost advantages and allow us to deliver on the short time-to-market deployment requirements of our customers. We believe this will give us a competitive edge over our competitors and will help us win manufacturing mandates from existing and new customers.

Unwavering commitment to ESG

Our corporate mission is “developing technologies for the betterment of human beings and

protecting the environment for a greener earth.” We focus on the core business competencies of our Company, while implementing strategies related to sustainable development into our daily operations, and in order to achieve this goal, we have established the “Sustainability Committee” as a functional committee under the board of directors to oversee the implementation of our ESG missions and goals.

In line with “Seven Greens” practice, which include green services, green production, green existence, green chain of supply, green innovation, green actions on recycle, and green logistics, and our ESG missions and goals, we have directed great efforts towards environmental protection, and we have taken measures to ensure that waste produced as a result of our operations is properly disposed of and recycled so as to minimize adverse effects to the environment. Through our continued efforts of practicing waste water management and introducing water recycling technologies, our water intensity was 0.0794 million liters per million revenue, and wastewater reuse rate was 50.5%, and the overall water reuse rate in the plant is 41.6% in 2022. The amount of waste we disposed is much lower than the government control standard. We have also implemented comprehensive exhaust gas management regulations to minimize hazardous discharge. In 2022, all of our major plants in the PRC were awarded platinum certification of Alliance for Water Stewardship. Recently, the PRC government has been supportive of businesses with environmental-friendly supply chains and production process, and we believe that our prominent achievements in environmental protection will enable us to take advantage of favorable government policies. With sufficient waste disposal quota and our wastewater recycling systems, we are able to execute our expansion plans and increase our production volume without exposing ourselves to the risk of violating government control standard in the short term.

Our commitment and efforts to ESG have been well recognized as evidenced by our improved ESG rating. We were included in the S&P Global Sustainability yearbook in 2022. We received a low-risk rating from Sustainalytics, placing us in top 5% globally within the electronic components industry. Our latest FTSE Russell ESG rating is 4.3 out of 5, positioning us as the third-ranked Taiwan-listed companies according to the Taiwan Depository & Clearing Corporation platform.

Experienced and stable management team with proven technology and operational track record

We have an experienced and stable management team that has successfully led our operations and increased our capacity, revenues and profits in a highly competitive environment. We believe our management team has extensive knowledge of our industry and practical management experience. They are passionate and dedicated to our business and share a common commitment to research and development as well as technological innovation. We believe that our management has successfully guided our rapid expansion, both organically and through mergers and acquisitions, and implemented policies which enhanced our core engineering and technology competencies, thereby allowing us to become the leading provider of PCBs globally. In particular, Chang-Fang Shen, the chairman of our board of directors and president, has more than 20 years of experience in the consumer electronics industry and continues to be involved in the day-to-day operations of our business. Mr. Shen is supported by a professional management team who have in-depth knowledge and decades-long experience in the PCB and substrate sector.

OUR STRATEGIES

We uphold the idea of “One ZDT” (one-stop shopping service), and we head for expanding our strengths of product design and manufacturing, value, and service to enhance our position as the PCB and substrate provider of choice for leading global customers. Key elements of our strategy to achieve One ZDT synergies are described below:

Further migrate from FPC to ICS and RPCB to capture AI and Automotive growth.

With the technology waves of 5G, AI, IoT, and IoV, our growth momentum is gradually migrating from FPC products to multilayer RPCB and ICS products with wide applications in 5G chips, cloud HPC, server, AI, AR / VR metaverse and intelligent vehicles. We have also aggressively expanded to ICS markets, especially for the advanced substrate products serving global customers. We planned to invest NT\$60 billion for ICS by 2027 to explore the ICS market by leveraging our manufacturing abilities and international experience, and strive to become one of the top five global IC substrate suppliers by 2030.

Particularly, we will further develop server and automotive applications. For server applications, we plan to increase allocations with existing customers, offer products for new server platforms, and expand our product portfolio to include high-end GPU products. In the automotive sector, we aim to accelerate our growth by leveraging our leading position in high-end automotive PCBs. This involves developing advanced applications for ADAS radar PCBs, high-end communication modules, and ADAS domain control units, as well as increasing order allocations for EV battery FPCs. Additionally, we will establish strategic partnerships with top automotive companies and expand our capacity in Thailand while onboarding global customers.

Strengthen relationships with brand/EMS customers and continue to engage customers from an early stage

Our collaborative relationships with our brand/EMS customers are crucial to our success. We plan to continue to position ourselves as a reliable partner that is able to support our customers in their efforts to develop new products in existing and new application areas and seamlessly integrate into their supply chain. We will continue to take a proactive approach to engage our customers from an early stage of product development to provide full-service solutions from PCB design to manufacturing services. Additionally, we intend to maintain and enhance our relationships with our customers by continuing to collaborate on critical research, design, and new product development. For example, we will continue forging strategic partnerships and develop high-end products with world-class customers including AR/VR, low orbit satellites, autonomous driving, and big data and AI applications. Our strong design capabilities and wide range of investments in vertical integration enable us to align our strategy with high value-added customers' product roadmap, fulfilling their quality and delivery requirements. By strengthening our relationships with our customers and adopting an early engagement approach, we will be able to integrate our products into a greater number of our customers' products. This will enhance product stickiness, and help to capture higher customer wallet share.

Expand our global production capacity and improve operational efficiency with automation and digitalization

In anticipation of increased demand for PCBs and substrates from existing and potential new customers, we intend to strategically expand our self-owned production facilities both in China and internationally. For example, we started construction of new production facilities in Qinhuangdao, Shenzhen, Huai'an and Kaohsiung to increase our manufacturing capacity. In addition to our India plant, we are building a new semiconductor fabrication plant in Thailand to expand our global footprint. We expect that the expanded production capacity will enhance our economies of scale in our operations, which will lower the cost of production and further optimize our cost structure. The diversified geographical location of our production facilities also mitigates potential geopolitical and supply chain risks as well as synchronizes our worldwide manufacturing network.

Further, we aim to increase automation and AI usage at our production facilities to reduce labor and maintenance costs, lower inventories, enhance productivity, and maintain our competitive edge. Our

PRC subsidiaries have obtained “Level 4” certification of “Maturity Model of Intelligent Manufacturing Capability” from the Ministry of Industry and Information Technology of the PRC, and we have already built up a couple of highly automated production lines to facilitate our production. We will continue to deploy fully automated, “lights-out” manufacturing line, minimizing the need for on-site human intervention. We also utilize automated guided vehicles with automatic loading and unloading functions to enhance warehousing productivity, solve logistics challenges, and reduce the risk of physical injuries. Since 2017, we have implemented AI-based quality control systems at our major production facilities, expecting continued improvements in our yield rate and quality control function as we accumulate more product data.

We have also embarked on a robust digital transformation journey since 2021 to fortify our competitive edge. This strategic shift towards digitalization underscores our commitment to harnessing digital technologies for enhanced product development, manufacturing efficiency, and customer engagement. By integrating digital technologies and smart factory concepts into our operations and new plant construction, we are positioning ourselves to thrive in the digital era, better equipped to meet the evolving demands of our customers and excel in an increasingly digital and interconnected world. The comprehensive digital transformation initiatives further affirm our dedication to sustainable growth and heightened competitiveness in the rapidly advancing technology landscape.

Enhance our strategic collaborations with supply chain partners

We value strategic cooperation with our supply chain partners and seek to further enhance the relationship in multiple areas of our business and we hope to form alliances and jointly innovate and develop core technologies. For example, we plan to engage our suppliers to jointly explore emerging opportunities in new materials and reduce time to market. This will also give us exclusivity to use such materials for a certain period of time, creating significant competitive advantages over peers. We also plan to cooperate with equipment and machinery suppliers to further optimize our manufacturing process and unlock economies of scale. Implementation of this strategy will strengthen our supply management capabilities, effectively mitigate the risk of supply shortages and further reinforce our leadership in the PCB industry.

Continue to attract, train and retain quality talent to support our rapid growth

We value our talents’ contribution to the success of our business. Over the years, the Company has faced many challenges but we have always been dedicated to recruit, train and retain the most talented individuals in our industry. We have invested substantial resources in this aspect and are ready for changes in the environment. We are implementing reforms to strengthen each aspect of talent cultivation and retention, allowing the Company to establish an organizational system that rewards and promotes the capable, and demotes and eliminates the inferior. We have also created a system where a successor is in place for each position and we are actively cultivating excellent talents.

Focus on sustainable operation and corporate social responsibility

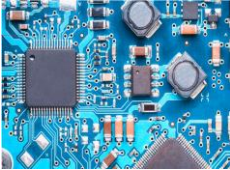
We are committed to sustainable operation and corporate social responsibility. We have achieved significant recognitions, including being listed in the “Taiwan Corporate Governance 100 Index” for three years consecutively and the “FTSE4Good Taiwan Sustainability Index” for two years consecutively. Our S&P Global Corporate Sustainability Rating has notably improved, and we have been featured in the Global Sustainability Yearbook. Additionally, we attained a low-risk rating in the “ESG Risk Assessment” and ranked 16th in the global electronic parts industry. In the “Corporate Governance Assessment for TWSE/TPEX Listed Companies,” we ranked among the top 25 listed electronics companies with a market value over NT\$10 billion. Furthermore, we are actively pursuing energy

conservation and carbon reduction to achieve carbon neutrality, with all production plants obtaining external greenhouse gas certification, resulting in a 37% decrease in carbon intensity. We have complied and will continue to ensure compliance with the environmental protection regulations in countries where we operate. Moreover, we will continuously monitor the financial risks caused by climate change, and improve the environmental, safety, and health requirements of our manufacturing facilities.

PRODUCTS AND SERVICES

General

Our PCB and substrate product offerings include FPC, SLP, HDI, RPCB, ICS, rigid-flex PCB, Mini LED and module, etc. All of these products are widely used in computing, communication and consumer electronic devices. We emphasize the development of both software and hardware technologies to provide our customers with comprehensive solutions and high value-added services. Furthermore, we pursue our strategy of open integration by developing related products that are logical extensions of our existing product lines and utilize our strength in design and technology innovations.

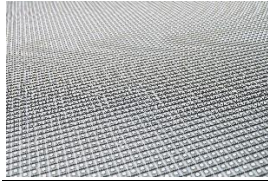
Product Segment	Feature
	FPC A special kind of PCB which has the advantage of light, thin, soft and flexible. FPC is mainly used in smartphones, notebooks, smart wearable devices and many other products.
	SLP SLP is called the “next generation of PCB”. The L/S of SLP can be as low as 20/35um, compared to 40/50um of HDI. SLP is closer to ICS used for semiconductor packaging in manufacturing process.
	HDI HDI has small size, high circuit distribution density, and good transmission efficiency, conducive to the use of advanced packaging technology The cost is lower than traditional PCB when the layers exceeds 8L.
	RPCB RPCB is made of non-flexible base material. RPCB can provide support for the electronic components on it. After being made, it is fixed in the casing of device. It is a circuit board that almost all electronic products must use.
	ICS ICS is an intermedium that communicates chip and circuit board. Chip and circuit board can be connected by its internal circuit. It is a key component of the integrated circuit packaging process which characterized by light weight, small size, stable quality and excellent information access.



Rigid-Flex

Rigid-flex PCB has the advantages of rigid PCB and flex PCB. It has smaller space occupation, better signal transmission reliability.

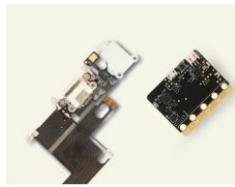
Rigid-flex PCB adapts to the current trend of end products that are becoming thinner and lighter.



Mini LED

The light source has been shortened by shortening the pad gap to 15~32 microns, and BT packaging substrate materials have been applied.

It can achieve a more finely pixelated dynamic backlight effect, effectively improve the screen brightness and contrast, and adapt to the current product requirements and trends



Module

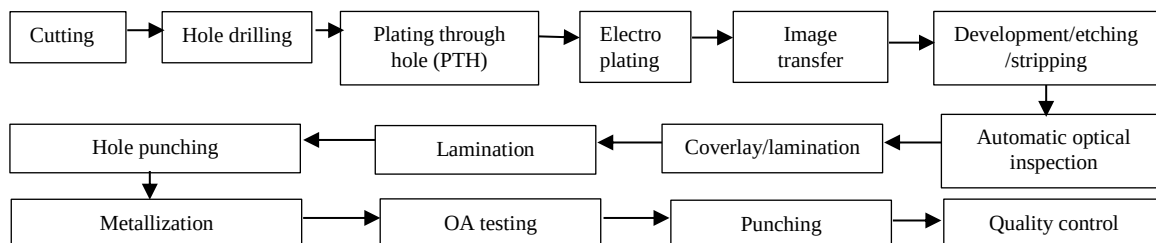
Using SMT (surface mount technology) and other technologies, we provide professional surface mount services, as well as various precision parts assembly and testing.

We provide value-added Total Solution services to customers.

FPC Products

In recent years, we have successfully diversified our business by focusing on FPC products used in wearable devices, smartphones, tablet computers, laptop computers, digital cameras, handheld game consoles, TFT-LCD panels and touch panels. Our FPC products, with the features of flexibility, bendability, light weight and thinness, are often used as connectors in various applications where flexibility, space savings, or production constraints make it impracticable to utilize RPCBs. We are actively exploring various business opportunities to expand revenues generated from this product segment in the long term. Currently, we are focusing, among others, on the industrialization of multilayer FPC products with high definition display interconnection and low-loss, and the development of FPC products with low-temperature optical welded thermo-sensitive sensors.

The diagram below illustrates the major production process of our FPC products:



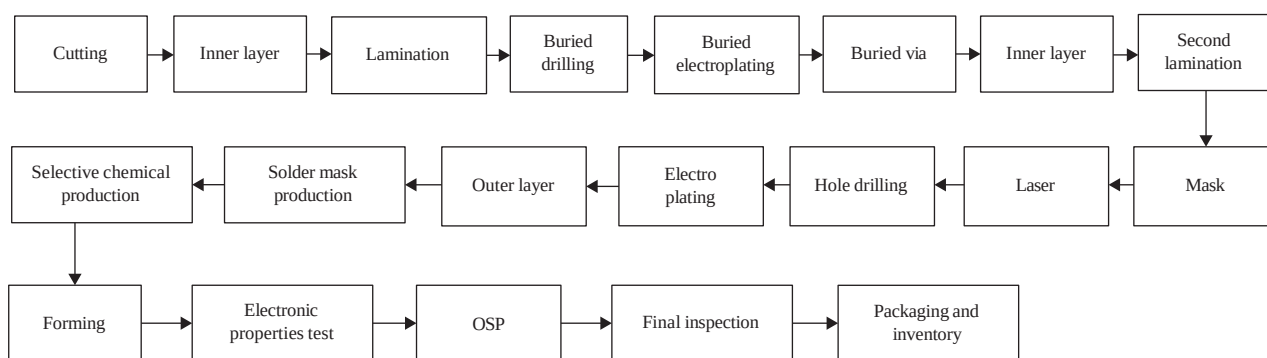
HDI Products

We use the most up-to-date components and our own design and engineering efforts to create distinctive and user-friendly HDI products that appeal to well-informed consumers. Our HDI products are used primarily in HDI boards are boards with high-density characteristics including micro holes, or vias (diameter typically < 5 mil), microlines (line width/space typically < 5 mil) and composition of high performance materials, thereby enabling more functions per unit area. As communication and computer products get smaller and more portable with higher and higher functionality, demand for HDI increases

dramatically. Manufacturers of advanced communication equipment, consumer electronics and computer products generally require PCBs with complex multi-layer interconnections made out of advanced materials, which results in an increased demand for HDI products. Currently, we are focusing, among others, on the industrialization of HDI products with thin small LED displays and the development of next-gen 5G portable heat dissipation and low-loss HDI products.

We use build-up process and micro-via technology to manufacture our multi-layer HDI products, of which the microlines (line width/space) are 50 μ m and the micro holes are typically 0.15 mm diameter or less for through-hole connectors. With the feature of small size, high speed and high frequency, our HDI products are widely used in wearable devices, smartphones, tablet computers, ultra-thin laptop computers, digital cameras and handheld game consoles.

The diagram below illustrates the major production process of our HDI products:

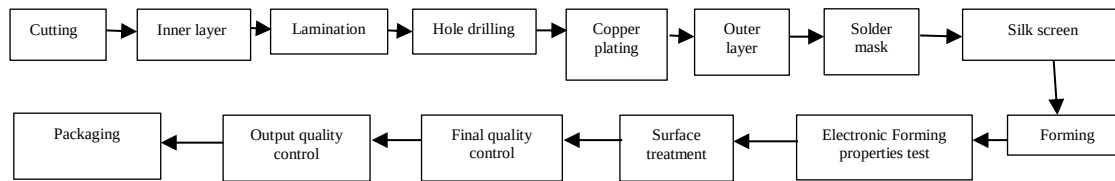


RPCB Products

We have extensive in-depth experience in designing and manufacturing conventional RPCB products. This product is inflexible and is used to mechanically support and electrically connect electronic components leveraging conductive pathways, tracks or signal traces etched from copper sheets laminated onto a non-conductive substrate. Our RPCB products are installed primarily in automotive electronics, servers/storage devices, desktop computers, laptop computers, monitors, hard drives, TVs and game consoles.

Our RPCB products can be manufactured to a wide range of thicknesses and includes single-sided boards, double-sided boards and multi-layer boards. The simplest conventional RPCBs are single-sided boards. They have conductive paths and pads on one side only. Double-sided boards, with the conductive patterns formed on both sides of the boards, adopt a slightly more complicated design and manufacturing process. A conductive path has to be made to interconnect elements on both sides. Boards that have more than one layer are called multi-layer boards. Multi-layer boards are essentially double and single-sided boards sandwiched together with layers of epoxy-impregnated glass cloth. Multi-layer boards require more sophisticated production techniques, as they require high precision manufacturing and miniaturization to achieve increased functionality. Currently, we are focusing, among others, on the industrialization of multilayer RPCB products with high definition display interconnection and embedded high-order RPCB products.

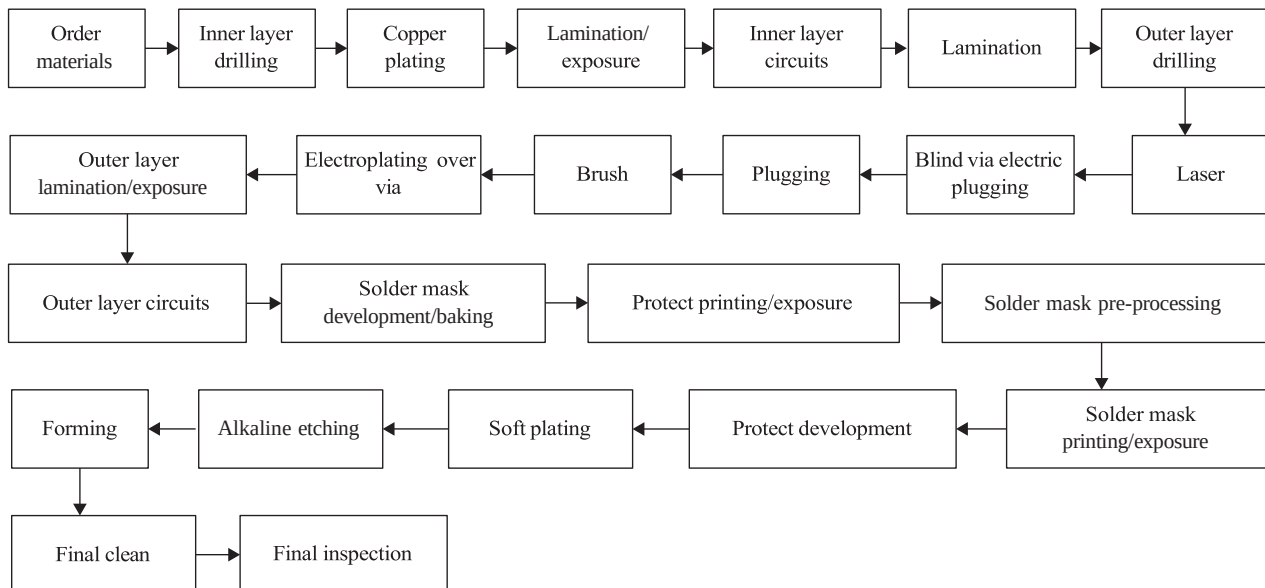
The diagram below illustrates the major production process of our RPCB products:



ICS Products

An ICS is similar to a miniature PCB, and most of ICS production is similar to that of PCBs. We currently focus on the production of ICS used in semiconductor packaging, including WB CSP, FC CSP and system in packaging (SiP). The CSP package is no more than 1.2 times the size of the semiconductor itself. It is noted for its compact size, high I/O and low inductance, which lowers power consumption. These packaging technologies are often employed on high-performance ICs, such as logic chipsets, graphic ICs and wireless communication ICs. Our ICS products are mainly used in application processors, baseband chips, power management chips, NFC chips, radio frequency chips, graphics chips, power amplifiers, flash memory and MEMS.

The diagram below illustrates the major production process of our ICS products:



We have directed great efforts and resources towards the development and production of ABF and BT substrates, which are two major products of ICS products.

ABF substrate is a resin-based film made of epoxy resin and glass cloth, which is of excellent electrical and thermal stability. ABF substrate can provide high circuit density in a small space, and is widely used for the production of advanced packaging substrate, with product applications including high-speed computing devices, servers and Internet infrastructures. For ABF substrates, we have collaborated with customers to develop high-end substrates for chiplet. We are able to deliver products with 18-20 layers and a maximum body size of 92mm x 92mm. In 2023, we only spent six months in improving our yield to be on par with tier-1 ABF substrate suppliers, which is fast for a new entrant. We plan to further advance our products to over 24 layers and over 100mm x 100mm body size in the future.

BT substrate is a thermosetting resin, mainly composed of bismaleimide and triazine, which is of excellent mechanical strength, thermal stability and electrical insulation properties. BT substrate is mainly used in the field of consumer electronics. BT is popular in the traditional electronic products, given its relatively low costs. For BT substrates, we can offer fine-line 6/8um embedded trace substrate and our yield is also on par with tier-1 BT substrate suppliers.

SALES AND MARKETING

We market our products to brand/EMS customers primarily located in Taiwan, Asia and the United States. In 2020, 2021 and 2022, sales to our major customers representing 10% or more of our operating revenue accounted for 67.01%, 71.11% and 74.49% of our operating revenue, respectively. For the nine months ended September 30, 2022 and 2023, sales to our major customer representing 10% or more of our operating revenue accounted for 70.62% and 72.33%, respectively, of our operating revenue.

We sell our products globally. The table below sets forth a breakdown of our consolidated revenues by major countries for 2020, 2021 and 2022.

	Year Ended December 31,					
	2020		2021		2022	
	NT\$	%	NT\$	%	NT\$	%
	(in millions, except for percentages)					
United States.....	88,250	67.22%	111,063	71.64%	129,326	75.47%
PRC	27,878	21.24%	26,208	16.91%	24,818	14.49%
Taiwan	6,488	4.94%	8,247	5.32%	8,350	4.87%
Others	8,663	6.60%	9,504	6.13%	8,862	5.17%
Total	131,279	100.00%	155,022	100.00%	171,356	100.00%

INVENTORY MANAGEMENT

Raw materials

The upstream raw materials of PCBs and substrate consist mainly of copper foil, copper-clad laminates, process chemicals and copper balls. Copper-clad laminates are the principal raw materials used to manufacture our PCB and substrate products.

Procurement and inventory management

Inventory management is a key aspect of our business. We utilize a supply chain management system to monitor our material and inventory levels. We have installed the following systems to enhance our global supply chain management system.

- The MRP system, which enables us to manage our suppliers by implementing more effectively the “just-in-time” concept and also provides a projection of the raw materials required in our production operations; and
- The ERP system, which provides inventory data to control the level of stocks and receivables and enables us to more effectively plan and allocate our resources worldwide.

In selecting suppliers, we consider their production capacity and technological capabilities as well as their prices. We have a flexible procurement policy and periodically monitor the quality of our suppliers through vendor surveys, random inspections and monthly reports from our materials quality and control department. In addition, we work closely with many of our key material suppliers, assisting them in the testing of their new products. We believe that collaborating with suppliers assists us in selecting the best materials for our products and strengthens our relationships with those suppliers.

We typically do not enter into long-term contracts with our suppliers for purchase of materials that are not in short supply. We do, however, provide these suppliers, on a monthly basis, with rolling non-binding forecasts of our material requirements, which are based on forecasts provided to us by our customers. We then submit firm purchase orders for our short-term requirements closer to the time of delivery. The prices we pay for materials are typically not set at the time we place our firm purchase orders. Rather, we negotiate prices with our suppliers periodically.

PRODUCTION FACILITIES AND SERVICE CENTERS

Our production facilities and service centers have been strategically located all over the world, including Taiwan, the PRC, Japan, Vietnam, Korea, India, Thailand and the United States, to provide the most efficient service to our customers. All of our manufacturing sites have passed the ISO 9001 Quality Management System certification. The following table sets forth our major production facilities and customer service centers as of September 30, 2023:

Production Facilities and Service Centers	Main Function	Products/Services	Location
Shenzhen Facility - Shenzhen Park 1	Production facility	FPC, FPC advanced module and HDI products	Guangdong, the PRC
Shenzhen Facility - Shenzhen Park 2	Production facility	FPC advanced module products	Guangdong, the PRC
Shenzhen Facility - ABF Substrate Park	Production facility	ABF substrate	Guangdong, the PRC
Shenzhen Research Center	Research center	Research and development services	Guangdong, the PRC
Huai'an Facility - Huai'an Park 1	Production facility	RPCB and HDI products	Jiangsu, the PRC
Huai'an Facility - Huai'an Park 2	Production facility	FPC, FPC advanced module, Mini LED backlight PCB products	Jiangsu, the PRC
Huai'an Facility - Huai'an Park 3	Production facility	High-end HDI, SLP products	Jiangsu, the PRC
Qinhuangdao Facility - Qinhuangdao Park	Production facility	FPC, FPC advanced module, high-end HDI and SLP products	Hebei, the PRC
Qinhuangdao Facility - BT Substrate Park	Production facility	BT substrate	Hebei, the PRC
Chennai Facility	Production facility	FPC advanced module	Chennai, India
Taoyuan BoardTek Park	Production facility	RPCB for networking, HPC, automotive related applications	Taoyuan, Taiwan
Kaohsiung Park ¹	Production facility	FPC products and FPC advanced module	Kaohsiung, Taiwan
Prachin Buri Facility ²	Production facility	RPCB products for Automotive and AI server application	Prachin Buri, Thailand
Taiwan Research Center	Research center	Research and development services	Taoyuan, Taiwan
Taiwan Service Center	Customer service center	After-sale services	Taoyuan, Taiwan
Beijing Service Center	Customer service center	After-sale services	Beijing, the PRC
Shanghai Service Center	Customer service center	After-sale services	Shanghai, the PRC
Shenzhen Service Center	Customer service center	After-sale services	Shenzhen, the PRC
Huai'an Service Center	Customer service center	After-sale services	Jiangsu, the PRC
Qinhuangdao Service Center	Customer service center	After-sale services	Hebei, the PRC

¹ Kaohsiung Park is expected to commence mass production in 2024.

² Prachin Buri Facility is expected to commence trial production in the first half of 2025.

Chongqing Service Center	Customer service center	After-sale services	Chongqing, the PRC
Chengdu Service Center	Customer service center	After-sale services	Chengdu, the PRC
Japan Service Center	Customer service center	After-sale services	Tokyo, Japan
Korea Service Center	Customer service center	After-sale services	Kyungkido, Korea
Vietnam Service Center	Customer service center	After-sale services	Bac Giang, Vietnam
U.S. Service Center	Customer service center	After-sale services	California, U.S.A.

Each production facility has its own specialization in manufacturing different products. Our production facilities for PCBs used in 3C products are tailored to our major customers, but any excess capacity may be flexibly re-allocated among the facilities upon approval from our major customers. Leveraging the lower manufacturing costs in the PRC, we have located most of our production capacity in the PRC, and we intend to continue to expand our production facilities in the PRC. As labor costs in the PRC gradually increase, we have made significant investments to increase the level of automation at our production facilities.

The Shenzhen facility commenced production in 2007. We produce primarily FPC, FPC advanced module and HDI products, primarily used in smart phones and tablet PCs at this production facility. In 2019, we completed the construction of the second plant at the Shenzhen facility, which are mainly specialized in FPC advanced module. In the fourth quarter of 2022, we completed the construction of the third plant at the Shenzhen facility and expansion of the ABF substrate production line at the Shenzhen facility. In 2022, the Shenzhen facility started sample certification of ABF substrate and is in trail production and phase I mass production has been commenced in February 2023.

The Huai'an facility commenced production in 2008. We produce PPCB, HDI, FPC, Mini LED, and FPC advanced module products, mainly used in notebook PCs, networking devices, game consoles and servers at this production facility. The Huai'an facility commenced production in 2015. In 2019, we completed the construction of the second plant in Huai'an facility, which are mainly specialized in FPC, FPC advanced module, and Mini LED products. In 2023, we completed the construction of the third plant at the Huai'an facility for high-end HDI and SLP products. The machinery is being installed in the third plant, with mass production expected in 2023.

The Qinhuangdao facility commenced production in 2008. We manufacture FPC, HDI, SLP, ICS and FPC advanced module products, primarily used in smart phones, tablet PCs and consumer products at this production facility. In 2019, we expanded the SLP production line at the Qinhuangdao facility. In May 2022, we completed the construction of a BT substrate park and expanded the BT substrate production line in Qinhuangdao facility, which commenced mass production of BT substrate in 2023.

We completed the acquisition of BoardTek in 2020 and we produce PCB products for networking, HPC, automotive related applications at this production facility. We started the construction of Kaohsiung plant in May 2021, which is mainly used for FPC advanced module. The building has been completed for Kaohsiung plant and it was expected to commence mass production in 2024. The Chennai facility was established in 2019 which is mainly used for FPC advanced module products and commenced production in 2020. Also, in August 2023, in response to customer demands and to further expand our global footprint, we strategically collaborated with Saha Group to establish a new production facility in Prachin Buri province, Thailand for the production of primarily automotive and AI server PCB products in the first phase. Once our new high-end factories are completed and put into production in the future, they will definitely drive a new wave of growth for us.

QUALITY CONTROL

We place a strong emphasis on product and process quality control, which we consider to be crucial to our success in the PCB industry. We aim to continuously improve our product quality to ensure

customer satisfaction and aim to achieve zero defects in our production processes. We have established strict quality control and management systems, which are designed to ensure quality product design, high production efficiency and high yields at our production facilities.

We provide promising customized manufacturing services, continue to upgrade our manufacturing facilities, and actively participate in the early research, development, and designing of customers' products so that customers will rely on our products and services. In addition, we attach importance to customer satisfaction ratings. We hope to bolster our competitiveness through continuous improvement of product quality and service contents, thereby becoming customers' long-term strategic partners. In addition to joining Responsible Business Alliance as a member and complying with the Responsible Business Alliance Code of Conduct in 2021, the Company has established management systems including ISO 14001, ISO 45011, SA8000, and obtained valid certifications to ensure that our global operations comply with requirements related to labor, health and safety, environment, ethical norms, and management systems. The Company also places great emphasis on privacy and personal data protection, strictly follows policies and relevant laws and regulations related to privacy and personal data management, and ensures the security of personal data of customers and employees. We conducted annual auditing of quality and hazardous substance on 132 suppliers in 2022. Among them, 130 suppliers passed conditionally and two failed, which eventually passed the reassessment under the guidance of the Company. We subject our prototypes to a rigorous multi-stage design and manufacturing process, beginning with component selection, supplier qualification and management, through reliability testing, design simulation, reviews, tests and manufacturing. We are in compliance with other regulations applicable to our business, such as green products, environment, health & safety and social accountability.

EMPLOYEES

As of September 30, 2023, we had 47,793 employees, compared to approximately 46,919, 42,820 and 39,941 employees as of December 31, 2020, 2021 and 2022.

For employees at our PRC facilities, we are required by law to contribute to social insurance (including pension, medical care, work injury, maternity, and unemployment insurance) and housing provident fund. In addition, we provide group commercial insurance for employees of grade 4 or above, including life insurance, accident insurance, major illness insurance, outpatient and inpatient insurance, hospitalization allowance, etc. Family members of key personnel can also join the Company's group insurance at a lower premium, and the Company provides annual health examinations for employees. We believe our wages are competitive with other Taiwanese companies in our industry.

In addition, we provide our employees of Taiwan subsidiary with benefits such as meal and, in the case of our foreign employees, accommodation. The employee welfare measures for the Company's employees in Taiwan include the National Health Insurance, labor insurance, and labor pension systems. We also provide employees with group insurance to protect their related benefits. The Company's group insurance in Taiwan includes a certain amount of term life insurance, accident insurance, hospitalization and medical insurance, cancer insurance, accident injury medical insurance, and occupational hazards insurance. In addition, employees' family members can also purchase the Company's group insurance with lower insurance premiums. Our employees based in the ROC participate in defined benefit pension plan in accordance with the ROC Labor Standards Act, covering the employees who provided services to us prior to July 1, 2005 but chose to remain in the benefit pension plan after the ROC Labor Pension Act became effective on July 1, 2005. For employees who chose to remain in the original benefit pension plan in accordance with the ROC Labor Standards Law, we contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan as trustee under the name of an independent retirement fund committee. In accordance with the ROC Labor Pension Act, we also have a defined contribution employee retirement plan covering all ROC employees

who work for us since July 1, 2005 or who work for us prior to July 1, 2005 and did not choose to remain in the original benefit pension plan. We contribute 6% of an employee's monthly salary and wages to the personal pension account of such employee each month with the ROC Bureau of Labor Insurance. Employees may choose to receive pension on a monthly basis or to receive a lump sum payment upon retirement in the amount of the balance in the personal pension account plus accumulated investment gains. We consider our relationship with our employees to be good. To date, we have not experienced any strikes or disruptions due to labor disputes.

INTELLECTUAL PROPERTY

Intellectual property is an important aspect of our business, and we actively seek protection for our intellectual property as appropriate. We currently rely on a combination of patents, trademarks, trade secrets, copyrights, contractual commitments and other legal rights to protect our intellectual property.

We regularly review our research and development efforts to assess the existence and patentability of new intellectual property and generally apply for patent protection if our intellectual property carries the potential for wide application across our sectors or is able to give our business a competitive advantage over our competitors. As of December 31, 2022, we held a total of 1,440 patents, including 589 in the ROC, 625 in the PRC and 226 in the United States. We proposed 3,445 patent applications as of September 30, 2023 in order to protect the results of self-developed technological advancements.

We have registered our corporate logo “” in Singapore, Japan, Hong Kong, European Union, Taiwan, India, the United States, Brazil and the PRC. We have also registered for the trademarks of “臻鼎科技 Zhen Ding Tech.” and “臻鼎科技控股 Zhen Ding Tech. Holding” in Taiwan, and applied for them in Hong Kong and the PRC.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights or similar agreements that restrict the disclosure of our intellectual property with our employees, customers, suppliers and distributors. We further control the use of our proprietary technology and intellectual property through provisions in both general and product-specific terms of use.

COMPETITION

The notebook PC, tablet PC, wearable device and smart phone markets in which our end customers operate are highly competitive with short product cycles and frequent new product introduction. Our principal competitors, who also supply PCB products to these end customers, include PCB manufacturers from Taiwan and the PRC, as well as manufacturers from Japan and the United States. We have, both in the past and recently, experienced price and margin pressures due to intense competition. The principal factors relating to competition include product quality and reliability, price, service and support, and corporate reputation. While we believe that our products and services compete favorably in these areas, we could be adversely affected if our competitors were to introduce innovative or technologically superior products at more favorable prices. With respect to PCB products, our primary competitors include Suzhou Dongshan Precision Manufacturing, Mektron, Compeq, Tripod, TTM, HannStar Board Corp, Nan Ya Printed Circuit Board. With respect to substrate products, our primary competitors include Ibiden, Shinco, Simmtech, Unimicorn, Kinsus, Shennan Circuit Company, and AT&S. In addition to the existing competitors, we may also face emerging PCB manufacturers as our potential competitors.

ENVIRONMENTAL MATTERS

We are committed to conducting our operations in a manner that complies with applicable ROC and PRC environmental laws and regulations. Since January 1, 2017, we have not received any complaint from our customers or any other parties with respect to any environmental protection issues, and we have not experienced any material environmental incidents arising from our manufacturing activities. During the same period, no administrative sanctions or penalties have been imposed upon us for the violation of environmental laws or regulations.

In addition, we have a comprehensive environmental policy and procedures starting from the earliest stages of product design, all the way through to component procurement, manufacturing, and customer service. The main production sites of the Company have passed various environmental management system certifications and the certification rate is 100%, including ISO14001 Environmental Management System, ISO14064-1 Greenhouse Gas Monitoring and ISO50001 Energy Management System and Cleaner Production Audit in the PRC. We also follow the international development trend of environmental protection, introducing and certifying the latest international environmental management system standards, such as certification for zero-landfill in waste processing, and certification for AWS sustainable water management. We take steps to ensure that waste produced as a result of our operations is properly disposed of so as to minimize adverse effects to the environment. We have also established a waste resource management unit to implement waste sorting and management. We have established a dedicated R&D team to develop new resource recycling technologies to increase the value of resources. In 2022, the total weight of waste removed from the sites was 80,309 tons, and the percentage of waste recycled was 91%, exceeding our previously set target of 90%. Based on third-party test results, the waste water discharged at our Shenzhen, Qinhuangdao and Huai'an production facilities meets all relevant PRC regulatory requirements. We have also implemented comprehensive exhaust gas management regulations to minimize hazardous discharge and implemented energy saving technologies at our production facilities to reduce carbon emissions.

ENVIRONMENTAL ACCOLADES

Our commitment to environmental protection is evidenced by our numerous accolades, including the following recent awards:

- **Shenzhen facilities:** Green manufacturing and excellent environmental protection company, 2022 Shenzhen First Environmental Protection Credit Rating – Green Enterprise, China Environmental Social Responsibility Company awarded by the Ministry of Ecology and Environment (China Environment News) of the People's Republic of China in 2020, 2022, Industry standard “Leader” certification, Shenzhen 2021 Waste-Free City-Green Enterprise, “Dual hundred” model corporation for the Shenzhen City Hazardous Waste Management and Environmental Safety Standardized Management and 2020 Guangdong Year Circuit Association PCB “Green Environmental Protection Excellent Enterprise”;
- **Qinhuangdao facilities:** Qinhuangdao City 2022/2021 Corporate Credit Rating A Corporation, China Ministry of Industry and Information Technology Green Supply Chain Management for green manufacturing companies in 2021 and 2020 Provincial Water-Saving Enterprise;
- **Huai'an facilities:** Green Enterprise in Huai'an Economic and Technological Development Zone, Jiangsu Province Green Factory, UL Platinum Certification for zero-landfill in waste processing, Rated Green in the 2020 Environment Protection Credit Rating by the Department of Ecology and Environment of Jiangsu Province, Corporate leader in green developments, Excellent Environmentally Friendly Enterprise in Huai'an

Economic Huai'an Economic and Technological Development Zone, Model Environmental Protection Enterprise of Huai'an City in 2022, and Huai'an City Bureau of Industry and Information Technology 2020 Municipal Green Factory;

In addition, the Company has received environmental credit ratings by multiple provincial governments of mainland China, including the Blue Enterprise, Green Brand Enterprise, Green Environmental Protection Model Enterprise, Water Conservation Construction Award, Advanced Unit for environmental protection task, Green Factory of green manufacturing enterprise, and Water-Saving Enterprise. We also won the Best Wastewater Treatment Award in the first Microsoft Annual Supplier Social and Environmental Responsibility Conference, Best Energy Conservation Award in the second Microsoft Annual Supplier Social and Environmental Responsibility Conference, and Best Corporate Social Environment Responsibility Award in the third Microsoft Annual Supplier Social and Environmental Responsibility Conference.

LITIGATION

Neither we nor our subsidiaries are involved in any material legal or arbitration proceedings which may have, or have had in the last 12 months, a significant effect on our financial position.

CONTRACTUAL OBLIGATIONS

As of September 30, 2023, we had capital expenditure contracted but not yet paid in respect of property, plant and equipment of NT\$37,701 million (US\$1,169 million) and long-term liabilities of NT\$30,026 million (US\$931 million). See note 9(2) and 6(16) to the notes to the unaudited consolidated interim financial statements as of and for the nine months period ended September 30, 2022 and 2023 included elsewhere in this offering memorandum.

INSURANCE

We maintain insurance policies in respect of our assets, including our office buildings and production facilities situated in Taiwan and PRC, with independent third party insurers. These policies cover losses arising from fire and earthquakes and other natural calamities in respect of buildings, machinery and equipment and inventories. We also maintain insurance policies with independent third party insurers with respect to our goods in transit covering loss due to shipping accidents. In addition, we maintain product liability insurance and environmental liability insurance.

OUR HISTORY

We were incorporated under the Cayman Islands law on June 5, 2006. In August 2011, we changed our Company name from Foxconn Advanced Technology Limited to Zhen Ding Technology Holding Limited 臻鼎科技控股股份有限公司. We were listed on the TWSE on December 26, 2011.

In April 2007, we acquired Fukui Precision Component (Shenzhen) Co., Ltd., through which we built our Shenzhen plant in Guangdong Province. In October 2007, we acquired Hong Hua Sheng Precision Electronic (Yantai) Co., Ltd., through which we built our Yantai plant in Shandong Province. We sold our Yantai plant to Pan Global Holdings Limited in February 2012. In April 2008, we acquired Hong Heng Sheng Electronical Technology (Huai'an) Co, Ltd., through which we built our Huai'an plant in Jiangsu Province. On April 1, 2014, we acquired Forever Growth Investment Limited, the sole shareholder of Fu Bo Industrial (Shenzhen) Ltd., from whom we leased our Shenzhen plant.

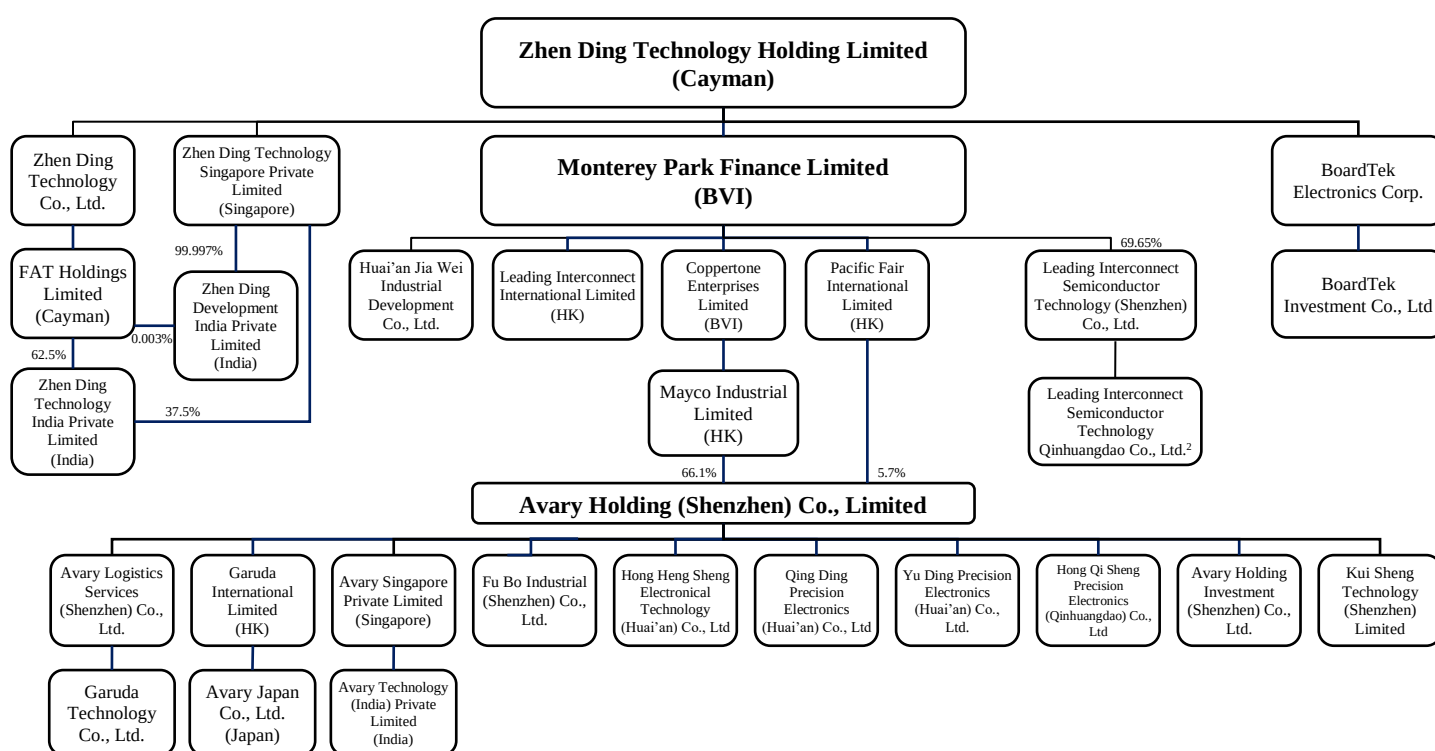
In December 2016, our subsidiary Avary (formerly known as Fukui Precision Component

(Shenzhen) Co., Ltd.) exchanged shares for the acquisition of Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd., Hongqunsheng Precision Electronics (Yingkou) Co., Ltd., Qingding Precision Electronics (Huai'an) Co., Ltd., and Yuding Precision Electronics (Huai'an) Co., Ltd., and used cash to acquire Fubo Industry (Shenzhen) Co., Ltd. and Honghengsheng Electronical Technology (Huai'an) Co., Ltd. In September 2018, Avary was listed on the Shenzhen Stock Exchange under stock code "002938". In November 2020, we completed the acquisition of BoardTek by way of a share swap. In May 2021, we started construction of a plant in Kaohsiung, which is mainly used for the manufacture of FPC advanced module and expected to commence mass production in 2024. In August 2023, in response to customer demands and to further expand our global footprint, we strategically collaborated with Saha Group to establish a new production facility in Prachin Buri province, Thailand for the production of primarily automotive and AI server PCB products in the first phase.

In July 2023, we consolidated Qiding Technology Qinhuangdao Co., Ltd. into Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd., with Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd. as surviving entity. We are currently in the process of completing relevant industrial and commercial registration with competent authorities in Qinhuangdao in respect of such consolidation, which is expected to be completed by the first quarter of 2024.

OUR ORGANIZATIONAL STRUCTURE

The chart below illustrates our organizational structure as of September 30, 2023:



Notes:

¹ Except as otherwise disclosed therein, each parent company owns 100% equity of its subsidiaries.

² Qi Ding Technology Qinhuangdao Co., Ltd. was consolidated into Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd. on July 31, 2023. We are currently in the process of completing relevant industrial and commercial registrations with competent authorities in Qinhuangdao in respect of such consolidation, which is expected to be completed

by the first quarter of 2024.

OUR MANAGEMENT

DIRECTORS OF OUR COMPANY

Our board of directors has ultimate responsibility for the management of our business and affairs. Our Amended and Restated Memorandum and Articles of Association provide for a board comprising no less than five and no more than nine directors, among them at least three directors should be independent directors. We currently have four independent directors.

The term of office for directors shall be no more than three years. Directors may serve any number of consecutive terms. Our current directors were elected at the ordinary shareholders' meeting held on May 30, 2023.

The following table shows shareholding and other information with respect to each director as of September 30, 2023:

Name	Number of Shares held	Percentage of Shares held	Date First Elected	Term Expires	Position
Chang-Fang Shen	4,588,000	0.48%	June 5, 2006	May, 2026	chairman
Foxconn (Far East) Limited	305,515,627	32.26%	February 18, 2008	May, 2026	director
Che-Hung Yu ¹	-	-	-	-	representative director
Ting-Chuan Lee	80,000	0.008%	June 19, 2020	May, 2026	director
Chen-Fu Chien.....	-	-	June 19, 2020		independent director
Shin-Cheng Yeh.....	-	-	May 30, 2023	May, 2026	independent director
Gin-Ing Hu.....	-	-	May 30, 2023	May, 2026	independent director
Chun-Chung Chen	-	-	May 30, 2023	May, 2026	independent director

¹ Representative of Foxconn (Far East) Limited, appointed on February 1, 2013.

Executive Officers of our Group

The following table sets forth shareholding and other information relating to our principal executive officers, including those of our Company and Avary, a 71.8% subsidiary of our Company, as of September 30, 2023:

Name	Number of Shares held	Percentage of Shares held	Position Since	Position
Zhen Ding Technology Holding Limited				
Chang-Fang Shen.....	4,588,000	0.48%	August 9, 2023	president
Yuan-Shen Wang.....	-	-	August 9, 2022	chief accounting officer
Chien-Yi Chiang.....	-	-	August 9, 2023	chief financial officer
Avary Holding (Shenzhen) Co., Limited				
Yi-Hung Lin (林益弘) ¹	-	-	April 25, 2023	chief executive officer
Te-Wang Hsiao (蕭得望) ²	-	-	May 16, 2017	vice president and chief financial officer
Hong Zhou (周紅)	-	-	May 16, 2017	vice president and board

Chia-Hung Chung (鍾佳宏) ³	-	-	December 27, 2019	secretary
Kuo-Chien Kao (高國乾).....	-	-	September 9, 2020	vice president
Wei-Chen Yang (楊維貞) ⁴	190,000	0.02%	April 25, 2023	vice president
Kuo-Sheng Cheng (陳國聲).....	-	-	October 30, 2023	vice president

¹ Mr. Yi-Hung Lin indirectly holds 0.07% shares of Avary through Jovial Limited.

² Mr. Te-Wang Hsiao indirectly holds 0.08% shares of Avary through Jovial Limited.

³ Mr. Chia-Hung Chung indirectly holds 0.06% shares of Avary through Technique Investments Limited.

⁴ Ms. Wei-Chen Yang directly holds 10,300 shares of Avary and indirectly holds 0.06% shares of Avary through Technique Investments Limited.

Chang-Fang Shen is our chairman and president. He is also serving as the chairman and president of Zhen Ding Technology Co., Ltd. and the chairman of Avary. Prior to joining the Company, Mr. Shen was a general manager of Unicap Electronics Industrial Corp., a general manager of Promisedland Resort, an executive vice president of Pacific Securities, a vice president of Asia Securities and a section chief of Export-Import Bank of the Republic of China and was a supervisor of Foxconn Technology Co., Ltd. Mr. Shen obtained a bachelor's degree in business administration from Chinese Culture University and an honorary doctor of science degree from Chung Yuan Christian University.

Che-Hung Yu is a representative of Foxconn (Far East) Limited, which is our director. He is also a director of Avary, a supervisor of Garuda Technology Co., Ltd. and Zhen Ding Technology Co., Ltd, an a senior associate vice president of Hon Hai Precision Industry Co., Ltd. He is also a representative of institutional director of Syntrend Creative Park Co., Ltd. and ShunSin Technology Holdings Limited. Mr. Yu obtained a master of laws degree from American University.

Ting-Chuan Lee is our director. He is also the chairman and president of Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., and he was manager of Compeq Manufacturing Co., Ltd., a vice president of Unimicron Technology Corp and a president of Subtron Technology Co., Ltd. Mr. Lee obtained his EMBA degree from National Taiwan University and master's degree in chemical engineering from National Central University.

Chen-Fu Chien is our independent director. He is also a chair professor and executive vice president of National Tsing Hua University, a supervisor of Chinese Institute of Industrial Engineers, a chairman of Yuehan Culture and Education. He is also an independent director of Uniflex Technology Inc. and Airoha Technology Co., Ltd. Mr. Chien obtained his PhD degree in decision science and operations research from University of Wisconsin-Madison.

Shin-Cheng Yeh is our independent director. He is also a professor of the Graduate Institute of Environmental Education of National Taiwan Normal University. Mr. Yeh obtained his PhD degree in civil and environmental engineering from Cornell University and a master of environmental engineering degree from National Taiwan University.

Gin-Ing Hu is our independent director. She is also a chairman of Invista Investment Co., Ltd. and an independent director of Acer Synergy Tech Corp., Vigor Kobo Company Limited, and ADATA Technology Co., Ltd. She obtained her master of business administration degree from Florida International University and master's degree in computer science from Barry University.

Chun-Chung Chen is our independent director. He is also an associate professor of international business in National Taiwan University and an independent director of ATEN International Co., Ltd. He used to be an associate professor of international business of Yuan Ze University. He obtained his PhD degree in international business administration from University of Texas at Dallas.

Yuan-Shen Wang is our accounting executive and assistant vice president of finance division. Prior to her position with us, she was the chief financial officer of Creative Sensor Inc. and Getac Technology Corporation, and the finance director of Qisda Corporation. She obtained her master of finance degree from Golden Gate University.

Chien-Yi Chiang is our chief finance officer and senior manager of finance division. Prior to his position with us, he was a director of Australia and New Zealand Banking Group Limited Taipei Branch and a vice president of Fubon Bank (Hong Kong) Limited and ABN AMRO Bank Taipei Branch. He obtained his bachelor's degree from National Central University and master of business administration degree from University of Illinois at Urbana-Champaign. *Yi-Hung Lin* is Avary's chief executive officer. Prior to joining Avary, he worked for the Company, Baoqiao Taiwan Co., Ltd and Taiwan branch of International Business Machines Corporation. He was a senior manager of Taiwan branch of United Parcel Service, Inc. and a senior manager of Yulon Motor Co., Ltd. Mr. Lin obtained a bachelor's degree in international trade from Feng Chia University and a master's degree in business management from Rotterdam School of Management, Netherlands.

Te-Wang Hsiao is Avary's vice president and chief financial officer. He is also a director of Jovial Limited and Eastern Grace Limited. Prior to joining Avary, he was a special assistant of Unicap Electronics Industrial Corp. Mr. Hsiao obtained a master's degree from Cornell University.

Hong Zhou is Avary's vice president and board secretary. She is also the independent director of TCL Zhonghuan Renewable Energy Technology Co., Ltd. Prior to joining Avary, she was the CEO of Shenzhen Malink Technology Co., Ltd., the secretary of the board of China CSG Group Co., Ltd., the CEO assistant of Shenzhen Jiyu Investment Management Co., Ltd., a director of Dongfang Yijian Health Industry Investment Co., Ltd., a director of Hong Kong Asia Global Securities Limited and an independent director of EVOC Intelligent Technology Co., Ltd. Ms. Zhou obtained her bachelor's degree and her master's degree from Tsinghua University and obtained a master of business administration degree from Massey University in New Zealand.

Chia-Hung Chung is Avary's vice president. Prior to joining Avary, he worked for the Company and Career Technology (MFG.) Co., Ltd. Mr. Chung obtained a degree in electronics from Nantai University of Science and Technology.

Kuo-Chien Kao is Avary's vice president. Prior to joining Avary, he was a plant manager of Nan Ya Printed Circuit Board and was a vice general manager of Chardin Tech Corporation. Mr. Kao graduated from the department of chemical engineering of Chung Yuan Christian University.

Wei-Chen Yang is Avary's vice president. Prior to joining Avary, she worked for the Company, Provew Technology, Inc. and Japan Airlines. She obtained a bachelor's degree from Tamkang University majoring in Japanese and minoring in English.

Kuo-Sheng Cheng is Avary's vice president. Prior to joining Avary, he worked for Nippon Mektron. He graduated from the department of mechatronics engineering of National Kaohsiung University of Science and Technology and obtained a bachelor's degree, and obtained a master's degree in business administration from I-SHOU University.

Audit Committee

Our audit committee consists of Chen-Fu Chien, Shin-Cheng Yeh, Gin-Ing Hu and Chun-Chung Chen. Chen-Fu Chien is the convener of our audit committee. Our audit committee is responsible to review the following major matters:

- (a) financial reports, auditing and accounting policies and procedures;
- (b) evaluation of the effectiveness of the internal control system;
- (c) material financial related policies and procedures for acquisition and disposal of assets, financial derivatives transactions, lending funds to other parties, and endorsement & guarantee;
- (d) material asset or derivatives transactions;
- (e) material lending funds, endorsements or guarantees;
- (f) offering or issuance of any equity-type securities;
- (g) status of financial derivatives transactions;
- (h) legal compliance;
- (i) assessment of CPAs;
- (j) performance, independence, qualification of independent auditor;
- (k) appointment or discharge of financial, accounting, or internal auditing officers.

Any of the following matters shall require the consent of one-half or more of all audit committee members and then be submitted to our board of directors for resolution:

- (a) adoption of or amendment to an internal control system;
- (b) assessment of the effectiveness of the internal control system;
- (c) adoption of or amendment to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others;
- (d) any matter relating to the personal interest of the directors;
- (e) a material asset or derivatives transaction;
- (f) a material monetary loan, endorsement, or provision of guarantee;
- (g) the offering, issuance, or private placement of any equity-related securities;
- (h) the hiring or dismissal of an attesting certified public accountant, or the compensation given thereto;
- (i) the appointment or discharge of a financial, accounting, or internal auditing officer;
- (j) approval of annual and semi-annual financial reports; and
- (k) any other matter so determined by the Company from time to time or required by any competent authority overseeing the Company.

With the exception of item (j), any other matter that has not been approved with the consent of one-half or more of all audit committee members may be undertaken upon the consent of two-thirds or more of the members of the board of directors, and the resolution of the audit committee shall be recorded in the minutes of the meeting of board of directors.

Remuneration Committee

Our remuneration committee consists of Chen-Fu Chien, Cheng-En Ko and Chi-Gin-Ing Hu. Chen-Fu Chien is the convener of our remuneration committee. Our remuneration committee shall submit the recommendations made to the board of directors for discussion. Our remuneration committee is responsible for, among other things:

- (a) formulate and regularly review the policies, systems, standards and structures for the performance appraisal and remuneration of directors, members of the audit committee and managers, and disclose the content of the performance appraisal criteria in the annual report.
- (b) regularly evaluate and determine the remuneration of directors, members of the audit committee and managers

Nomination Committee

Our nomination committee consists of Chen-Fu Chien, Chang-Fang Shen and Chun-Chung Chen. Chen-Fu Chien is the convener of our nomination committee. Our nomination committee shall submit the recommendations made to the board of directors for discussion. Our nomination committee is responsible for, among other things:

- (a) formulate corporate social responsibility, sustainable development direction and goals, and establish relevant management guidelines and specific promotion plans.
- (b) promote and implement the company's ethical corporate management and risk management.
- (c) track, review, and revise the implementation and effectiveness of corporate sustainable development.
- (d) other matters resolved by the board of directors and handled by the committee.

Sustainability Committee

Our sustainability committee consists of Chang-Fang Shen, Chen-Fu Chien and Shin-Cheng Yeh. Chang-Fang Shen is the chairman of our sustainability committee. Our sustainability committee shall submit the recommendations made to the board of directors for discussion. Our sustainability committee is responsible for, among other things, setting the standards for the diversity and independence of expertise, skills, experience required of directors, as well as to identify, review and nominate candidates for election as directors.

Compensation

In 2020, 2021 and 2022, Directors' Remuneration recognized for our directors' services amounted to NT\$18 million (US\$0.56 million), NT\$18 million (US\$0.56 million) and NT\$85 million

(US\$2.64 million), respectively.

There are no outstanding loans granted by us to any of the directors or executive officers and there are no outstanding guarantees provided by us for the benefit of any of the directors or executive officers. In addition, there have been no transactions effected by us where the interests of our directors, executive officers or other members of our administrative, management and supervisory bodies were involved, which were unusual in their nature or conditions, during the year ended December 31, 2022 and the current fiscal year.

In 2020, 2021 and 2022, the details of consolidated compensation to our directors and employees (including our key management) were as follows:

	Year Ended December 31,		
	2020	2021	2022
	(NT\$ in millions)		
Wages and salaries.....	14,230	17,229	17,797
Employees' compensation.....	67	150	513
Labor and health insurance fees.....	600	916	982
Pension expenses	850	1,315	1,614
Other personnel expenses	1,567	1,942	1,749
Total	<u>17,314</u>	<u>21,552</u>	<u>22,655</u>

With respect to Employees' Compensation to be paid to the employees including our executive officers, our Company accrued as of December 31, 2022 an aggregate amount of around NT\$513 million (US\$15.91 million). The distribution was approved by our board of directors and recognized in the annual general meeting as authorized under our Amended and Restated Memorandum and Articles of Association.

OUR PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as of April 1, 2023 with respect to the Shares owned by each of our ten largest shareholders:

Name	Personal Ownership		Ownership by Spouse and Minors	
	Number of Shares	%	Number of Shares	%
Foxconn (Far East) Limited	305,515,627	32.26	-	-
Yuanta/P-shares Taiwan Dividend Plus ETF	31,462,981	3.32	-	-
Cathay Life Insurance Co., Ltd.	23,502,000	2.48	-	-
Custodial Account (LGT Bank AG) Used by Standard Chartered	20,503,000	2.17	-	-
Nan Shan Life Insurance Co., Ltd.	17,371,000	1.83	-	-
Standard Chartered Bank in custody for LGT Bank (Asia)	13,916,000	1.47	-	-
Standard Chartered in custody for Fidelity Fund	13,524,000	1.43	-	-
China Life Insurance Company	12,948,000	1.37	-	-
Bureau of Labor Funds	12,694,888	1.34	-	-
JPMorgan Chase Bank N.A. in custody for Vanguard Emerging Markets Fund Investment Account.....	8,869,710	0.94	-	-

CHANGES IN ISSUED SHARE CAPITAL

According to our Amended and Restated Memorandum and Articles of Association, we have only one class of shares with a par value of NT\$10.00 per share. Currently, our Amended and Restated Memorandum and Articles of Association provide that our authorized share capital is NT\$16,000,000,000, divided into 1,600,000,000 Shares. All issued Shares are in registered form. The following table sets forth the changes in our issued share capital as at the dates indicated:

Date	Description	Number of Shares issued	Number of total issued Shares after issue
June 2006.....	Initial issuance of 1 Share for cash with par value per share of US\$1	1	1
October 2006	Issuance of 69,999,999 Shares for capital increase for cash with par value per share of US\$1	69,999,999	70,000,000
October 2007	Issuance of 92,500,000 Shares for capital increase for cash with par value per share of US\$1	92,500,000	162,500,000
October 2009	Issuance of 39,500,000 Shares for capital increase for cash with par value per share of US\$1	39,500,000	202,000,000
October 2010	Conversion of par value per share from US\$1 into NT\$10	-	646,400,000
December 2011.....	Issuance of 23,529,000 Shares for capital increase for cash	23,529,000	669,929,000
August 2012.....	Issuance of 33,496,450 Shares for capitalization of retained earnings	33,496,450	703,425,450
August 2013.....	Issuance of 35,171,272 Shares for capitalization of retained earnings	35,171,272	738,596,722
August 2014.....	Conversion of 34,343 Shares arising from convertible bonds	34,343	738,631,065
March 2015.....	Conversion of 29,137,036 Shares arising from convertible bonds	29,137,036	767,768,101
April 2015.....	Conversion of 36,980,258 Shares arising from convertible bonds	36,980,258	804,748,359
March 2019.....	Conversion of 801,313 Shares arising from convertible bonds	801,313	805,549,672
April 2019.....	Conversion of 96,680,215 Shares arising from convertible bonds	96,680,215	902,229,887
November 2020	Issuance of 44,819,274 new Shares for Shares exchange with BoardTek	44,819,274	947,049,161

DESCRIPTION OF THE BONDS

The Bonds are to be issued under an indenture, to be dated as of January 24, 2024 (the “Indenture”), between Zhen Ding Technology Holding Limited 臻鼎科技控股股份有限公司 (the “Issuer” or the “Company”) and Citicorp International Limited, in its capacity as trustee (the “Trustee”, which expression shall include its successor(s) and all persons for the time being the trustee or trustees under the Indenture). The following summary of certain provisions of the Bonds and the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Bonds and the Indenture, including the definitions of certain terms therein. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Subject to prior written request and proof of holding and identity to the satisfaction of the Trustee, copies of the Indenture will be available for inspection during normal business hours (being between 9:00 a.m. to 3:00 p.m. from Monday to Friday (Hong Kong time) (other than public holidays)) by any Holder on or after the Closing Date (as defined below) at the corporate trust office of the Trustee located at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

GENERAL

Except in certain limited circumstances, Bonds will only be issued in book-entry form.

The Bonds will be issued on or about January 24, 2024 (the date on which the Bonds are issued under the Indenture being referred to herein as the “Closing Date”) as direct, unconditional, unsecured and unsubordinated obligations of the Issuer, limited, in aggregate principal amount at US\$400,000,000, and will be redeemed on January 24, 2029 (the “Maturity Date”) unless earlier redeemed, repurchased and canceled, or converted pursuant to the terms thereof and of the Indenture.

The Bonds will not bear interest.

Each Bond will be convertible, subject to compliance with certain conditions and procedures (see “– Conversion – Procedures; Conversion Notice; Taxes and Duties” below), at the Holder’s election on any Business Day during the period (the “Conversion Period”) commencing April 25, 2024 and ending at the close of business on January 14, 2029 in the location of the Conversion Agent or, if the Bonds are called for redemption prior to the Maturity Date, on the date five Trading Days prior to the redemption date. The Conversion Period shall not include any Closed Period (as defined below).

Unless otherwise provided in the Indenture, the principal of and premium (if any) and other amounts on the Bonds will be payable in U.S. Dollars by the Issuer pursuant to the Indenture, and the Bonds may be presented for registration of transfer, exchange or conversion, at the office or agency of the Issuer maintained for such purpose (the “Paying Agent”, including any successor paying agent).

The Issuer reserves the right, subject to the provisions of the Indenture, at any time to vary or terminate the appointment of any Agent and to appoint further or other Agents. Notice of any such termination or appointment and of any changes in the specified offices of the Agents will be given promptly by the Issuer to the Holders and the Trustee (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under “– Notices.”

The Bonds will be issued only in fully registered form, without interest coupons, in denominations of US\$200,000 or any higher integral multiple of US\$100,000. See “– Book Entry; Delivery and Form” below. No service charge will be payable for any registration of transfer of the Bonds, for the conversion thereof or for the charges of the Agents in connection therewith, but the Issuer

may require payment by a Holder of a sum sufficient to cover any transfer or stamp tax or other similar governmental charge payable in connection therewith.

The Issuer and its Affiliates may at any time, subject to applicable law, purchase the Bonds in the open market, or otherwise, at any price. A Bond does not cease to be outstanding because the Issuer or any of its Affiliates holds such Bond; *provided, however*, any Bonds owned by the Issuer or any other obligor upon the Bonds or any Affiliate of the Issuer or such other obligor will be deemed not to be outstanding in determining whether the Holders of the requisite principal amount of Bonds have given or concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture.

BOOK ENTRY; DELIVERY AND FORM

The Bonds will only be represented by a permanent global bond in fully registered book-entry form without interest coupons (the “Global Bond”) and will be deposited with a common depository (the “Common Depository”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) and registered in the name of a nominee of the Common Depository. If (i) at any time the Common Depository advises the Company in writing that it is unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed within 90 days, (ii) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (iii) an Event of Default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, and, in the case of (iii) above, if the Holders so request, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. The Bonds will have denominations of US\$200,000 or any higher integral multiple of US\$100,000.

Notwithstanding anything to the contrary herein and in the Indenture, in considering the interests of Holders of the Bonds while the Global Bond is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any certificate, report or any other information provided to it by the clearing systems or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Bond and may consider such interests as if such accountholders were the Holders of the Bonds represented by the Global Bond. The Trustee may call for any certificate or other document to be issued by the clearing systems as to the principal amount of Bonds evidenced by the Global Bond standing to the account of any accountholders. Any such certificate or other document issued by the clearing systems shall be conclusive and binding for all purposes. The Trustee shall not be liable to any Holder of the Bonds, the Issuer or any other person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by the relevant clearing system and subsequently found to be forged or not authentic or not to be correct.

The Bonds are not issuable in bearer form.

RANKING

The Bonds will (i) be direct, unconditional, unsubordinated and unsecured obligations of the Issuer, (ii) rank *pari passu* without any preference or priority among themselves and with all other direct,

unconditional, unsecured and unsubordinated Debt (as defined below) of the Issuer now or hereafter outstanding (except to the extent that such Debt (x) ranks above such obligation solely by reason of Liens (as defined below) permitted under the Indenture or (y) is preferred by mandatory provision of law), and (iii) be senior in right of payment to all Debt of the Issuer that is expressed to be subordinated in right of payment to the Bonds.

The Bonds will be effectively subordinated to all secured obligations and other obligations similar to those of the negative pledge described in “– Negative Pledge” of the Issuer with respect to claims against the assets securing such obligations (“Secured Debt”). As of September 30, 2023, the Issuer had no outstanding Secured Debt.

SINKING FUND

The Bonds will not be entitled to the benefit of a sinking fund.

TRANSFER OF CERTIFICATED BONDS AND DELIVERY OF NEW CERTIFICATED BONDS

In the event Certificated Bonds are issued, the following provisions will apply:

(i) Transfer of Certificated Bonds

A Certificated Bond may be transferred upon the surrender at the specified office of any transfer agent of the Certificated Bonds to be transferred, together with the form of transfer endorsed thereon (the “Form of Transfer”) duly completed and executed and any other evidence that such transfer agent may reasonably require. In the case of a transfer of only part of a holding of Certificated Bonds, a new Certificated Bond shall be issued to the transferee in respect of the part transferred and a further new Certificated Bond in respect of the balance of the holding not transferred shall be issued to the transferor. The Form of Transfer will be available at the specified office of the transfer agent.

(ii) Delivery of New Certificated Bonds

Each new Certificated Bond shall be available for delivery upon receipt by the transfer agent at its specified office of the relevant Certificated Bond and the Form of Transfer. Delivery of the new Certificated Bonds shall be made at the specified office of such transfer agent to whom the relevant Certificated Bond and the Form of Transfer shall have been surrendered or delivered or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant Form of Transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificated Bond to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant transfer agent the costs of such other method of delivery and/or such insurance as it may specify.

(iii) Formalities Free from Charge

Transfers of the Certificated Bonds will be effected without charge by or on behalf of the Issuer or any transfer agent, but only upon confirmation of payment (or the giving of such indemnity as such transfer agent may require in respect) of any tax or other governmental charges which may be imposed in relation thereto.

(iv) Restricted Transfer Periods

No Bondholder may require the transfer of a Certificated Bond to be registered (i) during the

period of 15 days ending on (and including) a Redemption Date, (ii) after such Bond has been selected by the Issuer or the Bondholder for redemption, pursuant to the terms of the Indenture or (iii) after such Bondholder has exercised its Conversion Right (as defined below).

Transfers of interests in the Bonds evidenced by the Global Bond will be effected in accordance with the rules of the relevant clearing systems. In addition, transfers of the Bonds and Common Shares are subject to certain restrictions. See “Transfer Restrictions”.

ADDITIONAL AMOUNTS

All payments of the principal of and premium and other amounts on the Bonds and all deliveries of Common Shares (as defined below) made on conversion of the Bonds are to be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or other governmental charges (“Taxes”) imposed, levied, collected, withheld or assessed by or within the Cayman Islands, the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes or from which any payment on the Bonds is made (or any political subdivision or Taxing Authority (as defined below) thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer will pay such additional amounts on the Bonds (all such additional amounts being referred to herein as “Additional Amounts”) as will result in receipt by the Holder of each Bond of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable for or on account of:

- (i) any Taxes that would not have been imposed but for:
 - (A) the existence of any present or former connection between the Holder of such Bond and the Cayman Islands, the ROC or any other jurisdiction in which the Issuer is organized or resident for tax purposes, other than merely holding such Bond, including such Holder being or having been a national, domiciliary or resident of or treated as a resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein;
 - (B) the presentation of such Bond (if presentation is required) more than 30 days after the later of the date on which the payment of the principal of and premium and other amounts on such Bond became due and payable pursuant to the terms thereof or the date that such payment was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30 day period; or
 - (C) the presentation of such Bond for payment in the Cayman Islands or in the ROC, unless such Bond could not have been presented for payment elsewhere;
- (ii) any estate, inheritance, gift, sale, transfer, stamp, personal property or similar tax, assessment or other governmental charge; or
- (iii) any combination of Taxes referred to in the preceding clauses (i) and (ii).

The Issuer will not pay Additional Amounts if the registered Holder of the Bond is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that the

beneficiary, partner or settler with respect to such fiduciary, partnership or person, or the beneficial owner of that payment, would not have been entitled to the Additional Amounts if it had been the registered Holder of the Bonds.

Whenever there is mentioned, in any context, (i) the payment of principal of and premium and other amounts on any Bond, or (ii) the delivery of Common Shares or cash payments (if any) on conversion of any Bond, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable with respect thereto.

REDEMPTION OF THE BONDS

Redemption for Taxation Reasons

The Bonds may be redeemed, in whole but not in part (subject to the provision of the paragraph below), at the option of the Issuer, at any time, upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Early Redemption Amount (as defined below) on the Redemption Date (as defined below), if the Issuer determines and certifies to the Trustee in an Officer's Certificate immediately prior to the giving of such notice that, as a result of any change in, or amendment to the laws (including any regulations or rulings promulgated thereunder) of the Cayman Islands, the ROC or such other jurisdiction in which the Issuer is then organized or resident for tax purposes (or any political subdivision or Taxing Authority thereof or therein), affecting taxation, or any change in official position regarding the application, interpretation or administration of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change, amendment, application, interpretation or administration is proposed and becomes effective on or after the Closing Date (or, in the case of any jurisdiction other than the Cayman Islands and the ROC, the date on which the Issuer first becomes organized or resident for tax purposes in such other jurisdiction) with respect to any payment due or to become due on the Bonds, the Issuer is required to pay Additional Amounts in connection therewith and such requirement to pay Additional Amounts cannot be avoided by the taking of reasonable measures by the Issuer; *provided* that such right cannot be exercised earlier than 45 days prior to the first date on which the Issuer would be obligated to make an Additional Amounts payment with respect to all or substantially all of the outstanding Bonds were a payment then due. Prior to the giving of any such notice of redemption, the Issuer is required to deliver to the Trustee (i) an Officer's Certificate stating that such change or amendment has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer taking reasonable measures and (ii) an opinion of counsel or written advice of a qualified tax expert addressed to the Trustee, and the Paying Agent that the circumstances referred to in the preceding sentence exist as a result of such change, amendment, application, interpretation or administration.

Notwithstanding the foregoing, if the Issuer has given a redemption notice for taxation reasons in accordance with the paragraph above, and if the outstanding principal amount of the Bonds at the time when such redemption notice is given is greater than 10% of the aggregate principal amount of the Bonds as of the Closing Date, each Holder of the Bonds will have the right to elect, and the redemption notice will state that each Holder will have the right to elect, that all or a portion of its Bonds should not be redeemed. Upon the exercise of such right by the Holder, the provisions set forth in "–Additional Amounts" will not apply to any payment in respect of such Bonds that is due after the relevant Redemption Date, and such payment will be made subject to the deduction of any Cayman Islands or ROC tax (or tax of such other jurisdiction in which the Issuer is then organized or resident for tax purposes) required to be withheld or deducted. To exercise such right the Holder must give notice to the Issuer in the manner set out in the Indenture no later than 15 days prior to the relevant

Redemption Date.

Redemption at the Option of the Issuer

At any time on or after January 24, 2027, the Bonds will be redeemable at the option of the Issuer, in whole or in part, on not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and upon written notice to the Trustee and the Agents, at the Early Redemption Amount (as defined below); *provided, however*, that no such redemption may be made unless:

- (1) the Closing Price of the Common Shares for each of the 20 consecutive Trading Days (the "Calculation Period"), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 125% of the Conversion Price (as defined below) multiplied by the Early Redemption Amount and divided by US\$100,000; and
- (2) the applicable Redemption Date does not fall within a Closed Period (as defined below).

If there shall occur an event giving rise to a change in the Conversion Price during any Calculation Period, appropriate adjustments for the relevant days, determined by an opinion of an independent, internationally recognized investment bank selected by the Company and notified to the Trustee, shall be made for the purpose of calculating the Closing Price for such days. Notice of any such adjustments in the Conversion Price will be given promptly by the Company to the Holders, the Trustee and the Conversion Agent.

Notwithstanding the foregoing, the Issuer may redeem the Bonds, in whole but not in part, at any time, on not less than 30 nor more than 60 days' notice, at the Early Redemption Amount on the Redemption Date if more than 90% in principal amount of the Bonds originally issued has been redeemed, repurchased and canceled, or converted; *provided* that the applicable Redemption Date does not fall within a Closed Period (as defined below).

If the Issuer elects to redeem the Bonds, prior to the giving of any such notice of redemption, the Issuer shall deliver to the Trustee an Officer's Certificate which shall state that the conditions precedent to such redemption have occurred and shall describe the same. Notice given hereunder shall be irrevocable. The Trustee is entitled to accept such Officer's Certificate as sufficient evidence of the satisfaction of the conditions described above, in which event such shall be conclusive and binding on the Holders.

Notice of any such redemption will be given by the Issuer to the Holders (and other applicable parties) in accordance with the notice provisions of the Indenture as described below under "– Notices".

Early Redemption Amount

The Early Redemption Amount for each US\$100,000 of Bonds is calculated in accordance with the following formula, rounded (if necessary) to the nearest US\$0.01 (with US\$0.005 being rounded upwards):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1 + r/2)^{d/p}$$

where:

Previous Redemption Amount = Early Redemption Amount for each US\$100,000 principal amount on the Semi-Annual Date immediately preceding the date fixed for redemption or repurchase as

set out below (or if the Bonds are to be redeemed or repurchased prior to July 24, 2024, US\$100,000):

Semi-Annual Date	Early Redemption Amount
	(US\$)
July 24, 2024	101,687.50
January 24, 2025	103,403.48
July 24, 2025	105,148.41
January 24, 2026	106,922.79
July 24, 2026	108,727.11
January 24, 2027	110,561.88
July 24, 2027	112,427.61
January 24, 2028	114,324.83
July 24, 2028	116,254.06

$r = 3.375\%$ expressed as a fraction.

d = the number of days from and including the immediately preceding Semi-Annual Date (or if the Bonds are to be redeemed on or before July 24, 2024, from and including January 24, 2024 to, but excluding, the date of redemption, calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and in the case of an incomplete month, the actual number of days elapsed).

$p = 180$.

Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Early Redemption Amount or any redemption amount payable with respect to the Bonds.

Redemption at Maturity

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, the Issuer will redeem the Bonds in US dollars on the Maturity Date at a redemption price equal to 118.22% of the outstanding principal amount thereof. The Bonds may be redeemed prior to the Maturity Date only as described herein.

Redemption Procedures

Payment of the relevant redemption price for a Certificated Bond is conditioned upon delivery of such Bond (together with necessary endorsements) to the Paying Agent. Payment of the relevant redemption price for any Bond will be made on the Redemption Date or, if such Bond is a Certificated Bond and has not been so delivered on or prior to the Redemption Date, at the time of delivery of such Bond. If the Paying Agent holds, in accordance with the terms of the Indenture, cash sufficient to pay the relevant redemption price of such Bond on the Redemption Date, then, immediately after such Redemption Date, such Bond will cease to be outstanding, whether or not such Bond is delivered to the Paying Agent, and all other rights of the Holder shall terminate (other than the right to receive the relevant redemption price).

In the case of any redemption other than on the Maturity Date, notice of redemption to each Holder shall specify the Redemption Date, the price at which such Bonds will be redeemed and the place or places of payment and that payment will be made upon presentation and surrender of the Bonds to be redeemed. Such notice shall also specify the Conversion Price then in effect and the date on which the

right to convert such Bonds will expire.

The Issuer has initially designated Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability, as the office or agency for (i) the presentation and surrender of the Bonds for payment of principal, (ii) the presentation of the Bonds for exchange, conversion, transfer and registration of transfer as provided in the Indenture and (iii) the service of notices and demands to or upon the Issuer in respect of the Bonds or of the Indenture.

REPURCHASE OF THE BONDS

Repurchase of the Bonds at the Option of the Holder

Unless the Bonds have been previously redeemed, repurchased and canceled, or converted, each Holder shall have the right (the “Holder’s Put Right”), at such Holder’s option, to require the Issuer to repurchase in US dollars all (or any portion of the principal amount thereof which is US\$200,000 or any higher integral multiple of US\$100,000) of such Holder’s Bonds, on January 24, 2027 (the “Holder’s Put Date”) at a repurchase price equal to 110.56% of the outstanding principal amount thereof (the “Holder’s Put Price”).

Repurchase of the Bonds in the Event of Delisting

In the event that the Common Shares cease to be listed or admitted to trading on the TWSE (a “Delisting”), each Holder shall have the right (the “Delisting Put Right”), at such Holder’s option, to require the Issuer to repurchase all (or any portion of the principal amount thereof which is US\$200,000 or any higher integral multiple of US\$100,000) of such Holder’s Bonds on the 20th Business Day after the Paying Agent, upon written notification from the Issuer, mails to each Holder such notice regarding the Delisting referred to under “– Repurchase Procedures” below (the “Delisting Put Date”) at the Early Redemption Amount on the Delisting Put Date (the “Delisting Put Price”).

Repurchase of the Bonds in the Event of Change of Control

If a Change of Control (as defined below) occurs with respect to the Issuer, each Holder shall have the right (the “Change of Control Put Right”), at such Holder’s option, to require the Issuer to repurchase all (or any portion of the principal amount thereof which is US\$200,000 or any higher integral multiple of US\$100,000) of such Holder’s Bonds on the date set by the Issuer for such repurchase (the “Change of Control Put Date”), which shall be not less than 30 nor more than 60 days following the date on which the Issuer notifies the Trustee, the Paying Agent and the Holders in writing of the Change of Control, at the Early Redemption Amount on the Change of Control Put Date (the “Change of Control Put Price”). Neither the Trustee nor the Paying Agent shall be responsible for calculating or verifying the Change of Control Put Price.

Repurchase Procedures

Not less than 30 nor more than 60 days prior to the Holder’s Put Date and not less than 30 nor more than 60 days promptly after becoming aware of a Delisting or Change of Control, the Issuer will provide sufficient information to the Trustee and the Paying Agent in sufficient time to permit the Trustee and the Paying Agent to mail to each Holder a notice regarding such Holder’s Put Right, Delisting Put Right or Change of Control Put Right, as the case may be. Such notice shall be prepared by the Issuer and state, as appropriate:

- (A) the Holder's Put Date, the Delisting Put Date or the Change of Control Put Date, as the case may be (each, a "Purchase Date");
- (B) in the case of a Delisting, the date of such Delisting and, briefly, the events causing such Delisting;
- (C) in the case of a Change of Control, the date of such Change of Control and, briefly, the events causing such Change of Control;
- (D) the date by which the Holder Purchase Notice (as defined below) must be given;
- (E) the Holder's Put Price, Delisting Put Price or the Change of Control Put Price, as the case may be, and the method by which such amount will be paid;
- (F) the names and addresses of the Paying Agent;
- (G) briefly, the Conversion Right (as defined below) of the Holders of the Bonds and the then current Conversion Price and the date on which the right to convert such Bond will expire;
- (H) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise their repurchase rights and/or Conversion Right; and
- (I) that a Holder Purchase Notice, once validly given, may not be withdrawn.

To exercise its right to require the Issuer to purchase its Bonds, the Holder must deliver a written irrevocable notice of the exercise of such right (a "Holder Purchase Notice") to the Paying Agent on any Business Day prior to the close of business at the location of the Paying Agent on such day and which day is not less than ten (10) Business Days prior to the Purchase Date.

Payment of the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or Change of Control Put Price upon exercise of the Change of Control Put Right for any Certificated Bond for which a Holder Purchase Notice has been delivered is conditioned upon delivery of such Certificated Bond (together with any necessary endorsements) to the Paying Agent on any Business Day together with the delivery of such Holder Purchase Notice and will be made promptly following the later of the Purchase Date and the time of delivery of such Certificated Bond. If the Paying Agent holds on the Purchase Date money sufficient to pay the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be, of Bonds for which holder Purchase Notices have been delivered in accordance with the provisions of the Indenture upon exercise of such right, then, whether or not such Bond is delivered to the Paying Agent, on and after such Purchase Date, (i) such Bond will cease to be outstanding, (ii) such Bond will be deemed paid, and (iii) all other rights of the Holder shall terminate (other than the right to receive the Holder's Put Price, the Delisting Put Price or the Change of Control Put Price, as the case may be).

CERTAIN DEFINITIONS

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definition of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Affiliate" means, with respect to any Person (the "Specified Person"), (i) any Person other than the Specified Person directly or indirectly controlling, controlled by or under direct or indirect common

control with, the Specified Person or (ii) any Person who is a director or executive officer (A) of the Specified Person, (B) of any Subsidiary of such Specified Person or (C) of any Person described in clause (i) above. For purposes of this definition, the term “control” when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

“*Agent*” means any registrar, paying agent, conversion agent and transfer agent or all or any of them, as the context requires and including any successor Agent.

“*Business Day*” means any day except a Saturday, Sunday or other day on which commercial banks in Taipei, Hong Kong, London, England and the City of New York (or, if applicable, in the city where the relevant Paying Agent is located) are authorized by law to close or are otherwise not open for business.

“*Capital Stock*” means, with respect to any Person, any and all shares, ownership interests, participation or other equivalents (however designated), including all common stock and all preferred stock, of such Person.

“*Certificated Bonds*” means the individual certificated Bonds executed and delivered by the Issuer and authenticated by or to the order of the Trustee or the registrar, which may be delivered in exchange for the Global Bond in certain circumstances.

“*Change of Control*” means the occurrence of any of the following events:

- (i) any Person or Persons (as defined below) acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the Closing Date; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Issuer or the successor entity.

However, a Change of Control will not be deemed to have occurred solely as a result of the issuance or transfer, with the Issuer’s cooperation, of any preferred shares in the Issuer’s capital.

“*Closing Price*” means for any Trading Day (a) with respect to the Common Shares, the closing sales price of the Common Shares on the TWSE on such day or, if no reported sales take place on such day, the average of the reported closing bid and offered prices, in either case as reported by the TWSE for such day as furnished by a leading independent securities firm in Taiwan selected from time to time by the Issuer and notified to the Paying Agent for this purpose, and (b) with respect to Capital Stock of the Issuer (other than Common Shares), the closing bid price for such Capital Stock (other than Common Shares) on the Selected Exchange (as defined under “Trading Day” below); *provided that* for the purpose of determining the Closing Price used in “Redemption at the Option of the Issuer” above for all Trading Days on or between the ex-rights or ex-dividends date and the record date for the determination of the shareholders entitled to receive such rights or dividends, the Closing Price shall be adjusted upwards to include the value of such rights or dividends.

“*Common Shares*” means shares of the common stock of the Issuer, par value NT\$10.00 per share.

“*Control*” means (i) the right to appoint and/or remove all or the majority of the members of the Issuer’s Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (ii) the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company.

“*Conversion Price*” means the price at which the Shares will be issued upon conversion, which will initially be NT\$109.62 per Common Share, subject to adjustment in the manner provided in “– Conversion – Adjustments to the Conversion Price” below.

“*Debt*” means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with the generally accepted accounting principles applicable to such Person, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, (vi) all obligations of such Person to purchase securities or other property that arise out of or in connection with the sale of the same or substantially similar securities or property, (vii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument and (viii) all Debt of others guaranteed by such Person.

“*Default*” means any condition or event which, with the giving of notice or lapse of time or both, would become an Event of Default (as defined in the Indenture).

“*FSC*” means the Financial Supervisory Commission of the ROC.

“*Holder*”, “*holder*” and “*Bondholder*” in relation to a Bond means the person in whose name a Bond is registered in the Bond register.

“*Lien*” means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset, including, without limitation, the right of a vendor, lessor or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom prior to any general creditor of the owner thereof.

“*Market Value*” means (i) in the case of Common Shares, the average of the Closing Prices of the Common Shares for the most recent 30 Trading Days, (ii) in the case of Capital Stock (other than Common Shares) which is listed on the Selected Exchange, the average of the Closing Prices of such Capital Stock (other than Common Shares) for the most recent 30 Trading Days and (iii) in the case the market value cannot be determined pursuant to the procedures above, the market value determined by an opinion of an independent, internationally recognized investment banking firm selected by the Issuer at the expense of the Issuer.

“*Officer’s Certificate*” means a certificate signed by any director or officer of the Issuer who is authorized to represent the Issuer.

“*Person*” means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity), limited liability company, government or political subdivision or agency or instrumentality thereof, or any other entity or organization, *provided* that in the context of a Change of

Control, a Person does not include the Issuer's Board of Directors or any other governing board and does not include the Issuer's wholly-owned direct or indirect subsidiaries.

"Principal Subsidiary" means, with respect to any Person, any Subsidiary (i) whose net sales, as shown by the latest audited financial statements (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary, constitute at least 10% of the consolidated net sales of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person or (ii) whose gross assets, as shown by the latest audited financial statements (consolidated in case of a Subsidiary which itself has Subsidiaries) of such Subsidiary constitute at least 10% of the gross assets of such Person and its consolidated Subsidiaries as shown by the latest audited consolidated financial statements of such Person.

"Purchase Date" has the meaning specified under the caption "– Repurchase Procedures" above.

"Redemption Date" means, with respect to any Bond, (i) the date fixed for redemption of such Bond pursuant to a notice of redemption given by the Issuer in accordance with the provisions of the Indenture or (ii) the Maturity Date of such Bond if such Bond has not been redeemed, repurchased and canceled, or converted in accordance with its terms prior to the Maturity Date.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Subsidiary" means, with respect to any Person, any entity of which more than 50% of its Capital Stock is owned directly or indirectly by such Person.

"Taxing Authority" means any government or political subdivision or any authority or agency thereof, having the legal power and authority to levy a mandatorily payable charge, assessment or tax.

"Trading Day" means (i) with respect to the Common Shares, a day when the TWSE is open for business, *provided*, however, if no transaction price or closing bid and offered prices are reported by the TWSE in respect of the Common Shares for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days and (ii) with respect to Capital Stock of the Issuer (other than Common Shares), a day on which any securities exchange or quotation system selected by the Issuer (the "Selected Exchange") on which shares of such Capital Stock (other than Common Shares) are quoted or traded is open for trading or quotation; *provided*, however, if no bid price is reported by the Selected Exchange in respect of such Capital Stock (other than Common Shares) for one or more Trading Days, such day or days will be disregarded in any relevant calculation and will be deemed not to have existed when ascertaining any period of consecutive Trading Days.

"TWSE" means Taiwan Stock Exchange Corporation.

CERTAIN COVENANTS

Negative Pledge

So long as any Bond remains outstanding, the Issuer shall not, and shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Lien on any of its or, as the case may be, such Principal Subsidiary's, property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment or any sum owing in respect of any such International Investment Securities, (ii) any payment under any guarantee of any such International Investment Securities or (iii) any payment under any indemnity or other like obligation

relating to any such International Investment Securities, unless contemporaneously therewith effective provision is made to secure the Bonds (a) equally and ratably with such International Investment Securities with a similar Lien on the same property, assets or revenues securing such International Investment Securities for so long as such International Investment Securities are secured by such Lien or (b) with such other security as shall be approved by registered holders holding not less than 50% of the principal amount of the outstanding Bonds.

As used herein, “International Investment Securities” means bonds, debentures, notes or other similar investment securities of the Issuer or any other person evidencing indebtedness with a maturity of not less than one year from the issue date thereof, or any guarantees thereof, which (i) either (A) are by their terms payable, or confer a right to receive payment, in any currency other than NT Dollars or (B) are denominated in NT Dollars and more than 50% of the aggregate principal amount thereof is initially distributed outside the ROC by or with the consent of the Issuer and (ii) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded, in each case primarily, on a stock exchange or over-the-counter or other securities market outside the ROC.

Consolidation, Amalgamation or Merger

The Issuer shall not consolidate with, merge or amalgamate into or transfer or convey all or substantially all of its properties and assets to, any Person (the consummation of any such event, a “Merger”), unless:

- (i) the corporation formed by such Merger or the Person that acquired such properties and assets shall expressly assume, by an indenture supplemental to the Indenture, all obligations of the Issuer under the Indenture and the performance of every covenant and agreement applicable to it contained therein;
- (ii) immediately after giving effect to any such Merger, no Default or Event of Default shall have occurred or be continuing or would result therefrom;
- (iii) the Issuer at least 20 Business Days prior to the Merger has delivered to the Trustee an Officer’s Certificate stating that such Merger complies with the provisions of the Indenture relating to this matter and that all conditions precedent therein provided for or relating to such Merger have been complied with;
- (iv) the corporation formed by such Merger, or the Person that acquired such properties and assets, shall expressly agree to (A) indemnify each holder of a Bond against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such Merger with respect to the payment of principal of and premium and other amounts on the Bonds and (B) if organized under the laws of a jurisdiction other than the Cayman Islands, to deliver a substitute undertaking to the Trustee to pay any additional amounts as may be necessary in order that the net amounts received by the holders of the Bonds, after any withholding or deduction of any such tax, assessment or other governmental charge shall equal the respective amounts of principal and Additional Amounts, which would have been receivable in respect of the Bonds in the absence of such Merger. No successor corporation or other Person shall have the right to redeem the Bonds unless the Issuer would have been entitled to redeem the Bonds pursuant to the Indenture in the absence of the Merger; and

- (v) the Issuer shall as soon as practicable on or prior to the Merger, deliver to the Trustee an opinion in a form satisfactory to the Trustee of counsel(s) of recognized standing as to the legality and validity of the Merger.

In the event of any such Merger, the provisions described under “– Additional Amounts” and “– Redemption for Taxation Reasons” above will be applicable to the corporation formed by such Merger or the Person acquiring such properties and assets as appropriate.

CONVERSION

Conversion Right

Each Holder will have the right (the “Conversion Right”) during the Conversion Period to convert its Bonds (being US\$200,000 in principal amount or any higher integral multiple of US\$100,000), at the option of such converting Holder, upon delivery of an irrevocable notice (the “Conversion Notice”) at the office of the Conversion Agent, on any Business Day prior to the close of business at the location of the Conversion Agent to which such Conversion Notice is delivered, into Common Shares; *provided*, however, that the Conversion Right during any Closed Period (as defined below) shall be suspended and the Conversion Period shall not include any such Closed Period. “Closed Period” means (i) the 60-day period immediately prior to the date of any of the Company’s ordinary shareholders’ meetings; (ii) the 30-day period immediately prior to the date of any of the Company’s extraordinary shareholders’ meetings; (iii) the period from the fifteenth Trading Day prior to the fifth day before the record date for the determination of the shareholders entitled to the receipt of dividends, subscription of new Common Shares due to capital increase or other benefits and bonuses to such record date; (iv) the period from the record date of any capital reduction to the day immediately preceding the date on which the Common Shares resume trading after such capital reduction; (v) the period from the commencement of the suspension of the conversion (subscription) in respect of the change of par value of the Common Shares to the day immediately preceding the date on which the reissued Common Shares resume trading after such change of par value of the Common Shares; and (vi) such other periods during which the Company may be required to close its stock transfer books under Cayman Islands and/or ROC laws and regulations and the rules of the TWSE applicable from time to time. The Issuer shall procure that Holders (and other applicable parties) are given at least seven days’ but not more than 60 days’ prior notice of any Closed Period in accordance with the provisions of the Indenture.

The number of Common Shares to be issued upon conversion will be determined by dividing the aggregate principal amount of all the Bonds to be converted by such Holder (translated into NT Dollars at the fixed rate of NT\$31.499 = US\$1.00 (the “Exchange Rate”)) by the Conversion Price in effect on the Conversion Date (as defined below). Fractions of Common Shares will not be issued on conversion, and the Issuer will pay in NT Dollars for any fraction of a Common Share not issued as aforesaid, net of remittance fees, rounding to one NT Dollar with NT\$0.50 being rounded upwards.

The Conversion Price shall at all times be subject to Antidilution Adjustment (as defined below).

Restrictions on Shareholdings by PRC Persons

Under current ROC laws, regulations and policy, a PRC person is not permitted to convert the Bonds and to register as shareholders of the Issuer unless (i) it is a PRC qualified domestic institutional investor (“QDII”), and (ii) provided that the total shareholding of PRC persons with respect to the Issuer after the conversion does not exceed 30%. In addition, there are restrictions on the amount remitted to the ROC for investments by QDIIs, separately and jointly. Accordingly, the qualification criteria for a PRC person to make investment and the investment threshold imposed by the FSC and the TWSE might

cause a Bondholder who is a PRC person to be unable to convert and hold the Common Shares issuable upon conversion of the Bonds. Under current ROC laws, “PRC person” means an individual holding a passport issued by the PRC, a resident of any area of the PRC under the effective control or jurisdiction of the PRC (but not including a special administrative region of the PRC such as Hong Kong and Macau, if so excluded by applicable laws of the ROC), any agency or instrumentality of the PRC and any corporation, partnership or other entity organized under the laws of any such area, or in countries outside of the ROC or PRC that is directly or indirectly controlled by, or directly or indirectly having more than 30% of its capital owned by, or beneficially owned by any such person, resident, agency, instrumentality, corporation, partnership or entity.

ROC Procedures for Foreign Persons Holding Common Shares

Under current ROC law, a non-ROC converting Holder who is not a PRC person, before exercising the Conversion Right, is required to register with the TWSE for making investments in the ROC securities market. Such non-ROC converting Holder is also required to appoint a local agent in the ROC which meets the qualifications that are set from time to time by the FSC to open a securities trading account with a local brokerage firm and a bank account to remit funds, pay taxes, exercise shareholders’ rights and perform such other functions as may be designated by such Holder. In addition, such non-ROC converting Holder must also appoint a custodian in the ROC to hold the securities and any cash proceeds for safekeeping, to make confirmation and settlement of trades and to report all relevant information. Furthermore, such non-ROC converting Holder is required to appoint an agent, referred to as a Tax Guarantor, in the ROC which meets the qualifications that are set from time to time by the Ministry of Finance of the ROC for filing tax returns and making tax payments on their behalf. Without meeting such requirements, such non-ROC converting Holder would not be able to hold or sell or otherwise transfer Common Shares into which the Bonds may be converted on the TWSE or otherwise.

Delivery of Common Shares upon Conversion

Upon a converting Holder exercising its Conversion Right, the Issuer shall as promptly as practicable issue Common Shares upon conversion of Bonds in accordance with the Cayman Islands and ROC law.

The Issuer’s delivery to the Bondholder of the number of Common Shares into which the Bonds are convertible will be deemed to satisfy the Issuer’s obligation to pay the principal of and premium and other amounts on such Bonds.

See “Risk Factors – Risks Relating to Ownership of the Bonds and our Shares – A liquid market for the Bonds may not develop, and the market for the Shares may not be liquid.”

Procedures; Conversion Notice; Taxes and Duties

In order to effect a conversion, each Holder must complete, execute and deliver at such Holder’s expense during the Conversion Period to the office of the Conversion Agent, a Conversion Notice, in the form then obtainable from the office of the Conversion Agent, together, in the case of Certificated Bonds, with the certificate representing the Bonds to be converted, and any certificates and other documents as may be required under applicable law and any expenses or other payments required to be paid by the Holder pursuant to the terms of the Indenture. The Conversion Notice shall contain, inter alia, an appointment of a local agent by such converting Holder and the name and address of such local agent.

A Conversion Notice once so delivered may not be withdrawn without the consent in writing of the Issuer. Holders who deposit a Conversion Notice during a Closed Period will not be permitted to

convert their Bonds until the first Business Day which is a Trading Day following the last day of that Closed Period which (if all other conditions to conversion have been fulfilled) will be the Conversion Date for such Bonds. Such Holders will not be registered as holders until the Conversion Date. The price at which such Bonds will be converted will be the Conversion Price in effect on the Conversion Date.

As conditions precedent to conversion, the Holder must confirm to the Conversion Agent that all stamp, issue, registration and similar taxes and duties (if any) arising on conversion in the country in which the Bond is deposited for conversion, or payable in any jurisdiction consequent upon the issue and delivery of Common Shares or any other property or cash upon conversion to or to the order of a person other than the converting Bondholder have been paid to the relevant authority. Except as aforesaid, the Issuer will pay the expenses arising in the Cayman Islands and the ROC on the issue of Common Shares on conversion of Bonds and all charges of the Conversion Agent in connection therewith as provided in the Indenture. The date on which any Bond and the Conversion Notice (in duplicate) relating thereto, together with any certificates and other documents as may be required under applicable law, are deposited with the Conversion Agent and the payments, if any, required to be paid by the Bondholder are made is hereinafter referred to as the “Deposit Date”. The “Conversion Date” applicable to a Bond shall mean the next Business Day following the Deposit Date (or the first Business Day following the last day of a Closed Period if the related Conversion Notice was deposited during such Closed Period), where such conversion day must be a Trading Day and must fall within the Conversion Period.

Conversion Notices shall be deposited at the office of the Conversion Agent on any Business Day prior to the close of business at the location of the Conversion Agent to which such Conversion Notice is delivered. Upon receipt of such Conversion Notices, the Conversion Agent shall have not more than one full Business Day to process and transmit such Conversion Notices to the Issuer.

With effect from the opening of business in the ROC on the Conversion Date, the Issuer will deem the person designated in the Conversion Notice as the person in whose name the Common Shares to be issued upon such conversion are to be registered as the holder of record of the number of Common Shares (disregarding any retroactive adjustment of the Conversion Price referred to below prior to the time such retroactive adjustment shall have become effective), and at such time the rights of such converting Holder as a Holder with respect to the Bonds deposited for conversion shall cease.

On the Conversion Date, the Issuer will register the converting Holder (or its designee) in the Issuer’s register of members as the owner of the number of Common Shares to be issued upon conversion of such Bonds and, subject to any applicable limitations then imposed by Cayman Islands and/or ROC laws and regulations, according to the request made in the relevant Conversion Notice, procure that, as soon as practicable, and in any event within five Trading Days from the Conversion Date (subject to changes to Cayman Islands and/or ROC laws and regulations), there be delivered to the local agent appointed by the converting Holder through book-entry system of Taiwan Depository & Clearing Corporation (“TDCC”) or through physical delivery of a certificate or certificates for the relevant Common Shares, registered in the name specified for that purpose in the relevant Conversion Notice, together with any other property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the delivery thereof.

Adjustments to the Conversion Price

Antidilution. The Conversion Price will be subject to adjustment (“Antidilution Adjustment”) in the circumstances described below:

- (i) If the Issuer shall issue Common Shares as a dividend in Common Shares or make a distribution of Common Shares which is treated as a capitalization issue for accounting

purposes (including but not limited to capitalization of retained earnings or capital reserves), then the Conversion Price in effect on the record date for the determination of the shareholders entitled to receive such dividend and/or distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times N/(N + n)$$

where:

NCP = the Conversion Price after such adjustment. OCP = the Conversion Price before such adjustment.

N = the number of Common Shares outstanding at the time of issuance of such dividend and/or distribution (or at the close of business in Taipei on such record date, as the case may be).

n = the number of Common Shares to be distributed to the shareholders as a dividend and/or distribution.

An adjustment made pursuant to this subsection (i) shall become effective on the record date for determination of the shareholders entitled to receive such dividend and/or distribution; provided that in the case of a dividend in Common Shares of capitalization of retained earnings or capital reserves which must, under applicable law of the Cayman Islands and the ROC, be submitted for approval to a general meeting of shareholders of the Issuer before being legally paid or made, and which is so approved after the record date fixed for the determination of the shareholders entitled to receive such dividend and/or distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

- (ii) If the Issuer shall (a) subdivide its outstanding Common Shares, (b) combine its outstanding Common Shares into a smaller number of Common Shares, or (c) re-classify any of its Common Shares into other securities of the Issuer, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, in respect of the Conversion Date which occurs after the coming into effect of the adjustment described in this subsection (ii), shall be entitled to receive the number of Common Shares and/or other securities of the Issuer which it would have held or have been entitled to receive after the happening of any of the events described above had such Bond been converted immediately prior to the happening of such event (or, if the Issuer has fixed a prior record date for the determination of the shareholders entitled to receive any such securities issued upon any such subdivision, combination or reclassification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter.
- (iii) If the Issuer shall grant, issue or offer to the holders of Common Shares rights entitling them to subscribe for or purchase Common Shares, which expression shall include those Common Shares which are required to be offered to employees and persons other than shareholders in connection with such grant, issue or offer, at a consideration per Common Share receivable by the Issuer which is fixed:

- (A) on or prior to the record date mentioned below and is less than the Market Value per Common Share on such record date; or
- (B) after the record date mentioned below and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in the case of (a) above) on the record date for the determination of the shareholders entitled to receive such rights or (in the case of (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times (N + v)/(N + n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

- N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.
- n = the number of Common Shares to be issued in connection with such rights issue at the said consideration.
- v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective immediately after the latest date for the submission of applications of such Common Shares by shareholders entitled to the same pursuant to such rights or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any Common Shares which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of applications for such Common Shares, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Company receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares of rights entitling them to subscribe for or purchase Common Shares, any such Common Shares which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such Common Shares as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

(iv) If the Issuer shall grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares at a consideration per Common Share receivable by the Issuer which is fixed:

- (A) on or prior to the record date for the determination of the shareholders entitled to receive such warrants and is less than the Market Value per Common Share at such record date; or
- (B) after the record date mentioned above and is less than the Market Value per Common Share on the date the Issuer fixes the said consideration,

then the Conversion Price in effect (in a case within (a) above) on the record date for the determination of the shareholders entitled to receive such warrants or (in a case within (b) above) on the date the Issuer fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times (N + v) / (N + n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding at the close of business in the ROC (in the case of (a) above) on such record date or (in the case of (b) above) on the date the Issuer fixes the said consideration.

n = the number of Common Shares initially to be issued upon exercise of such warrants at the said consideration where no applications by shareholders entitled to such warrants are required. Where applications by shareholders entitled to such warrants are required, n equals the number of such Common Shares that equals (A) the number of warrants which underwriters have agreed to underwrite as referred to below or, as the case may be, and (B) the number of warrants for which applications are received from shareholders as referred to below except to the extent already adjusted for under (A).

v = the number of Common Shares which the aggregate consideration receivable by the Issuer would purchase at such Market Value per Common Share specified in (a) or, as the case may be, (b) above.

Subject as provided below, such adjustment shall become effective, where applications by shareholders entitled to the same are required as aforesaid, immediately after the latest date for the submission of such applications or (if later) immediately after the Company fixes the said consideration but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares, any warrants which are not subscribed for or purchased by the persons entitled thereto are purchased by other persons after the latest date for the submission of

applications for such warrants, an adjustment shall be made to the Conversion Price in accordance with the above provisions which shall become effective immediately after the date the Company receives the consideration in full, from such other persons but retroactively to immediately after the record date mentioned above.

If, in connection with a grant, issue or offer to the holders of Common Shares warrants entitling them to subscribe for or purchase Common Shares, any such warrants which are not subscribed for or purchased by such other persons as referred to above or by the persons entitled thereto (or persons to whom shareholders have transferred such rights) who have submitted applications for such warrants as referred to above are offered to and/or subscribed by others, no further adjustment shall be made to the Conversion Price by reason of such offer and/or subscription.

- (v) If the Issuer or any Subsidiary of the Issuer shall distribute to all holders of Common Shares, any shares of Capital Stock of the Issuer other than Common Shares, evidences of its indebtedness or other assets (other than cash distributions described below) of the Issuer, or rights or warrants to subscribe for or purchase any Capital Stock of the Issuer (other than Common Shares) which would result in the fmv as defined below being less than the Market Value of the Common Share on the record date for determination of shareholders entitled to receive such distribution, the Conversion Price in effect on the record date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (\text{M} - \text{fmv})/\text{M}$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on the record date for the determination of shareholders entitled to receive such distribution.

fmv = the fair market value (as determined by an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee) of the portion of Capital Stock other than Common Shares, evidences of indebtedness or other assets so distributed applicable to one Common Share less any consideration payable for the same by the relevant shareholder.

- (vi) In case the Issuer shall, by dividend or otherwise, distribute to all holders of Common Shares cash then, in such case, the Conversion Price shall be adjusted (with such adjustment to be effective on the record date for the determination of the shareholders entitled to receive such distribution) in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (\text{M} - \text{C})/\text{M}$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

M = the Market Value per Common Share on such record date.

C = the amount of cash so distributed applicable to one Common Share.

If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been approved.

- (vii) If the Issuer shall reduce its share capital other than by means of canceling any Common Shares or repurchasing any Common Shares and for the purposes of holding such Common Shares in treasury, then the Conversion Price in effect on the record date of such capital reduction shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (1 - C/c) \times N/n$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding immediately prior to such capital reduction.

C = the amount of cash distributed in connection with such share capital reduction, if any, per Common Share.

n = the number of Common Shares outstanding immediately after such capital reduction.

c = the Closing Price on the last trading day prior to the shares reissued.

For the avoidance of doubt, no adjustment to the Conversion Price under this subsection will be required if the Company cancels any Common Shares or purchases any Common Shares for the purposes of holding such Common Shares in treasury.

Such adjustment shall become effective immediately on the record date of such capital reduction.

- (viii) In case a tender or exchange offer made by the Issuer or any Subsidiary of the Issuer for all or any portion of the Common Shares shall expire and such tender or exchange offer shall involve the payment by the Issuer or such Subsidiary of consideration per Common Share having a Fair Market Value (as determined by an independent financial institution selected by the Company, at the expense of the Company and promptly notified in writing to the Trustee) at the last time (the "Expiration Date") tenders or exchanges could have been made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Market Value per Common Share, as of the Expiration Date, the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (N \times M)/(a + (N - n) \times M)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding (including any tendered or exchanged Common Shares) on the Expiration Date.

M = Market Value per Common Share as of the Expiration Date.

a = the Fair Market Value of the aggregate consideration payable to the holders of Common Shares based on the acceptance (up to a maximum specified in the terms of the tender or exchange offer) of all Common Shares validly tendered or exchanged and not withdrawn as of the Expiration Date (the Common Shares deemed so accepted up to any such maximum, being referred to as the "Purchased Shares").

n = the number of Purchased Shares.

such reduction to become retroactively effective immediately prior to the opening of business on the day following the Expiration Date.

If the Issuer is obligated to purchase Common Shares pursuant to any such tender or exchange offer, but the Issuer is permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

- (ix) In case the Issuer issues Common Shares (other than (A) Common Shares issued upon conversion or exchange of any convertible or exchangeable securities (including the Bonds) issued by the Company; (B) Common Shares issued upon exercise of any rights or warrants granted, offered or issued by the Company; (C) issuance of employee compensation in stocks; (D) issuance of restricted stocks to employees; or (E) Common Shares issued in any of the circumstances described in subsections (i) and (ii)) or the Issuer or any Subsidiary of the Issuer shall issue any securities initially convertible into or exchangeable for Common Shares at a price per Common Share less than the Market Value per Common Share determined as of the date on which the Board of Directors or shareholders' meeting of the Issuer or such Subsidiary, if applicable, approves such issuance, the Conversion Price in effect immediately prior to the date of issue of such Common Shares or convertible or exchangeable securities shall be adjusted and become effective in accordance with the following formula:

$$NCP = OCP \times (N + v)/(N + n)$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

N = the number of Common Shares outstanding on the date of issuance of such Common Shares or initially convertible or exchangeable securities, immediately prior to such issuance.

- n = the number of Common Shares issued or issuable upon conversion or exchange of such initially convertible or exchangeable securities.
- v = the number of Common Shares which the aggregate consideration issue price of the total amount of Common Shares would purchase at Market Value; in the case of convertible or exchangeable securities, the number of Common Shares which the conversion price or exchange price of the newly issued securities multiplied by “n” would purchase at Market Value; provided that if the new Common Shares are issued by the Issuer to exchange for the total outstanding shares of an entity to be consolidated with, merged or amalgamated into the Issuer, such “aggregate consideration issue price of the total amount of Common Shares” shall mean the aggregate amount of the fair value per common share of such entity multiplied by “n” and further multiplied by the applicable share swap ratio under such consolidation, merger or amalgamation. The fair value per common share of such entity shall be (x) in the case of a listed company, the closing price of its common share on the date on which the share swap ratio was approved by its shareholders’ meeting; or (y) in the case of a private company, the fair value falling into the fair value of such entity as determined by an independent expert in its fairness opinion times the share swap ratio.

If the conversion or exchange right of any such convertible or exchangeable securities expires prior to exercise, the Conversion Price shall be readjusted to reflect the actual securities converted or exchanged.

- (x) In case the Issuer reissues the Common Share to change the par value of the Common Shares, then the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} \times (\text{N}/\text{n})$$

where:

NCP and OCP have the meanings ascribed thereto in subsection (i) above.

- N = the number of Common Shares outstanding immediately prior to such change of par value of Common Shares.
- n = the number of Common Shares outstanding immediately after such change of par value of Common Shares.

Such adjustment shall become effective immediately on the record date for exchanging the Common Share with new par value for the Common Shares with original par value.

- (xi) If the Issuer shall declare a dividend in, or make a free distribution or bonus issue of, Common Shares which dividend, issue or distribution is to be paid or made to shareholders as of a record date which is also:

- (A) the record date for the issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to subsections (iii) or (iv) above;
- (B) the day immediately before the date of issue of any securities convertible into or exchangeable for Common Shares which requires an adjustment of the Conversion Price pursuant to subsection (ix) above;
- (C) the day immediately before the date of a distribution which requires an adjustment of the Conversion Price pursuant to subsection (v) above;
- (D) the record date for distribution of cash which requires an adjustment of the Conversion Price pursuant to subsection (vi) above;
- (E) the record date of capital reduction which requires an adjustment of the Conversion Price pursuant to subsection (vii) above;
- (F) the record date for exchanging the Common Share with new par value for the Common Shares with original par value which requires an adjustment of the Conversion Price pursuant to subsection (x) above;
- (G) the Expiration Date with respect to any tender or exchange offer which requires an adjustment to the Conversion Price pursuant to subsection (viii) above; or
- (H) the relevant date for an analogous event or circumstance which requires an adjustment to the Conversion Price;

then (except where such dividend, bonus issue or free distribution gives rise to a retroactive adjustment of the Conversion Price under subsections (i) or (ii) above) no adjustment of the Conversion Price in respect of such dividend, bonus issue or free distribution shall be made under the relevant subsections, but in lieu thereof an adjustment shall be made (i) under subsections (iii), (iv), (ix) or (x) above, as applicable, by including in the denominator of the fraction described therein the aggregate number of Common Shares to be issued pursuant to such dividend, bonus issue or free distribution and (ii) under subsections (v), (vi), (vii) and (viii) above, as applicable, by multiplying the Conversion Price after the adjustment under such subsections by a fraction the numerator of which is the number of Common Shares outstanding on the record date and the denominator of which is the sum of such number of Common Shares outstanding and the aggregate number of Common Shares to be issued pursuant to such dividends, bonus issue or free distribution.

With the provisions in this subsection unaffected, where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Company, a modification to the operation of the adjustment provisions is required in order to yield the intended result, such modification shall be made, with the assistance of an independent financial institution selected by the Issuer, at the expense of the Issuer and promptly notified in writing to the Trustee, as may, in the opinion of the Company, be appropriate to yield such intended result.

- (xii) In case of a Merger of the Issuer, each Bond then outstanding shall, without the consent of any Bondholders, become convertible only into the kind and amount of securities, cash and other property receivable upon such Merger by a holder of the number of Common

Shares, into which such Bonds could have been converted immediately prior to such Merger. The corporation formed by such Merger or the Person that acquired such properties and assets shall enter into a supplemental indenture with the Trustee to provide for the continuation of the Conversion Right to continue after such Merger and such supplemental indenture shall provide for adjustments to the Conversion Price which shall be as nearly equivalent as practicable to the adjustments provided in the Indenture, *provided* that where there has been a Change of Control pursuant to such a Merger, a Holder may exercise its Change of Control Put Right as set forth in “– Repurchase of the Bonds in the Event of Change of Control”.

If any event or circumstance analogous to the events and circumstances described in subsections (i) through (x) occurs, the Conversion Price shall be adjusted as set forth in the analogous subsection in the Indenture.

Provisions Applicable to All Conversions and Adjustments of Conversion Price

No adjustment of the Conversion Price will be required to be made until cumulative adjustments, required to be made in the circumstances set forth above, amount to 1.0% or more of the Conversion Price as last adjusted. However, any adjustment, required to be made in the circumstances set forth above, which is not made because of failure to meet the 1.0% threshold, will be carried forward. Except as otherwise described below, the Conversion Price may at any time be reduced by the Issuer.

The Issuer will not take any action which would reduce the Conversion Price per Common Share below the par value of the Common Shares (currently NT\$10.00 per share), unless, under applicable law then in effect, the Bonds could be converted at such reduced Conversion Price into legally issued, fully-paid and non-assessable Common Shares.

All calculations relating to conversion, including adjustments of the Conversion Price, will be rounded up to the nearest cent of NT Dollars.

Whenever the Conversion Price is adjusted, the Issuer will promptly file with the Conversion Agent an Officer's Certificate setting forth the date on which such adjustment became effective, the Conversion Price after such adjustment and prior to such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after receipt of such certificate, the Conversion Agent will forward a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price, the Conversion Price prior to such adjustment, a brief statement of the facts requiring such adjustment and the date on which such adjustment became effective and shall give such notice of such adjustment of the Conversion Price to the Holders.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Holders for any loss arising from any failure by them to do so. All adjustments to the Conversion Price shall be determined by the Issuer, and neither the Trustee nor the Agents shall be responsible for calculating or verifying the Conversion Price.

EVENTS OF DEFAULT; NOTICE AND WAIVER

The Indenture provides that, if an Event of Default as defined therein shall have occurred and be continuing, either the Trustee in its sole discretion may, or if so requested by Holders of not less than 25% in aggregate principal amounts of the Bonds then outstanding shall (subject to being indemnified and/or

secured to its satisfaction) declare the Bonds to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the Bonds shall automatically become and be immediately due and payable. Under certain circumstances, the Holders of a majority in aggregate principal amount of the outstanding Bonds may rescind any such acceleration with respect to the Bonds and its consequences.

Under the Indenture, Events of Default include:

- (i) default in payment of the principal of or premium on any Bond, as and when the same becomes due and payable, and continuance of such default for three Business Days;
- (ii) default in the payment of Additional Amounts upon any Bond as and when the same becomes due and payable, and continuance of such default for five Business Days;
- (iii) failure by the Issuer to deliver the Common Shares as and when such Common Shares are required to be delivered following conversion of a Bond, and continuance of such default for five Trading Days;
- (iv) failure on the part of the Issuer duly to observe or perform any of the covenants or agreements provided in the Bonds or the Indenture (other than those referred to in clauses (i), (ii) or (iii) above) which failure cannot be remedied or, if such failure can be remedied, is not remedied within 30 days after the date on which written notice thereof requiring the Issuer to remedy the same shall have been given to the Issuer by the Trustee acting on the written instructions of the Holders of 25% or more in aggregate principal amount of the Bonds then outstanding;
- (v) there shall have been entered against the Issuer or any of its Principal Subsidiaries a final judgment, decree or order by a court of competent jurisdiction for the payment of money in excess of US\$35 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and 30 days shall have passed since the entry of the order without it being bonded, satisfied, discharged or stayed;
- (vi) (A) the Issuer or any of its Principal Subsidiaries shall fail to make any payment with respect to present or future Debt (other than the Bonds) in an aggregate principal amount in excess of US\$35 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) when and as the same shall become due and payable, if such failure shall continue for more than the period of grace, if any, originally applicable thereto or (B) the Issuer or any of its Principal Subsidiaries shall fail to perform or observe any covenant or agreement to be performed or observed by the Issuer or any of its Principal Subsidiaries contained in any agreement or instrument evidencing Debt (other than the Bonds) in an aggregate principal amount in excess of US\$35 million with respect to the Issuer or any of its Principal Subsidiaries (or its equivalent in any other currency or currencies) and such failure results in the acceleration of the maturity of any amount owing thereunder;
- (vii) a decree or order by a court having jurisdiction shall have been entered under any applicable bankruptcy, insolvency, reorganization or other similar law (A) adjudging the Issuer or any of its Principal Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Issuer or any of its Principal Subsidiaries or (B) appointing a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Principal Subsidiaries or of its property or (C) ordering the winding up or liquidation of the affairs of the Issuer or any of its Principal

Subsidiaries and in any such case such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

- (viii) the Issuer or any of its Principal Subsidiaries shall voluntarily commence proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the filing of a bankruptcy or insolvency proceeding against it, or shall file a petition or answer or consent seeking reorganization under any applicable bankruptcy, insolvency, reorganization or other similar law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or its property, or shall make an assignment for the benefit of creditors.

In an Event of Default, the Trustee at its sole discretion may, or at the request of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding shall (subject in each case to being indemnified and/or secured by Holders to its satisfaction), by notice in writing to the Issuer declare the sum of the outstanding principal of, and premium (including without limitation the Early Redemption Amount) and other amounts in respect of, the Bonds to be immediately due and payable. Upon such a declaration, such sum of the outstanding principal of and premium and other amounts in respect of the Bonds shall become immediately due and payable. If an Event of Default specified in (vii) or (viii) shall occur and be continuing, the sum of the outstanding principal of and premium and other amounts in respect of the Bonds shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Bondholder.

The Trustee shall, (a) 90 days after the occurrence of a Default or, as the case may be, an Event of Default or (b) if later than such period, within 30 days after receiving written notice of the occurrence of any Event of Default, mail to all Holders of the Bonds notice of all Defaults and Events of Default of which the Trustee shall have received written notice, unless such Defaults shall have been cured or waived and the Trustee shall have been so notified in writing before the giving of such notice.

The Holders of a majority in aggregate principal amount of the outstanding Bonds may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee; *provided* that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. The Trustee may refuse to perform any duty, exercise any right or power, extend or risk its own funds or otherwise incur any financial liability, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense. No Holder of a Bond will have the right to pursue any remedy with respect to the Indenture or the Bonds, unless:

- (i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default;
- (ii) the Holders of at least 25% in aggregate principal amount of the outstanding Bonds shall have made a written request to the Trustee to pursue such remedy;
- (iii) such Holder or Holders shall have offered to the Trustee security and/or indemnity against any loss, liability or expense satisfactory to it;
- (iv) the Trustee shall have failed to comply with the request within 60 days after receipt of such notice, request and offer of security and/or indemnity; and

- (v) the Holders of a majority in aggregate principal amount of the outstanding Bonds shall not have given the Trustee a direction inconsistent with such request within 60 days after receipt of such request.

The right of any Holder (i) to receive payment of the principal of the Bonds, Additional Amounts, the Holder's Put Price upon exercise of the Holder's Put Right, the Delisting Put Price upon exercise of the Delisting Put Right or the Change of Control Put Price upon exercise of the Change of Control Put Right, or to receive Common Shares on or after any Redemption Date, Purchase Date or Conversion Date, as the case may be, (ii) to convert its Bonds or (iii) to bring suit for the enforcement of any such right, shall not be materially impaired or materially adversely affected without such Holder's consent.

The Holders of a majority in aggregate principal amount of Bonds at the time outstanding may waive any existing Default and its consequences, except (i) any default in any payment on the Bonds, (ii) any default with respect to the Conversion Right of Holders of the Bonds or (iii) any default with respect to certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder of each Bond as described in "– Meeting of Bondholders; Modification and Waiver" below. When a Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right.

The Issuer will be required to furnish to the Trustee annually, and at any time at the request of the Trustee, a statement concerning the performance and observance of its obligations under the Bonds or the Indenture. In addition, the Issuer is required to file promptly with the Trustee written notice of the occurrence of any Default or Event of Default.

PRESCRIPTION

Claims in respect of payment of principal of or premium or other amounts on the Bonds will be prescribed unless made within a period of six years from the relevant date of payment in respect thereof.

MEETING OF BONDHOLDERS; MODIFICATION AND WAIVER

The Indenture contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the approval of certain amendments or modifications of the Bonds or the provisions of the Indenture upon either the written consent of the Holders of a majority in principal amount of the outstanding Bonds or the approval at a meeting of the Holders duly called by persons entitled to vote a majority in principal amount of the outstanding Bonds. The quorum at any such meeting shall be two or more persons entitled to vote a majority in principal amount of the outstanding Bonds.

Modifications and amendments of the Indenture or the Bonds may be made by the Issuer and the Trustee with the written consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Bonds; *provided* that no such modification or amendment may, without the consent of the Holders of 75% of the aggregate principal amount of outstanding Bonds:

- (i) change the Maturity Date of the principal of any Bond;
- (ii) reduce the principal of or premium or other amounts on any Bond or increase the then current Conversion Price (except as required by the antidilution provisions of the Indenture);

- (iii) change the place or currency of payment of principal of or premium or other amounts on any Bond or the method of calculating any such payment;
- (iv) impair the right to institute suit for the enforcement of any payment on or after the Maturity Date (or, in the case of a redemption, on or after the Redemption Date) of any Bond;
- (v) alter the obligations of the Issuer under “– Certain Covenants – Negative Pledge”, “– Certain Covenants – Consolidation, Amalgamation or Merger” or “– Additional Amounts” above;
- (vi) materially adversely affect the Conversion Right, the Holder’s Put Right, the Delisting Put Right or the Change of Control Put Right;
- (vii) change the Holder’s Put Date;
- (viii) modify the obligations of the Issuer to maintain an office or agency;
- (ix) reduce the above-stated percentage of outstanding Bonds the consent of whose Holders is necessary to modify or amend the Indenture;
- (x) reduce the percentage or aggregate principal amount of outstanding Bonds the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain Defaults;
- (xi) modify any of the percentage voting and quorum provisions described under “– Meeting of Bondholders; Modification and Waiver”; or
- (xii) release the Issuer from any obligation under the Indenture other than in accordance with the provisions of the Indenture, or amend or modify any provision relating to such release in a manner that materially adversely affects the rights of the Holders.

Neither the Issuer nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise to any Holder of any Bonds for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Bonds, unless such consideration is offered to be paid or agreed to be paid to all Holders of the Bonds that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Without the consent of any Holder of Bonds, the Issuer together with the Trustee may amend the Indenture to:

- (i) cure any ambiguity, defect, manifest errors or inconsistency in the Indenture or the Bonds;
- (ii) provide for the assumption of the Issuer’s obligations under the Bonds and the Indenture by the surviving Person in a Merger effected in accordance with the provisions of the Indenture described under “– Certain Covenants – Consolidation, Amalgamation or Merger” above;
- (iii) make any other change that does not materially adversely affect the rights of any Holder of Bonds;

- (iv) make any change necessary to comply with applicable Cayman Islands and ROC laws and regulations;
- (v) add to the covenants or obligations of the Issuer under the Indenture or decrease the Conversion Price at the discretion of the Issuer or surrender any right, power or option conferred by the Indenture on the Issuer ; or
- (vi) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable clearing system

In the event of a change in law in the Cayman Islands or the ROC, the Issuer will provide to the Trustee (a) an Officer's Certificate setting out the changes in applicable law in the affected jurisdiction, explaining how the change in law affects the Indenture and instructing the Trustee to enter into a supplemental trust deed, (b) an opinion of counsel from the affected jurisdiction explaining the change in law, and (c) an opinion of counsel under New York law confirming that the changes being made to the Indenture are in compliance with the provisions of the Indenture and that the Trustee is authorized to enter into a supplemental trust deed on the basis of the Officer's Certificate and opinions of counsel.

NOTICES

Whenever the Indenture provides for notice to be given to Holders, such notice will be validly given (except as otherwise expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder entitled thereto, at such Holder's address as it appears on the Bond register. Any such notice shall be deemed to have been given on the seventh day after being so mailed, and shall be irrevocable unless waived by the Holders receiving such notice. Notwithstanding the foregoing, so long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of Euroclear and Clearstream, notice to Holders may be given by delivery of the relevant notice to Euroclear and Clearstream or their successor clearing systems for communication by them to entitled accountholders in substitution for notification as required by the foregoing sentence. Notices and other communications may also be sent via facsimile or electronic means in accordance with the terms of the Indenture.

CONCERNING THE TRUSTEE AND THE AGENTS

The Indenture provides that, prior to the occurrence of an Event of Default, the Trustee will not be liable except for the performance of such duties as are specifically set forth in such Indenture. If an Event of Default has occurred and is continuing, the Trustee will be obligated to use the same degree of care and skill as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trustee or any of the Agents may become the owner or pledgee of the Bonds with the same rights it would have if it were not the Trustee or an Agent and may otherwise deal with the Issuer and receive, collect, hold and retain collections from the Issuer with the same rights it would have if it were not the Trustee or an Agent. The Trustee and entities associated with the Trustee shall be permitted to engage in business and other contractual relationships with the Issuer and its Affiliates and Subsidiaries and profit therefrom, without having to account for such profits. The Trustee shall have no liability merely by virtue of the existence of any such relationship other than by reason of its gross negligence or willful misconduct.

The Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by the Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security and/or indemnity satisfactory to

the Trustee against the costs, expenses and liabilities which may be incurred therein or thereby. Each Holder shall be solely responsible for making its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

DISCLOSURE OBLIGATIONS

The Indenture provides that the Issuer may have certain disclosure obligations and reporting obligations under ROC law if:

- (i) the person to be registered as a shareholder of the Company is a “related party” of the Company under Regulations Governing the Preparation of Financial Reports by Securities Issuers of the ROC and such person beneficially owns Common Shares converted from the Bonds; or
- (ii) the person to be registered as a shareholder owns Common Shares issued upon conversion of the Bonds and the Common Shares so issued on conversion exceed 10% of the total number of Common Shares expected to be issued upon conversion of the Bonds based on the conversion price at the time of issue of the Bonds.

Due to these obligations, if so instructed by the Issuer, the Conversion Agent may ask the converting Holders to disclose the name of the person to be registered as the shareholder and to provide proof of identity and genuineness of any signature and other documents before it will convert the Bonds. The conversion of Bonds may be delayed until the Conversion Agent receives the requested information and satisfactory evidence of the compliance with all laws and regulations by the Holders. The information the Holder is required to provide may include the name and nationality of the person to be registered as a shareholder of the Company and the total number of Common Shares such person is converting or has converted in the past.

GOVERNING LAW AND JURISDICTION

The Indenture and the Bonds are governed by, and shall be construed in accordance with, the laws of the State of New York. In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Bonds, the Company has in the Indenture irrevocably submitted to the jurisdiction of the New York State and United States Federal courts sitting in the Borough of Manhattan, the City of New York. The Company has appointed Cogency Global Inc., now at 122 East 42nd Street, 18th Floor, New York, NY 10168, as its agent for service of process.

Bondholders should note that exercise of a Conversion Right is subject not only to the provisions of the Indenture but also to the applicable Cayman Islands and ROC law.

THE GLOBAL BOND

GLOBAL BOND

The Global Bond will be deposited with, and registered in the nominee name of, a common depositary for Euroclear and Clearstream, and Euroclear and Clearstream will credit their respective accountholders with the respective amounts of individual interests represented by the Global Bond. Such accounts will initially be designated by or on behalf of the Initial Purchasers. Ownership of beneficial interests in the Global Bond will be limited to persons who have accounts with Euroclear or Clearstream or persons who hold interests through such accountholders. Ownership of beneficial interests in the Global Bond will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear and Clearstream (with respect to interests of their respective accountholders) and the records of such accountholders (with respect to interests of persons other than such accountholders).

Payments in respect of the Global Bond will be made to the common depositary or its nominee as the registered owner. Neither we nor the Trustee will have any responsibility or liability for the accuracy of any of the records relating to, or payments made on account of, ownership interests in the Global Bond or for any notice permitted or required to be given to holders of the Bonds or any consent given or actions taken by such registered holder of the Bonds. We expect that the common depositary, upon receipt of any payment in respect of the Global Bond, will immediately credit Euroclear and Clearstream with payments in amounts proportionate to their respective interests in the principal amount of the Global Bond as shown on its records.

Transfers between accountholders in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

The laws of certain jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Accordingly, the ability of beneficial owners to own, transfer or pledge beneficial interests in the Global Bond may be limited by such laws.

Conversion of the Bonds through participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Notwithstanding anything to the contrary herein and in the Indenture, in considering the interests of Holders of the Bonds while the Global Bond is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any certificate, report or any other information provided to it by the clearing systems or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Bond and may consider such interests as if such accountholders were the Holders of the Bonds represented by the Global Bond. The Trustee may call for any certificate or other document to be issued by the clearing systems as to the principal amount of Bonds evidenced by the Global Bond standing to the account of any accountholders. Any such certificate or other document issued by the clearing systems shall be conclusive and binding for all purposes. The Trustee shall not be liable to any Holder of the Bond, us or any other person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by the relevant clearing system and subsequently found to be forged or not authentic or not to be correct.

Euroclear and Clearstream each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and

settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Individual Definitive Bonds

If (1) at any time the common depository advises the Company in writing that it is at any time unwilling or unable to continue as a depository for the Global Bond and a successor depository is not appointed within 90 days, (2) either Euroclear or Clearstream or any alternative clearing system on behalf of which the Bonds evidenced by the Global Bond may be held is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, or (3) an event of default has occurred and is continuing with respect to the Bonds and the Trustee notifies the Company in writing that any of the Bonds have become immediately due and payable pursuant to the Indenture, and, in the case of (3) above, if the Holders so request, the Company shall issue individual certificated bonds in registered form in exchange for the Global Bond in any authorized denominations and in an aggregate principal amount equal to the principal amount of the Global Bond. Upon receipt of such notice from Euroclear, Clearstream or the Trustee, as the case may be, we will make arrangements for the exchange of interests in the Global Bond for individual definitive Bonds and cause them to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee or the Registrar for delivery to holders. Persons exchanging interests in the Global Bond for individual definitive Bonds will be required to provide to the Registrar, through the relevant clearing system, written instructions and other information required by us and the Registrar to complete, execute and deliver such individual definitive Bonds and individual definitive Bonds delivered in exchange for interests in the Global Bond or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

DESCRIPTION OF OUR SHARE CAPITAL

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our Amended and Restated Memorandum and Articles of Association, and the Companies Act. As of the date of this offering memorandum, our authorized share capital is NT\$16,000,000,000 divided into 1,600,000,000 ordinary shares of a par value of NT\$10 each. As of the date of this offering memorandum, there are 947,049,161 Shares issued and outstanding. All of the Shares issued and outstanding prior to the completion of the offering are and will be fully paid, and all of the Shares to be issued upon conversion of the Bonds in the offering will be issued as fully paid. The following are summaries of material provisions of our Amended and Restated Memorandum and Articles of Association, the Companies Act and the ROC securities-related regulations insofar as they relate to the material terms of the shares of the Company.

SHARES

General

Subject to the Companies Act, the Amended and Restated Memorandum and Articles of Association and any resolution of the shareholders to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, our board of directors shall have the power to issue any of our authorized but unissued shares on such terms and conditions as it may determine, subject to the provisions of the applicable ROC laws and the approvals of the FSC and the Central Bank of the Republic of China (Taiwan), and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of the shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as we may by resolution of the shareholders prescribe, provided that no Share shall be issued at a discount except in accordance with the Companies Act.

Dividends

The holders of the shares are entitled to such dividends as may be declared by our board of directors and approved by our shareholders by way of ordinary resolution, subject to the Companies Act and to the Amended and Restated Memorandum and Articles of Association. Please see “Dividends and Dividend Policy.”

Voting Rights

Subject to any rights, privileges or restrictions attached to any share, every shareholder who (being an individual) is present in person or by proxy or (in the case of a corporation or other non-natural person) by duly authorized corporate representative(s) or by proxy shall have one vote for every share of which he is the holder. An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the shares cast by such shareholders who, being entitled to do so, vote in person or by their proxies, or in the case of shareholders that are corporations or other non-natural person, by their duly authorized representatives, in a general meeting by computing the number of votes to which each shareholder is entitled, while a special resolution requires the affirmative vote of at least two-thirds of votes cast in a general meeting. A supermajority resolution requires the majority vote of the shareholders present at a general meeting attended by shareholders who represent two-thirds or more of the total issued shares of the Company or, if the total number of shares represented by the shareholders present at the general meeting is less than two-thirds of the total issued shares, but more than one-half of the total issued shares, by at least two-thirds or more of the votes cast by shareholders present

at such meeting. A special resolution will be required for matters such as a change of name or making amendments to our Amended and Restated Memorandum and Articles of Association and a supermajority resolution will be required for matters such as the removal of any director of our Company. Pursuant to our Amended and Restated Memorandum and Articles of Association, shares held by ourselves, our subsidiaries or entities in which we (together with our affiliates) own more than 50% of the issued shares shall not carry any voting rights nor be counted in the total number of issued shares at any given time. Also, a shareholder, who has a personal interest in any motion discussed at a general meeting, which interest may be in conflict with and impair those of the Company, shall abstain from voting such shareholder's shares in regard to such motion and such shares shall not be counted in determining the number of votes of the shareholders present at the said meeting. However, such shares may be counted in determining the number of shares of the shareholders present at such general meeting for the purposes of determining the quorum. Such shareholder shall also not vote on behalf of any other shareholder.

The Company shall provide the shareholders with a method for exercising their voting power by way of electronic transmission. The method for exercising such voting power shall be described in the general meeting notice to be given to the shareholders if the voting power may be exercised by way of a written ballot or electronic transmission.

Preemptive Rights

Pursuant to our Amended and Restated Memorandum and Articles of Association, where the Company increases its issued share capital by issuing new shares for cash consideration in the ROC, the Company shall allocate 10% of the total amount of the new shares to be issued, for offering in the ROC to the public ("Public Offering Portion") unless it is not necessary or appropriate, as determined by the FSC or TWSE for the Company to conduct the aforementioned public offering. However, if a percentage higher than the aforementioned 10% is resolved by the Members in a general meeting by ordinary resolution to be offered, the percentage determined by such resolution shall prevail and shares corresponding to such percentage shall be reserved as Public Offering Portion. The Company shall also reserve 10% to 15% of such new shares for subscription by the employees of the Company and its Subsidiaries.

The Shares not subscribed for by the employees and shareholders within the prescribed period for the exercise of their rights may be sold to the public or specified persons in such manner as is consistent with applicable public company rules. The preemptive rights provisions will not apply to offering of new shares in connection with meeting the Company's obligations under convertible bonds or corporate bonds vested with rights to acquire shares. These preemptive rights do not apply to this offering.

Transfer of Shares

Subject to the requirements of applicable laws of the Cayman Islands, transfers of uncertificated shares which are traded on the TWSE may be effected by any method of transferring or dealing in securities introduced by the TWSE or operated in accordance with the applicable public company rules as appropriate. In accordance with the applicable public company rules, we shall issue the shares in uncertificated/scripless form and the shares shall be traded on the TWSE during the period of listing.

Liquidation

On the winding up of our Company, assets available for distribution among the holders of shares will be distributed among the holders of the shares on a *pro rata* basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Purchase of Shares

Subject to the provisions of the Companies Act, our Amended and Restated Memorandum and Articles of Association and the laws of the ROC, we may purchase our own Shares on such terms and by such method as our board of directors may from time to time decide. Pursuant to our Amended and Restated Memorandum and Articles of Association, shares that we purchase shall be cancelled immediately or held as treasury shares at the discretion of our board of directors. No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our assets (including any distribution of assets to shareholders on a winding up of the Company) may be made to us in respect of a treasury share. We shall be entered in the register of members as the holder of the treasury shares provided that:

- (a) we shall not be treated as a shareholder for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void; and
- (b) a treasury share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time.

Under the ROC Securities and Exchange Act, we may, by resolution adopted by a majority of our board of directors at a meeting where more than two-thirds of the directors are present, repurchase the Shares on the TWSE or by a tender offer in accordance with the procedures prescribed by the FSC for the following purposes:

- (a) for delivery upon conversion of bonds with warrants, preferred shares with warrants, convertible bonds and convertible preferred shares or certificates of warrants issued by us into capital stock;
- (b) to transfer to our employees; or
- (c) if necessary, to maintain our credit and shareholders' equity, provided that the Shares so repurchased shall be cancelled thereafter.

The total Shares repurchased by us may not exceed 10% of its total issued and outstanding Shares. In addition, the total cost of the purchased Shares may not exceed the aggregate amount of our retained earnings, any premium from share issuance and the realized portion of our capital reserve. Shares repurchased in the first two instances mentioned above are to be transferred to the intended transferees within five years from the repurchase failing which they will be cancelled. In the third instance mentioned above, the Shares repurchased by us must be cancelled. The Shares repurchased by us may not be pledged or hypothecated. In addition, we may not exercise any of the shareholder's rights attached to these Shares. Our affiliates, as defined in Article 369-1 of the ROC Company Act, directors, managers and their respective spouses and minor children and nominees, are prohibited from selling the Shares until our repurchase period has lapsed.

Furthermore, pursuant to our Amended and Restated Memorandum and Articles of Association, the aggregate number of treasury shares resolved at all general meetings and transferred to our employees and the employees of our subsidiaries shall not exceed 5% of the total issued shares, and each employee may not subscribe for more than 0.5% of the total issued shares in aggregate.

VARIATIONS OF RIGHTS OF SHARES

If at any time, our share capital is divided into different classes of shares, the rights attaching to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Notwithstanding the foregoing, if any modification or alteration to the Amended and Restated Memorandum and Articles of Association is prejudicial to the preferential rights of any class of shares, such modification or alteration shall be adopted by a special resolution and shall also be adopted by a special resolution passed at a separate meeting of shareholders of that class of shares.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

GENERAL MEETINGS OF SHAREHOLDERS

General meetings other than annual general meetings shall be called extraordinary general meetings. Our board of directors may convene extraordinary general meetings (other than annual general meetings which shall hold within six months following the end of each fiscal year) whenever in its judgment such a meeting is necessary or is desirable and shall forthwith proceed to convene an extraordinary general meeting of the Company, upon a requisition of one or more shareholders of the Company holding in the aggregate at the date of deposit of the requisition not less than 3% of the total number of issued shares of the Company which as at that date have been held by such shareholder(s) for at least one year. The shareholder's requisition must state in writing the matters to be discussed at the general meeting and the reason therefor and must be signed by such shareholder(s) and deposited at the registered office and the Company's stock affairs agent located in the ROC, and may consist of several documents in like form each signed by such shareholder(s). If our board of directors does not within 15 days from the date of the deposit of the requisition dispatch the notice of such extraordinary general meeting, such shareholder(s) may convene the extraordinary general meeting, provided that if the extraordinary general meeting will be held outside the ROC, an application shall be submitted by such shareholders to the TWSE for its prior approval.

Any one or more shareholder(s) may summon an extraordinary general meeting, provided that such shareholder(s) shall hold more than 50% of the total issued shares of the Company for a continuous period of no less than three months. The number of the shares held by a shareholder and the period during which a shareholder holds such shares, shall be calculated and determined based on the register of members as of the first day of the period that the register of members shall be closed for transfers.

In addition, shareholder(s) holding 1% or more of our total issued shares immediately prior to the relevant book close period, during which the Company closed its register of members, may propose to us in writing or any electronic means designated by us one matter for discussion at an annual general meeting. We shall give a public notice in such manner as permitted by applicable laws and regulations at such time deemed appropriate by our board of directors specifying the place and a period of not less than 10 days for shareholders to submit proposals. Our board of directors shall include the proposal in the agenda of the annual general meeting unless (a) the proposing shareholder(s) holds less than 1% of our total issued shares, (b) the matter of such proposal may not be resolved by a general meeting or the proposal exceeds 300 Chinese words; (c) the proposing shareholder(s) has proposed more than one proposal; or (d) the proposal is submitted to us outside the period fixed and announced by us for accepting shareholder(s)' proposal(s). If the purpose of the proposal is to urge the Company to promote public interests or fulfil its social responsibilities, our board of directors may accept such proposal to be discussed in general meeting.

The following matters shall be stated in the notice of a general meeting, with a summary of the major content to be discussed, and shall not be proposed as an extemporary motion:

- (a) election or discharge of directors;
- (b) alteration of the Company's memorandum of association or its articles of association;
- (c) capital deduction;
- (d) application to terminate the public offering of the shares;
- (e) (i) dissolution, merger, share swap or spin-off, (ii) entering into, amending, or terminating any contracts regarding leasing of our business, or mandate of operations or joint operations, (iii) transfer of the whole or any essential part of our business or assets, and (iv) acquisition or assumption of the whole of the business or assets of another person, which has a material effect on our operations;
- (f) ratification of an action by director(s) who engage(s) in business for himself or on behalf of another person that is within the scope of our business;
- (g) distribution of the whole or part of our surplus profit in the form of new shares, capitalization of capital reserve and any other amount in accordance with our Amended and Restated Memorandum and Articles of Association or distributions of cash out of the general reserve accumulated in accordance with our Amended and Restated Memorandum and Articles of Association or capital reserve to our shareholders; and
- (h) private placement of any equity-related securities to be issued by us.

The major content of the above matters can be announced at the website designated by Taiwan securities authority or the Company, and the Company shall specify the link to the website in the notice of the relevant general meeting.

The following matter shall require the approval of the shareholders' meeting by a special resolution:

- (a) change the name of the Company;
- (b) alter or add to the Company's articles of association;
- (c) alter or add to the memorandum of association of the Company with respect to any objects, powers or other matters specified therein;
- (d) reduce share capital and any capital redemption reserve fund; or
- (e) private placement of the securities (excluding straight bonds) within the territory of the ROC.

The following actions shall require the approval of the shareholders' meeting by a supermajority resolution, provided that if the applicable public company rules permit us to only require the approval of the board of directors or of the shareholders by an ordinary resolution for the following actions, we are not required to obtain the approval of the shareholders by a supermajority resolution:

- (a) effecting any capitalization of distributable dividends and/or bonuses and/or any other amount standing to the credit of the capital reserve or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata to the shareholders;
- (b) effecting any merger (except for any merger which falls within the definition of “merger” and/or “consolidation” under the Companies Act, which requires the approval of the shareholders’ meeting by special resolution only), share swap or spin-off;
- (c) entering into, amend, or terminate any contracts regarding leasing of our business, or mandate of operations or joint operation;
- (d) the transferring of the whole or any essential part of our business or assets; or
- (e) acquiring or assuming the whole business or assets of another person, which has a material effect on our operation.

At least 30 days’ notice of an annual general meeting, and at least 15 days’ notice of an extraordinary general meeting shall be given to each shareholder entitled to attend and vote thereat stating the date, place and time at which the meeting is to be held and the general nature of the business to be considered at the meeting.

Save as otherwise provided by our Amended and Restated Memorandum and Articles of Association, shareholders present in person or by proxy or in the case of a corporate shareholder, by corporate representative, representing more than one-half of the total issued shares of the Company entitled to vote, shall constitute a quorum for any general meeting.

APPRAISAL RIGHTS

According to our Amended and Restated Memorandum and Articles of Association, subject to compliance with the Companies Act, in the event any of the following resolutions is passed at general meetings, any shareholder who has abstained from voting in respect of or voted against such matter and expressed his dissent therefor, in writing or verbally (with a record to that effect in the minutes of the meeting) before or during the meeting, may request us to purchase all of his shares at the then prevailing fair price:

- (a) we propose to enter into, amend, or terminate any contracts regarding leasing of our business, or mandate of operations or joint operations;
- (b) we transfer the whole or an essential part of our business or assets, provided that, the foregoing does not apply where such transfer is pursuant to our dissolution;
- (c) we acquire or assume the whole business or assets of another person, which has a material effect on our operation.
- (d) we propose to undertake a spin-off, merger or share swap; or
- (e) we generally assume the whole assets and liabilities of another person or generally assign our whole assets and liabilities to another person.

ELECTION AND REMOVAL OF DIRECTORS

Our board of directors consists of no less than five and no more than nine persons, including independent directors, each of whom shall be appointed for a term of office of not more than three years. We may from time to time increase or reduce the number of directors by special resolution subject to the above number limitation provided that the requirements by relevant laws and regulations (including but not limited to any listing requirements) are met.

Unless otherwise permitted under the laws of the ROC, there shall be at least three independent directors and, to the extent required by the applicable public company rules, at least two of them shall be domiciled in the ROC and at least one of them shall have accounting or financial expertise.

If the number of independent directors is less than three persons, or, the number of directors is less than five persons, we shall hold an election of independent directors or directors (as the case may be) at the next following general meeting. If all of the independent directors have resigned or are removed, or the number of vacancies on our board of directors equals to one third of the total number of directors elected, our board of directors shall hold, within 60 days from the date of resignation or removal of last independent director (in the case of resignation or removal of independent directors) or the occurrence of such vacancies, a general meeting of shareholders to elect succeeding independent directors or directors (as the case may be) to fill the vacancies.

The election of independent directors and non-independent directors shall be held together and the director(s) shall be elected by shareholders upon a poll vote by way of cumulative voting

The shareholders of the Company may from time to time by supermajority resolution remove any director from office. In case a director has, in the course of performing his duties, committed any act resulting in material damages to us or is in serious violation of applicable laws, regulations and/or the Amended and Restated Memorandum and Articles of Association, but has not been removed by a supermajority resolution in a general meeting, the shareholder(s) holding 3% or more of the total number of issued shares of the Company may, within 30 days after such general meeting, to the extent permissible under applicable laws and regulations, institute a lawsuit to remove such director. Prior to the expiration of the term of office of any current directors, the shareholders may at a general meeting re-elect all directors. If no resolution is passed to approve that the existing director(s) who is/are not re-elected at the general meeting shall remain in office until expiry of his/her original term of office, such non-re-elected directors shall vacate their office with effect from the date the other directors elected or re-elected at the same general meeting commence their office.

PROCEEDINGS OF BOARD OF DIRECTORS

Our Amended and Restated Memorandum and Articles of Association provide that, subject to the provisions of the Companies Act, the Amended and Restated Memorandum and Articles of Association, applicable public company rules and any resolutions made in a general meeting, our business is to be managed and conducted by our board of directors. The quorum necessary for a meeting of the board of directors shall be more than one-half of the total number of the directors. Any of the directors may appoint another director to represent him at any meeting of the board of directors if such director is unable to do so in person for any cause. If a director appoints a proxy then for all purposes the presence or vote of the proxy shall be deemed to be that of the appointing director. The appointed director may only act as the proxy of one director only.

Our Amended and Restated Memorandum and Articles of Association provide that the directors may amongst others exercise all powers of the Company to borrow money, to mortgage or charge or

otherwise grant a security interests in its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of our Company or of any third party.

INSPECTION OF BOOKS AND RECORDS

The board of directors shall keep at the office of our registered office and the Company's stock affairs agent located in the ROC, copies of our Amended and Restated Memorandum and Articles of Association, minutes of general meetings, financial statements, register of members and the counterfoil of corporate bonds issued by us. Any shareholders may request, by submitting document(s) evidencing his/her interests involved and indicating the scope of the inspection, access to inspect, review or make copies of the foregoing documents. If the relevant documents are kept by our stock affairs agent, upon the request of such shareholder, we shall order our stock affairs agent to provide such shareholder with the requested documents. Under ROC Securities and Exchange Act, shareholders, who have held 3% or more of our issued and outstanding shares for a year or longer, may also request the competent authority to examine a specific matter of us that such shareholders consider being materially adverse to our shareholders' interests or our related books and accounts by submitting their reasons, relevant evidence and the necessity of such examination.

If a general meeting is convened by the board of directors and any other person entitled to convene a general meeting in accordance with our Amended and Restated Memorandum and Articles of Association or any applicable law, the board of directors and such person may request us or our stock affairs agent to provide the register of members.

CHANGES IN CAPITAL

We may from time to time by ordinary resolution increase the authorized share capital of the Company by such amount as we think expedient.

Subject to the Companies Act and our Amended and Restated Memorandum and Articles of Association, we may by a shareholders' special resolution reduce our share capital and any capital redemption reserve fund.

Any such reduction of share capital shall be effected based on the percentage of shareholding of the shareholders *pro rata*, unless otherwise provided for in the Companies Act or the applicable public company rules. Furthermore, if our directors determine that in such capital reduction the dividends shall be paid wholly or partly to the shareholders by the distribution of specific assets, we shall obtain the prior consent of any shareholder who is to receive the distribution in specie and an assurance on the valuation of the assets for distribution and the corresponding amount of the distribution from an ROC certified public accountant.

ANNUAL FINANCIAL STATEMENTS

By the end of March each year, the Company's annual financial statements will be posted on the Market Observation Post System and made available to the shareholders. According to the regulations of the FSC, the Company is required to publish its annual and interim financial statements on a consolidated basis and annual financial statement on an individual basis.

SUBSTANTIAL SHAREHOLDERS AND TRANSFER RESTRICTIONS

Under the ROC Securities and Exchange Act, our directors, managers and shareholders (together

with their spouses, minor children and nominees) holding more than 10% of the shares are required to report to us, on a monthly basis, any changes in their shareholding in the Company. Unless under limited circumstances, the number of shares that they may sell or transfer on the TWSE on any trading day is limited by ROC laws. In addition, they may only sell or transfer such shares on the TWSE at least three days after they have filed a notification with the FSC in connection with such sale or transfer, provided that such notification is not required if the number of shares to be sold or transferred within one trading day does not exceed 10,000.

TAXATION

CAYMAN ISLANDS TAXATION

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties. The Cayman Islands is a party to a double tax treaty entered with the United Kingdom in 2010 but is otherwise not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (Revised) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

ROC TAXATION

*The following is a summary of current ROC tax laws that may be relevant to a holder of the Bonds or the Shares who is either a Non-ROC Resident Individual or Non-ROC Resident Entity, each a "Non-ROC Holder." The summary does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to purchase/own the Bonds and/or the Shares and is based on tax laws of the ROC in effect on the date of this offering memorandum, which are subject to change. **You should consult your own advisors concerning the tax consequences of an investment in the Bonds or the Shares.***

BONDS

Premium and Possible Interest Payment. *Payments of interest or premium (if any) on a Bond to a Non-ROC Holder are not subject to any ROC taxes.*

Sale. The sale of the Bonds is not subject to any ROC taxes.

Conversion. Gains on conversion of the Bonds into the Shares will not be subject to any ROC taxes. Nonetheless, in any event, we have agreed to pay additional amounts in respect with such tax on conversion, if any. See "Description of the Bonds." There is no ROC stamp, issue or registration tax imposed on the issuance of the Shares upon conversion of the Bonds.

SHARES

Dividends. Dividends, whether in cash or stock, declared by us out of retained earnings and distributed to a Non-ROC Holder in respect of the Shares are not subject to any ROC taxes.

Sale. Securities transaction tax is payable by the seller at the rate of 0.3% of the transaction price upon a sale of the Shares. The broker will withhold such 0.3% securities transaction tax from the sales proceeds and pay the securities transaction tax to the national treasury accordingly. Non-ROC Holders are exempt from income tax on capital gains realized from the sale of the Shares.

Subscription Rights

Distributions of statutory subscription rights for the Shares are not subject to any ROC taxes. Proceeds derived from sales of statutory subscription rights evidenced by securities are subject to securities transaction tax, currently at the rate of 0.3% of the gross amount received. Moreover, as described in “Taxation – Shares – Sale” above, Non-ROC Holders are exempt from ROC income tax on capital gains from such sale. Proceeds derived from sales of statutory subscription rights that are not evidenced by securities are not subject to any ROC taxes. Subject to compliance with ROC laws, the company has the sole discretion to determine whether statutory subscription rights shall be evidenced by the issuance of securities.

Estate Tax and Gift Tax

The Bonds and the Shares are not deemed as property located in the ROC; hence, the ROC estate tax and gift tax law does not apply to the Non-ROC Holders.

TRANSFER RESTRICTIONS

SUBSCRIPTION RIGHTS

Because of the following restrictions, we encourage you to consult a legal counsel prior to making any offer, resale, pledge or other transfer of the Bonds or the Shares issuable upon conversion of the Bonds.

The Bonds may not be offered or sold directly or indirectly in the ROC. The Bonds and the Shares issuable upon conversion of the Bonds have not been and will not be registered under the Securities Act and the Bonds may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Bond. Such interests in the Global Bond will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their respective direct and indirect participants. See “The Global Bond.”

Each owner of Bonds, by accepting delivery of the Bonds, will be deemed to have acknowledged and represented to and agreed as follows (terms used herein that are defined in Regulation S are used as defined therein):

- (1) the Bonds and the Shares issuable upon conversion of the Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
- (2) it is purchasing Bonds outside the United States in an offshore transaction meeting the requirements of Regulation S;
- (3) it agrees (or if it is a broker-dealer, its customer has confirmed to it that such customer agrees) that it (or such customer) will not offer, sell, pledge or otherwise transfer any Bonds or the Shares, except as permitted by the applicable legend set forth in paragraph (5) below.
- (4) it understands that the Bonds and any physical certificate evidencing the Bonds will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law, and that it will observe the restrictions contained therein:

THE BONDS (“BONDS”) EVIDENCED HEREBY AND THE COMMON SHARES OF ZHEN DING TECHNOLOGY HOLDING LIMITED 臻鼎科技控股股份有限公司 (“ZHEN DING”) ISSUABLE UPON CONVERSION OF THE BONDS HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (“SECURITIES ACT”) AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE SECURITIES LAWS. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE

FOREGOING RESTRICTIONS.

- (5) it understands that the Bonds will be represented initially by a Global Bond; and
- (6) we, the Trustee, the Transfer Agent, the Initial Purchasers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of Bonds that may wish to resell any Bonds pursuant to Regulation S is advised that an application will be made to the SGX-ST for the listing of the Bonds on the SGX-ST. The SGX-ST is a “designated offshore securities market” (within the meaning of Regulation S) and, accordingly, a resale transaction could be effected in, on or through the facilities of such exchange in reliance upon the safe harbor provided by Rule 904 of Regulation S, subject to compliance with the conditions of Rule 904.

PLAN OF DISTRIBUTION

Citigroup Global Markets Limited and UBS AG Hong Kong Branch (in alphabetical order) are the joint global coordinators, joint overall coordinators and joint bookrunners of this offering. Subject to the terms and conditions stated in the purchase agreement, dated as of January 17, 2024, entered into between our Company and the Initial Purchasers, each Initial Purchaser has agreed to purchase, and we have agreed to sell to that Initial Purchaser, the principal amount of Bonds set forth opposite the Initial Purchaser's name.

Initial Purchaser (in alphabetical order)	Principal Amount of Bonds
Citigroup Global Markets Limited.....	200,000,000
UBS AG Hong Kong Branch.....	200,000,000
Total	400,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Bonds included in this offering are subject to certain conditions, including receipt of certain legal opinions.

The Initial Purchasers have agreed to purchase the Bonds at the offering price set forth on the cover page of this offering memorandum. We have been advised that the Initial Purchasers propose to resell the Bonds at the offering price set forth on the cover page of this offering memorandum outside the United States in reliance on Regulation S.

The Bonds and the Shares have not been, and will not be, registered under the Securities Act and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

Accordingly, in connection with sales outside the United States, each Initial Purchaser has agreed that it will not offer or sell the Bonds within the United States, and it will have sent to each dealer to which it sells Bonds a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States.

In connection with this offering, the Initial Purchasers may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Bonds and/or the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. As a result of such transactions, the Initial Purchasers may hold long or short positions in such Bonds or derivatives or in the Shares. These transactions may comprise a substantial portion of the offering and no disclosure will be made of such positions. The Initial Purchasers may have purchased Bonds and been allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution.

Notice to Capital Market Intermediaries and Prospective Investors Pursuant to Paragraph 21 of the Code – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations that the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering of the Bonds and are subject to additional requirements under the Code.

Paragraph 21.3.3(c) of the Code requires that a CMI should take all reasonable steps to identify whether its investor clients may have any associations with the Issuer, a CMI or a company in the same group of companies as the CMI and provide sufficient information to the OC to enable it to assess whether orders placed by these investors may negatively impact the price discovery process.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Initial Purchaser accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering of the Bonds includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language (if applicable) set out elsewhere in this offering memorandum.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, the Initial Purchaser in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Private banks who disclose that they are placing their order other than on a “principal” basis (i.e. they are acting as an agent) should note that such order may be considered to be an omnibus order pursuant to the Code. Private banks should be aware that if any of their group companies is a CMI of this offering of the Bonds, placing an order on a “principal” basis may require the Initial Purchaser to apply the “proprietary orders” of the Code to such order and will require the Initial Purchaser to apply the “rebates” requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). To the extent information being disclosed by CMIs and investors is

personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for the offering of the Bonds. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the offering of the Bonds. The Initial Purchaser may be asked to demonstrate compliance with its obligations under the Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Initial Purchaser with such evidence within the timeline requested.

UNITED STATES

Each of the Initial Purchasers acknowledges that the Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Such Initial Purchaser further represents that neither it, nor any of its respective affiliates, nor any persons acting on its behalf has engaged or will engage in any “directed selling efforts” (as defined in Regulation S) with respect to the Bonds or the Shares. Such Initial Purchaser further acknowledges that the Bonds are being sold in reliance on Regulation S.

UNITED KINGDOM

Each of the Initial Purchasers: (i) has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering memorandum to any retail investor in the UK (and for the purposes of this paragraph (i), (a) the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds); (ii) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and (iii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Initial Purchasers has not (i) offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the

Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

SINGAPORE

Each of the Initial Purchasers acknowledges that this offering memorandum has not been registered as a prospectus with the MAS. Accordingly, each Initial Purchaser represents and agrees that this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

- (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; or
- (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

This offering memorandum has not been registered as a prospectus with the MAS. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds may not be circulated or distributed, nor may the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than:

- (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; or
- (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

PEOPLE’S REPUBLIC OF CHINA

Each of the Initial Purchasers has represented, warranted and agreed that the Bonds are not being

offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

EUROPEAN ECONOMIC AREA – PRIIPS

Each of the Initial Purchasers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering memorandum to any retail investor in the European Economic Area. For the purposes of this provision, (a) the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); and/or (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

REPUBLIC OF CHINA

Each of the Initial Purchasers has not offered or sold, and agrees not to offer or sell, any Bonds, directly or indirectly in the ROC, or to, or for the account or benefit of, any ROC person.

We have agreed with the Initial Purchasers that, for a period at the date and time of the purchase agreement, dated as of January 17, 2024, entered into between our Company and the Initial Purchasers and ending of 90 days following the Closing Date, we will not, without the Initial Purchasers' prior written consent, lend, offer, sell, contract to sell, grant any option to purchase, pledge or otherwise dispose of any other shares or any securities convertible into or exchangeable for the shares (other than the sale of the Bonds and the issuance of our Common Shares (i) upon conversion of the Bonds, (ii) to implement stock splits and employee stock option plans, or (iii) upon the conversion of the securities or the exercise of warranties outstanding at the execution time of the purchase agreement).

The Bonds will constitute new classes of securities with no established trading market. An application will be made to the SGX-ST for the listing of the Bonds on the SGX-ST. However, we cannot assure you that the prices at which the Bonds will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Bonds will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Bonds. However, they are not obligated to do so and any market-making activities with respect to the Bonds may be discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the U.S. Securities and Exchange Act. Accordingly, we cannot assure you as to the liquidity of, or trading market for, the Bonds.

This offering memorandum does not constitute an invitation to the public in the Cayman Islands to subscribe for the Bonds. The Bonds are not, and will not, be offered or sold, directly or indirectly, in the Cayman Islands.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make because of any of those liabilities.

Certain of the Initial Purchasers and their respective affiliates may from time to time engage in transactions with, and perform services for, us and our affiliates in the ordinary course of business, and have also engaged, or may in the future engage, in commercial banking and investment banking

transactions with us or our affiliates, for which they have received, and may in the future receive, customary compensation.

The Initial Purchasers or their affiliates may purchase the Bonds for their own account and enter into transactions, including (i) credit derivatives including asset swaps, repackaging and credit default swaps relating to the Bonds and/or our securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counter-parties and separately from any existing sale or resale of the Bonds to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Certain of the Initial Purchasers or their affiliates may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes and not with a view to distribution. No disclosure will be made of any such positions. These transactions may involve a substantial portion of the Bonds.

INDEPENDENT AUDITORS

The consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 and the comparative financial information in respect of previous years included in this Offering Memorandum have been audited, and the consolidated financial statements as of and for the nine-months ended September 30, 2023 and the comparative financial information in respect of previous period have been reviewed by PricewaterhouseCoopers, Taiwan, our independent auditors.

With respect to our unaudited interim financial statements as of and for the nine-month periods ended September 30, 2023 and the comparative financial information in respect of previous period, included in this offering memorandum, PricewaterhouseCoopers, Taiwan, our independent auditors, reported that they have applied review procedures in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China (“TWSRE 2410”) for a review of such information. However, their report dated November 6, 2023 with respect thereto included in this Offering Memorandum states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such financial statements should be restricted in light of the limited nature of the review procedures applied.

GENERAL INFORMATION

The Company was incorporated on June 5, 2006 under the Cayman Islands laws as an exempted company with limited liability. Our Shares have been listed on the TWSE since December 26, 2011 under the stock code “4958”. According to paragraph 3 of our Amended and Restated Memorandum and Articles of Association, the scope of our business is unrestricted. Our registered office is located at P.O. Box 31119, Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands. Our telephone number is +886 3-383-5678. The Company’s Legal Entity Identifier is 549300H7R4K33675UP38.

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain information about the Bonds is set forth below:

	ISIN number	Common Code number
Bonds.....	XS2742707644	274270764

An application will be made to the SGX-ST for the listing of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that a Global Bond is exchanged for definitive Bonds. In addition, in the event that the Global Bond is exchanged for the definitive Bonds, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Bonds, including details of the paying agent in Singapore.

We have obtained all necessary consents, approvals and authorizations in connection with the issue of the Bonds, which are, and will be on the Closing Date, in full force and effect. The offering and the issue of the Bonds were authorized and approved by our board of directors on December 18, 2023, by the CBC on December 27, 2023 and by the FSC on January 15, 2024.

Except as disclosed herein, there has been neither significant change in the financial or trading position since September 30, 2023 nor any material adverse change in the financial position or prospects since September 30, 2023.

Except as disclosed in this offering memorandum, neither we nor any of our subsidiaries is, or has been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) which may have, or have had during the preceding 12 months a significant effect on our financial position.

The Bonds provide the Trustee to take action on behalf of the holders of the Bonds in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Bonds and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of indemnity and/or security to it, and it will be for holders of the Bonds to take such actions directly.

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¹ The audited consolidated financial statements set out herein have been reproduced from our audited financial statements for the years ended December 31, 2020 and 2019 and page references are referred to pages set forth in the relevant annual report. The audited consolidated financial statements have not been specifically prepared for inclusion in this Offering Memorandum.

² The audited consolidated financial statements set out herein have been reproduced from our audited financial statements for the years ended December 31, 2021 and 2020 and page references are referred to pages set forth in the relevant annual report. The audited consolidated financial statements have not been specifically prepared for inclusion in this Offering Memorandum.

³ The audited consolidated financial statements set out herein have been reproduced from our audited financial statements for the years ended December 31, 2022 and 2021 and page references are referred to pages set forth in the relevant annual report. The audited consolidated financial statements have not been specifically prepared for inclusion in this Offering Memorandum.

⁴ The unaudited consolidated interim financial information set out herein has been reproduced from our unaudited consolidated interim financial statements for the nine-months period ended September 30, 2023 and 2022 and page references are referred to pages set forth in such interim report. The unaudited consolidated interim financial information has not been specifically prepared for inclusion in this Offering Memorandum.

**ZHEN DING TECHNOLOGY HOLDING AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Zhen Ding Technology Holding Limited

Opinion

We have audited the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries (the 'Group') as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers' and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and generally accepted auditing standards in the Republic of China; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Enforcement Letter No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020 and generally accepted auditing standards in the Republic of China for our audit of the consolidated financial statements as of and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our

other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements of the Group for the year ended December 31, 2020 were as follows:

Cutoff of hub warehouse sales revenue

Description

Refer to Note 4(28) for accounting policies on revenue recognition.

The Group recognises revenue when the goods are directly shipped from factories and when customers accept the goods (the transfer of control) if picked up from hub warehouses. For pick-ups from hub warehouses, the Group recognises sales revenue based on movements of inventory records contained in the statements or other information provided by the warehouse custodians. The hub warehouses are located around the world with numerous warehouse custodians, the frequency and contents of statements provided by custodians are different, and the process of revenue recognition may involve manual procedures. These factors may potentially result in inaccurate timing of sales revenue recognition.

As there are numerous daily sales transactions from hub warehouses and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, we consider the cutoff of hub warehouse sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Assessed and tested internal controls over regular record verification between the Group and customers.
- B. Assessed and checked the appropriateness of cutoff of sales revenue prior to or after the balance sheet date, and verified the statements provided by the hub warehouse custodians.
- C. Performed confirmation of the storage quantities or observed physical counts in warehouse, compared

against inventory records, and determined whether differences, if any, are properly adjusted.

Estimation of allowance for inventory valuation losses

Description

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventory. As of December 31, 2020, the Group's inventory cost and allowance for valuation losses were NT\$14,026,116 thousand and NT\$1,027,332 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of printed circuit board. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due to market value decline or obsolescence. The Group measures inventories at the lower of cost and net realisable value and recognises the allowance for inventory valuation losses based on the inventories over normal age and those individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories are numerous, and the estimation of net realisable value for individually obsolete or damaged inventories are subject to judgement, we consider the estimation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the estimation of allowance for inventory valuation losses:

- A. Assessed the reasonableness of accounting policy on allowance for inventory valuation losses and checked whether it has been consistently applied.
- B. Checked whether the logic in calculating inventory aging report was appropriate and confirmed whether inventory over normal age has been included in the aging report.
- C. Assessed the reasonableness of individually obsolete or damaged inventory identified by the Group against related supporting documents, reviewed scrap inventory before and after the balance sheet date, and verified the information obtained from physical count.
- D. For net realisable value of inventories over normal age and those individually identified as obsolete and damaged inventory, discussed with the Group, obtained supporting documents and reviewed calculation of inventory loss.

Impairment assessment of property, plant and equipment

Description

Refer to Notes 4(16) and 4(19) for accounting policies on property, plant and equipment, Note 5 for the uncertainty of accounting estimates and assumptions applied on the impairment assessment valuation of property, plant and equipment, and Note 6(8) for details of property, plant and equipment. As of December 31, 2020, the property, plant and equipment cost and accumulated depreciation and impairment were NT\$114,539,896 thousand and NT\$46,362,721 thousand, respectively.

Certain property, plant and equipment of the Group are used for the manufacture of printed circuit boards. As the market demand changes, the risk of asset impairment also increases. The impairment assessment involves several subjective judgements, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on asset utilisation and industrial characteristic.

As the assessment is subject to judgement, the accounting estimates may not be reasonable. Thus, we consider the impairment assessment of property, plant and equipment a key audit matter.

How our audit addressed the matter

We performed the following audit procedures and verified the recoverable amount calculation in regard to the Group's impairment assessment of property, plant and equipment at the balance sheet:

- A. Assessed whether the assets impairment assessment procedures and accounting policies are reasonable and have been applied consistently and reviewed the method used by the Group in determining the recoverable amount of individual assets.
- B. Obtained the information used by the Group in determining the recoverable amount, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets and ascertained whether it is reasonable.
- C. Compared the expected future sales revenue growth and profitability with historical data, the trend of economic and industrial forecasts and checked whether it has been consistent.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers' and the International Financial Reporting Standards, International Accounting

Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that

were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan
March 30, 2021

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 44,222,887	24	\$ 38,280,304	27
1136	Current financial assets at amortised cost	6(3) and 8	2,552,215	1	4,790,922	4
1170	Accounts receivable, net	6(4)	31,048,067	17	24,259,541	17
1180	Accounts receivable due from related parties, net	6(4) and 7	2,693,088	2	2,828,109	2
1200	Other receivables	6(5)	1,002,641	1	1,306,347	1
130X	Inventories	6(6)	12,998,784	7	8,516,862	6
1410	Prepayments	6(5)	4,780,208	3	3,060,037	2
1460	Non-current assets or disposal groups classified as held for sale, net	6(12)	-	-	161,211	-
1470	Other current assets	8	14,115	-	383	-
11XX	Total current assets		99,312,005	55	83,203,716	59
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	753,522	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	431,266	-	193,804	-
1600	Property, plant and equipment	6(8) and 8	68,177,175	38	46,242,613	33
1755	Right-of-use assets	6(9)	8,609,465	5	8,035,650	6
1780	Intangible assets	6(10)	2,165,029	1	360,370	-
1840	Deferred income tax assets	6(30)	1,285,039	1	1,408,038	1
1990	Other non-current assets	6(11)(18) and 8	386,986	-	437,144	1
15XX	Total non-current assets		81,808,482	45	56,677,619	41
1XXX	Total assets		\$ 181,120,487	100	\$ 139,881,335	100

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 12,838,545	7	\$ 9,682,812	7
2110	Short-term notes and bills payable	6(14)	949,666	-	-	-
2170	Accounts payable		22,863,017	13	13,838,755	10
2180	Accounts payable to related parties	7	986,556	1	579,010	1
2200	Other payables	6(15)	15,831,329	9	12,449,520	9
2230	Current income tax liabilities		777,204	-	1,848,643	1
2260	Liabilities related to non-current assets or disposal groups classified as held for sale	6(12)	-	-	480,371	-
2280	Current lease liabilities		132,310	-	88,495	-
2320	Long-term liabilities, current portion	6(17)	8,888,537	5	-	-
2399	Other current liabilities		156,634	-	65,273	-
21XX	Total current liabilities		63,423,798	35	39,032,879	28
Non-current liabilities						
2530	Bonds payable	6(16)	10,480,741	6	-	-
2540	Long-term borrowings	6(17)	39,986	-	8,980,884	6
2570	Deferred income tax liabilities	6(31)	2,022,315	1	972,792	1
2580	Non-current lease liabilities		523,511	-	150,912	-
2600	Other non-current liabilities		592,260	1	399,767	-
25XX	Total non-current liabilities		13,658,813	8	10,504,355	7
2XXX	Total liabilities		77,082,611	43	49,537,234	35
Equity						
Equity attributable to owners of parent						
	Share capital	6(20)				
3110	Ordinary share		9,470,492	5	9,022,299	7
	Capital surplus	6(21)				
3200	Capital surplus		35,671,212	19	29,534,781	21
	Retained earnings	6(22)				
3310	Legal reserve		5,219,158	3	4,350,638	3
3320	Special reserve		5,014,697	3	2,948,306	2
3350	Unappropriated retained earnings		27,429,476	15	26,318,375	19
	Other equity interest	6(23)				
3400	Other equity interest		(4,130,316)	(2)	(5,014,697)	(4)
3500	Treasury shares		(257,489)	-	-	-
31XX	Equity attributable to owners of parent		78,417,230	43	67,159,702	48
36XX	Non-controlling interest		25,620,646	14	23,184,399	17
3XXX	Total equity		104,037,876	57	90,344,101	65
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		\$ 181,120,487	100	\$ 139,881,335	100

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

Items	Notes	For the years ended December 31,			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(24), 7 and 14	\$ 131,278,537	100	\$ 120,067,508	100
5000 Operating costs	6(6) and 7	(104,694,389)	(80)	(92,845,499)	(77)
5950 Gross profit from operations		<u>26,584,148</u>	<u>20</u>	<u>27,222,009</u>	<u>23</u>
Operating expenses	6(25)				
6100 Selling expenses		(1,929,601)	(1)	(1,656,854)	(1)
6200 Administrative expenses		(4,945,998)	(4)	(4,603,636)	(4)
6300 Research and development expenses		(5,545,496)	(4)	(6,139,768)	(5)
6450 Expected credit losses in accordance with IFRS 9	12	(22,837)	-	(20,943)	-
6000 Total operating expenses		(12,443,932)	(9)	(12,421,201)	(10)
6900 Net operating income		<u>14,140,216</u>	<u>11</u>	<u>14,800,808</u>	<u>13</u>
Non-operating income and expenses					
7100 Interest income	6(27)	686,800	-	1,245,417	1
7010 Other income	6(28)	892,194	1	782,840	1
7020 Other gains and losses	6(29)	(1,461,852)	(1)	(1,190,959)	(1)
7050 Finance costs	6(30)	(463,368)	-	(687,198)	(1)
7000 Total non-operating income and expenses		(346,226)	-	150,100	-
7900 Profit before income tax		13,793,990	11	14,950,908	13
7950 Income tax expense	6(31)	(2,285,700)	(2)	(2,549,291)	(2)
8200 Profit		<u>\$ 11,508,290</u>	<u>9</u>	<u>\$ 12,401,617</u>	<u>11</u>

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

Items	Notes	For the years ended December 31,			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Gains on remeasurements of defined benefit plans	6(18)	\$ 14,371	-	\$ 609	-
8316 Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(7)(23)	80,705	-	11,474	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(10,727)	-	(122)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		84,349	-	11,961	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation of foreign financial statements	6(23)	1,109,752	1	(3,324,465)	(3)
8300 Other comprehensive income (loss)		\$ 1,194,101	1	(\$ 3,312,504)	(3)
8500 Total comprehensive income		\$ 12,702,391	10	\$ 9,089,113	8
Profit attributable to:					
8610 Owners of the parent		\$ 8,094,547	6	\$ 8,685,202	8
8620 Non-controlling interests		3,413,743	3	3,716,415	3
		\$ 11,508,290	9	\$ 12,401,617	11
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 8,990,427	7	\$ 6,619,298	6
8720 Non-controlling interests		3,711,964	3	2,469,815	2
		\$ 12,702,391	10	\$ 9,089,113	8
Basic earnings per share					
9750 Basic earnings per share	6(32)	\$ 8.90		\$ 9.93	
Diluted earnings per share					
9850 Diluted earnings per share	6(32)	\$ 8.64		\$ 9.92	

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Equity attributable to owners of the parent												
Notes	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Other equity interest		Treasury shares	Total	Non-controlling interest	Total equity	
						Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income					
For the year ended December 31, 2019												
Balance at January 1, 2019	\$ 8,047,484	\$ 22,000,657	\$ 3,505,859	\$ 1,717,913	\$ 23,731,600	(\$ 2,879,635)	(\$ 68,671)	\$ -	\$ 56,055,207	\$ 22,053,373	\$ 78,108,580	
Profit for the year	-	-	-	-	8,685,202	-	-	-	8,685,202	3,716,415	12,401,617	
Other comprehensive income (loss) for the year	6(23)	-	-	-	487	(2,081,075)	14,684	-	(2,065,904)	(1,246,600)	(3,312,504)	
Total comprehensive income		-	-	-	8,685,689	(2,081,075)	14,684	-	6,619,298	2,469,815	9,089,113	
Appropriations and distribution of retained earnings	6(22)											
General reserve		-	844,779	-	(844,779)	-	-	-	-	-	-	
Special reserve		-	-	1,230,393	(1,230,393)	-	-	-	-	-	-	
Cash dividends		-	-	-	(4,023,742)	-	-	-	(4,023,742)	-	(4,023,742)	
Conversion of convertible bonds	6(20)(21)	974,815	7,431,639	-	-	-	-	-	8,406,454	-	8,406,454	
Compensation cost of employee restricted stock	6(19)	-	102,485	-	-	-	-	-	102,485	38,251	140,736	
Changes in non-controlling interests-distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	(1,377,040)	(1,377,040)	
Balance at December 31, 2019	\$ 9,022,299	\$ 29,534,781	\$ 4,350,638	\$ 2,948,306	\$ 26,318,375	(\$ 4,960,710)	(\$ 53,987)	\$ -	\$ 67,159,702	\$ 23,184,399	\$ 90,344,101	
For the year ended December 31, 2020												
Balance at January 1, 2020	\$ 9,022,299	\$ 29,534,781	\$ 4,350,638	\$ 2,948,306	\$ 26,318,375	(\$ 4,960,710)	(\$ 53,987)	\$ -	\$ 67,159,702	\$ 23,184,399	\$ 90,344,101	
Profit for the year	-	-	-	-	8,094,547	-	-	-	8,094,547	3,413,743	11,508,290	
Other comprehensive income (loss) for the year	6(23)	-	-	-	11,499	823,765	60,616	-	895,880	298,221	1,194,101	
Total comprehensive income		-	-	-	8,106,046	823,765	60,616	-	8,990,427	3,711,964	12,702,391	
Appropriations and distribution of retained earnings	6(22)											
General reserve		-	868,520	-	(868,520)	-	-	-	-	-	-	
Special reserve		-	-	2,066,391	(2,066,391)	-	-	-	-	-	-	
Cash Dividends		-	-	-	(4,060,034)	-	-	-	(4,060,034)	-	(4,060,034)	
Recognition of equity component of convertible bonds issued	6(21)	-	996,753	-	-	-	-	-	996,753	-	996,753	
Compensation cost of employee restricted stock	6(19)	-	75,100	-	-	-	-	-	75,100	28,030	103,130	
Changes in non-controlling interests - acquisition of shares from subsidiaries		-	-	-	-	-	-	-	-	11,819	11,819	
Changes in non-controlling interests-distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	(1,315,566)	(1,315,566)	
Due to business combination		448,193	5,064,578	-	-	-	-	(257,489)	5,255,282	-	5,255,282	
Balance at December 31, 2020	\$ 9,470,492	\$ 35,671,212	\$ 5,219,158	\$ 5,014,697	\$ 27,429,476	(\$ 4,136,945)	\$ 6,629	(\$ 257,489)	\$ 78,417,230	\$ 25,620,646	\$ 104,037,876	

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	For the years ended December 31, 2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 13,793,990	\$ 14,950,908
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(25)	8,127,620	7,724,398
Amortisation expense	6(25)	277,397	230,630
Net gains on financial assets at fair value through profit or loss	6(2)	(67,484)	-
Impairment losses	6(8)	114,410	1,447,245
Expected credit losses	12	22,837	20,943
Losses on disposal of property, plant and equipment	6(29)	150,871	65,454
Gains on disposal of land right-of-use		- (9,031)	
Interest income	6(27)	(686,800)	(1,245,417)
Interest expense	6(30)	463,368	687,198
Share-based payment	6(19)	103,130	140,736
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		-	3,437
Notes receivable		31,507	23,387
Accounts receivable		(5,883,750)	(3,133,298)
Accounts receivable due from related parties		5,491	(235,921)
Other receivables		120,050	(237,551)
Inventories		(3,504,744)	1,233,198
Prepayments		(1,595,082)	308,515
Other current assets		(268)	264,726
Changes in operating liabilities			
Accounts payable		7,446,421	(2,268,393)
Accounts payable to related parties		385,819	(421,087)
Other payables		(177,360)	10,563
Other current liabilities		(8,001)	(55,038)
Cash inflow generated from operations		19,119,422	19,505,602
Income tax paid		(2,171,394)	(3,232,138)
Net cash flows from operating activities		16,948,028	16,273,464

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ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		For the years ended December 31,	
	Notes	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflows from business combination	6(33)	\$ 944,497	\$ -
Acquisition of financial assets at fair value through profit or loss		(666,775)	-
Decrease in financial assets at amortised cost		2,065,133	3,900,819
Acquisition of financial assets at fair value through other comprehensive income		(130,800)	(136,192)
Acquisition of property, plant and equipment	6(34)	(21,356,238)	(15,195,112)
Proceeds from disposal of property, plant and equipment		475,086	231,129
Acquisition of land right-of-use (within 'right-of-use assets')	6(34)	(288,300)	(1,015,560)
Proceeds from disposal of land right-of-use		-	42,664
Increase in restricted assets		(43,252)	-
Increase in other non-current assets		(294,665)	(359,597)
Increase in other non-current liabilities		242,374	182,392
Interest received		785,077	1,211,861
Net cash flows used in investing activities		(18,267,863)	(11,137,596)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		552,015	783,662
Decrease in guarantee deposits received		2,095	80,562
Repayments of long-term borrowings		(39,952)	-
Cash dividends paid	6(22)	(4,060,034)	(4,023,742)
Proceeds from issuing convertible bond		11,795,359	-
Repayments of convertible bonds	6(15)	-	(147,233)
Payments of lease liabilities		(122,525)	(93,137)
Interest paid		(375,655)	(638,742)
Change in non-controlling interest - distribution of retained earnings by subsidiaries		(1,315,566)	(1,377,040)
Change in non-controlling interests - acquisition of shares from subsidiaries		11,819	-
Net cash flows from (used in) financing activities		6,447,556	(5,415,670)
Effect of exchange rate changes on cash and cash equivalents		703,186	(1,981,191)
Net increase (decrease) in cash and cash equivalents		5,830,907	(2,260,993)
Cash and cash equivalents at beginning of year		38,391,980	40,652,973
Cash and cash equivalents at end of year		\$ 44,222,887	\$ 38,391,980
Components of cash and cash equivalents			
Cash and cash equivalents reported in the balance sheet		\$ 44,222,887	\$ 38,280,304
Cash and cash equivalents classified non-current assets or disposal group as held for sale		-	111,676
Cash and cash equivalents at end of year		\$ 44,222,887	\$ 38,391,980

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Zhen Ding Technology Holding Limited (the ‘Company’, formerly named as Foxconn Advanced Technology Limited) was incorporated in the Cayman Islands in June 2006. According to the resolution of the Board of Directors in May 2011, the Company was renamed to Zhen Ding Technology Holding Limited and related registration was completed in July 2011. The registration address is P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company and its subsidiaries (collectively referred herein as the ‘Group’) are engaged in manufacturing and selling printed circuit board (the ‘PCB’). The Company has been listed on the Taiwan Stock Exchange since December 26, 2011.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 30, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission (the ‘FSC’) (collectively referred herein as the ‘IFRSs’)

New, revised or amended standards and interpretations endorsed by the FSC effective from 2020 are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 7, IFRS 9 and IAS 39, ‘Interest rate benchmark reform’	January 1, 2020
Amendments to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Earlier application from January 1, 2020 is permitted)
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020

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

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

New, revised or amended standards and interpretations endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from IFRS 9'	January 1, 2021
Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 'Interest rate benchmark reform-phase 2'	January 1, 2021

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

(3) IFRSs issued by International Accounting Standard Board (the 'IASB') but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment-proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts-cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRSs 2018–2020	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as stated otherwise, the principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the periods presented.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers', International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) The profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, and total comprehensive income shall also be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). It shall be recognised directly in equity and difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	
The Company	Zhen Ding Technology Singapore Private Limited (Singapore)	Holding company	100	-	(j)
The Company	Boardtek Electronics Corporation	Manufacturing company	100	-	(k)
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Fair International Limited (Hongkong)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Henley International Limited (Hongkong)	Trading company	100	100	
Monterey Park Finance Limited (B.V.I.)	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	
Monterey Park Finance Limited (B.V.I.)	Huaian Jia Wei Industrial Development Co., Ltd	Trading company	100	100	(a)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Manufacturing company	100	-	(h)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hongkong)	Manufacturing company	100	100	
Mayco Industrial Limited (Hongkong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.38	66.38	
Pacific Fair International Limited (Hongkong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	6.44	6.44	
Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacturing company	-	100	(g)
Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Yun Ding Technology (Shenzhen) Co., Ltd.	Trading company	-	100	(i)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Avary Holding (Shenzhen) Co., Ltd.	Kui Sheng Technology (Shenzhen) Co., Ltd.	Trading company	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Avary Holding Investment (Shenzhen) Co., Ltd.	Investment company	100	-	(e)
Avary Holding (Shenzhen) Co., Ltd.	Garuda International Limited (Hongkong)	Trading company	100	100	
Avary Holding (Shenzhen) Co., Ltd.	Avary Singapore Private Limited (Singapore)	Holding company	100	100	(b)
Fu Bo Industry (Shenzhen) Co., Ltd.	Zhan Yang Automation (Dongguan) Co., Ltd.	Trading company	60	-	(f)
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	
Garuda International Limited (Hongkong)	Avary Japan Co., Ltd.	Trading company	100	100	(d)
Avary Singapore Private Limited (Singapore)	Avary Technology (India) Private Limited	Manufacturing company	100	100	(c)
Boardtek Electronics Corporation	Boardtek Investment Co., Ltd.	Investment company	100	100	(k)

(a) On January 8, 2019, the Group invested in Huaian Jia Wei Industrial Development Co., Ltd., which has been included in the consolidation. It is mainly engaged in related building business.

(b) On March 18, 2019, the Group invested in Avary Singapore Private Limited, located in Singapore, which has been included in the consolidation. It is mainly engaged in investment holdings.

(c) On June 17, 2019, the Group invested in Avary Technology (India) Private Limited, located in India, which has been included in the consolidation. It is mainly engaged in manufacturing

and processing of PCB.

- (d) On July 30, 2019, the Group invested in Avary Japan Co., Ltd., located in Japan, which has been included in the consolidation. It is mainly engaged in trading.
 - (e) On January 19, 2020, the Group invested in Avary Holding Investment (Shenzhen) Co., Ltd., located in Shenzhen, which has been included in the consolidation. It is mainly engaged in equity investment.
 - (f) On February 3, 2020, the Group invested in Zhan Yang Automation (Dongguan) Co., Ltd., located in Dongguan, which has been included in the consolidation. It is mainly engaged in manufacturing of automation equipment.
 - (g) For the year ended December 31, 2019, the Group has restructured the investment structure, and disposed all its equity interest in Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd. The alteration registration was completed on March 12, 2020.
 - (h) On September 4, 2020, the Group invested in Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. located in Shenzhen, which has been included in the consolidation. It is mainly engaged in manufacturing of electronic products.
 - (i) For the year ended December 31, 2020, the Group has restructured the investment structure, and Yun Ding Technology (Shenzhen) Co., Ltd. has completed the winding-up process in the third quarter of 2020.
 - (j) On September 30, 2020, the Group invested in Zhen Ding Technology Singapore Private Limited located in Singapore, which has been included in the consolidation. It is mainly engaged in equity investment.
 - (k) On November 4, 2020, the Group acquired Boardtek Electronics Corporation and its subsidiaries through share exchange located in Taiwan, which has been included in the consolidation. It is mainly engaged in manufacturing and processing of PCB.
- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group:
- As of December 31, 2020 and 2019, the non-controlling interests of the Group amounted to \$25,620,646 and \$23,184,399, respectively. The information on non-controlling interests and their subsidiaries is as follows:

Name of the subsidiary	place of business	Non-controlling interest December 31, 2020		Description
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	\$ 25,614,981	27.18%	

Name of the subsidiary	Principal place of business	Non-controlling interest December 31, 2019		Description
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	\$ 23,184,399	27.18%	

Summary of the financial information of the subsidiary

Consolidated balance sheets of Avary Holding (Shenzhen) Co., Limited

	December 31, 2020	December 31, 2019
Current assets	\$ 73,276,585	\$ 70,593,495
Non-current assets	72,145,142	54,104,439
Current liabilities	(48,679,896)	(38,383,281)
Non-current liabilities	(2,492,413)	(1,013,604)
Total net assets	\$ 94,249,418	\$ 85,301,049

Consolidated statements of comprehensive income of Avary Holding (Shenzhen) Co., Limited

	For the years ended December 31,	
	2020	2019
Revenue	\$ 127,804,513	\$ 118,580,966
Profit before income tax	14,520,066	15,872,383
Income tax expense	(1,942,802)	(2,198,788)
Profit	12,577,264	13,673,595
Other comprehensive (loss) income, net of tax	(386,276)	29,754
Total comprehensive income	\$ 12,190,988	\$ 13,703,349
Comprehensive income attributable to non-controlling interest	\$ 3,711,964	\$ 2,469,815

Consolidated statements of cash flow of Avary Holding (Shenzhen) Co., Limited

	For the years ended December 31,	
	2020	2019
Net cash from operating activities	\$ 18,212,835	\$ 13,930,127
Net cash used in investing activities	(18,196,476)	(15,177,744)
Net cash used in financing activities	(4,311,369)	(4,238,748)
Effect of exchange rate changes on cash and cash equivalents	(137,666)	(260,413)
Net decrease in cash and cash equivalents	(4,432,676)	(5,746,778)
Cash and cash equivalents at beginning of year	29,230,247	34,977,025
Cash and cash equivalents at end of year	<u>\$ 24,797,571</u>	<u>\$ 29,230,247</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's functional currency is USD; however, the consolidated financial statements are presented in NTD because of regulatory requirements.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

When presenting the Group's functional currency denominated financial statements in NT dollars, the average exchange rates were NT \$29.55 (in dollars) to US \$1 (in dollar) and NT \$30.91 (in dollars) to US \$1 (in dollar) for the years ended December 31, 2020 and 2019, respectively; the closing rates were NT \$28.48 (in dollars) to US \$1 (in dollar) and NT \$29.98 (in dollars) to US \$1 (in dollar) as of December 31, 2020 and 2019, respectively.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date; or
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date; or
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets/liabilities at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets measured at

amortised cost or fair value through other comprehensive income are designated as the financial assets at fair value through profit or loss at initial recognition by the Group if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.
- D. The Group recognises the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

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

- A. The Group may make irrevocable election at initial recognition to recognise the changes in fair value in other comprehensive income for the investments in equity instruments that is not held for trading or the investments in debt instruments meet both of the following conditions:
 - (a) The financial assets held within a business model whose objective is both collecting contractual cash flows and selling financial assets and
 - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity instruments are recognised in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. Dividends are recognised in profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.
 - (b) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss, the changes in fair value of debt instruments are recognised in other comprehensive income before derecognition. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet both of the following conditions:
 - (a) The financial assets held within a business model whose objective is in order to collect

contractual cash flows, and

- (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets containing a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each balance sheet date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information (including forecasts). On the other hand, the Group recognises the impairment provision for lifetime ECLs for accounts receivable or contract assets containing a significant financing component.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials,

direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Non-current assets (or disposal groups)

The non-current assets (or disposal group) classified as held for sale shall be measured at the lower of their carrying amount and fair value less costs to sell if the sale will be highly probable and their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 53 years
Machinery and equipment	2 ~ 11 years
Leasehold improvements	5 years
Other equipment	2 ~ 15 years

(17) Leases (lessee)

- A. The lease assets are recognised within the right-of-use asset and lease liability at the date available for use by the Group. Lease payments are recognised as an expense on a straight-line basis over the lease term for either short-term leases or leases for which the underlying asset is of low value.

- B. At the commencement date, the right-of-use asset measured at cost shall comprise the amount of the initial measurement of lease liability and any initial direct costs incurred. The right-of-use asset subsequently measured at cost model and shall be depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- C. The lease liability is at the present value of the lease payments that are not paid and shall be discounted using the Group's incremental borrowing rate at commencement date. The lease payments include fixed payments less any lease incentives receivable. The lease liability is subsequently measured using an effective interest method on an amortised cost basis and the interest expense is allocated over the lease term. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset if there are changes in the lease term or to the lease payments not arising from contract modifications.

(18) Intangible assets

A. Patents and technological expertise

Separately acquired patents and technological expertise are recognised at cost. Patents and technological expertise acquired in a business combination are recognised at fair value at the acquisition date. Patents and technological expertise with a finite useful life are amortised on the straight-line method over their estimated useful life of 5 years.

B. Computer software

Computer software shall be measured initially at cost and amortised on the straight-line method over its estimated useful life of 3 to 5 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated based on the operating segment to each of the cash-generating units, or groups of cash-generating

units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.
- C. Extension option is not closed related to the host debt instruments, unless the rates are also adjusted close to current market rates when extending.

(21) Accounts payable

- A. Accounts payable are the liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled, or expired.

(23) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group are embedded with conversion options (that is, the bondholders have the right to convert the bonds into the Group's ordinary share by exchanging a fixed amount of cash for a fixed number of ordinary share), call options and put options. In accordance with the terms and conditions of the indenture, the Group classifies the convertible corporate bonds and the embedded derivative instruments on initial recognition as a financial asset, a financial liability or an equity instrument (the 'capital surplus-share options'). Convertible corporate bonds are accounted for as follows:

- A. The exercise price of call options and put options embedded in the convertible corporate bonds is approximately equal to the amortised cost of the host debt instrument on each exercise date; therefore, call options and put options are closely related to the host debt contract.
- B. Call options, put options, and host debt of the convertible corporate bonds are initially recognised at fair value. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond outstanding using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet

the definition of an equity instrument, are initially recognised in the 'capital surplus-share options' at the residual amount of total issue price less amounts of the 'bonds payable' as stated above. Conversion options are not subsequently remeasured.

- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component shall be remeasured on the conversion date. The carrying amount of ordinary share issued due to the conversion shall be based on the remeasured carrying amount of the abovementioned liability component plus the carrying amount of the 'capital surplus-share options'.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognised as expenses when the employees have rendered service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions shall be recognised as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognised that excess as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is accrued from the present value of future benefits that employees have earned in return for their services in the current or prior periods. The Group recognised the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' remuneration (bonus) is distributed by shares, the Group calculates the number of shares based on the fair value per share (closing price) at the previous day of the Board of Directors' resolution.

(25) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the quantity of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost is recognised based on the number of equity instruments that eventually vest.
- B. Employee restricted stocks:
 - (a) Employee restricted stocks measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) Those restricted stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) Employees have to pay to acquire those restricted stocks. If employees resign during the vesting period, the Group must refund their payments in exchange for the restricted stocks return by the employees. The Group recognises the payments to the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments for the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Different tax regulations are applicable to the Group according to the countries where the companies are registered:
 - (a) Companies that are registered in Cayman Islands and British Virgin Islands are exempted from income tax in accordance with local regulations.
 - (b) For the companies that are registered in the Republic of China, in addition to income tax that

is estimated in accordance with the tax laws, an additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings. When calculating income tax, in addition to applying the tax laws to calculate regular tax, the basic tax is calculated under the 'Income Basic Tax Act.' If regular tax is lower than basic tax, the difference between them shall be added to income tax payable. The aforementioned difference shall not be offset with investment tax credits under other laws and regulations.

- (c) Income taxes of companies that are registered in Mainland China are calculated in accordance with 'Law of the People's Republic of China on Enterprise Income Tax' and its implementation and related notification letters.
 - (d) Income taxes of companies that are registered in the Government of the Hong Kong Special Administrative Region of the People's Republic of China are calculated based on the revenue earned in Hong Kong and in accordance with 'Hong Kong Inland Revenue Ordinance'.
 - (e) Income taxes of companies that are registered in the Singapore, India and Japan are calculated in accordance with the local regulations for the current year.
- C. Deferred income tax shall be recognised, using the balance sheet method, on temporary differences arising between the carrying amount of an asset or liability in the consolidated balance sheet and its tax base, except that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which affects neither accounting profit nor taxable profit (tax loss) at the time of the transaction. All taxable temporary differences associated with investments in subsidiaries shall not be recognised if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax shall be measured based on the tax rates (and tax laws) that are expected to apply to the period when the asset is realised or the liability is settled and that have been enacted or substantively enacted by the date of balance sheet.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current tax assets and current tax liabilities shall be offset if, and only if, the entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities shall be offset if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities, but also if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells PCB and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. Sales of PCB and related products are recognised as the amount of contract price, net of the estimated discounts credits and price concessions.
- (b) Accounts receivable are recognised when the goods are delivered as this is the point in time that the Group's right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

B. Financial component

The contract between the Group and the customer, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(29) Government grants

Government grants shall not recognised at fair value until there is reasonable assurance that the entity will comply with the conditions attaching to them, and that the grants will be received. Government grants shall be recognised in profit on a systematic basis over the periods in which the entity recognises as the related expenses for which the grants are intended to compensate. Government grants related to property, plant and equipment shall be recognised within non-current liabilities that are recognised in profit on the straight-line method over the estimated useful life of related assets.

(30) Business combinations

- A. The Group accounts for a business combination by applying the acquisition method, unless it is a combination involving entities or businesses under common control or the acquiree is a subsidiary of an investment entity, as defined in IFRS 10, 'Consolidated financial statements', which is required to be measured at fair value through profit or loss. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of

any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

- B. If the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree is higher than the fair value of the identifiable assets and obligations acquired, the difference is recorded as goodwill; if the fair value of the identifiable assets and obligations acquired is higher than the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree, the difference is recognised directly in profit or loss as 'gain recognised in bargain purchase transaction'.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker, who is responsible for allocating resources to operating segments and evaluating their performance.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the related information is addressed below:

Critical accounting estimates and assumptions

Accounting estimates are based on the situation on the balance sheet date to estimate future events, though there could be differences between the actual events and estimation. Estimates and assumptions on the risk of possible critical adjustments to the carrying amount of assets and liabilities for the next fiscal year are as follows:

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption,

obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was \$12,998,784.

B. Impairment assessment of tangible assets

The Group assesses impairment based on several subjective judgements, such as the determination of the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on asset utilisation and industrial characteristics. Any changes of economic circumstances or estimates due to the change of the Group strategy might cause material impairment on assets in the future.

As of December 31, 2020, the carrying amount of property, plant and equipment was \$68,177,175, net of accumulated impairment loss.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and petty cash	\$ 189	\$ 3,285
Checking accounts and demand deposits	25,316,229	26,733,935
Cash equivalents		
Time deposits	<u>18,906,469</u>	<u>11,654,760</u>
	44,222,887	38,391,980
Classification of non-current assets as held for sale	<u>-</u>	<u>(111,676)</u>
Cash and cash equivalents presented in the balance sheet	<u>\$ 44,222,887</u>	<u>\$ 38,280,304</u>

A. As of December 31, 2020 and 2019, the Group's time deposits over three months which are recognised within 'current financial assets at amortised cost' are referred to Note 6(3).

B. The Group has no cash and cash equivalents pledged to others except for restricted demand deposits amounting to \$950 which are recognised within 'other current assets'. Please refer to Note 8 for details.

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Private fund	\$ 616,580	\$ -
Unlisted partnership share	<u>117,679</u>	<u>-</u>
	734,259	-
Net exchange differences	<u>19,263</u>	<u>-</u>
	<u>\$ 753,522</u>	<u>\$ -</u>

- A. The Group recognised net gain of \$67,484 and \$9,697 within ‘financial assets at fair value through profit or loss held for trading’ for the years ended December 31, 2020 and 2019, respectively.
- B. As of December 31, 2020 and 2019, the Group has no unsettled forward foreign exchange transactions.
- C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at amortised cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Guaranteed income financial products	\$ 1,840,110	\$ 3,835,070
Time deposits with maturity of over three months	<u>712,105</u>	<u>955,852</u>
	<u>\$ 2,552,215</u>	<u>\$ 4,790,922</u>

- A. Please refer to Note 6(27) for interest income arising from financial assets at amortised cost recognised in profit or loss for the years ended December 31, 2020 and 2019.
- B. The Group has no financial assets at amortised cost pledged to others as tariff guarantee and government subsidy collateral, except for time deposits with maturity of over three months amounting to \$12,537 which are recognised within ‘other current assets’ and time deposits with maturity of over one year amounting to \$29,227 which are recognised within ‘other non-current assets’. Please refer to Note 8 for details.
- C. Please refer to Note 12(2) for the information on credit risk.

(4) Notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes receivable	\$ 25,474	\$ 51,209
Accounts receivable	<u>31,123,795</u>	<u>24,284,254</u>
	31,149,269	24,335,463
Less: Allowance for bad debts	(<u>101,202</u>)	(<u>75,922</u>)
	<u>\$ 31,048,067</u>	<u>\$ 24,259,541</u>
Accounts receivable due from related parties	\$ 2,699,345	\$ 2,833,199
Less: Allowance for bad debts	(<u>6,257</u>)	(<u>5,090</u>)
	<u>\$ 2,693,088</u>	<u>\$ 2,828,109</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not past due	\$ 33,496,860	\$ 27,080,296
Between 1 and 90 days	320,265	84,908
Between 91 and 180 days	25,295	1,647
Over 180 days	6,194	1,811
	<u>\$ 33,848,614</u>	<u>\$ 27,168,662</u>

B. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. In addition, as of January 1, 2019, the balance of receivables arising from contracts with customers amounted to \$24,338,283.

C. The Group does not hold any collateral as security.

D. Please refer to Note 12(2) for the information on credit risk.

(5) Other receivables and prepayments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Other receivables</u>		
Business tax refundable	\$ 757,497	\$ 828,943
Interest income receivable	174,900	232,957
Guarantee deposits receivable	-	206,899
Others	70,244	37,548
	<u>\$ 1,002,641</u>	<u>\$ 1,306,347</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Prepayments</u>		
Prepaid expenses	\$ 2,393,190	\$ 1,015,944
Excess business tax paid	2,387,018	2,029,571
Others	-	14,522
	<u>\$ 4,780,208</u>	<u>\$ 3,060,037</u>

The Group's Mainland China subsidiaries are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on business tax ('VAT') exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organizations, so the possibility of default is remote. The subsidiaries recognise related refunds and deductibles within 'other receivables' and 'prepayments', respectively.

(6) Inventories

December 31, 2020			
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 3,718,726	(\$ 328,129)	\$ 3,390,597
Work in process	4,941,192	(315,174)	4,626,018
Finished goods	5,366,198	(384,029)	4,982,169
	<u>\$ 14,026,116</u>	<u>(\$ 1,027,332)</u>	<u>\$ 12,998,784</u>
December 31, 2019			
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 2,933,830	(\$ 224,729)	\$ 2,709,101
Work in process	2,306,804	(92,292)	2,214,512
Finished goods	3,985,692	(392,443)	3,593,249
	<u>\$ 9,226,326</u>	<u>(\$ 709,464)</u>	<u>\$ 8,516,862</u>

Expenses and losses incurred on inventories for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31,	
	2020	2019
Cost of goods sold	\$ 105,922,748	\$ 93,384,113
Impairment losses	111,342	338,936
(Reversal of) losses on valuation of inventory	(122,989)	111,061
Income from sale of scraps and wastes	(1,216,712)	(988,611)
	<u>\$ 104,694,389</u>	<u>\$ 92,845,499</u>

The Group reversed losses from a previous inventory write-down and recognised gains on reversal for the year ended December 31, 2020 as the Group sold some inventories, which the net realisable values were lower than the costs

(7) Non-current financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Equity instruments		
Unlisted stocks	\$ 409,954	\$ 257,184
Valuation adjustment	23,508	(57,197)
Net exchange differences	(2,196)	(6,183)
	<u>\$ 431,266</u>	<u>\$ 193,804</u>

A. The Group has elected to classify the unlisted stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2020	2019
Equity instruments	\$ <u>80,705</u>	\$ <u>11,474</u>

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

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2020</u>						
Cost	\$ 51,068	\$ 20,861,687	\$ 42,233,797	\$ 14,794,602	\$ 5,434,963	\$ 83,376,117
Accumulated depreciation and impairment	-	(7,442,487)	(21,991,287)	(7,608,695)	(91,035)	(37,133,504)
	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</u>
<u>2020</u>						
Opening net carrying amount	\$ 51,068	\$ 13,419,200	\$ 20,242,510	\$ 7,185,907	\$ 5,343,928	\$ 46,242,613
Acquisitions through business combinations	2,330,739	1,019,171	1,834,065	82,763	-	5,266,738
Additions (transfers)	41,956	4,988,524	9,513,015	6,549,847	3,023,028	24,116,370
Disposals	-	-	(451,817)	(174,140)	-	(625,957)
Depreciation expense	-	(1,406,917)	(4,145,867)	(2,195,408)	-	(7,748,192)
Impairment losses	-	-	(114,410)	-	-	(114,410)
Reclassifications	-	(725,633)	866,173	(36,718)	(103,822)	-
Net exchange differences	(33,088)	287,702	436,281	202,247	146,871	1,040,013
Closing net carrying amount	<u>\$ 2,390,675</u>	<u>\$ 17,582,047</u>	<u>\$ 28,179,950</u>	<u>\$ 11,614,498</u>	<u>\$ 8,410,005</u>	<u>\$ 68,177,175</u>
<u>At December 31, 2020</u>						
Cost	\$ 2,390,675	\$ 26,672,561	\$ 55,750,789	\$ 21,315,866	\$ 8,410,005	\$ 114,539,896
Accumulated depreciation and impairment	-	(9,090,514)	(27,570,839)	(9,701,368)	-	(46,362,721)
	<u>\$ 2,390,675</u>	<u>\$ 17,582,047</u>	<u>\$ 28,179,950</u>	<u>\$ 11,614,498</u>	<u>\$ 8,410,005</u>	<u>\$ 68,177,175</u>

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2019</u>						
Cost	\$ 51,075	\$ 17,641,398	\$ 40,296,156	\$ 12,424,359	\$ 5,118,832	\$ 75,531,820
Accumulated depreciation and impairment	-	(6,908,160)	(20,274,370)	(6,341,540)	(94,584)	(33,618,654)
	<u>\$ 51,075</u>	<u>\$ 10,733,238</u>	<u>\$ 20,021,786</u>	<u>\$ 6,082,819</u>	<u>\$ 5,024,248</u>	<u>\$ 41,913,166</u>
<u>2019</u>						
Opening net carrying amount	\$ 51,075	\$ 10,733,238	\$ 20,021,786	\$ 6,082,819	\$ 5,024,248	\$ 41,913,166
Additions (transfers)	-	4,418,635	6,709,393	3,455,734	527,397	15,111,159
Disposals	-	(32,568)	(182,864)	(81,151)	-	(296,583)
Depreciation expense	-	(1,181,351)	(4,202,753)	(1,990,593)	-	(7,374,697)
Impairment losses	-	-	(1,428,715)	-	-	(1,428,715)
Net exchange differences	(7)	(518,754)	(674,337)	(280,902)	(207,717)	(1,681,717)
Closing net carrying amount	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</u>
<u>At December 31, 2019</u>						
Cost	\$ 51,068	\$ 20,861,687	\$ 42,233,797	\$ 14,794,602	\$ 5,434,963	\$ 83,376,117
Accumulated depreciation and impairment	-	(7,442,487)	(21,991,287)	(7,608,695)	(91,035)	(37,133,504)
	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</u>

- A. The significant parts of the Group's buildings and structures include main plants and auxiliary improvements, which are depreciated over 20~53 years and 5~10 years, respectively.
- B. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost and value-in-use calculations at discount rate of 6.43% and 8.02% respectively. Additionally, the fair value using market approach valuation technique considering replacement cost belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on property, plant and equipment of \$114,410 and \$1,428,715 for the years ended December 31, 2020 and 2019, respectively. The amounts recognised in 2020 were shown within the 'operating costs' of \$111,342 and the 'other gains and losses' of \$3,068 while the amounts recognised in 2019 were shown within the 'operating costs' of \$338,936 and the 'other gains and losses' of \$1,089,779. The impairment losses belong to PCB segments.
- C. Information about the property, plant and equipment that are pledged to others as collateral is referred to Note 8.

(9) Right-of-use assets/Lease liabilities

- A. The assets leased by the Group include land right-of-use, buildings and official vehicles. The Group's subsidiaries signed land right-of-use contracts with local governments whom the subsidiaries will return the right to when the contract expires. Except for the lease term of land right-of-use of 20 to 50 years, the remaining lease terms are between 2 and 8 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for the leased assets restricted to pledge to others.
- B. The leases of buildings, parking space, etc. in the Group are with a lease term of 12 months or less, and the leases for which the underlying asset is of low value are all-in-one printers, etc.
- C. The information on the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land right-of-use	\$ 8,316,001	\$ 7,799,693
Buildings	277,406	217,119
Transportation equipment (official vehicles)	16,058	18,838
	<u>\$ 8,609,465</u>	<u>\$ 8,035,650</u>

	For the years ended December 31,	
	2020	2019
	Depreciation expense	Depreciation expense
Land right-of-use	\$ 253,675	\$ 252,932
Buildings	108,268	80,187
Transportation equipment (official vehicles)	17,485	16,582
	<u>\$ 379,428</u>	<u>\$ 349,701</u>

The acquisition of the right-of-use assets for the years ended December 31, 2020 and 2019 amounted to \$827,767 and \$739,816, respectively.

- D. As of December 31, 2020, there were land right-of-use contracts of \$719,677 in the process of registration between the subsidiaries of the Group and the local government.
- E. The Group recognised rental expense for either the lease term of less than 12 months or leases for which the underlying asset is of low value. The information on the lease contract affecting profit or loss is as follows:

	For the years ended December 31,	
	2020	2019
<u>Items affecting current profit or loss</u>		
Interest expense from lease liabilities	<u>\$ 18,726</u>	<u>\$ 8,531</u>
Rental expenses for short-term lease contracts	<u>\$ 632,753</u>	<u>\$ 326,640</u>

- F. The cash flows used in the lease payments of the Group for the years ended December 31, 2020 and 2019 were \$ 1,062,304 and \$ 1,443,868, respectively.
- G. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost. Additionally, the fair value using market approach valuation technique considering replacement cost belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on right-of-use assets of \$18,530 for the year ended December 31, 2019. The impairment losses belong to PCB segments.

(10) Intangible assets

For the year ended December 31, 2020				
	Patents and technological expertise	Software	Goodwill	Total
<u>At January 1, 2020</u>				
Cost	\$ -	\$ 517,862	\$ 89,511	\$ 607,373
Accumulated amortisation and impairment	-	(247,003)	-	(247,003)
	<u>\$ -</u>	<u>\$ 270,859</u>	<u>\$ 89,511</u>	<u>\$ 360,370</u>
<u>2020</u>				
Opening net carry amount	\$ -	\$ 270,859	\$ 89,511	\$ 360,370
Additions	-	174,128	-	174,128
Acquisition through business combinations	419,412	8,068	1,174,100	1,601,580
Reclassifications	-	280,675	-	280,675
Amortisation expense	(13,963)	(216,607)	-	(230,570)
Net exchange differences	(6,810)	10,610	(24,954)	(21,154)
Closing net carrying amount	<u>\$ 398,639</u>	<u>\$ 527,733</u>	<u>\$ 1,238,657</u>	<u>\$ 2,165,029</u>
<u>At December 31, 2020</u>				
Cost	\$ 412,098	\$ 1,088,808	\$ 1,238,657	\$ 2,739,563
Accumulated amortisation and impairment	(13,459)	(561,075)	-	(574,534)
	<u>\$ 398,639</u>	<u>\$ 527,733</u>	<u>\$ 1,238,657</u>	<u>\$ 2,165,029</u>

	For the year ended December 31, 2019		
	Software	Goodwill	Total
<u>At January 1, 2019</u>			
Cost	\$ -	\$ 91,721	\$ 91,721
Accumulated amortisation and impairment	-	-	-
	<u>\$ -</u>	<u>\$ 91,721</u>	<u>\$ 91,721</u>
<u>2019</u>			
Opening net carry amount	\$ -	\$ 91,721	\$ 91,721
Additions	251,124	-	251,124
Reclassifications	97,986	-	97,986
Amortisation expense	(72,872)	-	(72,872)
Net exchange differences	(5,379)	(2,210)	(7,589)
Closing net carrying amount	<u>\$ 270,859</u>	<u>\$ 89,511</u>	<u>\$ 360,370</u>
<u>At December 31, 2019</u>			
Cost	\$ 517,862	\$ 89,511	\$ 607,373
Accumulated amortisation and impairment	(247,003)	-	(247,003)
	<u>\$ 270,859</u>	<u>\$ 89,511</u>	<u>\$ 360,370</u>

A. The Group acquired 100% shares of Boardtek Electronics Corporation and Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd. in 2020 and 2008, respectively, and recognised goodwill as well as patents and technological expertise under the acquisition method.

B. Goodwill is allocated to the Group's cash-generating units identified by operating segments. The recoverable amount has been determined based on value-in-use calculations with operating income rate, growth rate and discount rate. Management determined budgeted operating income rate based on its expectations of market development, the growth rates based on the expectations of industry, and the discount rates based on the weighted average capital cost of the industry peers. The discount rate was 8.44% for the year ended December 31, 2020.

(11) Other non-current assets

	December 31, 2020	December 31, 2019
Prepayments for business facilities	\$ 62,864	\$ 171,096
Refundable deposits	103,404	102,417
Others	220,718	163,631
	<u>\$ 386,986</u>	<u>\$ 437,144</u>

Information about the other non-current assets that are pledged to others as tariff guarantee is referred to Note 8.

(12) Non-current groups classified as held for sale

The assets and liabilities of Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd., which the Board of Directors approved to sell in order to optimise the deployment of resources and enhance

management efficiency and operating performance of whole assets on December 27, 2019, were reclassified as disposal group classified as held for sale which belongs to PCB segment. The completion of the transaction was on March 12, 2020. As of December 31, 2019, the assets and liabilities of the disposal group classified as held for sale amounted to \$161,211 and \$480,371, respectively.

A. Assets of disposal group classified as held for sale:

	<u>December 31, 2019</u>
Cash and cash equivalents	\$ 111,676
Others	49,535
Total	<u>\$ 161,211</u>

B. Liabilities related to non-current assets classified as held for sale:

	<u>December 31, 2019</u>
Accounts payable	\$ 395,481
Other payables	68,897
Others	15,993
Total	<u>\$ 480,371</u>

C. The impairment loss of the disposal group classified as held for sale, presented in property, plant and equipment and right-of-use assets, was measured at the lower of its carrying amount or fair value less costs to sell. Please refer to Note 12(3) for the information of fair value.

(13) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	\$ 11,938,862	0.47%~6.40%	None
Security Loans	899,683	0.87%	Land and buildings
	<u>\$ 12,838,545</u>		

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	<u>\$ 9,682,812</u>	<u>2.17%~2.56%</u>	None

Please refer to Note 8 for the information on collateral for short-term borrowings.

(14) Short-term notes and bills payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Commercial paper	\$ 949,666	\$ -
Interest rate	<u>1.11%~1.21%</u>	<u>-</u>

(15) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payable on machinery and equipment	\$ 7,060,667	\$ 3,927,125
Wages and bonuses payable	4,173,790	3,840,859
Payable on mold and jig	1,169,120	1,485,561
Repairs and maintenance fees payable	871,768	830,379
Payable on consumable goods	259,724	375,025
Others	<u>2,296,260</u>	<u>1,990,571</u>
	<u>\$ 15,831,329</u>	<u>\$ 12,449,520</u>

(16) Bonds payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
3rd overseas unsecured convertible bonds:		
Bonds payable	\$ 11,392,000	\$ -
Less: Discount on bonds payable	(911,259)	-
Bonds payable	<u>\$ 10,480,741</u>	<u>\$ -</u>

A. Conditions for issuance of 3rd overseas unsecured convertible bonds are as follows:

- (a) The competent authority has approved the Company's second issuance of overseas unsecured corporate bonds on June 16, 2020. The total issue amount of the bonds is USD 400,000 thousand, at a coupon rate of 0% and maturity of 5 years from June 30, 2020 to June 30, 2025.
- (b) The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of December 31, 2020, no bonds have been converted into ordinary shares, and the conversion price was NTD 151.75 (exchange rate of NTD 29.5930 (in dollars) to USD 1 (in dollar)).
- (c) The bondholders have the right to require the Company to repurchase all or any portion of bonds at the price of the bonds' principal amount with an annual rate of 0% as interest compensation (100% of the principal amount of the corporate bonds) on June 30, 2023.
- (d) Except for bonds redeemed before maturity, repurchased and retired, or converted by the bondholders, the Company will fully redeem the bonds at the maturity date with an annual rate of 0% based on the principal amount. The redemption amount is about 100% of the principal amount of the corporate bonds, and the bonds will be redeemed in full.
- (e) According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired and not to be re-issued.
- (f) According to the terms of the bonds, rights and obligations of newly issued shares after conversion are the same as other issued ordinary share.
- (g) The effective rate of the corporate bonds is 1.86%.

- B. As of June 26, 2019, the maturity date of convertible bonds, the Company's 2nd overseas unsecured convertible bonds with par value of USD 279,800 thousand were converted to 'ordinary share' of \$974,815 (97,481,528 shares) with a par value of \$10 (in New Taiwan dollars) and 'capital surplus - additional paid-in capital arising from bond conversion' of \$8,251,204 based on the conversion price on the conversion date. The remaining expired convertible bonds with par value of USD 4,700 thousand were redeemed at maturity.
- C. Regarding the issuance of overseas unsecured corporate bonds, the equity conversion options were separated from the liability component in accordance with IAS 32. As of December 31, 2020, the Company's 3rd overseas unsecured corporate bonds in 2020 were recognised within 'capital surplus - share options' of \$996,753. As of June 26, 2019, the Company's 2nd overseas unsecured corporate bonds in 2014 with par value of USD 4,700 thousand were redeemed and the unconverted shared options were recognised within 'capital surplus - expired share options' of \$13,767.

(17) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	December 31, 2020
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 8,544,000
Credit loans	Borrowing period is from March 26, 2019 to March 26, 2021; interest is repayable monthly.	189,933
	Borrowing period is from December 3, 2018 to December 3, 2021; interest is repayable monthly.	119,958
	Borrowing period is from November 18, 2019 to November 17, 2022; interest is repayable monthly.	79,972
Less: Syndicated loan arrangement fees		(5,340)
Less: Current portion of bonds payable (within 'long-term liabilities, current portion')		(8,888,537)
		<u>\$ 39,986</u>
Interest rate		<u>1.23%~1.50%</u>
Type of borrowings	Borrowing period and repayment term	December 31, 2019
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 8,994,000
Less: Syndicated loan arrangement fees		(13,116)
		<u>\$ 8,980,884</u>
Interest rate		<u>3.02%</u>

During the terms of the syndicated loans, in accordance with the syndicated loan agreement, the Company is required to calculate and maintain certain level of current ratio, liability ratio, times-interest-earned ratio and net tangible asset balance based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. As of December 31, 2020, the Company was in compliance with the terms of the syndicated loan agreement.

(18) Pensions

A. Defined benefit plans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of funded defined benefit obligations	(\$ 160,885)	(\$ 3,927)
Fair value of plan assets	<u>201,623</u>	<u>16,469</u>
Net defined benefit asset (within "other non-current assets")	<u>\$ 40,738</u>	<u>\$ 12,542</u>

- (a) The Group's subsidiaries in Taiwan, Zhen Ding Technology Co., Ltd. and Boardtek Electronics Corporation, have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Taiwan subsidiary contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the 'Fund'). Before the end of each year, the Taiwan subsidiary assesses the balance in the aforementioned Fund. If the balance in the Fund is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Taiwan subsidiaries are required to fund the deficit in one appropriation before the end of next March.

(b) Movements in net defined benefit assets are as follows:

For the year ended December 31, 2020	Present value of defined benefit obligations	Fair value of of plan assets	Net defined benefit liability
Balance at January 1, 2020	(\$ 3,927)	\$ 16,469	\$ 12,542
Current service cost	(270)	-	(270)
Interest (expense) income of net defined benefit asset	(521)	641	120
	(4,718)	17,110	12,392
Remeasurements:			
Return on plan assets (excluding aforementioned interest income or expense)	-	6,974	6,974
Change in financial assumptions	(40)	-	(40)
Experience adjustments	7,437	-	7,437
	7,397	6,974	14,371
Pension fund contribution	-	15	15
Paid pension	37,823	(37,823)	-
Effect of business combination	(201,387)	215,347	13,960
Balance at December 31, 2020	(\$ 160,885)	\$ 201,623	\$ 40,738

For the year ended December 31, 2019	Present value of defined benefit obligations	Fair value of of plan assets	Net defined benefit liability
Balance at January 1, 2019	(\$ 3,911)	\$ 15,741	\$ 11,830
Interest (expense) income of net defined benefit asset	(29)	117	88
	(3,940)	15,858	11,918
Remeasurements:			
Return on plan assets (excluding aforementioned interest income or expense)	-	596	596
Change in demographic assumptions	(1)	-	(1)
Change in financial assumptions	(25)	-	(25)
Experience adjustments	39	-	39
	13	596	609
Pension fund contribution	-	15	15
Balance at December 31, 2019	(\$ 3,927)	\$ 16,469	\$ 12,542

- (c) The Bank of Taiwan was commissioned to manage the plan assets of the Fund for the Taiwan subsidiary's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the 'Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund' (Article 6: the scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the amounts accrued from the local bank interest rates of two-year time deposits. If the earnings are inadequate, government shall make payment for the deficit after being authorised by the Taiwan Competent Authority. The Taiwan subsidiary has no right to participate in managing and operating the Fund and hence the Taiwan subsidiary is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. As of December 31, 2020 and 2019, the fair value of plan assets is given in the 'Utilization Status of the Labor Funds' announced by the local government.
- (d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2020	2019
Discount rate	0.40%~0.60%	0.65%
Rate of future salary increase	2.00%~2.50%	2.00%
Rate of employee turnover	0.27%	0.43%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

The analysis of the present value of defined benefit obligation due to the main actuarial assumption changes was as follows:

	Discount rate		Rate of future salary increase		Rate of employee turnover	
	Increase	Decrease	Increase	Decrease	110% of expected rate	90% of expected rate
	0.25%	0.25%	0.25%~1%	0.25%~1%		
<u>December 31, 2020</u>						
Increase (decrease) in present value of defined benefit obligations	(\$3,317)	\$3,445	\$14,036	(\$12,346)	\$ -	\$ -
<u>December 31, 2019</u>						
Increase (decrease) in present value of defined benefit obligations	(\$ 64)	\$ 66	\$ 65	(\$ 63)	\$ -	\$ -

The aforementioned sensitivity analysis was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change simultaneously. The method of analysing sensitivity is the same as the calculating method of net pension assets in the balance sheet.

- (e) Expected contributions to the defined benefit pension plans of the Group amount to \$37 for the year ended December 31, 2021.
- (f) As of December 31, 2020, the weighted average duration of the pension plan is 12.6~16 years.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Taiwan subsidiaries of the Group have established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Taiwan subsidiaries of the Group contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. The pension expenses recognised in accordance with the New Plan were \$45,035 and \$31,221 for the years ended December 31, 2020 and 2019, respectively.
- (b) The Mainland China subsidiaries of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages with the contribution percentage of 10%~20%, and pension is contributed to the employees' individual pension accounts. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations. The pension expenses recognised in accordance with local regulations were \$804,639 and \$1,037,821 for the years ended December 31, 2020 and 2019, respectively.

(19) Share-based payment

- A. The share-based payment arrangements of the Group's subsidiary, Avary Holding (Shenzhen) Co., Limited, are as follows:

Type of arrangements	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.02.27	185,080 thousand shares	7 years	(a)(b)

- (a) A restricted stock has not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 2 years starting from the purchase date. Shares will be vested from February 27, 2019 in accordance with the number of the grantees' shares at 20% every year. For an employee who does not satisfy the vesting conditions, the employee's investment

would be refunded by the Group at the lower of the investment amount or the carrying amount of net assets. However, appropriated dividend is not required to be returned.

- (b) Until the achievement of the vesting conditions, the right and obligation: cannot sell, pledge, transfer, give to others, create a right in rem over it or any other disposal.

B. Employee restricted stocks

The numbers of employee restricted stocks are as follows (in thousand shares):

	For the years ended December 31,	
	2020	2019
Outstanding at January 1	183,272	185,080
Numbers returned during the years	- (	1,808)
Numbers vested during the years	(36,654)	-
Outstanding at December 31	<u>146,618</u>	<u>183,272</u>

C. Expenses incurred on share-based payment transactions are shown below:

	For the years ended December 31,	
	2020	2019
Expenses incurred on employee restricted stocks	<u>\$ 103,130</u>	<u>\$ 140,736</u>

(20) Share capital

- A. As of December 31, 2020, the Company's authorised capital was \$16,000,000, and the issued capital is \$9,470,492, consisting of 947,049 thousand shares of ordinary share with a par value of \$10 (in New Taiwan dollars) per share.

Reconciliation between the beginning and the ending of the Company's ordinary shares outstanding is as follows:

	For the years ended December 31,	
	2020	2019
	Number of shares (shares in thousands)	Number of shares (shares in thousands)
At January 1	902,230	804,748
Issuance of shares for business combination	44,819	
Treasury shares due to business combination	(2,093)	
Conversion of overseas convertible bonds	-	97,482
At December 31	<u>944,956</u>	<u>902,230</u>

- B. Please refer to Note 6(33) for the information about the Company's shares issued for pursuant to acquisition of Boardtek Electronics Corporation and its subsidiaries.
- C. The treasury shares initially held by the Group's subsidiary, Boardtek Investment Co., Ltd., were converted into ordinary shares issued by the Company in 2020 due to business combination. As of December 31, 2020, the number of shares was 2,093 thousand shares and the acquisition cost

amounted to \$257,489 within the ‘treasury shares’. The treasury shares shall not be pledged to others, and the shareholders’ rights shall not be enjoyed before transfer under Securities and Exchange Act.

- D. The 2nd overseas unsecured convertible bonds with par value of USD 279,800 thousand were converted to ‘ordinary share’ of 97,482 thousand shares with a par value of \$10 in New Taiwan dollars, and the paid-in capital increased \$974,815 for the year ended December 31, 2019.

(21) Capital surplus

For the year ended December 31, 2020						
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in non-controlling interests	Total
At January 1	\$ 5,690,348	\$ 13,624,555	\$ -	\$ 59,426	\$ 10,160,452	\$29,534,781
Employee restricted stocks	-	-	-	-	75,100	75,100
Overseas convertible bonds issued	-	-	996,753	-	-	996,753
Business combinations	5,064,578	-	-	-	-	5,064,578
At December 31	<u>\$10,754,926</u>	<u>\$ 13,624,555</u>	<u>\$ 996,753</u>	<u>\$ 59,426</u>	<u>\$ 10,235,552</u>	<u>\$35,671,212</u>

For the year ended December 31, 2019						
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in non-controlling interests	Total
At January 1	\$ 5,690,348	\$ 5,373,351	\$833,332	\$ 45,659	\$10,057,967	\$ 22,000,657
Employee restricted stocks	-	-	-	-	102,485	102,485
Redemption of bonds payable	-	8,251,204	(833,332)	13,767	-	7,431,639
At December 31	<u>\$ 5,690,348</u>	<u>\$ 13,624,555</u>	<u>\$ -</u>	<u>\$ 59,426</u>	<u>\$10,160,452</u>	<u>\$ 29,534,781</u>

- A. Capital surplus arising from paid-in capital in excess of par value on issuance of ordinary share is used to offset accumulated losses incurred in previous years or distribute dividends to shareholders.
- B. Please refer to Note 6(16) for capital surplus - share options, capital surplus - expired share options and capital surplus - additional paid-in capital arising from bond conversion.

(22) Retained earnings

- A. In accordance with the Company’s Articles of Incorporation, the Board of Directors shall set aside out of the current year’s earnings sequentially as follows:
- (a) A reserve for payment of tax for the relevant financial year;
 - (b) An amount to offset losses incurred in previous years;
 - (c) Ten percent (10%) as a general reserve, and

(d) A special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules or a reserve as determined by the Board of Directors.

The remainder shall be distributed pursuant to the proposal of the Board of Directors and approved by the shareholders.

- B. The appropriations of 2019 and 2018 earnings have been approved by the shareholders during their meeting on June 19, 2020 and June 21, 2019, respectively. Details are summarised as follows:

	2019		2018	
	Amount	Dividends per share (in New Taiwan dollars)	Amount	Dividends per share (in New Taiwan dollars)
General reserve	\$ 868,520		\$ 844,779	
Special reserve	2,066,391		1,230,393	
Cash dividends	4,060,034	4.50	4,023,742	4.46
Total	<u>\$ 6,994,945</u>		<u>\$ 6,098,914</u>	

On March 30, 2021, the Board of Directors proposed for the appropriation of cash dividends from 2020 earnings amounting to \$4,261,721 at \$4.50 in New Taiwan dollars per share. Information on the appropriation of the Company's earnings as resolved at the shareholders' meeting is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(23) Other equity interest

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2020	(\$ 53,987)	(\$ 4,960,710)	(\$ 5,014,697)
Valuation adjustment	60,616	-	60,616
Currency translation differences:			
–Group	-	823,765	823,765
At December 31, 2020	<u>\$ 6,629</u>	<u>(\$ 4,136,945)</u>	<u>(\$ 4,130,316)</u>

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2019	(\$ 68,671)	(\$ 2,879,635)	(\$ 2,948,306)
Valuation adjustment	14,684	-	14,684
Currency translation differences:			
–Group	-	(2,081,075)	(2,081,075)
At December 31, 2019	(\$ 53,987)	(\$ 4,960,710)	(\$ 5,014,697)

(24) Operating revenue

	For the years ended December 31,	
	2020	2019
Revenue from contracts with customers	\$ 131,278,537	\$ 120,067,508

The Group derives revenue from the transfer of goods and services at a point in time. Please refer to Note 14(5) for the Group's geographical revenue based on the countries where customers are located.

(25) Expenses by nature

	For the years ended December 31,	
	2020	2019
Employee benefit expense	\$ 17,314,142	\$ 16,544,669
Depreciation expense	8,127,620	7,724,398
Amortisation expense	277,397	230,630
	\$ 25,719,159	\$ 24,499,697

The employee benefit expense includes pension gains of \$82 and \$88 which are shown within 'other gains and losses' for the years ended December 31, 2020 and 2019, respectively.

(26) Employee benefit expense

	For the years ended December 31,	
	2020	2019
Wages and salaries	\$ 14,229,962	\$ 13,356,823
Employees' remuneration	67,168	75,057
Labor and health insurance fees	600,319	594,581
Pension expenses	849,824	1,068,954
Other personnel expenses	1,566,869	1,449,254
	\$ 17,314,142	\$ 16,544,669

A. In accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration between zero point five percent (0.5%) and twenty percent (20%) and

distribute directors' remuneration no higher than zero point five percent (0.5%) of the profit of the current year, net of accumulated losses.

- B. For the years ended December 31, 2020 and 2019, employees' remunerations were accrued of \$67,168 and \$75,057, respectively; while directors' remunerations were accrued of \$17,500 and \$10,500, respectively.
- C. Employees' remuneration and directors' remuneration as resolved by the Board of Directors' for the year ended December 31, 2019 were equal to the amount recognised in the financial statements for the year ended December 31, 2019.
- D. Information on employees' remuneration and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(27) Interest income

	For the years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 509,756	\$ 928,582
Interest income from financial assets at amortised cost	177,044	316,835
	<u>\$ 686,800</u>	<u>\$ 1,245,417</u>

(28) Other income

	For the years ended December 31,	
	2020	2019
Government grant revenue	\$ 781,231	\$ 699,025
Others	110,963	83,815
	<u>\$ 892,194</u>	<u>\$ 782,840</u>

(29) Other gains and losses

	For the years ended December 31,	
	2020	2019
Net currency exchange (losses) gains	(\$ 1,226,078)	\$ 20,191
Net losses on disposal of property, plant and equipment	(150,871)	(65,454)
Impairment loss on property, plant and equipment	(3,068)	(1,089,779)
Others	(81,835)	(55,917)
	<u>(\$ 1,461,852)</u>	<u>(\$ 1,190,959)</u>

(30) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense		
Bank borrowings	\$ 332,199	\$ 622,077
Amortisation of convertible bond discounts	105,055	48,862
Amortisation of syndicated loan arrangement fees	7,388	7,728
Interest expense from lease liabilities	18,726	8,531
Total	<u>\$ 463,368</u>	<u>\$ 687,198</u>

(31) Income tax

A. Components of income tax expense

	For the years ended December 31,	
	2020	2019
Current tax:		
Tax payable arising from the current period	\$ 1,260,293	\$ 2,983,083
Adjustments in respect of prior years	(124,805)	(135,815)
Total current tax	<u>1,135,488</u>	<u>2,847,268</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>1,150,212</u>	(297,977)
Total deferred tax	<u>1,150,212</u>	(297,977)
Income tax expense	<u>\$ 2,285,700</u>	<u>\$ 2,549,291</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 2,430,922	\$ 2,522,065
Effects from items unrecognised by tax regulations	40,456	137,373
Effects from adjustments in respect of prior years	(124,805)	(135,815)
Effects from re-evaluation of deferred tax liabilities	(60,873)	25,668
Income tax expense	<u>\$ 2,285,700</u>	<u>\$ 2,549,291</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	For the year ended December 31, 2020					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Business combination	Net exchange differences	December 31
Temporary differences:						
-Deferred tax assets:						
Allowance for inventory valuation loss	\$ 114,051	(\$ 8,281)	\$ -	\$ 55,162	(\$ 18,021)	\$ 142,911
Wages and bonuses payable	328,598	(24,927)	-	5,490	1,987	311,148
Impairment loss on property, plant and equipment	7,975	75,421	-	-	1,814	85,210
Unrealised profit from sales in respect of inventory	210,406	(93,753)	-	-	1,429	118,082
Remeasurement of defined benefit obligations	-	971	(4,410)	16,760	(6)	13,315
Others	<u>747,008</u>	<u>(285,427)</u>	<u>(7,855)</u>	<u>154,019</u>	<u>6,628</u>	<u>614,373</u>
Subtotal	<u>1,408,038</u>	<u>(335,996)</u>	<u>(12,265)</u>	<u>231,431</u>	<u>(6,169)</u>	<u>1,285,039</u>
-Deferred tax liabilities:						
Taxable difference arising from property, plant and equipment	(471,732)	(273,840)	-	-	(13,992)	(759,564)
Remeasurement of defined benefit obligations	(548)	(990)	1,538	-	-	-
Others	<u>(500,512)</u>	<u>(539,386)</u>	<u>-</u>	<u>(234,073)</u>	<u>11,220</u>	<u>(1,262,751)</u>
Subtotal	<u>(972,792)</u>	<u>(814,216)</u>	<u>1,538</u>	<u>(234,073)</u>	<u>(2,772)</u>	<u>(2,022,315)</u>
Total	<u>\$ 435,246</u>	<u>(\$ 1,150,212)</u>	<u>(\$ 10,727)</u>	<u>(\$ 2,642)</u>	<u>(\$ 8,941)</u>	<u>(\$ 737,276)</u>

For the year ended December 31, 2019					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Net exchange differences	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory valuation loss	\$ 71,119	\$ 32,016	\$ -	\$ 10,916	\$ 114,051
Wages and bonuses payable	168,501	146,946	-	13,151	328,598
Impairment loss on property, plant and equipment	102,992	(94,693)	-	(324)	7,975
Unrealised profit from sales in respect of inventory	316,954	(99,809)	-	(6,739)	210,406
Others	<u>364,925</u>	<u>444,052</u>	<u>-</u>	<u>(61,969)</u>	<u>747,008</u>
Subtotal	<u>1,024,491</u>	<u>428,512</u>	<u>-</u>	<u>(44,965)</u>	<u>1,408,038</u>
-Deferred tax liabilities:					
Taxable difference arising from property, plant and equipment	(326,139)	(150,573)	-	4,980	(471,732)
Remeasurement of defined benefit obligations	(402)	(24)	(122)	-	(548)
Others	<u>(531,103)</u>	<u>20,062</u>	<u>-</u>	<u>10,529</u>	<u>(500,512)</u>
Subtotal	<u>(857,644)</u>	<u>(130,535)</u>	<u>(122)</u>	<u>15,509</u>	<u>(972,792)</u>
Total	<u>\$ 166,847</u>	<u>\$ 297,977</u>	<u>(\$ 122)</u>	<u>(\$ 29,456)</u>	<u>\$ 435,246</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 9,658,564</u>	<u>\$ 7,694,382</u>
Tax effect	<u>\$ 2,301,329</u>	<u>\$ 1,923,595</u>

E. The income tax returns of the Group's subsidiaries, Zhen Ding Technology Co., Ltd., Garuda Technology Co., Ltd., Boardtek Electronics Corporation and Boardtek Investment Co., Ltd. through 2017, 2018, 2018 and 2018 have been assessed and approved by the Tax Authority.

(32) Earnings per share

For the year ended December 31, 2020			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 8,094,547</u>	<u>909,001</u>	<u>\$ 8.90</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,094,547	909,001	
Assumed conversion of all dilutive potential ordinary shares			
Overseas convertible bonds	105,055	39,429	
Employees' remuneration	<u>-</u>	<u>788</u>	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	<u>\$ 8,199,602</u>	<u>949,218</u>	<u>\$ 8.64</u>
For the year ended December 31, 2019			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 8,685,202</u>	<u>874,836</u>	<u>\$ 9.93</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,685,202	874,836	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	<u>-</u>	<u>724</u>	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	<u>\$ 8,685,202</u>	<u>875,560</u>	<u>\$ 9.92</u>

As employees' remuneration might be distributed in the form of shares, the diluted EPS is calculated

based on the assumption that all distribution will be in the form of shares in the calculation of the weighted-average number of ordinary shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential ordinary shares.

(33) Business combinations

- A. On November 4, 2020, the Group acquired 100% ownership of Boardtek Electronics Corporation and its subsidiaries through share exchange and obtained control of Boardtek Electronics Corporation. As a result of the acquisition, the Group expects to strengthen its presence in these markets and to reduce costs due to economic scale, considering the company's manufacture and sales of PCB operations in Taiwan.
- B. The information on the consideration paid for Boardtek Electronics Corporation and the fair values of the assets acquired and liabilities assumed at the acquisition date is as follows:

	<u>November 4, 2020</u>
Purchase consideration	
Equity instruments	\$ 5,512,771
Fair values of the identifiable assets acquired and liabilities assumed	
Cash	944,497
Notes and accounts receivable	2,031,592
Inventories	952,789
Prepayments	71,877
Non-current financial assets at fair value through other comprehensive income	21,460
Other financial assets	257,489
Property, plant and equipment	5,266,738
Intangible assets	427,480
Deferred tax assets	214,671
Other non-current assets	51,159
Short-term borrowings	(2,610,000)
Notes and accounts payable	(2,134,518)
Other payables	(422,405)
Other current liabilities	(429,430)
Deferred tax liabilities	(217,313)
Other non-current liabilities	(87,415)
Total identifiable net assets	<u>4,338,671</u>
Goodwill	<u>\$ 1,174,100</u>

- C. The fair value of purchase consideration amounted to \$5,512,771 of the 44,819,274 ordinary shares issued by the Company was based on the closing price on November 3, 2020.

- D. The fair value of the acquired identifiable intangible assets (including patents and technological expertise) temporarily amounted to \$419,412 because of the valuation of those assets to be finalised.
- E. The operating revenue and profit before income tax in the consolidated statement of comprehensive income from November 4, 2020 to December 31, 2020 contributed by Boardtek Electronics Corporation were \$972,452 and \$21,228, respectively.
- F. Had Boardtek Electronics Corporation and its subsidiaries been consolidated since January 1, 2020, the operating revenue and profit before income tax of the Group would have been \$136,079,575 and \$12,748,875 for the year ended December 31, 2020, respectively.

(34) Additional information of cash flows

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2020	2019
Acquisition of property, plant and equipment	\$ 24,116,370	\$ 15,111,159
Add: Opening balance of payable on machinery and equipment (within 'other payables')	3,927,125	4,190,436
Less: Ending balance of payable on machinery and equipment (within 'other payables')	(7,060,667)	(3,927,125)
Acquisitions through business combinations	44,849	-
Reclassified as held for sale	-	(27,255)
Net exchange differences	328,561	(152,103)
Cash paid during the period	<u>\$ 21,356,238</u>	<u>\$ 15,195,112</u>

	For the years ended December 31,	
	2020	2019
Acquisition of land right-of-use (within 'right-of-use assets')	\$ 288,300	\$ 719,677
Add: Opening balance of payable on land right-of-use (within 'other payables')	-	292,776
Net exchange differences	-	3,107
Cash paid during the period	<u>\$ 288,300</u>	<u>\$ 1,015,560</u>

B. Financing activities without cash flow effects

	For the year ended December 31, 2019
Convertible bonds converted to ordinary share	\$ 974,815
Capital surplus	
Additional paid-in capital arising from bond conversion	8,251,204
Share options	(819,565)
Convertible bonds converted to equity	<u>\$ 8,406,454</u>

C. Changes in liabilities from financing activities

For the year ended December 31, 2020							
	Bonds payable	Long-term borrowings	Short-term notes and bills payable	Short-term borrowings	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ -	\$ 8,980,884	\$ -	\$ 9,682,812	\$239,407	\$ 179,511	\$ 19,082,614
Changes in cash flow from financing activities	11,795,359	(39,952)	-	552,015	(141,251)	2,095	12,168,266
Share options arising from convertible bonds	(996,753)	-	-	-	-	-	(996,753)
Changes in right-of-use assets	-	-	-	-	538,227	-	538,227
Acquisitions through business combinations	-	430,000	950,000	2,610,000	1,410	794	3,992,204
Reclassifications	-	(8,888,520)	-	-	-	-	(8,888,520)
Amortisation on interest expense	105,055	7,388	-	-	18,726	-	131,169
Effect of exchange rate changes	(422,920)	(449,814)	(334)	(6,282)	(698)	4,213	(875,835)
At December 31	<u>\$ 10,480,741</u>	<u>\$ 39,986</u>	<u>\$ 949,666</u>	<u>\$ 12,838,545</u>	<u>\$ 655,821</u>	<u>\$ 186,613</u>	<u>\$ 25,151,372</u>

For the year ended December 31, 2019					
	Bonds payable	Short-term borrowings	Lease liabilities	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 8,699,319	\$ 9,184,066	\$ -	\$ 110,990	\$ 17,994,375
Effects on initial application of IFRS 16	-	-	330,787	-	330,787
Balance at January 1 after adjustment	8,699,319	9,184,066	330,787	110,990	18,325,162
Changes in cash flow from financing activities	(147,233)	783,662	(101,668)	80,315	615,076
Conversion of convertible bonds	(8,406,454)	-	-	-	(8,406,454)
Changes in right-of-use assets	-	-	13,380	-	13,380
Reclassified as held for sale	-	-	(2,221)	-	(2,221)
Amortisation on interest expense	48,862	-	8,531	-	57,393
Effect of exchange rate changes	(194,494)	(284,916)	(9,402)	(11,794)	(500,606)
At December 31	<u>\$ -</u>	<u>\$ 9,682,812</u>	<u>\$ 239,407</u>	<u>\$ 179,511</u>	<u>\$ 10,101,730</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties and relationship	Relationship with the Company
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The entity has significant influence over the Group
CyberTAN Technology Inc. and its subsidiaries	Other related parties
Ennoconn Corporation and its subsidiaries	Other related parties
Foxconn Interconnect Technology Limited and its subsidiaries	Other related parties
General Interface Solution Holding Limited and its subsidiaries	Other related parties

(2) Significant related party transactions and balances

A. Sales:

	For the years ended December 31,	
	2020	2019
Sales of goods:		
Entity with significant influence over the Company	\$ 7,485,125	\$ 7,348,959
Other related parties	<u>1,995,804</u>	<u>1,081,932</u>
	<u>\$ 9,480,929</u>	<u>\$ 8,430,891</u>

Unless there are similar transactions, the prices and terms were determined in accordance with mutual agreements. Otherwise, the sales prices and credit terms to related parties were similar to third parties. The normal credit term is around 1 to 4 months.

B. Purchases:

	For the years ended December 31,	
	2020	2019
Purchases of goods:		
Entity with significant influence over the Company	\$ 921,226	\$ 907,573
Other related parties	<u>2,339,161</u>	<u>1,405,211</u>
Total	<u>\$ 3,260,387</u>	<u>\$ 2,312,784</u>

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the purchase prices and payment terms to related parties were similar to third parties. The normal payment term is around 1 to 4 months.

C. Accounts receivable:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable		
- related parties:		
Entity with significant influence over the Company	\$ 2,316,129	\$ 2,587,592
Other related parties	<u>383,216</u>	<u>245,607</u>
	2,699,345	2,833,199
Allowance for bad debts	(<u>6,257</u>)	(<u>5,090</u>)
Total	<u>\$ 2,693,088</u>	<u>\$ 2,828,109</u>

D. Notes and accounts payable:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes payable - related parties:		
Entity with significant influence over the Company	\$ 3,679	\$ -
Accounts payable - related parties:		
Entity with significant influence over the Company	157,834	122,034
Other related parties	<u>825,043</u>	<u>456,976</u>
	<u>\$ 986,556</u>	<u>\$ 579,010</u>

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<u>\$ 256,138</u>	<u>\$ 236,371</u>

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Carring amount</u>		<u>Collateral purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Other current assets			
- Time deposits with maturity of over three months	\$ 12,537	\$ -	- Tariff guarantee and governments subsidy guarantee
- Demand deposits	950	-	- Others
Property, plant and equipment	2,624,489	-	- Collateral for short-term borrowings
Other non-current assets			
- Time deposits with maturity of over one year	<u>29,227</u>	<u>-</u>	Tariff guarantee
	<u>\$ 2,667,203</u>	<u>\$ -</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	<u>\$ 10,112,376</u>	<u>\$ 323,591</u>

B. The amount of unused letters of credit for the acquisition of property, plant and equipment is as follows:

	December 31, 2020	December 31, 2019
Unused letters of credit	<u>\$ 5,866,121</u>	<u>\$ 1,946,326</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriation of 2020 earnings was proposed by the Board of Directors on March 30, 2020. Please refer to Note 6(22).

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets at amortised cost	\$ 81,562,240	\$ 71,465,606
Financial assets at fair value through profit or loss	753,522	-
Financial assets at fair value through other comprehensive income	<u>431,266</u>	<u>193,804</u>
	<u>\$ 82,747,028</u>	<u>\$ 71,659,410</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 73,064,990	\$ 45,710,492
Lease liabilities	<u>655,821</u>	<u>239,407</u>
	<u>\$ 73,720,811</u>	<u>\$ 45,949,899</u>

Note : Financial assets at amortised cost including cash and cash equivalents, accounts receivable (including due from related parties), other receivables, other current assets and other non-current assets - time deposits with maturity of over one year; financial liabilities at amortised cost including short-term borrowings, accounts payable (including to related parties), other payables, long-term liabilities current portion, bond payable, long-term borrowings and guarantee deposits received.

B. Risk management policies

(a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk

(including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives:

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be eliminated through internal controls or operational procedures. Therefore, the goal in managing each of these risks is to reduce them to a minimum.
- ii. As for market risk, the goal is to optimise its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of trends in the external economic/financial environment, internal operating conditions and the actual effects of market fluctuations.
- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- iv. The Group uses derivative financial instruments. Please refer to Note 6 for details.

(c) Management system:

- i. Risk management is carried out by a central treasury department (the Group treasury) under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.
- ii. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from (a) the timing of recognition for accounts receivable, accounts payable, borrowings, and payables on machinery and equipment denominated in non-functional currencies is different, (b) recognised assets and liabilities and (c) net investments in foreign operations. Since the transacting currencies are different from functional currencies, foreign exchange risks arise.
- ii. Management has set up a policy to require all subsidiaries within the Group to manage their foreign exchange risk against their functional currency. However, the overall foreign exchange risk is managed by the Group treasury for hedging.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the

relevant foreign currencies.

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: RMB or NTD) so it is impacted by the exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020			For the year ended December 31, 2020	
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	256,604	28.48	\$ 7,308,082	1%	\$ 73,081
USD:RMB	1,809,982	6.5249	51,692,160	1%	516,922
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	3,009,546	28.48	85,711,870	1%	857,119
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	171,698	28.48	4,889,959	1%	48,900
USD:RMB	1,232,679	6.5249	35,204,679	1%	352,047
JPY:RMB	8,065,846	0.0632	2,232,498	1%	22,325

(Foreign currency: functional currency)	December 31, 2019			For the year ended December 31, 2019	
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	331,789	29.98	\$ 9,947,034	1%	\$ 99,470
USD:RMB	1,262,335	6.9762	37,911,126	1%	379,111
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	2,536,935	29.98	76,057,311	1%	760,573
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	220,978	29.98	6,624,920	1%	66,249
USD:RMB	823,355	6.9762	24,727,442	1%	247,274
JPY:RMB	4,440,833	0.0641	1,225,181	1%	12,252

- v. Please refer to Note 6(29) for the total exchange gains (losses) including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019.

Interest rate risk for cash flow and fair value

The Group's interest rate risk arises from borrowings. Borrowings at floating rates expose the Group to interest rate risk of cash flow, which is partially offset by cash and cash equivalents held at floating rates.

Based on the simulations performed, the impact on after-tax profit of a quarter-point shift would be a maximum increase or decrease of \$32,196 and \$46,692 for the years ended December 31, 2020 and 2019, respectively. The simulation is based on a quarterly basis to ensure that the maximum potential loss is within the limit given by the management.

The financial assets at amortised cost held by the Group are fixed rate products, and their changes of fair value arise from changes in market interest rate. However, the Group would hold the financial assets to the maturity because of the return at the effective rates for the duration, thus, there are no gains or losses on disposal or valuation arising from change in fair value.

Price risk

The Group's investments in equity securities comprise domestic listed stocks which are classified as investments in financial assets at fair value through other comprehensive income.

The price of equity securities would be affected by the uncertainty of the future value of underlying investment. However, the Group expects the price fluctuations do not have significant impact on the price of equity securities.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments, and is managed and monitored by the Group treasury. The clients and counterparties are government organisations, banks with high credit quality and financial institutions with investment grade; thus, there is no significant default risk and critical credit risk.

- ii. The Group assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were an underlying more than 30 days past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If the credit rating grade of an underlying investment degrades two grades, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. The default occurs when the contract payments are more than 90 days past due.
- v. The credit quality information of financial assets that are neither overdue nor impaired is as follows:

Cash and cash equivalents

The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

Financial assets at amortised cost

The Group's investments in debt instruments classified as financial assets at amortised cost have low credit risk, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

Accounts receivable (including due from related parties)

(i) The Group applies the following approaches to assess the expected credit losses (the 'ECLs') of accounts receivable:

1. Assess the ECLs on an individual basis if a significant default has occurred to certain customers.
2. Classify the other customers' accounts receivable based on the Group's credit rating standards and estimates the ECLs using loss rate methodology or provision matrix.
3. Adjust the loss rates constructed from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.
4. As of December 31, 2020 and 2019, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	<u>Individual</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Total</u>
<u>December 31, 2020</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total carrying amount	<u>\$ -</u>	<u>\$ 21,958,771</u>	<u>\$ 8,488,341</u>	<u>\$ 677,722</u>	<u>\$ 2,723,780</u>	<u>\$ 33,848,614</u>
Loss allowance	<u>\$ -</u>	<u>(\$ 6,588)</u>	<u>(\$ 5,942)</u>	<u>(\$ 6,777)</u>	<u>(\$ 88,152)</u>	<u>(\$ 107,459)</u>
	<u>Individual</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Total</u>
<u>December 31, 2019</u>						
Expected loss rate		0.03%	0.07%	0.10%~1.00%	1%~5%	
Total carrying amount	<u>\$ -</u>	<u>\$ 16,319,559</u>	<u>\$ 6,642,699</u>	<u>\$ 662,031</u>	<u>\$ 3,544,373</u>	<u>\$ 27,168,662</u>
Loss allowance	<u>\$ -</u>	<u>(\$ 4,896)</u>	<u>(\$ 4,650)</u>	<u>(\$ 3,310)</u>	<u>(\$ 68,156)</u>	<u>(\$ 81,012)</u>

Group 1: Standard Poor's, Fitch Ratings or Moody's ratings in A category, or A category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch Ratings in BBB category, Moody's ratings in Baa category, or in B or C category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch Ratings in BB+ category or below, or Moody's ratings in Ba1 category or below.

Group 4: Having no external agency rating. Ratings other than A, B, or C based on the Group's Credit Quality Control Policy.

(ii) Movements on allowance for accounts receivable adopting the modified approach (including due from related parties) are as follows:

	For the years ended December 31,	
	2020	2019
Opening balance	\$ 81,012	\$ 61,904
Acquisition through business combinations	6,198	-
Provision for impairment	22,837	20,943
Net exchange differences	(2,588)	(1,835)
Ending balance	<u>\$ 107,459</u>	<u>\$ 81,012</u>

Other receivables

The Group's subsidiaries incorporated in Mainland China are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on VAT exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organisations, so the possibility of default is remote.

Financial assets at fair value through other comprehensive income

The equity securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

Financial assets at fair value through profit or loss

The debt securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

(c) Liquidity risk

- i. Cash flow forecasting is performed by each Group entity and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and applicable external regulatory or legal requirements, such as foreign currency restrictions.

ii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expiring within one year	\$ 62,190,431	\$ 34,800,762
Expiring over one year	5,231,995	11,343,144
	<u>\$ 67,422,426</u>	<u>\$ 46,143,906</u>

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

Non-derivative financial liabilities:

<u>December 31, 2020</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable	\$ -	\$ 11,392,000	\$ 11,392,000
Long-term borrowings (Note)	9,027,198	40,302	9,067,500
Guarantee deposits received	-	186,613	186,613
Lease liabilities	145,543	549,837	695,380
	<u>\$ 9,172,741</u>	<u>\$ 12,168,752</u>	<u>\$ 21,341,493</u>

Non-derivative financial liabilities:

<u>December 31, 2019</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Long-term borrowings	\$ 271,619	\$ 9,197,714	\$ 9,469,333
Guarantee deposits received	-	179,511	179,511
Lease liabilities	95,128	156,246	251,374
	<u>\$ 366,747</u>	<u>\$ 9,533,471</u>	<u>\$ 9,900,218</u>

Note: Imputed interest payable included.

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(d) Cash flow risk of changes from interest rate

For the Group's borrowings at floating rates, the effective interest rate changes according to market interest rates. However, the working capital of the Group is sufficient to hedge the cash flow risk due to changes in interest rate. Furthermore, the Group's borrowings as fixed rates and lease payable have no cash flow risk due to changes in market interest rate.

(3) Information on fair value

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices). The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that is not based on observable market data.

B. Financial instruments not measured at fair value

- (a) Except those listed in the following table, the carrying amounts of the Group's financial instruments not measured at fair value approximate to their fair values, including cash and cash equivalents, financial assets at amortised cost—time deposits with maturity of over three months, financial assets at amortised cost—guaranteed income financial products, accounts receivable (including due from related parties), other receivables, other current assets, other non-current assets—time deposits with maturity of over one year, short-term borrowings, accounts payable (including to related parties), other payables, lease liabilities, and long-term borrowings:

December 31, 2020				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 10,480,741	\$ -	\$ 10,898,838	\$ -
Guarantee deposits received	186,613	-	186,371	-
Total	<u>\$ 10,667,354</u>	<u>\$ -</u>	<u>\$ 11,085,209</u>	<u>\$ -</u>
December 31, 2019				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Guarantee deposits received	<u>\$ 179,511</u>	<u>\$ -</u>	<u>\$ 179,135</u>	<u>\$ -</u>

- (b) The methods and assumptions of fair value measurement is as follows:

- Bonds payable: Regarding the convertible bonds issued by the Group, the fair value is estimated based on the expected cash flows using the present value and market rate.
- Guarantee deposits received: The fair value is estimated using the present value of the expected cash flows. The discount rate refers to the fixed interest rate of postal savings for a one-year time deposit.
- Financial assets at amortised cost - corporate bond: the fair value is the quoted price in active market.

C. Financial instruments measured at fair value

- (a) The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 753,522	\$ 753,522
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 431,266	\$ 431,266
<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ 193,804	\$ 193,804
<u>Non-recurring fair value measurements</u>				
Non-current assets classified as held for sale	\$ -	\$ -	\$ 161,211	\$ 161,211

- (b) The methods and assumptions that the Group used to measure fair value are as follows:
- The instruments the Group used market quoted prices as their fair values (i.e., Level 1).
 - Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
 - When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing

models. Forward exchange contracts are usually valued based on the current forward exchange rate.

- v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk, etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. The movements on Level 3 for the years ended December 31, 2020 and 2019 are as follows:

	For the years ended December 31,		
	2020		2019
	Financial assets at fair value through profit or loss-debt securities	Financial assets at fair value through other comprehensive income-equity securities	Financial assets at fair value through other comprehensive income-equity securities
Opening balance	\$ -	\$ 193,804	\$ 52,473
Acquisitions through business combinations	-	21,460	-
Acquisition of financial assets	666,775	130,800	136,192
Unrealised gains (losses) from financial assets	67,484	80,705	11,474
Net exchange differences	19,263	4,497	(6,335)
Ending balance	<u>\$ 753,522</u>	<u>\$ 431,266</u>	<u>\$ 193,804</u>

- (a) External appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in accordance with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to

the fair value.

- (b) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value as of December 31, 2020	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 102,503	Market comparable companies	Enterprise value to EBIT multiple	6.01~43.88 [8.19]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.59~6.16 [2.46]	The higher the net value, the higher the fair
Unlisted shares	\$ 173,524	Market comparable companies	Enterprise value to EBIT multiple	29.89~57.44 [44.46]	The higher the EBIT, the higher the fair value
Unlisted shares	\$ 23,929	Income approach	weighted average cost of capital	7.91%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	40%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	\$ 131,310	The last transaction price	Not applicable	Not applicable	Not applicable

	Fair value as of December 31, 2020	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Debt securities:					
Private fund	\$ 572,651	Net asset value	Not applicable	42.53	The higher the net asset value, the higher the fair value
Private fund	\$ 59,978	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted partnership share	\$ 120,893	Market comparable companies	Price to earnings multiple	114	The higher the PE multiple, the higher the fair value
			Discount for lack of marketability	41%	The higher the discount for lack of marketability, the lower the fair value

	Fair value as of December 31, 2019	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 75,783	Market comparable companies	Enterprise value to EBIT multiple	9.40~33.88 [10.01]	The higher the EBIT, the higher the fair value
			Price to net value multiple	1.19~8.41 [1.83]	The higher the net value, the higher the fair value
Unlisted shares	\$ 118,021	Market comparable companies	Enterprise value to EBIT multiple	38.63~66.14 [50.30]	The higher the EBIT, the higher the fair value

	Fair value as of December 31, 2019	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Non-current assets classified as held for sale:					
Right-of-use assets	\$ 10,302	Market approach/ replacement cost method	Not applicable	Not applicable	Not applicable

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

		For the year ended December 31, 2020				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Debt instrument	Enterprise value to EBIT	±1%	\$ 7,535	(\$ 7,535)	\$ -	\$ -
Equity instrument	multiple, etc.	±1%	-	-	4,313	(4,313)
			<u>\$ 7,535</u>	<u>(\$ 7,535)</u>	<u>\$ 4,313</u>	<u>(\$ 4,313)</u>

			For the year ended December 31, 2019	
			Recognised in other comprehensive income	
			Favourable change	Unfavourable change
	Input	Change		
Financial assets				
	Enterprise value to			
Equity instrument	EBIT	±1%		
	multiple, etc.			
			\$ 1,938	(\$ 1,938)

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

(4) Others

Due to the COVID-19 pandemic, some of the Group's subsidiaries were eligible to the exemptions or subsidies for the year ended December 31, 2020 in accordance with the policy of Temporary Reduction and Exemption of Corporate Contributions to Social Insurance Funds implemented by the local governments. Apart from that, the pandemic has no significant impact on the Group's operations.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent auditors. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

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

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of securities at the end of the period (excluding the investment in subsidiaries, associates and joint ventures): Please refer to table 3.

D. Aggregate purchases or sales of the same securities reaching NT \$300 million or 20% of paid-in capital or more: Please refer to table 4.

E. Acquisition of real estate reaching NT \$300 million or 20% of paid-in capital or more: Please refer to table 5.

F. Disposal of real estate reaching NT \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative financial instruments: None.

J. The business relationship and significant transactions between the parent company and the subsidiaries and between each subsidiary: Please refer to table 8.

(2) Information on investees

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent auditors. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

Names, locations and other information of investee companies (excluding the investees in Mainland China): Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: None.

(4) Information on major shareholders

Information on major shareholders: Please refer to table 11.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the manufacturing of various types of PCB products. The chief operating decision-maker considered the business and operations from the product perspective. Currently, the Group only discloses one reportable segment as all operating segments meet the aggregation criteria. In allocating resources and assessing performance of the Group, the chief operating decision-maker uses operating segments' revenue and net income which reflects internal cost and expense allocation. Except for inter-segment charges which were determined based on the Group's internal policy, accounting policies of operating segments are in agreement with Note 4, 'Summary of significant accounting policies'.

(2) Reportable segment information

Information on reportable segment provided to the chief operating decision maker is as follows:

	For the years ended December 31,	
	2020	2019
Revenue from external customers	\$ 131,278,537	\$ 120,067,508
Inter-segment revenue	-	-
Segments' revenue	<u>\$ 131,278,537</u>	<u>\$ 120,067,508</u>
Measure of segment profit	<u>\$ 11,693,667</u>	<u>\$ 13,828,045</u>

(3) Reconciliation of reportable segment's revenue and measure of profit and loss

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

The reconciliation from total reportable segment's revenue to the enterprise income and from segment profit from reportable segment to the net income for the period is as follows:

	For the years ended December 31,	
	2020	2019
Reportable segment's revenue	\$ 131,278,537	\$ 120,067,508
	For the years ended December 31,	
	2020	2019
Reportable segment's profit	\$ 11,693,667	\$ 13,827,367
Interest income and finance costs	223,432	558,219
Net foreign exchange (losses) gains	(1,226,078)	20,191
Net (losses) gains on disposal of property, plant and equipment	(150,871)	9,697
Others	968,140	(2,013,857)
Profit	\$ 11,508,290	\$ 12,401,617

(4) Information on products and services

Revenues from external customers are primarily from the manufacturing of PCB products as follows:

	For the years ended December 31,	
	2020	2019
Revenues from the manufacturing PCB products	\$ 131,278,537	\$ 120,067,508

(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	For the years ended December 31,			
	2020		2019	
	Revenue	assets	Revenue	assets
U.S.A	\$ 88,249,583	\$ -	\$ 78,179,028	\$ -
Mainland China	27,878,274	70,786,944	28,111,801	54,580,460
Taiwan	6,487,395	7,576,551	6,994,641	326,731
Singapore	1,649,817	-	1,932,194	-
Others	7,013,468	975,160	4,849,844	168,586
Total	\$ 131,278,537	\$ 79,338,655	\$ 120,067,508	\$ 55,075,777

The Group's geographical revenue is based on the countries where customers are located. Non-current assets are property, plant, equipment, right-of-use assets, intangible assets and other non-current assets.

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

For the years ended December 31,				
2020		2019		
	Revenue	Segment	Revenue	Segment
Company B	\$ 87,964,942	Manufacturing of PCB products	\$ 77,134,598	Manufacturing of PCB products
Company A	<u>7,485,125</u>	Manufacturing of PCB products	<u>7,369,127</u>	Manufacturing of PCB products
	<u>\$ 95,450,067</u>		<u>\$ 84,503,725</u>	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

LOANS TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2020 (Note 3)	Balance at December 31, 2020 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
0	The Company	Monterey Park Financial Limited	Other receivables	Yes	\$ 284,800	\$ 284,800	\$ -	-	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 31,366,892	\$ 31,366,892	
1	FAT Holdings Limited	Monterey Park Financial Limited	Other receivables	Yes	284,800	284,800	-	-	Short-term financing	-	Operation requirements	-	None	-	3,571,326	4,999,856	
2	Zhen Ding Technology Co., Ltd.	Boardtek Electronics Corporation	Other receivables	Yes	800,000	800,000	-	-	Short-term financing	-	Operation requirements	-	None	-	1,039,491	1,039,491	
3	Mayco Industrial Limited	The Company	Other receivables	Yes	4,670,720	1,708,800	-	-	Short-term financing	-	Operation requirements	-	None	-	322,442,085	451,418,919	
3	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,424,000	1,424,000	569,600	1.30%-3.10%	Short-term financing	-	Operation requirements	-	None	-	322,442,085	451,418,919	
3	Mayco Industrial Limited	Henley International Limited	Other receivables	Yes	854,400	854,400	-	-	Short-term financing	-	Operation requirements	-	None	-	322,442,085	451,418,919	
3	Mayco Industrial Limited	Boardtek Electronics Corporation	Other receivables	Yes	1,424,000	1,424,000	-	-	Short-term financing	-	Operation requirements	-	None	-	25,795,367	25,795,367	
4	Pacific Fair International Limited	The Company	Other receivables	Yes	3,417,600	3,417,600	2,563,200	1.30%	Short-term financing	-	Operation requirements	-	None	-	47,428,667	66,400,134	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2020	Balance at December 31, 2020	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
					(Note 3)	(Note 4)							Item	Value			
5	Monterey Park Finance Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	\$ 284,800	\$ 284,800	\$ -	-	Short-term financing	\$ -	Operation requirements	-	None	-	\$ 391,219,161	\$ 547,706,825	
6	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	656,550	328,275	5,252	3.85%	Short-term financing	-	Operation requirements	-	None	-	8,922,339	12,491,274	
7	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	1,424,000	1,424,000	712,000	0.55%	Short-term financing	-	Operation requirements	-	None	-	31,743,148	44,440,408	
7	Garuda International Limited	Avary Technology (India) Private Limited	Other receivables	Yes	1,139,200	1,139,200	569,600	1.15%	Short-term financing	-	Operation requirements	-	None	-	2,539,452	2,539,452	
7	Garuda International Limited	Avary Singapore Private Limited	Other receivables	Yes	1,139,200	1,139,200	-	-	Short-term financing	-	Operation requirements	-	None	-	31,743,148	44,440,408	
8	Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Other receivables	Yes	87,540	-	-	-	Short-term financing	-	Operation requirements	-	None	-	-	-	(Note 5)
8	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	10,942,500	10,942,500	2,144,730	3.85%	Short-term financing	-	Operation requirements	-	None	-	37,697,502	37,697,502	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
					December 31, 2020 (Note 3)	December 31, 2020 (Note 4)							Item	Value			
8	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	\$ 5,252,400	\$ 5,252,400	\$ 4,558,646	3.85%-4.15%	Short-term financing	-	Operation requirements	-	None	-	\$ 37,697,502	\$ 37,697,502	
8	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd	Other receivables	Yes	875,400	875,400	196,965	3.85%	Short-term financing	-	Operation requirements	-	None	-	37,697,502	37,697,502	
8	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	6,565,500	6,565,500	2,350,449	3.85%-4.15%	Short-term financing	-	Operation requirements	-	None	-	37,697,502	37,697,502	
8	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	2,188,500	2,188,500	704,697	3.85%-4.05%	Short-term financing	-	Operation requirements	-	None	-	37,697,502	37,697,502	
8	Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Other receivables	Yes	350,160	350,160	-	-	Short-term financing	-	Operation requirements	-	None	-	37,697,502	37,697,502	

Note 1: The total loans of the Company and subsidiaries granted to others is limited to 50% of the Company's net asset based on the latest audited or reviewed consolidated financial statements, and:

- (a) Total financial limit on loans granted to the companies having business relationship with the Company is 10% of the Company's net assets, financial limit on loans granted to a single party is the higher value of purchasing and selling during current year on the year of financing and 10% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.
- (b) Limit on total loans to parties with short-term financing is 40% of the Company's net asset; but limit on loans to a single party is 40% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 2: limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share, are not restricted to the limit on loans of 40% of the Company's net assets.

In accordance with the Company's "Procedures for Loans to Others", limit on total loans granted by a listed subsidiary to listed subsidiaries of which the Company directly or indirectly holds 100% of its voting shares, or limit on total loans to the Company granted by listed foreign subsidiaries which the Company directly or indirectly holds 100% of its voting share are 700% of the Company's net asset based on the latest audited or reviewed consolidated financial statements. In accordance with the Company's "Procedures for Loans to Others", limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share are 500% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 3: The maximum outstanding balance of loans to others for the year ended the balance sheet date.

Note 4: The credit line to this company was approved by the Board of Directors.

Note 5: The Group sold Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd. on March 12, 2020, and the credit line to this company was approved to cancel by the Board of Directors on April 30, 2020.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the year ended December 31, 2020 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 6)	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
0	The Company	Qi Ding Technology Qinhuangdao Co., Ltd.	2	\$ 7,841,723	\$ 569,600	\$ 569,600	\$ 569,600	\$ -	0.73%	\$ 78,417,228	Y	N	Y	
1	Zhen Ding Technology Co., Ltd.	Zhen Ding Technology Co., Ltd.	1	7,841,723	5,000	5,000	5,000	-	0.01%	78,417,228	N	N	N	(Note 9)
2	Qi Ding Technology Qinhuangdao Co., Ltd.	Qi Ding Technology Qinhuangdao Co., Ltd.	1	7,841,723	8,754	8,754	8,754	-	0.01%	78,417,228	N	N	Y	(Note 9)
3	Garuda Technology Co., Ltd.	Garuda Technology Co., Ltd.	1	7,841,723	15,000	15,000	15,000	-	0.02%	78,417,228	N	N	N	(Note 9)
4	Avary Holding (Shenzhen) Co., Limited	Avary Holding (Shenzhen) Co., Limited	1	7,841,723	284,505	284,505	284,505	-	0.36%	78,417,228	N	N	Y	(Note 9)
5	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	1	7,841,723	122,556	122,556	74,409	-	0.16%	78,417,228	N	N	Y	(Note 9)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the year ended December 31, 2020 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 6)	Actual amount drawn down (Note 7)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	1	\$ 7,841,723	\$ 65,655	\$ 65,655	\$ 65,655	\$ -	0.08%	\$ 78,417,228	N	N	Y	(Note 9)
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	1	7,841,723	236,358	236,358	218,850	-	0.30%	78,417,228	N	N	Y	(Note 9)
8	Avary Technology (India) Private Limited	Avary Technology (India) Private Limited	1	7,841,723	284,800	284,800	110,218	28,288	0.36%	78,417,228	N	N	N	(Note 9)

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

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The limit on endorsements / guarantees provided to a single entity: The limit on endorsements / guarantees provided to a single entity is 10% of the net assets of the parent company.

Note 4: The total amount of endorsements/ guarantees: The total amount of endorsements/ guarantees provide to others by the Company is limited to 100% of net assets of the parent company.

Note 5: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 7: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 9: The Company's subsidiaries provided guarantees for its tariff, technology development programs (TDPs) and leases.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

HOLDING OF SECURITIES AT THE END OF THE PERIOD (EXCLUDING THE INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2020

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	At the end of period				Footnote (Note 4)
				Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	
Zhen Ding Technology Co., Ltd.	Synpower Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,200,000	\$ 102,503	9.02%	\$ 102,503	
Avary Holding (Shenzhen) Co., Limited	Jiangsu Aisen Semiconductor Material Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,600,000	173,524	4.26%	173,524	
Avary Holding Investment (Shenzhen) Co., Ltd.	Sixpure Intellignet Technology (Dongguan) Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,461,039	131,310	3.55%	131,310	
Boardtek Electronics Corporation	Chipboard Technology Corporation	None	Non-current financial assets at fair value through other comprehensive income	1,337,068	23,929	15.60%	23,929	
Avary Holding (Shenzhen) Co., Limited	Jingning Dingqing Electronic Technology Limited Partnership	None	Non-current financial assets at fair value through profit or loss	-	120,893	12.53%	120,893	
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Chenyi M&A Fund	None	Non-current financial assets at fair value through profit or loss	-	572,651	3.08%	572,651	
Zhen Ding Technology Co., Ltd.	Zoyi Capital Investment Fund II L.P.	None	Non-current financial assets at fair value through profit or loss	-	59,978	13.50%	59,978	

Note 1: In accordance with IFRS9, 'Financial instruments, marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

AGGREGATE PURCHASES OR SALES OF THE SAME SECURITIES REACHING \$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

FOR THE YEAR ENDED DECEMBER 31, 2020

Table 4

Expressed in thousands of foreign currency

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2020		Purchases (Note 3)		Number of shares	Sales (Note 3)		Gain (loss) on disposal	Balance as at December 31, 2020	
					Number of shares	Amount	Number of shares	Amount		Selling price	Carrying amount		Number of shares	Amount
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Chenyi M&A Fund	Non-current financial assets at fair value through profit or loss	Firstred Fund Management (Beijing) Co., Ltd.	None	-	-	-	RMB 130,000	-	-	-	-	-	RMB 130,000

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether each reaches NT\$300 million or 20% of paid-in capital or more.

Note 4: The gain on disposal of the matured financial assets at amortised cost is interest income.

Note 5: Paid-in capital referred to herein is the paid-in capital of parent company.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
ACQUISITION OF REAL ESTATE REACHING NT\$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
FOR THE YEAR ENDED DECEMBER 31, 2020

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

If the counterparty is a related party, information on the penultimate transfer of the real estate is as follows:														
Real estate acquired by	Real estate Name	Date of occurrence	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Penultimate Owner	Relationship between the owner and the issuer	Date of transfer	Amount	Price determination and supporting reference materials	Purpose and use of acquisition	Other commitments	
Garuda Technology Co., Ltd.	Land Right-of- use	September 11, 2020	\$ 346,160	\$ -	Southern Taiwan Science Park Bureau, Ministry of Science and Technology	None	Not applicable	Not applicable	Not applicable	Not applicable	Market price	Operation requirements	None	

Note 1: Fill in the appraisal result in the ‘price determination and supporting reference materials’ column if the real estate acquired shall be appraised in accordance with regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. If the shares issued by an issuer have no par value or a par value other than NT\$10 per share, the threshold transaction amount of 20% of paid-in capital shall be replaced attributable to owners of the parent as stated in the balance sheet.

Note 3: Date of occurrence referred to herein is the date of contract signing date, date of payment, date of consignment trade, date of transfer, date of boards of directors resolutions, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever date is earlier.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

FOR THE YEAR ENDED DECEMBER 31, 2020

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	\$ 43,968,624	77	60 days from the shipping date	Note 2	Note 2	\$ 17,515,226	87	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	11,515,557	20	90 days from the shipping date	Note 2	Note 2	2,332,277	12	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	39,444,585	90	90 days from the shipping date	Note 2	Note 2	10,559,222	93	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	4,031,155	9	90 days from the shipping date	Note 2	Note 2	706,015	6	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	259,851	1	90 days from the shipping date	Note 2	Note 2	16,987	-	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	3,934,288	75	60 days from the shipping date	Note 2	Note 2	726,971	67	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	1,011,344	19	90 days from the shipping date	Note 2	Note 2	305,820	28	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	198,400	4	30 days from the shipping date	Note 2	Note 2	23,876	2	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	\$ 34,826,810	90	60 days from invoice date	Note 2	Note 2	\$ 8,387,351	91	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	3,462,283	9	90 days from the shipping date	Note 2	Note 2	745,349	8	
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	Sales	1,979,994	74	90 days from the shipping date	Note 2	Note 2	527,611	62	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	1,254,431	100	60 days from the received date	Note 2	Note 2	331,145	100	
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,980,266	100	90 days from the shipping date	Note 2	Note 2	526,142	100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	10,886,046	9	90 days from the first day of next month of shipping	Note 2	Note 2	4,769,654	14	
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	924,295	1	90 days from the first day of next month of shipping	Note 2	Note 2	222,920	1	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	9,042,914	7	90 days from the first day of next month of shipping	Note 2	Note 2	4,404,658	12	
Zhan Yang Automation (Dongguan) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	188,769	55	90 days from the first day of next month of shipping	Note 2	Note 2	24,544	16	

Table 6, Page 2

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term					
Zhan Yang Automation (Dongguan) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	\$ 108,704	32	90 days from the first day of next month of shipping	Note 2	Note 2	\$ 102,881	67	
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	7,376,397	6	90 days from the first day of next month of shipping	Note 2	Note 2	2,204,641	6	
Garuda International Limited	Interface Technology (ChengDu) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	Sales	458,539	-	60 days from the first day of next month of shipping	Note 2	Note 2	71,058	-	
Garuda International Limited	Interface Optoelectronics (ShenZhen) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	Sales	175,705	-	60 days from the first day of next month of shipping	Note 2	Note 2	78,353	-	
Garuda International Limited	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	203,783	-	60 days from the first day of next month of shipping	Note 2	Note 2	-	-	
Garuda Technology Co., Ltd.	Reco Technology (ChengDu) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	Sales	1,094,273	5	90 days from the first day of next month of receipt	Note 2	Note 2	208,998	4	
Avary Holding (Shenzhen) Co., Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	751,010	1	90 days from invoice date	Note 2	Note 2	(109,376)	1	
Avary Holding (Shenzhen) Co., Limited	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	950,838	2	90 days from invoice date	Note 2	Note 2	(384,291)	3	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	General Interface Solution Ltd.(Taiwan)	An investee company accounted for under the equity method of Hon Hai	Purchases	853,069	2	30 days from invoice date	Note 2	Note 2	(179,416)	3	

Table 6, Page 3

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly- owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	\$ 471,298	1	90 days from invoice date	Note 2	Note 2	(\$ 238,176)	4	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Foxconn (Far East) and subsidiaries	An indirect wholly- owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	106,536	-	90 days from invoice date	Note 2	Note 2	(23,606)	-	

Note 1: The opposite related party transactions are not disclosed.

Note 2: Unless the transaction terms were determined in accordance with mutual agreements due to no similar transactions, the transaction terms to related parties were similar to third parties.

Note 3: Advance sales receipts.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
DECEMBER 31, 2020

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2020		Amount	Action taken		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	\$ 17,515,226	3	\$ -	-	\$ 2,960,682	\$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	2,332,277	3	-	-	643,535	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	10,559,222	4	-	-	5,009,406	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	706,015	7	-	-	179,958	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	726,971	6	-	-	739,312	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	305,820	6	-	-	167,432	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	8,387,351	5	-	-	5,062,113	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	745,349	5	-	-	535,743	-

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2020		Amount	Action taken		
Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	An indirect wholly-owned subsidiary	\$ 527,611	5	\$ -	-	\$ 184,154	\$ -
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	331,145	4	-	-	172,909	-
Henley International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	526,142	5	-	-	177,646	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	4,769,654	2	-	-	193,945	-
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	222,920	3	29,101	Subsequent collection	89,884	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	4,404,658	2	-	-	2,181,535	-
Zhan Yang Automation (Dongguan) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	102,881	4	-	-	34,534	-
Garuda International Limited	Foxconn (Far East) and subsidiaries	An investee company accounted for under the equity method of Hon Hai	2,204,641	3	142,009	Subsequent collection	434,322	-
Garuda Technology Co., Ltd.	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	208,998	5	-	-	4,175	-

As to receivables from loans to related parties exceeding NT\$100 million or 20% of issued capital, please refer to Table 1.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

THE BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS BETWEEN THE PARENT COMPANY AND THE SUBSIDIARIES AND BETWEEN EACH SUBSIDIARY

FOR THE YEAR ENDED DECEMBER 31, 2020

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Other receivables	\$ 569,600	Note 5	-
2	Pacific Fair International Limited	The Company	2	Other receivables	2,563,200	"	1
3	Garuda International Limited	Avary Technology (India) Private Limited	3	Other receivables	569,600	"	-
3	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	712,000	"	-
4	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd	3	Other receivables	196,965	"	-
4	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	2,144,730	"	1
4	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	4,558,646	"	3
4	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	2,350,449	"	1
4	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	704,697	"	-
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	43,968,624	Note 8	33
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	17,515,226	"	10
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	11,515,557	Note 7	9
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	2,332,277	"	1
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	39,444,585	Note 8	30
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	10,559,222	"	6
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	4,031,155	Note 7	3
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	706,015	"	-
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	259,851	Note 9	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	\$ 3,934,288	Note 8	3
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	726,971	"	-
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	198,400	Note 9	-
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	1,011,344	Note 7	1
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	305,820	"	-
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	34,826,810	Note 8	27
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	8,387,351	"	5
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	3,462,283	Note 7	3
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	745,349	"	-
8	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Sales	1,979,994	Note 6	2
8	Qi Ding Technology Qinhuangdao Co., Ltd.	Henley International Limited	3	Accounts receivable	527,611	"	-
9	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	1,254,431	Note 10	1
9	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	331,145	"	-
10	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Sales	1,980,266	Note 6	2
10	Henley International Limited	Zhen Ding Technology Co., Ltd.	3	Accounts receivable	526,142	"	-
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	10,886,046	"	8
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	4,769,654	"	3
11	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Sales	924,295	"	1
11	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Accounts receivable	222,920	"	-
11	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	9,042,914	"	7
11	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	4,404,658	"	2

Table 8, Page 2

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
12	Zhan Yang Automation (Dongguan) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	\$ 188,769	Note 6	-
12	Zhan Yang Automation (Dongguan) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	108,704	"	-
12	Zhan Yang Automation (Dongguan) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	102,881	"	-

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

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Only the related party transactions exceeding the amount of NT \$100 million or 20% paid-in capital are disclosed, and the opposite related party transactions are not disclosed.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts. All the transactions had been eliminated in the consolidated financial statements.

Note 5: Nature of other receivables and other payables are loans to (from) others. Please refer to Note 13(1) A for interest rate and limit on loans.

Note 6: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the first day of shipping.

Note 7: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.

Note 8: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the shipping date.

Note 9: The prices and terms to related parties were similar to third parties. Credit term is 30 days from the shipping date.

Note 10: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the received date.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2020

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020	Investment income (loss) recognised by the Company for the year ended December 31, 2020	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Carrying amount			
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	\$ 25,810,000	\$ 24,386,000	906,250,000	100	\$ 77,932,438	\$ 9,048,977	\$ 9,048,977	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	2,598,727 (	432,261) (	432,261)	
The Company	Boardtek Electronics Corporation	Taiwan	Manufacturing	5,512,771	-	224,096,373	100	5,180,707 (	28,000) (	39,592)	
The Company	Zhen Ding Technology Singapore Private Limited	Singapore	Investment holding	3	-	100	100	3	-	-	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	2,927,340	2,927,340	102,785,806	100	64,538,320	8,146,131	8,145,189	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	7,789,280	7,789,280	2,133,300,000	100	9,485,733	862,505	862,505	
Monterey Park Finance Limited	Henley International Limited	Hong Kong	Trading	-	-	1	100	10,404 (	6,925) (	6,925)	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	34,036,674	34,036,674	9,321,841,932	100	64,488,417	8,146,225	8,146,225	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	142	142	5,000	100	714,014	7,831	7,831	
Boardtek Electronics Corporation	Boardtek Investment Corporation	Taiwan	Investment	170,000	170,000	17,000,000	100	272,011	28	28	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2020			Net profit (loss) of the investee for the year ended	Investment income (loss) recognised by the Company for the year ended	Footnote
				Balance at December 31, 2020	Balance at December 31, 2019	Number of shares	Ownership (%)	Carrying amount	December 31, 2020	December 31, 2020	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	\$ 1,680,320	\$ 284,800	460,200,000	73	\$ 4,439,457	\$ 1,992,781	\$ 1,642,737	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Investment holding	416,662	3	14,630,000	73	202,149 (	119,787) (	87,229)	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	1,525,000	25,000	152,500,000	73	1,147,212	191,798	139,669	
Garuda International Limited	Avary Japan Co., Ltd.	Japan	Trading	24,863	5,525	1,800	73	4,888 (	15,341) (	11,171)	
Avary Singapore Private Limited	Avary Technology (India) Private Limited	India	Manufacturing	279,097	279,097	71,620,000	73	110,325 (	117,029) (	85,221)	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China	Net profit (loss) of investee for the year ended December 31, 2020	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 3)	Carrying amount of investments as of December 31, 2020	Accumulated amount of investment income	Footnote
				Mainland China as of January 1, 2020	Remitted to Mainland China	Remitted back to Taiwan	as of December 31, 2020					remitted back to Taiwan as of December 31, 2020	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	\$ 10,235,435	2	\$ -	\$ -	\$ -	\$ -	\$ 5,695,431	73	\$ 4,161,001	\$ 18,018,310	\$ -	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	4,055,240	2	-	-	-	-	(196,824)	73	(143,328)	446,239	-	
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	10,117,146	2	-	-	-	-	12,583,711	73	9,163,521	68,628,772	-	
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	481,777	2	-	-	-	-	16,284	73	11,858	464,299	-	
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	1,054,596	2	-	-	-	-	12,265	73	8,932	695,283	-	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	11,601,367	2	-	-	-	-	(369,730)	73	(137,998)	11,588,803	-	
Qi Ding Technology Qinhuangdao Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	2,087,946	2	-	-	-	-	118,400	100	118,400	1,784,468	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net profit (loss) of investee for the year ended December 31, 2020	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 3)	Carrying amount of investments as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				Remitted to Mainland China	Remitted back to Taiwan								
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	\$ 87,540	2	\$ -	\$ -	\$ -	\$ -	\$ 28,897	73	\$ 21,043	\$ 105,289	\$ -	
Yun Ding Technology (Shenzhen) Limited	Manufacture and sales of PCB	-	2	-	-	-	-	(76)	73	(55)	-	-	
Huaian Jia Wei Industrial Development Co., Ltd.	Manufacture and sales of Building materials, Furniture and hardware tools	714,273	2	-	-	-	-	(2,623)	100	(2,623)	708,389	-	
Avary Holding Investment (Shenzhen) Co., Ltd.	Investment of business	709,075	2	-	-	-	-	3,442	73	2,507	518,914	-	
Zhan Yang Automation (Dongguan) Co., Ltd.	Research and development, sales, processing of automation equipment as well as imports and exports of goods or technology	30,639	2	-	-	-	-	33,385	44	(7,042)	6,187	-	
Leading Interconnect Semiconductor Technology (Shenzen) Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	1,496,039	2	-	-	-	-	(69,792)	100	(69,792)	1,424,692	-	Note 4

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 2: The methods of investments to PRC are as follows:

(1) The Group remits its own funds directly to the investee companies located in PRC

(2) Investee company, Monterey Park Finance Limited (B.V.I.), established by the Company that is located outside of Taiwan and PRC remits its own funds directly to the investee companies located in PRC.

(3) Others

Note 3: The columns investment income (loss) recognised by the Company for the year ended December 31, 2020 were based on the audited financial statements of the investees in Mainland China for the same period.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Foxconn (Far East) Limited	305,515,627	32.26%
Segregated Capital Securities account for 2018 second discretionary investment of Labor Pension Fund under the Labor Pension Act.	54,699,811	5.78%

**ZHEN DING TECHNOLOGY HOLDING AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2021 AND 2020

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Zhen Ding Technology Holding Limited

Opinion

We have audited the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries (the 'Group') as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the 'Regulations Governing the Preparation of Financial Reports by Securities Issuers' and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the Group's 2021 consolidated financial statements were as follows:

Cut-off of hub warehouse sales revenue

Description

Refer to Note 4(28) for accounting policies on revenue recognition.

The Group recognises revenue when the goods are directly shipped from factories and when customers accept the goods (the transfer of control) if picked up from hub warehouses. For pick-ups from hub warehouses, the Group recognises sales revenue based on movements of inventory records contained in the statements or other information provided by the warehouse custodians. The hub warehouses are located around the world with numerous warehouse custodians, the frequency and contents of statements provided by custodians are different, and the process of revenue recognition may involve manual procedures. These factors may potentially result in inaccurate timing of sales revenue recognition.

As there are numerous daily sales transactions from hub warehouses and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, we considered the cut-off of hub warehouse sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Assessed and tested internal controls over regular record verification between the Group and customers.
- B. Assessed and checked the appropriateness of cut-off of sales revenue prior to or after the balance sheet date, and verified the statements provided by the hub warehouse custodians.
- C. Performed confirmation of the storage quantities or observed physical counts in warehouse, compared against inventory records, and determined whether differences, if any, are properly adjusted.

Estimation of allowance for inventory valuation losses

Description

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventory. As of December 31, 2021, the Group's inventory cost and allowance for valuation losses were NT\$18,838,639 thousand and NT\$1,163,474 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of printed circuit board. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due to market value decline or obsolescence. The Group measures inventories at the lower of cost and net realisable value and recognises the allowance for inventory valuation losses based on the inventories over normal age and those individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories are numerous, and the estimation of net realisable value for individually obsolete or damaged inventories is subject to significant judgement, we considered the estimation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the estimation of allowance for inventory valuation losses:

- A. Assessed the reasonableness of accounting policy on allowance for inventory valuation losses and checked whether it has been consistently applied.
- B. Checked whether the logic in calculating inventory aging report was appropriate and confirmed whether the inventory over normal age has been included in the aging report.
- C. Assessed the reasonableness of individually obsolete or damaged inventory identified by the Group against related supporting documents, reviewed scrap inventory before and after the balance sheet date, and verified the information obtained from physical count.
- D. For the net realisable value of inventories over normal age and those individually identified as obsolete and damaged inventory, discussed with the Group, obtained supporting documents and reviewed calculation of inventory loss.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’ and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group’s financial reporting process.

Auditors’ responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan

March 16, 2022

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 33,789,530	17	\$ 44,222,887	24
1136	Current financial assets at amortised cost	6(3) and 8	1,389,177	1	2,552,215	1
1170	Accounts receivable, net	6(4)	35,002,337	18	31,048,067	17
1180	Accounts receivable due from related parties, net	6(4) and 7	2,531,004	1	2,693,088	2
1200	Other receivables	6(5)	1,135,584	1	1,002,641	1
130X	Inventories	6(6)	17,675,165	9	12,998,784	7
1410	Prepayments	6(5)	4,297,594	2	4,780,208	3
1470	Other current assets	8	114,643	-	14,115	-
11XX	Total current assets		95,935,034	49	99,312,005	55
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	1,114,588	1	753,522	-
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	476,619	-	431,266	-
1535	Non-current financial assets at amortised cost	6(3) and 8	78,408	-	-	-
1550	Investments accounted for using equity method		23,430	-	-	-
1600	Property, plant and equipment	6(8) and 8	86,072,884	44	68,177,175	38
1755	Right-of-use assets	6(9)	8,545,293	4	8,609,465	5
1780	Intangible assets	6(10)	2,079,308	1	2,165,029	1
1840	Deferred income tax assets	6(30)	1,199,753	1	1,285,039	1
1990	Other non-current assets	6(11) and 8	229,977	-	386,986	-
15XX	Total non-current assets		99,820,260	51	81,808,482	45
1XXX	Total assets		\$ 195,755,294	100	\$ 181,120,487	100

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(12)	\$ 19,636,568	10	\$ 12,838,545	7
2110	Short-term notes and bills payable	6(13)	-	-	949,666	-
2170	Accounts payable		19,030,051	10	22,863,017	13
2180	Accounts payable to related parties	7	1,066,691	-	986,556	1
2200	Other payables	6(14)	14,820,927	8	15,831,329	9
2230	Current income tax liabilities		1,029,989	-	777,204	-
2280	Current lease liabilities		133,689	-	132,310	-
2320	Long-term liabilities, current portion	6(16)	-	-	8,888,537	5
2399	Other current liabilities		1,161,811	1	156,634	-
21XX	Total current liabilities		56,879,726	29	63,423,798	35
Non-current liabilities						
2530	Bonds payable	6(15)	10,383,152	5	10,480,741	6
2540	Long-term borrowings	6(16)	7,599,023	4	39,986	-
2570	Deferred income tax liabilities	6(30)	2,750,027	2	2,022,315	1
2580	Non-current lease liabilities		383,627	-	523,511	-
2600	Other non-current liabilities		4,239,800	2	592,260	1
25XX	Total non-current liabilities		25,355,629	13	13,658,813	8
2XXX	Total liabilities		82,235,355	42	77,082,611	43
Equity						
Equity attributable to owners of parent						
	Share capital	6(19)				
3110	Ordinary share		9,470,492	5	9,470,492	5
	Capital surplus	6(20)				
3200	Capital surplus		36,937,742	19	35,671,212	19
	Retained earnings	6(21)				
3310	Legal reserve		6,029,763	3	5,219,158	3
3320	Special reserve		4,130,316	2	5,014,697	3
3350	Unappropriated retained earnings		32,898,629	17	27,429,476	15
	Other equity interest	6(22)				
3400	Other equity interest		(4,848,301)	(3)	(4,130,316)	(2)
3500	Treasury shares		(257,489)	-	(257,489)	-
31XX	Equity attributable to owners of parent		84,361,152	43	78,417,230	43
36XX	Non-controlling interest	6(32)	29,158,787	15	25,620,646	14
3XXX	Total equity		113,519,939	58	104,037,876	57
	Significant contingent liabilities and unrecognised contract commitments	9				
3X2X	Total liabilities and equity		\$ 195,755,294	100	\$ 181,120,487	100

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

			Years ended December 31,			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(23), 7 and 14		\$ 155,022,197	100	\$ 131,278,537	100
5000 Operating costs	6(6) and 7		(124,484,711)	(80)	(104,694,389)	(80)
5950 Gross profit from operations			<u>30,537,486</u>	<u>20</u>	<u>26,584,148</u>	<u>20</u>
Operating expenses	6(24)					
6100 Selling expenses			(1,646,890)	(1)	(1,929,601)	(1)
6200 Administrative expenses			(5,822,470)	(4)	(4,945,998)	(4)
6300 Research and development expenses			(7,302,208)	(5)	(5,545,496)	(4)
6450 Reversal of (expected credit loss) 12 in accordance with IFRS 9			<u>15,538</u>	<u>-</u>	<u>(22,837)</u>	<u>-</u>
6000 Total operating expenses			<u>(14,756,030)</u>	<u>(10)</u>	<u>(12,443,932)</u>	<u>(9)</u>
6900 Net operating income			<u>15,781,456</u>	<u>10</u>	<u>14,140,216</u>	<u>11</u>
Non-operating income and expenses						
7100 Interest income	6(26)		298,959	-	686,800	-
7010 Other income	6(27)		961,883	1	892,194	1
7020 Other gains and losses	6(28)		(288,355)	-	(1,461,852)	(1)
7050 Finance costs	6(29)		<u>(525,209)</u>	<u>-</u>	<u>(463,368)</u>	<u>-</u>
7060 Share of loss of associates and joint ventures accounted for using equity method			(9,927)	-	-	-
7000 Total non-operating income and expenses			<u>437,351</u>	<u>1</u>	<u>(346,226)</u>	<u>-</u>
7900 Profit before income tax			16,218,807	11	13,793,990	11
7950 Income tax expense	6(30)		<u>(2,524,439)</u>	<u>(2)</u>	<u>(2,285,700)</u>	<u>(2)</u>
8200 Profit			<u>\$ 13,694,368</u>	<u>9</u>	<u>\$ 11,508,290</u>	<u>9</u>

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

		Years ended December 31,					
		2021		2020			
Items	Notes	AMOUNT	%	AMOUNT	%		
Other comprehensive income							
Components of other comprehensive income that will not be reclassified to profit or loss							
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(17)					
		\$	7,252	-	\$	14,371	-
8316	Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	6(7)(22)					
			47,630	-		80,705	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)					
			(10,589)	-		(10,727)	-
8310	Other comprehensive income that will not be reclassified to profit or loss						
			44,293	-		84,349	-
Components of other comprehensive income that will be reclassified to profit or loss							
8361	Exchange differences on translation of foreign financial statements	6(22)					
			(1,157,715)	(1)		1,109,752	1
8300	Other comprehensive (loss) income		(\$ 1,113,422)	(1)		\$ 1,194,101	1
8500	Total comprehensive income		\$ 12,580,946	8		\$ 12,702,391	10
Profit attributable to:							
8610	Owners of the parent		\$ 9,651,297	6		\$ 8,094,547	6
8620	Non-controlling interests		4,043,071	3		3,413,743	3
			\$ 13,694,368	9		\$ 11,508,290	9
Comprehensive income attributable to:							
8710	Owners of the parent		\$ 8,939,113	6		\$ 8,990,427	7
8720	Non-controlling interests		3,641,833	2		3,711,964	3
			\$ 12,580,946	8		\$ 12,702,391	10
Earnings per share							
9750	Basic earnings per share	6(31)	\$	10.21	\$		8.90
9850	Diluted earnings per share	6(31)	\$	9.58	\$		8.64

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Equity attributable to owners of the parent												

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 16,218,807	\$ 13,793,990
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	11,492,846	8,127,620
Amortisation	6(24)	382,067	277,397
Gain on financial assets or liabilities at fair value through profit or loss, net	6(2)	(228,392)	(67,484)
Share of loss of associates and joint ventures accounted for using equity method		9,927	-
Impairment losses	6(8)	91,499	114,410
Expected credit (gain) loss	12	(15,538)	22,837
(Gains) losses on disposals of property, plant and equipment	6(28)	(8,437)	150,871
Interest income	6(26)	(298,959)	(686,800)
Interest expense	6(29)	525,209	463,368
Share-based payment	6(18)	207,115	103,130
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		25,239	31,507
Accounts receivable		(4,694,991)	(5,883,750)
Accounts receivable due from related parties		21,209	5,491
Other receivables		(16,070)	120,050
Inventories		(4,844,859)	(3,504,744)
Prepayments		428,433	(1,595,082)
Other current assets		536	(268)
Changes in operating liabilities			
Accounts payable		(3,549,162)	7,446,421
Accounts payable to related parties		91,174	385,819
Other payables		(202,076)	(177,360)
Other current liabilities		33,359	(8,001)
Cash inflow generated from operations		15,668,936	19,119,422
Income tax paid		(1,610,746)	(2,171,394)
Net cash flows from operating activities		14,058,190	16,948,028

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Years ended December 31, 2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflows from business combination	6(33)	\$ -	\$ 944,497
Acquisition of financial assets at fair value through profit or loss		(138,066)	(666,775)
Decrease in current financial assets at amortised cost		1,028,690	2,065,133
Acquisition of financial assets at fair value through other comprehensive income		-	(130,800)
Acquisition of property, plant and equipment	6(34)	(30,745,042)	(21,356,238)
Proceeds from disposals of property, plant and equipment		396,775	475,086
Acquisition of right-of-use assets		(403,532)	(288,300)
Increase in restricted assets		(101,026)	(43,252)
Increase in other non-current assets		(194,754)	(294,665)
Increase in other non-current liabilities		209,145	242,374
Interest received		349,609	785,077
Net cash flows used in investing activities		(29,598,201)	(18,267,863)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(34)	6,929,472	552,015
Decrease in short-term notes and bills payable	6(34)	(950,000)	-
Proceeds from long-term borrowings		7,813,020	-
Repayments of long-term borrowings		(8,694,000)	(39,952)
Increase in guarantee deposits received	6(34)	4,459,036	2,095
Cash dividends paid	6(21)	(4,261,721)	(4,060,034)
Proceeds from issuance of convertible bonds		-	11,795,359
Payments of lease liabilities		(134,439)	(122,525)
Interest paid		(296,515)	(375,655)
Changes in non-controlling interests - distribution of retained earnings by subsidiaries		(1,343,549)	(1,315,566)
Change in non-controlling interests - acquisition of shares of the subsidiary	6(32)	601,160	11,819
Change in non-controlling interest - disposal of the subsidiary	6(5)(32)	1,531,891	-
Net cash flows from financing activities		5,654,355	6,447,556
Effect of exchange rate changes on cash and cash equivalents		(547,701)	703,186
Net (decrease) increase in cash and cash equivalents		(10,433,357)	5,830,907
Cash and cash equivalents at beginning of year		44,222,887	38,391,980
Cash and cash equivalents at end of year		\$ 33,789,530	\$ 44,222,887

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Zhen Ding Technology Holding Limited (the ‘Company’, formerly named as Foxconn Advanced Technology Limited) was incorporated in the Cayman Islands in June 2006. According to the resolution of the Board of Directors in May 2011, the Company was renamed to Zhen Ding Technology Holding Limited and related registration was completed in July 2011. The registration address is P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company and its subsidiaries (collectively referred herein as the ‘Group’) are engaged in manufacturing and selling printed circuit board (the ‘PCB’). The Company has been listed on the Taiwan Stock Exchange since December 26, 2011.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 16, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission (the ‘FSC’) (collectively referred herein as the ‘IFRSs’)

New, revised or amended standards and interpretations endorsed by the FSC effective from 2021 are as follows:

New, Revised or Amended Standards and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39, ‘Interest Rate Benchmark Reform—Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Earlier application from January 1, 2021 is permitted)

The above standards and interpretations have no significant impact to the Group’s financial position

and financial performance based on the Group's assessment.

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

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

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

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

(3) IFRSs issued by International Accounting Standard Board (the 'IASB') but not yet endorsed by the FSC

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

New, Revised or Amended Standards and Interpretations	International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as stated otherwise, the principal accounting policies applied in the preparation of these

consolidated financial statements have been consistently applied to all the periods presented.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The items involving a higher degree of judgement or complexity, or items where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) The profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, and total comprehensive income shall also be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). It shall be recognised directly in equity and difference between the amount by

which the non-controlling interests are adjusted and the fair value of the consideration paid or received.

- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	
The Company	Zhen Ding Technology Singapore Private Limited (Singapore)	Holding company	100	100	(f)
The Company	Boardtek Electronics Corporation	Manufacturing company	100	100	(g)
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Fair International Limited (Hongkong)	Holding company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect International Limited (Formerly named: Henley International Limited (Hongkong))	Trading company	100	100	
Monterey Park Finance Limited (B.V.I.)	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	-	100	(l)
Monterey Park Finance Limited (B.V.I.)	Huaian Jia Wei Industrial Development Co., Ltd	Trading company	100	100	
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Manufacturing company	70.39	100	(d)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hong Kong)	Manufacturing company	100	100	
Mayco Industrial Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.09	66.38	(k)
Pacific Fair International Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	6.01	6.44	(k)
Avary Holding (Shenzhen) Co., Limited	Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd.	Manufacturing company	-	-	(c)
Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Yun Ding Technology (Shenzhen) Co., Ltd.	Trading company	-	-	(e)
Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Co., Ltd.	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Holding Investment (Shenzhen) Co., Ltd.	Investment company	100	100	(a)
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited (Singapore)	Holding company	100	100	
Fu Bo Industry (Shenzhen) Co., Ltd	Guangdong Zhanyang Intelligent Equipment Limited (Formerly named: Zhan Yang Automation (Dongguan) Co., Ltd.)	Trading company	-	60	(b)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2021	December 31, 2020	
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	
Garuda International Limited (Hongkong)	Avary Japan Co., Ltd.	Trading company	100	100	
Avary Singapore Private Limited (Singapore)	Avary Technology (India) Private Limited	Manufacturing company	100	100	
Boardtek Electronics Corporation	Boardtek Investment Co., Ltd.	Investment company	100	100	(g)
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Leading Interconnect Semiconductor Technology (Qinhuangdao) Co., Ltd.	Manufacturing company	100	-	(h)
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	-	(l)
Zhen Ding Technology Singapore Private Limited (Singapore)	Zhen Ding Technology India Private Limited (India)	Manufacturing company	37.5	-	(i)
Zhen Ding Technology Singapore Private Limited (Singapore)	Zhen Ding Developer India Private Limited (India)	Property management company	100	-	(j)
FAT Holdings Limited (Cayman)	Zhen Ding Technology India Private Limited (India)	Manufacturing company	62.5	-	(i)
FAT Holdings Limited (Cayman)	Zhen Ding Developer India Private Limited (India)	Property management company	-	-	(j)

(a) On January 19, 2020, the Group invested in Avary Holding Investment (Shenzhen) Co., Ltd., located in Shenzhen, which has been included in the consolidation. It is mainly engaged in equity investment.

- (b) On February 3, 2020, the Group invested in Guangdong Zhanyang Intelligent Equipment Limited (Formerly named: Zhan Yang Automation (Dongguan) Co., Ltd.), located in Dongguan, which has been included in the consolidation. It is mainly engaged in processing and manufacturing of automation equipment. On September 15, 2021, the Group did not acquire new shares in proportion to its shareholding ratio, resulting to a decrease in shareholding ratio to 44%. Accordingly, the subsidiary was not anymore consolidated into the financial statements from the date the Company lost control. In accordance with the Articles of Incorporation of Guangdong Zhanyang Intelligent Equipment Co., Ltd., the Company received earnings proportionate to its investment amount.
- (c) For the year ended December 31, 2019, the Group has restructured the investment structure, and disposed all its equity interest in Hong Qun Sheng Precision Electronics (Yingkou) Co., Ltd. The alteration registration was completed on March 12, 2020.
- (d) On September 4, 2020, the Group invested in Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. located in Shenzhen, which has been included in the consolidation. It is mainly engaged in the manufacture of electronic products. In the first quarter of 2021, Monterey Park Finance Limited did not participate in the cash capital increase of Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., thus, the shareholding ratio became 70.39%.
- (e) For the year ended December 31, 2020, the Group has restructured the investment structure, and Yun Ding Technology (Shenzhen) Co., Ltd. has completed the winding-up process in the third quarter of 2020.
- (f) On September 30, 2020, the Group invested in Zhen Ding Technology Singapore Private Limited located in Singapore, which has been included in the consolidation. It is mainly engaged in equity investment.
- (g) On November 4, 2020, the Group acquired Boardtek Electronics Corporation and its subsidiaries through share exchange located in Taiwan, which has been included in the consolidation. It is mainly engaged in the manufacturing and processing of PCB
- (h) On April 16, 2021, the Group invested in Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd. in Qinhuangdao, which has been included in the consolidated financial statements. It is mainly engaged in the processing and manufacturing of electronic products.
- (i) On May 27, 2021, the Group invested in Zhen Ding Technology India Private Limited in India, which has been included in the consolidated financial statements. It is mainly engaged in the processing and manufacturing of electronic products.
- (j) On April 16, 2021, the Group invested in Zhen Ding Developer India Private Limited in India, which has been included in the consolidated financial statements. It is mainly engaged in property leasing business. On July 26, 2021 and July 27, 2021, Zhen Ding Technology Singapore Private Limited increased its investment by cash in Zhen Ding Developer India

Private Limited, and accordingly, the shareholding ratio of Zhen Ding Technology Singapore Private Limited and FAT Holdings Limited became 99.997% and 0.003%, respectively.

(k) On June 23, 2021, because Avary Holding (Shenzhen) Co., Limited issued restricted shares to employees, the shareholding ratio of Mayco Industrial Limited (Hongkong) and Pacific Fair International Limited (Hongkong) became 66.09% and 6.42%, respectively. In addition, on December 31, 2021, as Pacific Fair International Limited (Hongkong) disposed some of its equity interest in Avary Holding (Shenzhen) Co., Limited, the shareholding ratio became 6.01%.

(l) In 2021, the Group adjusted the investment structure. On December 20, 2021, Monterey Park Finance Limited transferred its 100% equity interest in Qi Ding Technology Qinhuangdao Co., Ltd. to Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of December 31, 2021 and 2020, the non-controlling interests of the Group amounted to \$29,158,787 and \$25,620,646, respectively. The information on non-controlling interests and their subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		Description
		December 31, 2021		
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	\$ 28,511,717	27.90%	

Name of subsidiary	Principal place of business	Non-controlling interest		Description
		December 31, 2020		
		Amount	Ownership (%)	
Avary Holding (Shenzhen) Co., Limited	China	\$ 25,614,981	27.18%	

Summary of the financial information of subsidiary

Consolidated balance sheets of Avary Holding (Shenzhen) Co., Limited

	December 31, 2021	December 31, 2020
Current assets	\$ 70,532,575	\$ 73,276,585
Non-current assets	85,604,868	72,145,142
Current liabilities	(48,888,899)	(48,679,896)
Non-current liabilities	(3,938,671)	(2,492,413)
Total net assets	<u>\$ 103,309,873</u>	<u>\$ 94,249,418</u>

Consolidated statements of comprehensive income of Avary Holding (Shenzhen) Co., Limited

	Years ended December 31,	
	2021	2020
Revenue	\$ 144,525,372	\$ 127,804,513
Profit before income tax	16,840,037	14,520,066
Income tax expense	(2,162,341)	(1,942,802)
Profit	14,677,696	12,577,264
Other comprehensive loss, net of tax	(103,924)	(386,276)
Total comprehensive income	<u>\$ 14,573,772</u>	<u>\$ 12,190,988</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 3,618,123</u>	<u>\$ 3,711,964</u>

Consolidated statements of cash flows of Avary Holding (Shenzhen) Co., Limited

	Years ended December 31,	
	2021	2020
Net cash from operating activities	\$ 14,429,976	\$ 18,212,835
Net cash used in investing activities	(25,851,017)	(18,196,476)
Net cash from (used in) financing activities	682,007	(4,311,369)
Effect of exchange rate changes on cash and cash equivalents	(274,744)	(137,666)
Net decrease in cash and cash equivalents	(11,013,778)	(4,432,676)
Cash and cash equivalents at beginning of year	24,797,571	29,230,247
Cash and cash equivalents at end of year	<u>\$ 13,783,793</u>	<u>\$ 24,797,571</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's functional currency is USD; however, the consolidated financial statements are presented in NTD because of regulatory requirements.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

When presenting the Group's functional currency denominated financial statements in NT dollars, the average exchange rates were NT \$28.01 (in dollars) to US \$1 (in dollar) and NT \$29.55 (in dollars) to US \$1 (in dollar) for the years ended December 31, 2021 and 2020, respectively; the closing rates were NT \$27.68 (in dollars) to US \$1 (in dollar) and NT \$28.48 (in dollars) to US \$1 (in dollar) as of December 31, 2021 and 2020, respectively.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date; or
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to

be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date; or
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets/liabilities at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets measured at amortised cost or fair value through other comprehensive income are designated as the financial assets at fair value through profit or loss at initial recognition by the Group if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.
- D. The Group recognises the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

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

- A. The Group may make irrevocable election at initial recognition to recognise the changes in fair value in other comprehensive income for the investments in equity instruments that is not held for trading or the investments in debt instruments meet both of the following conditions:
 - (a) The financial assets held within a business model whose objective is both collecting contractual

cash flows and selling financial assets and

- (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity instruments are recognised in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. Dividends are recognised in profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.
 - (b) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss, the changes in fair value of debt instruments are recognised in other comprehensive income before derecognition. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet both of the following conditions:
 - (a) The financial assets held within a business model whose objective is in order to collect contractual cash flows, and
 - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured

at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets containing a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each balance sheet date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information (including forecasts). On the other hand, the Group recognises the impairment provision for lifetime ECLs for accounts receivable or contract assets containing a significant financing component.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 54 years
Machinery and equipment	2 ~ 11 years
Leasehold improvements	5 years
Other equipment	2 ~ 16 years

(17) Leases (lessee)

- A. The lease assets are recognised as right-of-use asset and lease liability at the date available for use by the Group. Lease payments are recognised as an expense on a straight-line basis over the lease term for either short-term leases or leases for which the underlying asset is of low value.
- B. At the commencement date, the right-of-use asset measured at cost shall comprise the amount of the initial measurement of lease liability and any initial direct costs incurred. The right-of-use asset subsequently measured at cost model and shall be depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- C. The lease liability is at the present value of the lease payments that are not paid and shall be discounted using the Group's incremental borrowing rate at commencement date. The lease payments include fixed payments less any lease incentives receivable. The lease liability is subsequently measured using an effective interest method on an amortised cost basis and the interest expense is allocated over the lease term. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset if there are changes in the lease term or to the lease payments not arising from contract modifications.

(18) Intangible assets

- A. Patents and technological expertise
Separately acquired patents and technological expertise are recognised at cost. Patents and technological expertise acquired in a business combination are recognised at fair value at the acquisition date. Patents and technological expertise with a finite useful life are amortised on the straight-line method over their estimated useful life of 5 years.
- B. Computer software
Computer software shall be measured initially at cost and amortised on the straight-line method over its estimated useful life of 3 to 5 years.
- C. Goodwill
Goodwill arose from a business combination accounted for by applying the acquisition method.

(19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal

should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated based on the operating segment to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(20) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.
- C. Extension option is not closely related to the host debt instruments, unless the rates are also adjusted close to current market rates when extending.

(21) Accounts payable

- A. Accounts payable are the liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled, or expired.

(23) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group are embedded with conversion options (that is, the bondholders have the right to convert the bonds into the Group's ordinary share by exchanging a fixed amount of cash for a fixed number of ordinary share), call options and put options. In accordance with the terms and conditions of the indenture, the Group classifies the convertible corporate bonds and the embedded derivative instruments on initial recognition as a financial asset, a financial liability or an equity instrument (the 'capital surplus-share options'). Convertible corporate bonds are accounted for as follows:

- A. The exercise price of call options and put options embedded in the convertible corporate bonds

is approximately equal to the amortised cost of the host debt instrument on each exercise date; therefore, call options and put options are closely related to the host debt contract.

- B. Call options, put options, and host debt of the convertible corporate bonds are initially recognised at fair value. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond outstanding using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in the 'capital surplus-share options' at the residual amount of total issue price less amounts of the 'bonds payable' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component shall be remeasured on the conversion date. The carrying amount of ordinary share issued due to the conversion shall be based on the remeasured carrying amount of the abovementioned liability component plus the carrying amount of the 'capital surplus-share options'.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognised as expenses when the employees have rendered service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions shall be recognised as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognised as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is accrued from the present value of future benefits that employees have earned in return for their services in the current or prior periods. The Group recognises the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' remuneration (bonus) is distributed by shares, the Group calculates the number of shares based on the fair value per share (closing price) at the previous day of the Board of Directors' resolution.

(25) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the quantity of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost is recognised based on the number of equity instruments that eventually vest.
- B. Employee restricted stocks:
 - (a) Employee restricted stocks measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) Those restricted stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) Employees have to pay to acquire those restricted stocks. If employees resign during the vesting period, the Group must refund their payments in exchange for the restricted stocks return by the employees. The Group recognises the payments to the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments for the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to

situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Different tax regulations are applicable to the Group according to the countries where the companies are registered:

- (a) Companies that are registered in Cayman Islands and British Virgin Islands are exempted from income tax in accordance with local regulations.
 - (b) For the companies that are registered in the Republic of China, in addition to income tax that is estimated in accordance with the tax laws, an additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings. When calculating income tax, in addition to applying the tax laws to calculate regular tax, the basic tax is calculated under the 'Income Basic Tax Act.' If regular tax is lower than basic tax, the difference between them shall be added to income tax payable. The aforementioned difference shall not be offset with investment tax credits under other laws and regulations.
 - (c) Income taxes of companies that are registered in Mainland China are calculated in accordance with 'Law of the People's Republic of China on Enterprise Income Tax' and its implementation and related notification letters.
 - (d) Income taxes of companies that are registered in the Government of the Hong Kong Special Administrative Region of the People's Republic of China are calculated based on the revenue earned in Hong Kong and in accordance with 'Hong Kong Inland Revenue Ordinance'.
 - (e) Income taxes of companies that are registered in the Singapore, India and Japan are calculated in accordance with the local regulations for the current year.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance

sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells PCB and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales of PCB and related products are recognised as the amount of contract price, net of the estimated discounts credits and price concessions.

- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financial component

The contract between the Group and the customer, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(29) Government grants

Government grants shall not be recognised at fair value until there is reasonable assurance that the entity will comply with the conditions attached to them, and that the grants will be received. Government grants shall be recognised in profit on a systematic basis over the periods in which the entity recognises the related expenses for which the grants are intended to compensate. Government grants related to property, plant and equipment shall be recognised within non-current liabilities that are recognised in profit on the straight-line method over the estimated useful life of related assets.

(30) Business combinations

- A. The Group accounts for a business combination by applying the acquisition method, unless it is a combination involving entities or businesses under common control or the acquiree is a subsidiary of an investment entity, as defined in IFRS 10, 'Consolidated financial statements', which is required to be measured at fair value through profit or loss. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. If the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree is higher than the fair value of the identifiable assets and obligations acquired, the difference is recorded as goodwill; if the fair value of the identifiable assets and obligations acquired is higher than the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree, the difference is recognised directly in profit or loss as 'gain recognised in bargain purchase transaction'.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker, who is responsible for allocating resources to operating segments and evaluating their performance.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group took into consideration the economic impact of Covid-19 epidemic into the critical accounting estimates and will continue to evaluate the impact on financial position and financial performance. The related information is addressed below:

Critical accounting estimates and assumptions

Accounting estimates are based on the situation on the balance sheet date to estimate future events, though there could be differences between the actual events and estimation. Estimates and assumptions on the risk of possible critical adjustments to the carrying amount of assets and liabilities for the next fiscal year are as follows:

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2021, the carrying amount of inventories was \$17,675,165.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 137	\$ 189
Checking accounts and demand deposits	16,326,795	25,316,229
Cash equivalents		
Time deposits	<u>17,462,598</u>	<u>18,906,469</u>
Cash and cash equivalents presented in the balance sheet	<u>\$ 33,789,530</u>	<u>\$ 44,222,887</u>

A. As of December 31, 2021 and 2020, the Group's time deposits over three months which are recognised within 'current financial assets at amortised cost' are described in Note 6(3).

B. The Group has no cash and cash equivalents pledged to others except for restricted demand deposits which are recognised within 'other current assets'. Please refer to Note 8 for details.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Private fund	\$ 698,688	\$ 616,580
Unlisted partnership share	<u>402,029</u>	<u>117,679</u>
	1,100,717	734,259
Net exchange differences	<u>13,871</u>	<u>19,263</u>
	<u>\$ 1,114,588</u>	<u>\$ 753,522</u>

A. The Group recognised net gain of \$228,392 and \$67,484 within 'financial assets at fair value through profit or loss held for trading' for the years ended December 31, 2021 and 2020,

respectively.

B. As of December 31, 2021 and 2020, the Group has no unsettled forward foreign exchange transactions.

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

(3) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items		
Guaranteed income financial products	\$ 830,400	\$ 1,840,110
Time deposits with maturity of over three months	558,777	712,105
	<u>\$ 1,389,177</u>	<u>\$ 2,552,215</u>
Non-current items		
Time deposits with maturity of over three months	\$ 78,408	\$ -

A. Please refer to Note 6(26) for interest income arising from financial assets at amortised cost recognised in profit or loss for the years ended December 31, 2021 and 2020.

B. The Group's principal and income guaranteed financial product are income notes for receiving contracted cash flows. Under the contract, the principal will be redeemed on the maturity date with a fixed interest rate at 3.5%.

C. The Group has no financial assets at amortised cost pledged to others as tariff guarantee and government subsidy collateral, except for time deposits with maturity of over three months which are recognised within 'other current assets' and time deposits with maturity of over one year which are recognised within 'other non-current assets. Please refer to Note 8 for details.

D. Please refer to Note 12(2) for the information on credit risk.

(4) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ -	\$ 25,474
Accounts receivable	35,088,596	31,123,795
	35,088,596	31,149,269
Less: Allowance for bad debts	(86,259)	(101,202)
	<u>\$ 35,002,337</u>	<u>\$ 31,048,067</u>
Accounts receivable due from related parties	\$ 2,535,410	\$ 2,699,345
Less: Allowance for bad debts	(4,406)	(6,257)
	<u>\$ 2,531,004</u>	<u>\$ 2,693,088</u>

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

is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 36,996,371	\$ 33,496,860
Between 1 and 90 days	601,247	320,265
Between 91 and 180 days	2,336	25,295
Over 180 days	24,052	6,194
	<u>\$ 37,624,006</u>	<u>\$ 33,848,614</u>

B. As of December 31, 2021 and 2020, accounts receivable and notes receivable were all from contracts with customers. In addition, as of January 1, 2020, the balance of receivables arising from contracts with customers amounted to \$27,168,662.

C. The Group does not hold any collateral as security.

D. Please refer to Note 12(2) for the information on credit risk.

(5) Other receivables and prepayments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Other receivables</u>		
Interest income receivable	\$ 123,566	\$ 174,900
Business tax refundable	791,807	757,497
Receivables from disposal of investments	177,742	-
Others	42,469	70,244
	<u>\$ 1,135,584</u>	<u>\$ 1,002,641</u>
<u>Prepayments</u>		
Excess business tax paid	\$ 1,836,797	\$ 2,387,018
Prepaid expenses	2,460,797	2,393,190
	<u>\$ 4,297,594</u>	<u>\$ 4,780,208</u>

The Group's Mainland China subsidiaries are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on business tax ('VAT') exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organizations, so the possibility of default is remote. The subsidiaries recognise related refunds and deductibles within 'other receivables' and 'prepayments', respectively.

(6) Inventories

December 31, 2021			
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 4,279,701	(\$ 116,703)	\$ 4,162,998
Work in process	5,421,186	(337,134)	5,084,052
Finished goods	9,137,752	(709,637)	8,428,115
	<u>\$ 18,838,639</u>	<u>(\$ 1,163,474)</u>	<u>\$ 17,675,165</u>
December 31, 2020			
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 3,718,726	(\$ 328,129)	\$ 3,390,597
Work in process	4,941,192	(315,174)	4,626,018
Finished goods	5,366,198	(384,029)	4,982,169
	<u>\$ 14,026,116</u>	<u>(\$ 1,027,332)</u>	<u>\$ 12,998,784</u>

Expenses and losses incurred on inventories for the years ended December 31, 2021 and 2020 are as follows:

Years ended December 31,		
	2021	2020
Cost of goods sold	\$ 126,278,578	\$ 105,922,748
Impairment losses	60,445	111,342
(Reversal of) losses on valuation of inventory	145,752	(122,989)
Income from sale of scraps and wastes	(2,000,064)	(1,216,712)
	<u>\$ 124,484,711</u>	<u>\$ 104,694,389</u>

The Group reversed losses from a previous inventory write-down and recognised as gain on reversal for the year ended December 31, 2020 as the Group sold some inventories, with the net realisable values lower than the costs.

(7) Non-current financial assets at fair value through other comprehensive income

	December 31, 2021	December 31, 2020
Equity instruments		
Unlisted stock	\$ 409,954	\$ 409,954
Valuation adjustment	71,138	23,508
Net exchange differences	(4,473)	(2,196)
	<u>\$ 476,619</u>	<u>\$ 431,266</u>

A. The Group has elected to classify the unlisted stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value

through other comprehensive income are listed below:

	Years ended December 31,	
	2021	2020
Equity instruments	<u>\$ 47,630</u>	<u>\$ 80,705</u>

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2021</u>						
Cost	\$ 2,390,675	\$ 26,672,561	\$ 55,750,789	\$ 21,315,866	\$ 8,410,005	\$ 114,539,896
Accumulated depreciation and impairment	-	(9,090,514)	(27,570,839)	(9,701,368)	-	(46,362,721)
	<u>\$ 2,390,675</u>	<u>\$ 17,582,047</u>	<u>\$ 28,179,950</u>	<u>\$ 11,614,498</u>	<u>\$ 8,410,005</u>	<u>\$ 68,177,175</u>
<u>2021</u>						
Opening net carrying amount	\$ 2,390,675	\$ 17,582,047	\$ 28,179,950	\$ 11,614,498	\$ 8,410,005	\$ 68,177,175
Additions (transfers)	-	2,870,370	13,351,222	8,711,421	5,066,650	29,999,663
Disposals	-	(7,522)	(268,414)	(146,897)	9,957	(412,876)
Depreciation expense	-	(1,510,022)	(5,257,706)	(4,320,793)	-	(11,088,521)
Impairment losses	-	-	(91,499)	-	-	(91,499)
Net exchange differences	(52,242)	(125,831)	(198,119)	(82,706)	(52,160)	(511,058)
Closing net carrying amount	<u>\$ 2,338,433</u>	<u>\$ 18,809,042</u>	<u>\$ 35,715,434</u>	<u>\$ 15,775,523</u>	<u>\$ 13,434,452</u>	<u>\$ 86,072,884</u>
<u>At December 31, 2020</u>						
Cost	\$ 2,338,433	\$ 27,766,519	\$ 67,804,287	\$ 29,653,914	\$ 13,434,452	\$ 140,997,605
Accumulated depreciation and impairment	-	(8,957,477)	(32,088,853)	(13,878,391)	-	(54,924,721)
	<u>\$ 2,338,433</u>	<u>\$ 18,809,042</u>	<u>\$ 35,715,434</u>	<u>\$ 15,775,523</u>	<u>\$ 13,434,452</u>	<u>\$ 86,072,884</u>

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2020</u>						
Cost	\$ 51,068	\$ 20,861,687	\$ 42,233,797	\$ 14,794,602	\$ 5,434,963	\$ 83,376,117
Accumulated depreciation and impairment	-	(7,442,487)	(21,991,287)	(7,608,695)	(91,035)	(37,133,504)
	<u>\$ 51,068</u>	<u>\$ 13,419,200</u>	<u>\$ 20,242,510</u>	<u>\$ 7,185,907</u>	<u>\$ 5,343,928</u>	<u>\$ 46,242,613</u>
<u>2020</u>						
Opening net carrying amount	\$ 51,068	\$ 13,419,200	\$ 20,242,510	\$ 7,185,907	\$ 5,343,928	46,242,613
Acquisitions through business combinations	2,330,739	1,019,171	1,834,065	82,763	-	5,266,738
Additions (transfers)	41,956	4,988,524	9,513,015	6,549,847	3,023,028	24,116,370
Disposals	-	-	(451,817)	(174,140)	-	(625,957)
Depreciation expense	-	(1,406,917)	(4,145,867)	(2,195,408)	-	(7,748,192)
Impairment losses	-	-	(114,410)	-	-	(114,410)
Reclassification	-	(725,633)	866,173	(36,718)	(103,822)	-
Net exchange differences	(33,088)	287,702	436,281	202,247	146,871	1,040,013
Closing net carrying amount	<u>\$ 2,390,675</u>	<u>\$ 17,582,047</u>	<u>\$ 28,179,950</u>	<u>\$ 11,614,498</u>	<u>\$ 8,410,005</u>	<u>\$ 68,177,175</u>
<u>At December 31, 2020</u>						
Cost	\$ 2,390,675	\$ 26,672,561	\$ 55,750,789	\$ 21,315,866	\$ 8,410,005	\$ 114,539,896
Accumulated depreciation and impairment	-	(9,090,514)	(27,570,839)	(9,701,368)	-	(46,362,721)
	<u>\$ 2,390,675</u>	<u>\$ 17,582,047</u>	<u>\$ 28,179,950</u>	<u>\$ 11,614,498</u>	<u>\$ 8,410,005</u>	<u>\$ 68,177,175</u>

- A. The significant parts of the Group's buildings and structures include main plants and auxiliary improvements, which are depreciated over 20~54 years and 3~10 years, respectively.
- B. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost and value-in-use calculations at discount rate of 5.73% and 6.43% respectively. Additionally, the fair value using market approach valuation technique considering replacement cost belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on property, plant and equipment of \$91,499 and \$114,410 for the years ended December 31, 2021 and 2020, respectively. The amounts recognised in 2021 were shown within 'operating costs' of \$60,445 and 'other gains and losses' of \$31,054, while the amounts recognised in 2020 were shown within 'operating costs' of \$114,342 and 'other gains and losses' of \$3,068. The impairment losses belong to PCB segments.
- C. Information about the property, plant and equipment that were pledged to others as collateral is described in Note 8.

(9) Right-of-use assets/Lease liabilities

- A. The assets leased by the Group include right-of-use land, buildings, official vehicles and other facilities. The Group's subsidiaries signed right-of-use land contracts with local governments whom the subsidiaries will return the right to when the contract expires. Except for the lease term of right-of-use land of 20 to 50 years, the remaining lease terms are between 2 and 8 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for the leased assets restricted to pledge to others.
- B. The leases of buildings, parking space, etc. in the Group are with a lease term of 12 months or less, and the leases for which the underlying asset is of low value are all-in-one printers, etc.
- C. The information on the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Right-of-use land	\$ 8,375,406	\$ 8,316,001
Buildings	154,404	277,406
Transportation equipment (official vehicles)	10,986	16,058
Other facilities	4,497	-
	<u>\$ 8,545,293</u>	<u>\$ 8,609,465</u>

	Years ended December 31,	
	2021	2020
	Depreciation expense	Depreciation expense
Right-of-use land	\$ 284,165	\$ 253,675
Buildings	107,554	108,268
Transportation equipment (official vehicles)	10,453	17,485
Other facilities	2,153	-
	<u>\$ 404,325</u>	<u>\$ 379,428</u>

The acquisition of the right-of-use assets for the years ended December 31, 2021 and 2020 amounted to \$422,007 and \$827,767, respectively.

- D. As of December 31, 2021, there were right-of-use land contracts of \$719,677 in the process of registration between the subsidiaries of the Group and the local government.
- E. The Group recognised rental expense for either the lease term of less than 12 months or leases for which the underlying asset is of low value. The information on the lease contract affecting profit or loss is as follows:

	Years ended December 31,	
	2021	2020
<u>Items affecting current profit or loss</u>		
Interest expense from lease liabilities	<u>\$ 17,284</u>	<u>\$ 18,726</u>
Rental expenses for short-term lease contracts	<u>\$ 384,660</u>	<u>\$ 632,753</u>

- F. The cash flows used in the lease payments of the Group for the years ended December 31, 2021 and 2020 were \$939,915 and \$1,062,304, respectively

(10) Intangible assets

	For the year ended December 31, 2021			
	Patents and technological expertise	Software	Goodwill	Total
<u>At January 1, 2021</u>				
Cost	\$ 412,098	\$ 1,088,808	\$ 1,238,657	\$ 2,739,563
Accumulated amortisation and impairment	(13,459)	(561,075)	-	(574,534)
	<u>\$ 398,639</u>	<u>\$ 527,733</u>	<u>\$ 1,238,657</u>	<u>\$ 2,165,029</u>
<u>2021</u>				
Opening net carrying amount	\$ 398,639	\$ 527,733	\$ 1,238,657	\$ 2,165,029
Additions	-	341,197	-	341,197
Amortisation expense	(83,879)	(294,366)	-	(378,245)
Net exchange differences	(10,209)	(3,670)	(34,794)	(48,673)
Closing net carrying amount	<u>\$ 304,551</u>	<u>\$ 570,894</u>	<u>\$ 1,203,863</u>	<u>\$ 2,079,308</u>
<u>At December 31, 2021</u>				
Cost	\$ 400,522	\$ 1,400,642	\$ 1,203,863	\$ 3,005,027
Accumulated amortisation and impairment	(95,971)	(829,748)	-	(925,719)
	<u>\$ 304,551</u>	<u>\$ 570,894</u>	<u>\$ 1,203,863</u>	<u>\$ 2,079,308</u>

For the year ended December 31, 2020				
	Patents and technological expertise	Software	Goodwill	Total
<u>At January 1, 2020</u>				
Cost	\$ -	\$ 517,862	\$ 89,511	\$ 607,373
Accumulated amortisation and impairment	-	(247,003)	-	(247,003)
	<u>\$ -</u>	<u>\$ 270,859</u>	<u>\$ 89,511</u>	<u>\$ 360,370</u>
<u>2020</u>				
Opening net carrying amount	\$ -	\$ 270,859	\$ 89,511	\$ 360,370
Additions	-	174,128	-	174,128
Acquisition through business combinations	419,412	8,068	1,174,100	1,601,580
Reclassifications	-	280,675	-	280,675
Amortisation expense	(13,963)	(216,607)	-	(230,570)
Net exchange differences	(6,810)	10,610	(24,954)	(21,154)
Closing net carrying amount	<u>\$ 398,639</u>	<u>\$ 527,733</u>	<u>\$ 1,238,657</u>	<u>\$ 2,165,029</u>
				-
<u>At December 31, 2020</u>				
Cost	\$ 412,098	\$ 1,088,808	\$ 1,238,657	2,739,563
Accumulated amortisation and impairment	(13,459)	(561,075)	-	(574,534)
	<u>\$ 398,639</u>	<u>\$ 527,733</u>	<u>\$ 1,238,657</u>	<u>\$ 2,165,029</u>

- A. The Group acquired 100% of the shares of Boardtek Electronics Corporation on November 4, 2020 and Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd. in 2008, and recognized goodwill as well as patents and technological expertise under the acquisition method.
- B. Goodwill is allocated to the Group's cash-generating units identified by operating segments. The recoverable amount has been determined based on value-in-use calculations with operating income rate, growth rate and discount rate. Management determined budgeted operating income rate based on its expectations of market development, the growth rates based on the expectations of industry, and the discount rates based on the weighted average capital cost. The discount rate was 5.73% and 8.44% for the years ended December 31, 2021 and 2020, respectively.

(11) Other non-current assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Refundable deposits	\$ 103,179	\$ 103,404
Prepayments for business facilities	16,549	62,864
Net defined benefit asset	47,408	40,738
Others	62,841	179,980
	<u>\$ 229,977</u>	<u>\$ 386,986</u>

Information about the other non-current assets that were pledged to others as tariff guarantee is described in Note 8.

(12) Short-term borrowings

Type of borrowings	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	\$ 19,636,568	0.38%~6.40%	None
	<u>December 31, 2020</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	\$ 11,938,862	0.47%~6.40%	None
Security Loans	899,683	0.87%	Land and buildings
	<u>\$ 12,838,545</u>		

Please refer to Note 8 for the information on collateral for short-term borrowings.

(13) Short-term notes and bills payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper	\$ -	\$ 949,666
Interest rate	-	1.11%~1.21%

(14) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payable on machinery and equipment	\$ 6,255,970	\$ 7,060,667
Wages and bonuses payable	4,328,423	4,173,790
Repairs and maintenance fees payable	652,163	871,768
Payable on mold and jig	649,026	1,169,120
Tax payable	259,258	266,545
Payable on consumable goods	189,177	259,724
Others	2,486,910	2,029,715
	<u>\$ 14,820,927</u>	<u>\$ 15,831,329</u>

(15) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
3rd overseas unsecured convertible bonds:		
Bonds payable	\$ 11,072,000	\$ 11,392,000
Less: Discount on bonds payable	(688,848)	(911,259)
Bonds payable	<u>\$ 10,383,152</u>	<u>\$ 10,480,741</u>

A. Conditions for issuance of 2nd overseas unsecured convertible bonds are as follows:

- (a) The competent authority has approved the Company's second issuance of overseas unsecured corporate bonds on June 16, 2020. The total issue amount of the bonds is USD 400,000 thousand, at a coupon rate of 0% and maturity of 5 years from June 30, 2020 to June 30, 2025.
 - (b) The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of December 31, 2021, no bonds have been converted into ordinary shares, and the conversion price was NTD 144.94 (exchange rate of NTD 29.5930 (in dollars) to USD 1 (in dollar)).
 - (c) The bondholders have the right to require the Company to repurchase all or any portion of bonds at the price of the bonds' principal amount with an annual rate of 0 % as interest compensation (100% of the principal amount of the corporate bonds) on June 30, 2023.
 - (d) Except for bonds redeemed before maturity, repurchased and retired, or converted by the bondholders, the Company will fully redeem the bonds at the maturity date with an annual rate of 0% based on the principal amount. The redemption amount is about 100% of the principal amount of the corporate bonds, and the bonds will be redeemed in full.
 - (e) According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired and not to be re-issued.
 - (f) According to the terms of the bonds, rights and obligations of newly issued shares after conversion are the same as other issued ordinary share.
 - (g) The effective rate of the corporate bonds is 1.86%.
- B. Regarding the issuance of overseas unsecured corporate bonds, the equity conversion options were separated from the liability component in accordance with IAS 32. As of December 31, 2021, the Company's 3rd overseas unsecured corporate bonds in 2020 were recognised within "capital surplus - share options" of \$996,753.

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	December 31, 2021
Syndicated loans	Borrowing period is from April 6, 2021 to April 6, 2024; principal is repayable semiannually from October 6, 2023 in two installments; 50% of principal has to be repaid for each installment.	\$ 6,920,000
Credit loans	Borrowing period is from January 25, 2021 to July 25, 2024,	276,799
	Borrowing period is from March 18, 2021 to July 25, 2024,	138,400
	Borrowing period is from June 29, 2021 to July 25, 2024,	276,799
		7,611,998
Less: Syndicated loan arrangement fees		(12,975)
		<u>\$ 7,599,023</u>
Interest rate		<u>1.01%~2.04%</u>

Type of borrowings	Borrowing period and repayment term	December 31, 2020
Syndicated loans	Borrowing period is from October 4, 2018 to October 4, 2021; principal is repayable semiannually from April 4, 2021 in two installments; 50% of principal has to be repaid respectively.	\$ 8,544,000
Credit loans	Borrowing period is from December 3, 2018 to December 3, 2021; principal is repayable quarterly, 20% of principal has to be repaid for each installment.	119,958
	Borrowing period is from March 26, 2019 to March 26, 2021	189,933
	Borrowing period is from November 18, 2019 to November 17, 2022; principal is repayable quarterly, 10% of principal has to be repaid for each installment.	79,972
		8,933,863
Less: Syndicated loan arrangement fees		(5,340)
Less: Current portion of bonds payable (within 'long-term liabilities,		(8,888,537)
		<u>\$ 39,986</u>
Interest rate		<u>1.23%~1.50%</u>

During the terms of the syndicated loans, in accordance with the syndicated loan agreement, the Company is required to calculate and maintain certain level of current ratio, liability ratio, times-interest-earned ratio and net tangible asset balance based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. As of December 31, 2021, the Company was in compliance with the terms of the syndicated loan

agreement.

(17) Pensions

A. Defined benefit plans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of funded defined benefit obligations	(\$ 139,004)	(\$ 160,885)
Fair value of plan assets	<u>186,412</u>	<u>201,623</u>
Net defined benefit asset (within "other noncurrent assets")	<u>\$ 47,408</u>	<u>\$ 40,738</u>

- (a) The Group's subsidiaries in Taiwan, Zhen Ding Technology Co., Ltd. and Boardtek Electronics Corporation, have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Taiwan subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the 'Fund'). Before the end of each year, the Taiwan subsidiaries assess the balance in the aforementioned Fund. If the balance in the Fund is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Taiwan subsidiaries are required to fund the deficit in one appropriation before the end of next March.
- (b) Movements in net defined benefit assets are as follows:

<u>For the year ended December 31, 2021</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1, 2021	(\$ 160,885)	\$ 201,623	\$ 40,738
Current service cost	(815)	-	(815)
defined benefit asset	(963)	1,181	218
	<u>(\$ 162,663)</u>	<u>\$ 202,804</u>	<u>\$ 40,141</u>

Remeasurements:

Return on plan assets (excluding aforementioned interest income or expense)	-	2,616	2,616
Change in demographic assumptions	(1,936)		(1,936)
Change in financial assumptions	8,294	-	8,294
Experience adjustments	(1,722)	-	(1,722)
	<u>4,636</u>	<u>2,616</u>	<u>7,252</u>
Pension fund contribution	-	15	15
Paid pension	<u>19,023</u>	<u>(19,023)</u>	<u>-</u>
Balance at December 31, 2021	<u>(\$ 139,004)</u>	<u>\$ 186,412</u>	<u>\$ 47,408</u>

<u>For the year ended December 31, 2020</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1, 2020	(\$ 3,927)	\$ 16,469	\$ 12,542
Current service cost	(270)	-	(270)
Interest (expense) income of net defined benefit asset	(521)	641	120
	<u>(\$ 4,718)</u>	<u>\$ 17,110</u>	<u>\$ 12,392</u>

Remeasurements:

Return on plan assets (excluding aforementioned interest income or expense)	-	6,974	6,974
Change in financial assumptions	(40)	-	(40)
Experience adjustments	<u>7,437</u>	<u>-</u>	<u>7,437</u>
	<u>7,397</u>	<u>6,974</u>	<u>14,371</u>
Pension fund contribution	-	15	15
Paid pension	<u>37,823</u>	<u>(37,823)</u>	<u>-</u>
Effect of business combination	<u>(201,387)</u>	<u>215,347</u>	<u>13,960</u>
Balance at December 31, 2020	<u>(\$ 160,885)</u>	<u>\$ 201,623</u>	<u>\$ 40,738</u>

- (c) The Bank of Taiwan was commissioned to manage the plan assets of the Fund for the Taiwan subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment

and utilisation plan and the ‘Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund’ (Article 6: the scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the amounts accrued from the local bank interest rates of two-year time deposits. If the earnings are inadequate, government shall make payment for the deficit after being authorised by the Taiwan Competent Authority. The Taiwan subsidiaries have no right to participate in managing and operating the Fund and hence the Taiwan subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. As of December 31, 2021 and 2020, the fair value of plan assets is given in the ‘Utilization Status of the Labor Funds’ announced by the local government.

(d) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2021	2020
Discount rate	0.70%~0.80%	0.40%~0.60%
Rate of future salary increase	2.00%	2.00%~2.50%
Rate of employee turnover	0.21%~1.20%	0.27%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

The analysis of the present value of defined benefit obligation due to the main actuarial assumption changes was as follows:

	Discount rate		Rate of future salary increase		Rate of employee turnover	
	Increase	Decrease	Increase	Decrease	110% of expected rate	90% of expected rate
<u>December 31, 2021</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%~1%</u>	<u>0.25%~1%</u>		
Increase (decrease) in present value of defined benefit obligations	(\$ 3,420)	\$ 3,549	\$ 3,494	(\$ 3,385)	(\$ 177)	\$ 179
<u>December 31, 2020</u>						
Increase (decrease) in present value of defined benefit obligations	(\$ 3,317)	\$ 3,445	\$ 14,036	(\$ 12,346)	\$ -	\$ -

The aforementioned sensitivity analysis was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change simultaneously. The method of analysing sensitivity is the same as the calculating method of net pension assets in the balance sheet.

(e) Expected contributions to the defined benefit pension plans of the Group amount to \$37 for the year ending December 31, 2022.

(f) As of December 31, 2021, the weighted average duration of the pension plan is 10~15 years.

B. Defined contribution plan

(a) Effective July 1, 2005, the Taiwan subsidiaries of the Group have established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Taiwan subsidiaries of the Group contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. The pension expenses recognised in accordance with the New Plan were \$72,287 and \$45,035 for the years ended December 31, 2021 and 2020, respectively.

(b) The Mainland China subsidiaries of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages with the contribution percentage of 10%~20%, and pension is contributed to the employees' individual pension accounts. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations. The pension expenses recognised in accordance with local regulations were \$1,241,874 and \$804,639 for the years ended December 31, 2021 and 2020, respectively. As a result of the coronavirus pandemic in China in early 2020, the local government reduced by half the pension insurance for a period of six months from February 2020.

(18) Share-based payment

A. The share-based payment arrangements of the Company's subsidiary, Avary Holding (Shenzhen) Co., Limited, are as follows:

Type of arrangements	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.02.27	185,080 thousand shares	7 years	(a)(c)
Restricted stocks to employees	2021.06.15	10,045 thousand shares	6 years	(b)(c)(d)

- (a) A restricted stock has not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 2 years starting from the purchase date. Shares will be vested in accordance with the number of the grantees' shares at 20% every year. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the lower of the investment amount or the carrying amount of net assets. However, appropriated dividend is not required to be returned.
- (b) A restricted stock has not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 1 year starting from the purchase date. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the vested price and retired.
- (c) Until the achievement of the vesting conditions, the right and obligation: cannot sell, pledge, transfer, give to others, create a right in rem over it or any other disposal.
- (d) The vested conditions of the issuance of restricted shares for employees were the annual operating revenue reached a predetermined target and employees' individual performance reached a standard level. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the vested price and retired.

B. Employee restricted stocks

The numbers of employee restricted stocks for the first time are as follows (in thousand shares):

	Years ended December 31,	
	2021	2020
Outstanding at January 1	146,618	183,272
Vested during the year	(36,654)	(36,654)
Returned during the year	(47)	-
Outstanding at December 31	109,917	146,618

The number of employee restricted stocks for the second time are as follows (in thousand shares):

	Year ended December 31, 2021
Outstanding at January 1	-
Granted during the year	10,045
Returned during the year	(285)
Outstanding at December 31	9,760

C. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2021	2020
Expenses incurred on employee restricted stocks	\$ 207,115	\$ 103,130

(19) Share capital

A. As of December 31, 2021, the Company's authorised capital was \$16,000,000, and the issued

capital is \$9,470,492, consisting of 947,049 thousand shares of ordinary share with a par value of \$10 (in New Taiwan dollars) per share.

B. Please refer to Note 6(33) for the information about the Company's shares issued pursuant to the acquisition of Boardtek Electronics Corporation and its subsidiaries.

C. The treasury shares initially held by the Group's subsidiary, Boardtek Investment Co., Ltd., were converted into ordinary shares issued by the Company in 2020 due to business combination. As of December 31, 2021, the number of shares was 2,093 thousand shares and the acquisition cost amounted to \$257,489 within the 'treasury shares'. The treasury shares shall not be pledged to others, and the shareholders' rights shall not be enjoyed before transfer under the Securities and Exchange Act.

(20) Capital surplus

	Year ended December 31, 2021						
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in ownership interests in subsidiaries	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Treasury share transactionss
							Total
At January 1	\$ 10,754,926	\$ 13,624,555	\$ 996,753	\$ 59,426	\$10,235,552	\$ -	\$ -
Employee restricted stocks	-	-	-	-	150,821	-	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	-	-	-	9,420
Recognition of changes in ownership interests in subsidiaries	-	-	-	-	3,133	1,103,156	-
At December 31	<u>\$ 10,754,926</u>	<u>\$ 13,624,555</u>	<u>\$ 996,753</u>	<u>\$ 59,426</u>	<u>\$10,389,506</u>	<u>\$ 1,103,156</u>	<u>\$ 9,420</u>

	Year ended December 31, 2020					
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in ownership interests in subsidiaries	Total
At January 1	\$ 5,690,348	\$ 13,624,555	\$ -	\$ 59,426	\$10,160,452	\$ 29,534,781
Employee restricted stocks	-	-	-	-	75,100	75,100
Overseas convertible bonds issued	-	-	996,753	-	-	996,753
Business combinations	<u>5,064,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,064,578</u>
At December 31	<u>\$ 10,754,926</u>	<u>\$ 13,624,555</u>	<u>\$ 996,753</u>	<u>\$ 59,426</u>	<u>\$10,235,552</u>	<u>\$ 35,671,212</u>

A. Capital surplus arising from paid-in capital in excess of par value on issuance of ordinary share is used to offset accumulated losses incurred in previous years or distribute dividends to shareholders.

B. Please refer to Note 6(15) for capital surplus - conversion options.

C. Please refer to Note 6(32) for capital surplus arising from the recognition of changes in ownership interest in subsidiaries.

(21) Retained earnings

A. In accordance with the Company's Articles of Incorporation, the Board of Directors shall set aside out of the current year's earnings sequentially as follows:

- (a) A reserve for payment of tax for the relevant financial year;
- (b) An amount to offset losses incurred in previous years;
- (c) Ten percent (10%) as a general reserve, and
- (d) A special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules or a reserve as determined by the Board of Directors.

Dividends shall not be lower than 10% of the distributable amount, and the Board of Directors can determine to distribute in cash, in shares or to distribute in both ways. However, cash dividends shall not be lower than 50% of total dividends.

In addition, cash dividends shall be distributed upon the approval of a majority of the directors present at a meeting attended by at least two-thirds or more of the total number of the directors. Share dividends can be distributed after obtaining approval from the shareholders in each accounting year.

B. The appropriations of 2020 earnings had been resolved on June 15, 2021 via electronic voting platform for the shareholders' meeting. Additionally, the appropriations of 2019 earnings had been resolved at the shareholders' meeting on June 19, 2020. Details are summarised below:

	2020		2019	
	Amount	Dividends per share (in New Taiwan dollars)	Amount	Dividends per share (in New Taiwan dollars)
Legal reserve	\$ 810,605		\$ 868,520	
Special reserve	(884,381)		2,066,391	
Cash dividends	4,261,721	4.50	4,060,034	4.50
Total	\$ 4,187,945		\$ 6,994,945	

On March 16, 2022, the Board of Directors proposed for the distribution of cash dividends from 2021 earnings amounting to \$4,735,246 at \$5.00 in New Taiwan dollars per share.

Information on the appropriation of the Company's earnings as resolved at the shareholders' meeting is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(22) Other equity interest

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2021	\$ 6,629	(\$ 4,136,945)	(\$ 4,130,316)
Valuation adjustment	31,442	-	31,442
Currency translation differences:			
–Group	-	(749,427)	(749,427)
At December 31, 2021	<u>\$ 38,071</u>	<u>(\$ 4,886,372)</u>	<u>(\$ 4,848,301)</u>

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2020	(\$ 53,987)	(\$ 4,960,710)	(\$ 5,014,697)
Valuation adjustment	60,616	-	60,616
Currency translation differences:			
–Group	-	823,765	823,765
At December 31, 2020	<u>\$ 6,629</u>	<u>(\$ 4,136,945)</u>	<u>(\$ 4,130,316)</u>

(23) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers	<u>\$ 155,022,197</u>	<u>\$ 131,278,537</u>

The Group derives revenue from the transfer of goods and services at a point in time. Please refer to Note 14(5) for the Group's geographical revenue based on the countries where customers are located.

(24) Expenses by nature

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 21,552,494	\$ 17,314,142
Depreciation expense	11,492,846	8,127,620
Amortisation expense	<u>382,067</u>	<u>277,397</u>
	<u>\$ 33,427,407</u>	<u>\$ 25,719,159</u>

The employee benefit expense includes pension gains of \$53 and \$82 which are shown within 'other

gains and losses' for the years ended December 31, 2021 and 2020, respectively

(25) Employee benefit expense

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 17,229,497	\$ 14,229,962
Employees' remuneration	150,000	67,168
Labor and health insurance fees	915,883	600,319
Pension expenses	1,314,758	849,824
Other personnel expenses	1,942,356	1,566,869
	<u>\$ 21,552,494</u>	<u>\$ 17,314,142</u>

- A. In accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration between zero point five percent (0.5%) and twenty percent (20%) and distribute directors' remuneration no higher than zero point five percent (0.5%) of the distributed earnings covering accumulated losses.
- B. For the years ended December 31, 2021 and 2020, employees' compensation were accrued at \$150,000 and \$67,168, respectively; while directors' remunerations were accrued at \$17,500 and \$17,500, respectively.
- C. Employees' compensation and directors' remuneration as resolved by the Board of Directors for the years ended December 31, 2020 and 2019 were equal to the amounts recognised in the financial statements for the years ended December 31, 2020 and 2019.
- D. Information on employees' remuneration and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(26) Other income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 239,239	\$ 509,756
Interest income from financial assets at amortised cost	59,720	177,044
	<u>\$ 298,959</u>	<u>\$ 686,800</u>

(27) Other income

	Years ended December 31,	
	2021	2020
Government grant revenue	\$ 854,868	\$ 781,231
Others	107,015	110,963
	<u>\$ 961,883</u>	<u>\$ 892,194</u>

(28) Other gains and losses

	Years ended December 31,	
	2021	2020
Net currency exchange losses	(\$ 282,637)	(\$ 1,226,078)
Net gains on financial assets and liabilities at fair value through profit or loss	228,392	67,484
Net losses on disposal of property, plant and equipment	8,437	(150,871)
Impairment loss on property, plant and equipment	(31,054)	(3,068)
Others	(211,493)	(149,319)
	<u>(\$ 288,355)</u>	<u>(\$ 1,461,852)</u>

(29) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense		
Bank borrowings	\$ 299,137	\$ 332,199
Amortisation of convertible bond discounts	199,160	105,055
Amortisation of syndicated loan arrangement fees	9,628	7,388
Interest expense from lease liabilities	17,284	18,726
Total	<u>\$ 525,209</u>	<u>\$ 463,368</u>

(30) Income tax

A. Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Tax payable arising from the current period	\$ 1,756,887	\$ 1,260,293
Adjustments in respect of prior years	(52,376)	(124,805)
Total current tax	<u>1,704,511</u>	<u>1,135,488</u>
Deferred tax:		
Origination and reversal of temporary differences	819,928	1,150,212
Total deferred tax	<u>819,928</u>	<u>1,150,212</u>
Income tax expense	<u>\$ 2,524,439</u>	<u>\$ 2,285,700</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 1,777,659	\$ 2,430,922
Effects from items unrecognised by tax regulations	106,329	40,456
Effects from adjustments in respect of prior years	(52,376)	(124,805)
Effects from re-evaluation of deferred tax liabilities	692,827	(60,873)
Income tax expense	<u>\$ 2,524,439</u>	<u>\$ 2,285,700</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	For the year ended December 31, 2021				
		Recognised	in other	Net	
	January 1	in profit or loss	comprehensive income	exchange differences	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory valuation loss	\$ 142,911	\$ 18,903	\$ -	(\$ 1,198)	\$ 160,616
Wages and bonuses payable	311,148	43,678	-	(948)	353,878
Impairment loss on property, plant and equipment	85,210	73,240	-	(469)	157,981
Unrealised profit from sales in respect of inventory	118,082	4,424	-	(1,167)	121,339
Remeasurement of defined benefit obligations	13,315	(1,488)	(1,451)	(3)	10,373
Others	<u>614,373</u>	<u>(205,425)</u>	<u>(9,138)</u>	<u>(4,244)</u>	<u>395,566</u>
Subtotal	<u>1,285,039</u>	<u>(66,668)</u>	<u>(10,589)</u>	<u>(8,029)</u>	<u>1,199,753</u>
-Deferred tax liabilities:					
Taxable difference arising from property, plant and equipment	(759,564)	(637,135)	-	5,164	(1,391,535)
Others	<u>(1,262,751)</u>	<u>(116,125)</u>	<u>-</u>	<u>20,384</u>	<u>(1,358,492)</u>
Subtotal	<u>(2,022,315)</u>	<u>(753,260)</u>	<u>-</u>	<u>25,548</u>	<u>(2,750,027)</u>
Total	<u>(\$ 737,276)</u>	<u>(\$ 819,928)</u>	<u>(\$ 10,589)</u>	<u>\$ 17,519</u>	<u>(\$ 1,550,274)</u>

For the year ended December 31, 2020						
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Business combination	Net exchange differences	December 31
Temporary						
-Deferred tax assets:						
Allowance for inventory valuation	\$ 114,051	(\$ 8,281)	\$ -	\$ 55,162	(\$ 18,021)	\$ 142,911
Wages and bonuses payable	328,598	(24,927)	-	5,490	1,987	311,148
Impairment loss on property, plant and equipment	7,975	75,421	-	-	1,814	85,210
Unrealised profit from sales in respect of inventory	210,406	(93,753)	-	-	1,429	118,082
Remeasurement of defined benefit obligations	-	971	(4,410)	16,760	(6)	13,315
Others	747,008	(285,427)	(7,855)	154,019	6,628	614,373
Subtotal	1,408,038	(335,996)	(12,265)	231,431	(6,169)	1,285,039
-Deferred tax						
Taxable difference arising from property, plant and equipment	(471,732)	(273,840)	-	-	(13,992)	(759,564)
Remeasurement of defined benefit obligations	(548)	(990)	1,538	-	-	-
Others	(500,512)	(539,386)	-	(234,073)	11,220	(1,262,751)
Subtotal	(972,792)	(814,216)	1,538	(234,073)	(2,772)	(2,022,315)
Total	\$ 435,246	(\$ 1,150,212)	(\$ 10,727)	(\$ 2,642)	(\$ 8,941)	(\$ 737,276)

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences	\$ 6,029,511	\$ 9,658,564
Tax effect	\$ 1,403,112	\$ 2,301,329

E. The income tax returns of the Group's subsidiaries, Zhen Ding Technology Co., Ltd., Garuda Technology Co., Ltd., Boardtek Electronics Corporation and Boardtek Investment Co., Ltd. through 2019 have been assessed and approved by the Tax Authority

(31) Earnings per share

	Year ended December 31, 2021		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,651,297	944,956	\$ 10.21
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,651,297	944,956	
Assumed conversion of all dilutive potential ordinary shares	199,160	81,670	
Employees' remuneration	-	1,623	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 9,850,457	1,028,249	\$ 9.58
	Year ended December 31, 2020		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,094,547	909,001	\$ 8.90
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 8,094,547	909,001	
Assumed conversion of all dilutive potential ordinary shares	105,055	39,429	
Employees' bonus	-	788	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 8,199,602	949,218	\$ 8.64

As employees' remuneration might be distributed in the form of shares, the diluted EPS is calculated based on the assumption that all distribution will be in the form of shares in the calculation of the

weighted-average number of ordinary shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential ordinary shares.

(32) Transactions with non-controlling interest

- A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary.

On March 30, 2021, the Group's subsidiary, Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., has increased its capital by issuing new shares. As the Group did not acquire shares proportionately, the shareholding ratio decreased to 29.61% of share equity. Abovementioned transaction resulted in an increase in the non-controlling interest by \$598,027 and an increase in the equity attributable to owners of the parent by \$3,133.

The effect of changes in interests in the Group on the equity attributable to owners of the parent for the year ended December 31, 2021 is shown below:

	Year ended December 31, 2021
Cash	\$ 601,160
Increase in the carrying amount of non-controlling interest	(598,027)
Capital surplus - recognition of changes in ownership interest in subsidiaries	\$ 3,133

- B. Disposal of ownership interest in the subsidiary without losing control

(a) In December 2021, the Group's subsidiary, Monterey Park Finance Limited, disposed the share equity of Qi Ding Technology Qinhuangdao Co., Ltd. to Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., resulting to a decrease in the Group's shareholding ratio to 29.61% in the amount of \$785,935. The carrying amount of non-controlling interest in the Group was \$769,802 at the disposal date. This transaction resulted in an increase in the non-controlling interest by \$25,333 and a decrease in the equity attributable to owners of the parent by \$25,333.

(b) In December 2021, the Group's subsidiary, Pacific Fair International Limited, disposed the share equity of Avary Holding (Shenzhen) Co., Limited which caused the Group's shareholding ratio to decrease to 0.4% in the amount of \$1,709,633. As of December 31, 2021, the remaining amount of \$177,742 has not yet been collected which was accounted as other receivables. The carrying amount of non-controlling interest in the Group was \$583,847 at the disposal date. This transaction resulted in an increase in the non-controlling interest by \$583,847 and an increase in the equity attributable to owners of the parent by \$1,128,489.

(c) The effect of changes in interests in the Group on the equity attributable to owners of the parent for the year ended December 31, 2021 is shown below:

	<u>Year ended December 31, 2021</u>
Carrying amount disposed to non-controlling interest	(\$ 1,353,649)
Consideration paid from non-controlling interest	2,495,568
Other equity interest (e.g., as financial statements translation differences of foreign operations)	(38,763)
Capital surplus- difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>\$ 1,103,156</u>

(33) Business combinations

- A. On November 4, 2020, the Group acquired 100% ownership of Boardtek Electronics Corporation and its subsidiaries through share exchange and obtained control of Boardtek Electronics Corporation. As a result of the acquisition, the Group expects to strengthen its presence in these markets and to reduce costs due to economic scale, considering the company's manufacture and sales of PCB operations in Taiwan.
- B. The information on the consideration paid for Boardtek Electronics Corporation and the fair values of the assets acquired and liabilities assumed at the acquisition date is as follows:

	<u>November 4, 2020</u>
Purchase consideration	
Equity instruments	\$ 5,512,771
Fair values of the identifiable assets acquired and liabilities assumed	
Cash	944,497
Notes and accounts receivable	2,031,592
Inventories	952,789
Prepayments	71,877
Non-current financial assets at fair value through other comprehensive income	21,460
Other financial assets	257,489
Property, plant and equipment	5,266,738
Intangible assets	427,480
Deferred tax assets	214,671
Other non-current assets	51,159
Short-term borrowings	(2,610,000)
Notes and accounts payable	(2,134,518)
Other payables	(422,405)
Other current liabilities	(429,430)
Deferred tax liabilities	(217,313)
Other non-current liabilities	(87,415)
Total identifiable net assets	<u>4,338,671</u>
Goodwill	<u>\$ 1,174,100</u>

- C. The fair value of purchase consideration amounted to \$5,512,771 of the 44,819,274 ordinary shares issued by the Company was based on the closing price on November 3, 2020.
- D. The fair value of the acquired identifiable intangible assets (including patents and technological expertise) amounted to \$419,412.
- E. The operating revenue and profit before income tax in the consolidated statement of comprehensive income from November 4, 2020 to December 31, 2020 contributed by Boardtek Electronics Corporation were \$972,452 and \$21,228, respectively.
- F. Had Boardtek Electronics Corporation and its subsidiaries been consolidated since January 1, 2020, the operating revenue and profit before income tax of the Group would have been \$136,079,575 and \$12,748,875 for the year ended December 31, 2020, respectively

(34) Additional information of cash flows

- A. Investing activities with partial cash payments

	Years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 29,999,663	\$ 24,116,370
Add: Opening balance of payable on machinery and equipment (within 'other payables')	7,060,667	3,927,125
Less: Ending balance of payable on machinery and equipment (within 'other payables')	(6,255,970)	(7,060,667)
Acquisitions through business combinations	-	44,849
Net exchange differences	(59,318)	328,561
Cash paid during the year	<u>\$ 30,745,042</u>	<u>\$ 21,356,238</u>
	Years ended December 31,	
	2021	2020
Acquisition of right-of-use land (within 'right-of-use assets')	<u>\$ 403,532</u>	<u>\$ 288,300</u>

B. Changes in liabilities from financing activities

	Year ended December 31, 2021						
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 12,838,545	\$ 949,666	\$ 655,821	\$ 10,480,741	\$ 8,928,523	\$ 186,613	\$ 34,039,909
Changes in cash flow from financing activities	6,929,472	(950,000)	(151,723)	-	(880,980)	4,459,036	9,405,805
Changes in right-of-use assets	-	-	3,137	-	-	-	3,137
Amortisation on interest expense	-	-	17,284	199,160	9,629	-	226,073
Effect of exchange rate changes	(131,449)	334	(7,203)	(296,749)	(458,149)	(44,887)	(938,103)
At December 31	<u>\$ 19,636,568</u>	<u>\$ -</u>	<u>\$ 517,316</u>	<u>\$ 10,383,152</u>	<u>\$ 7,599,023</u>	<u>\$ 4,600,762</u>	<u>\$ 42,736,821</u>

Year ended December 31, 2020

	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 9,682,812	\$ -	\$ 239,407	\$ -	\$ 8,980,884	\$ 179,511	\$ 19,082,614
Changes in cash flow from financing activities	552,015	-	(141,251)	11,795,359	(39,952)	2,095	12,168,266
Share options arising from convertible bonds	-	-	-	(996,753)	-	-	(996,753)
Changes in right-of-use assets	-	-	538,227	-	-	-	538,227
Acquisitions through business combinations	2,610,000	950,000	1,410	-	430,000	794	3,992,204
Amortisation on interest expense	-	-	18,726	105,055	7,388	-	131,169
Effect of exchange rate changes	(6,282)	(334)	(698)	(422,920)	(449,797)	4,213	(875,818)
At December 31	<u>\$ 12,838,545</u>	<u>\$ 949,666</u>	<u>\$ 655,821</u>	<u>\$ 10,480,741</u>	<u>\$ 8,928,523</u>	<u>\$ 186,613</u>	<u>\$ 34,039,909</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties and relationship	Relationship with the Company
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The entity has significant influence over the Group
CyberTAN Technology Inc. and its subsidiaries	Other related parties
Ennoconn Corporation and its subsidiaries	Other related parties
Foxconn Interconnect Technology Limited and its subsidiaries	Other related parties
General Interface Solution Holding Limited and its subsidiaries	Other related parties
Guangdong Zhanyang Intelligent Equipment Co., Limited	Associates
(Formerly named: Zhan Yang Automation (Dongguan) Co., Ltd.)	(Starting from September 15, 2021)

(2) Significant related party transactions and balances

A.Sales:

	Years ended December 31,	
	2021	2020
Sales of goods:		
Entity with significant influence over the Company	\$ 6,530,640	\$ 7,485,125
Other related parties	2,459,790	1,995,804
	<u>\$ 8,990,430</u>	<u>\$ 9,480,929</u>

Unless there are similar transactions, the prices and terms were determined in accordance with mutual agreements. Otherwise, the sales prices and credit terms to related parties were similar to

third parties. The normal credit term is around 1 to 4 months.

B. Purchases:

	Years ended December 31,	
	2021	2020
Purchases of goods:		
Entity with significant influence over the Company	\$ 986,703	\$ 921,226
Other related parties	3,904,388	2,339,161
Associates	691	-
	<u>\$ 4,891,782</u>	<u>\$ 3,260,387</u>

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the purchase prices and payment terms to related parties were similar to third parties. The normal payment term is around 1 to 4 months.

C. Accounts receivable:

	December 31, 2021	December 31, 2020
Accounts receivable - related parties:		
Entity with significant influence over the Company	\$ 1,719,990	\$ 2,316,129
Other related parties	815,420	383,216
	<u>2,535,410</u>	<u>2,699,345</u>
Allowance for bad debts	(4,406)	(6,257)
	<u>\$ 2,531,004</u>	<u>\$ 2,693,088</u>

D. Notes and accounts payable:

	December 31, 2021	December 31, 2020
Notes payable - related parties:		
Entity with significant influence over the Company	\$ -	\$ 3,679
Accounts payable - related parties:		
Entity with significant influence over the Company	104,229	157,834
Other related parties	962,343	825,043
Associates	119	-
	<u>\$ 1,066,691</u>	<u>\$ 986,556</u>

(3) Key management compensation

	Years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 226,793	\$ 256,138

8. PLEDGED ASSETS

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

Pledged assets	Carrying amount		Pledged assets
	December 31, 2021	December 31, 2020	
Other current assets			
- Time deposits with maturity of over three months	\$ 4,648	\$ 12,537	Tariff guarantee and governments subsidy guarantee
- Demand deposits	109,903	950	Others
Property, plant and equipment			Collateral for short-term borrowings
Other non-current assets	-	2,624,489	
- Time deposits with maturity of over one year	27,891	29,227	Tariff guarantee
	\$ 142,442	\$ 2,667,203	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 17,239,436	\$ 10,112,376

B. The amount of unused letters of credit for the acquisition of property, plant and equipment is as follows:

	December 31, 2021	December 31, 2020
Unused letters of credit	\$ 3,542,469	\$ 5,866,121

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriations of 2021 earnings was proposed by the Board of Directors on March 16, 2022. Please

refer to Note 6(21).

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at amortised cost	\$ 74,068,574	\$ 81,562,240
Financial assets at fair value through profit or loss	1,114,588	753,522
Financial assets at fair value through other comprehensive income	<u>476,619</u>	<u>431,266</u>
	<u>\$ 75,659,781</u>	<u>\$ 82,747,028</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 77,137,174	\$ 73,064,990
Lease liabilities	<u>517,316</u>	<u>655,821</u>
	<u>\$ 77,654,490</u>	<u>\$ 73,720,811</u>

Note: Financial assets at amortised cost including cash and cash equivalents, accounts receivable (including due from related parties), other receivables and other current assets; financial liabilities at amortised cost including short-term borrowings, accounts payable (including to related parties), other payables, long-term liabilities current portion, long-term borrowings, bond payable and guarantee deposits received.

B. Risk management policies

(a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives:

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be eliminated through internal controls or operational procedures. Therefore, the goal in managing each of these risks is to reduce them to zero.
- ii. As for market risk, the goal is to optimise its overall position through strict analysis,

suggestion, execution and audit processes, and proper consideration of trends in the external economic/financial environment, internal operating conditions and the actual effects of market fluctuations.

- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- iv. The Group uses derivative financial instruments. Please refer to Note 6 for details.

(c) Management system:

- i. Risk management is carried out by a central treasury department (the Group treasury) under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.
- ii. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from (a) the timing of recognition for accounts receivable, accounts payable, borrowings, and payables on machinery and equipment denominated in non-functional currencies is different, (b) recognised assets and liabilities and (c) net investments in foreign operations. Since the transacting currencies are different from functional currencies, foreign exchange risks arise.
- ii. Management has set up a policy to require all subsidiaries within the Group to manage their foreign exchange risk against their functional currency. However, the overall foreign exchange risk is managed by the Group treasury for hedging.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: RMB or NTD) so it is impacted by the exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2021			Year ended December 31, 2021	
	Foreign currency amount	Exchange	Carrying	Sensitivity analysis	
	(In thousands)	rate	(In thousands of NTD)	Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	228,874	27.68	\$ 6,335,232	1%	\$ 63,352
USD:RMB	1,504,326	6.3757	41,663,873	1%	416,639
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	3,569,976	27.68	98,816,936	1%	988,169
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	143,791	27.68	3,980,135	1%	39,801
USD:RMB	1,186,143	6.3757	32,851,465	1%	328,515
JPY:RMB	8,849,113	0.0554	2,130,185	1%	21,302

(Foreign currency: functional currency)	December 31, 2020			Year ended December 31, 2020	
	Foreign currency amount	Exchange	Carrying	Sensitivity analysis	
	(In thousands)	rate	(In thousands of NTD)	Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	256,604	28.48	\$ 7,308,082	1%	\$ 73,081
USD:RMB	1,809,982	6.5249	51,692,160	1%	516,922
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	3,009,546	28.48	85,711,870	1%	857,119
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	171,698	28.48	4,889,959	1%	48,900
USD:RMB	1,232,679	6.5249	35,204,679	1%	352,047
JPY:RMB	8,065,846	0.0632	2,232,498	1%	22,325

- v. Please refer to Note 6(28) for the total exchange gains (losses) including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020

Interest rate risk for cash flow and fair value

The Group's interest rate risk arises from borrowings. Borrowings at floating rates expose the Group to interest rate risk of cash flow, which is partially offset by cash and cash equivalents held at floating rates.

Based on the simulations performed, the impact on after-tax profit of a quarter-point shift would be a maximum increase or decrease of \$68,089 and \$32,196 for the years ended December 31, 2021 and 2020, respectively. The simulation is based on a quarterly basis to ensure that the maximum potential loss is within the limit given by the management.

The financial assets at amortised cost held by the Group are fixed rate products, and their changes of fair value arise from changes in market interest rate. However, the Group would hold the financial assets to the maturity because of the return at the effective rates for the duration, thus, there are no gains or losses on disposal or valuation arising from change in fair value.

Price risk

The Group's investments in equity securities comprise domestic listed stocks which are classified as investments in financial assets at fair value through other comprehensive income. The price of equity securities would be affected by the uncertainty of the future value of underlying investment. However, the Group expects the price fluctuations do not have significant impact on the price of equity securities.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments, and is managed and monitored by the Group treasury. The clients and counterparties are government organisations, banks with high credit quality and financial institutions with investment grade; thus, there is no significant default risk and critical credit risk.

- ii. The Group assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were an underlying more than 30 days past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If the credit rating grade of an underlying investment degrades two grades, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. The default occurs when the contract payments are more than 90 days past due.
- v. The credit quality information of financial assets that are neither overdue nor impaired is as follows:

Cash and cash equivalents

The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

Financial assets at amortised cost

The Group's investments in debt instruments classified as financial assets at amortised cost have low credit risk, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

Accounts receivable (including due from related parties)

- (i) The Group applies the following approaches to assess the expected credit losses (the 'ECLs') of accounts receivable:
 1. Assess the ECLs on an individual basis if a significant default has occurred to certain customers.
 2. Classify the other customers' accounts receivable based on the Group's credit rating standards and estimates the ECLs using the loss rate methodology or provision matrix.
 3. Adjust the loss rates derived from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.
 4. As of December 31, 2021 and 2020, the individual provision for impairment of

accounts receivable using loss rate methodology or provision matrix is as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
<u>December 31, 2021</u>						
Expected loss rate		0.03%	0.07%	0.1%~1%	1%~5%	
Total carrying amount	\$ -	\$ 26,473,187	\$ 7,404,212	\$ 1,155,112	\$ 2,591,495	\$ 37,624,006
Loss allowance	\$ -	(\$ 7,942)	(\$ 5,183)	(\$ 5,776)	(\$ 71,764)	(\$ 90,665)
	Individual	Group 1	Group 2	Group 3	Group 4	Total
<u>December 31, 2020</u>						
Expected loss rate		0.03%	0.07%	0.1%~1%	1%~5%	
Total carrying amount	\$ -	\$ 21,958,771	\$ 8,488,341	\$ 677,722	\$ 2,723,780	\$ 33,848,614
Loss allowance	\$ -	(\$ 6,588)	(\$ 5,942)	(\$ 6,777)	(\$ 88,152)	(\$ 107,459)

Group 1: Standard Poor's, Fitch Ratings or Moody's ratings in A category, or A category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch Ratings in BBB category, Moody's ratings in Baa category, or in B or C category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch Ratings in BB+ category or below, or Moody's ratings in Bal category or below.

Group 4: Having no external agency rating. Ratings other than A, B, or C based on the Group's Credit Quality Control Policy.

(ii) Movements on allowance for accounts receivable adopting the modified approach (including due from related parties) are as follows:

	Years ended December 31,	
	2021	2020
Opening balance	\$ 107,459	\$ 81,012
Acquisition through business combinations	-	6,198
Provision for impairment	(15,538)	22,837
Net exchange differences	(1,256)	(2,588)
Ending balance	\$ 90,665	\$ 107,459

Other receivables

The Group's subsidiaries incorporated in Mainland China are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on VAT exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organisations, so the possibility of default is remote.

Financial assets at fair value through other comprehensive income

The equity securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

(c) Liquidity risk

- i. Cash flow forecasting is performed by each entity in the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities (Note 6) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and applicable external regulatory or legal requirements, such as foreign currency restrictions.
- ii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Expiring within one year	\$ 48,705,892	\$ 62,190,431
Expiring over one year	6,359,990	5,231,995
	<u>\$ 55,065,882</u>	<u>\$ 67,422,426</u>

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

Non-derivative financial liabilities:

<u>December 31, 2021</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable	\$ -	\$ 11,072,000	\$ 11,072,000
Long-term borrowings	83,844	7,690,534	7,774,378
Guarantee deposits received	1,020,495	3,580,267	4,600,762
Lease liabilities	153,535	421,134	574,669
	<u>\$ 1,257,874</u>	<u>\$ 22,763,935</u>	<u>\$ 24,021,809</u>

Non-derivative financial liabilities:

<u>December 31, 2020</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable	\$ -	\$ 11,392,000	\$ 11,392,000
Long-term borrowings	9,027,198	40,302	9,067,500
Guarantee deposits received	-	186,613	186,613
Lease liabilities	145,543	549,837	695,380
	<u>\$ 9,172,741</u>	<u>\$ 12,168,752</u>	<u>\$ 21,341,493</u>

Note: Imputed interest payable included

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(d) Cash flow risk of changes from interest rate

For the Group's borrowings at floating rates, the effective interest rate changes according to market interest rates. However, the working capital of the Group is sufficient to hedge the cash flow risk due to changes in interest rate. Furthermore, the Group's borrowings as fixed rates and lease payable have no cash flow risk due to changes in market interest rate.

(3) Information on fair value

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

Level1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices). The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. Financial instruments not measured at fair value

(a) Except those listed in the following table, the carrying amounts of the Group's financial instruments not measured at fair value approximate to their fair values, including cash and cash equivalents, financial assets at amortised cost – time deposits with maturity of over three months, financial assets at amortised cost – guaranteed income financial products, accounts receivable (including due from related parties), other receivables, other current assets, other non-current assets – time deposits with maturity of over one year, short-term borrowings, accounts payable (including to related parties), other payables, lease liabilities, and long-term

borrowings:

	December 31, 2021			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 10,383,152	\$ -	\$ 10,726,468	\$ -
Guarantee deposits received	4,600,762	-	4,594,789	-
Total	<u>\$ 14,983,914</u>	<u>\$ -</u>	<u>\$ 15,321,257</u>	<u>\$ -</u>
	December 31, 2020			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 10,480,741	\$ -	\$ 10,898,838	\$ -
Guarantee deposits received	186,613	-	186,371	-
Total	<u>\$ 10,667,354</u>	<u>\$ -</u>	<u>\$ 11,085,209</u>	<u>\$ -</u>

(b) The methods and assumptions of fair value measurement are as follows:

- i. Bonds payable: Regarding the convertible bonds issued by the Group, the fair value is estimated based on the expected cash flows using the present value and market rate.
- ii. Guarantee deposits received: The fair value is estimated using the present value of the expected cash flows. The discount rate refers to the fixed interest rate of postal savings for a one-year time deposit.
- iii. Financial assets at amortised cost - corporate bond: the fair value is the quoted price in active market.

C. Financial instruments measured at fair value

(a) The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 308,554</u>	<u>\$ 806,034</u>	<u>\$ 1,114,588</u>
Financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,619</u>	<u>\$ 476,619</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss	\$ -	\$ -	\$ 753,522	\$ 753,522
Financial assets at fair value				
through other comprehensive				
income	\$ -	\$ -	\$ 431,266	\$ 431,266

- (b) The methods and assumptions that the Group used to measure fair value are as follows:
- The instruments the Group used market quoted prices as their fair values (i.e., Level 1).
 - Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
 - When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the

Group's credit quality.

D. The movements on Level 3 for the years ended December 31, 2021 and 2020 are as follows:

	Years ended December 31,			
	2021		2020	
	Financial assets		Financial assets	
	Financial assets	at fair value	Financial assets	at fair value
	at fair value	through other	at fair value	through other
	through profit	comprehensive	through profit	comprehensive
	or loss-debt	income-equity	or loss-debt	income-equity
	securities	securities	securities	securities
Opening balance	\$ 753,522	\$ 431,266	\$ -	\$ 193,804
Acquisitions through business combinations	-	-	-	21,460
Acquisition of financial assets	138,066	-	666,775	130,800
Unrealised gains (losses) from financial assets	112,382	47,630	67,484	80,705
Transfers out from level 3	(191,570)	-	-	-
Net exchange differences	(6,366)	(2,277)	19,263	4,497
Ending balance	<u>\$ 806,034</u>	<u>\$ 476,619</u>	<u>\$ 753,522</u>	<u>\$ 431,266</u>

- (a) External appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in accordance with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- (b) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value as of December 31, 2021	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 114,281	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	7.86~30.44 [8.72] 2.37~7.23 [3.21]	The higher the EBIT, the higher the fair value The higher the net value, the higher the fair value
Unlisted shares	\$ 168,512	Market comparable companies	Stock price volatility	50.59%	The higher the stock price volatility, the higher the fair value
Unlisted shares	\$ 24,645	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	3.27~15.14 [4.58] 0.90~1.88 [1.46]	The higher the EBIT, the higher the fair value The higher the net value, the higher the fair value
Unlisted shares	\$ 169,181	Market comparable companies	Enterprise value to EBIT multiple	2.62~20.88 [9.42]	The higher the EBIT, the higher the fair value
Debt securities:					
Private fund	\$ 618,538	Net asset value	Not applicable	Not applicable	Not applicable
Private fund	\$ 91,948	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	\$ 73,828	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	\$ 21,720	The last transaction price	Not applicable	Not applicable	Not applicable

	Fair value as of December 31, 2020	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 102,503	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	6.01~43.88 [8.19] 1.59~6.16 [2.46]	The higher the EBIT, the higher the fair value The higher the EBIT, the higher the fair value
Unlisted shares	\$ 173,524	Market comparable companies	Enterprise value to EBIT multiple	29.89~57.44 [44.46]	The higher the EBIT, the higher the fair value
Unlisted shares	\$ 23,929	Income approach	weighted average cost of capital Discount for lack of marketability	7.91% 40%	The higher the weighted average cost of capital, the lower the fair value The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	\$ 131,310	The last transaction price	Not applicable	Not applicable	Not applicable
Debt securities:					
Private fund	\$ 572,651	Net asset value	Not applicable	42.53	The higher the net asset value, the higher the fair value
Private fund	\$ 59,978	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted partnership share	\$ 120,893	Market comparable companies	Price to earnings multiple Discount for lack of marketability	114 41%	The higher the PE multiple, the higher the fair value The higher the discount for lack of marketability, the lower the fair value

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

			Year ended December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Debt instrument	Enterprise value to EBIT multiple, etc.	±1%	\$ 8,060	(\$ 8,060)	\$ -	\$ -
Equity instrument		±1%	-	-	4,766	(4,766)
			<u>\$ 8,060</u>	<u>(\$ 8,060)</u>	<u>\$ 4,766</u>	<u>(\$ 4,766)</u>
			Year ended December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Debt instrument	Enterprise value to EBIT multiple, etc.	±1%	\$ 7,535	(\$ 7,535)	\$ -	\$ -
Equity instrument		±1%	-	-	4,313	(4,313)
			<u>\$ 7,535</u>	<u>(\$ 7,535)</u>	<u>\$ 4,313</u>	<u>(\$ 4,313)</u>

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2.

F. For the year ended December 31, 2021, the fair value of debt instruments held by the Group has quoted market price, thus, the Group has transferred the fair value from Level 3 into Level 2. For the year ended December 31, 2020, there was no transfer into or out from Level 3.

(4) Others

Due to the COVID-19 pandemic, some of the Group's subsidiaries were eligible to the exemptions or subsidies for the years ended December 31, 2021 and 2020 in accordance with the policy of Temporary Reduction and Exemption of Corporate Contributions to Social Insurance Funds implemented by the local governments. Apart from that, the pandemic has no significant impact on

the Group's operations.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

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

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of securities at the end of the period (excluding the investment in subsidiaries, associates and joint ventures): Please refer to table 3.

D. Aggregate purchases or sales of the same securities reaching NT \$300 million or 20% of paid-in capital or more: Please refer to table 4.

E. Acquisition of real estate reaching NT \$300 million or 20% of paid-in capital or more: Please refer to table 5.

F. Disposal of real estate reaching NT \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 6.

H. Receivables from related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 7.

I. Trading in derivative financial instruments: None.

J. The business relationship and significant transactions between the parent company and the subsidiaries and between each subsidiary: Please refer to table 8.

(2) Information on investees

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

Names, locations and other information of investee companies (excluding the investees in Mainland China) : Please refer to table 9.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 10.

B. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: None.

(4) Information on major shareholders information

Information on major shareholders information: Please refer to table 11.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the manufacturing of various types of PCB products. The chief operating decision-maker considered the business and operations from the product perspective. Currently, the Group only discloses one reportable segment as all operating segments meet the aggregation criteria. In allocating resources and assessing performance of the Group, the chief operating decision-maker uses operating segments' revenue and net income which reflects internal cost and expense allocation. Except for inter-segment charges which were determined based on the Group's internal policy, accounting policies of operating segments are in agreement with Note 4, 'Summary of significant accounting policies'.

(2) Reportable segment information

Information on reportable segment provided to the chief operating decision maker is as follows:

	Years ended December 31,	
	2021	2020
Revenue from external customers	\$ 155,022,197	\$ 131,278,537
Inter-segment revenue	-	-
Segments' revenue	<u>\$ 155,022,197</u>	<u>\$ 131,278,537</u>
Measure of segment profit	<u>\$ 12,097,325</u>	<u>\$ 11,693,667</u>

(3) Reconciliation of reportable segment's revenue and measurement of profit and loss

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

The reconciliation from total reportable segment's revenue to the enterprise income and from segment profit from reportable segment to the net income for the year is as follows:

	Years ended December 31,	
	2021	2020
Reportable segment's revenue	<u>\$ 155,022,197</u>	<u>\$ 131,278,537</u>
	Years ended December 31,	
	2021	2020
Reportable segment's profit	\$ 12,097,325	\$ 11,693,667
Interest income and finance costs	(226,250)	223,432
Net foreign exchange (losses) gains	(282,637)	(1,226,078)
Net (losses) gains on disposal of property, plant and equipment	8,437	(150,871)
Net gains on financial assets and liabilities at fair value through profit or loss	228,392	67,484
Others	<u>1,869,101</u>	<u>900,656</u>
Profit	<u>\$ 13,694,368</u>	<u>\$ 11,508,290</u>

(4) Information on products and services

Revenues from external customers are primarily from the manufacturing of PCB products as follows:

	Years ended December 31,	
	2021	2020
Revenues from the manufacturing PCB products	\$ 155,022,197	\$ 131,278,537

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Years ended December 31,			
	2021		2020	
	Revenue	Assets	Revenue	Assets
U.S.A	\$ 111,063,476	\$ -	\$ 88,249,583	\$ -
Mainland China	26,208,170	88,063,183	27,878,274	70,786,944
Taiwan	8,246,550	5,588,948	6,487,395	7,576,551
Singapore	2,202,953	-	1,649,817	-
Others	7,301,048	3,275,331	7,013,468	975,160
Total	\$ 155,022,197	\$ 96,927,462	\$ 131,278,537	\$ 79,338,655

The Group's geographical revenue is based on the countries where customers are located. Noncurrent assets are property, plant, equipment, right-of-use assets, intangible assets and other noncurrent assets.

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	Years ended December 31,			
	2021		2020	
	Revenue	Segment	Revenue	Segment
Company B	\$ 110,233,046	Manufacturing of PCB products	\$ 87,964,942	Manufacturing of PCB products
Company A	6,530,641	Manufacturing of PCB products	7,485,125	Manufacturing of PCB products
	\$ 116,763,687		\$ 95,450,067	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
LOANS TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 3)	Balance at December 31, 2021 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1 and 2)	Limit on total lender's loans granted (Notes 1 and 2)	Footnote
					Item	Value											
1	Zhen Ding Technology Co., Ltd.	Boardtek Electronics Corporation	Other receivables	Yes	\$ 800,000	\$ 800,000	\$ -	-	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 867,920	\$ 867,920	
2	Mayco Industrial Limited	The Company	Other receivables	Yes	1,660,800	1,660,800	-	-	Short-term financing	-	Operation requirements	-	None	-	367,047,915	513,867,081	
2	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	1,384,000	1,384,000	830,400	1.06%	Short-term financing	-	Operation requirements	-	None	-	367,047,915	513,867,081	
2	Mayco Industrial Limited	Leading Interconnect International Limited	Other receivables	Yes	830,400	830,400	-	-	Short-term financing	-	Operation requirements	-	None	-	367,047,915	513,867,081	
2	Mayco Industrial Limited	Zhen Ding Technology India Private Limited	Other receivables	Yes	1,384,000	1,384,000	-	-	Short-term financing	-	Operation requirements	-	None	-	367,047,915	513,867,081	
2	Mayco Industrial Limited	Boardtek Electronics Corporation	Other receivables	Yes	1,384,000	1,384,000	-	-	Short-term financing	-	Operation requirements	-	None	-	29,363,833	29,363,833	
3	Pacific Fair International Limited	The Company	Other receivables	Yes	3,321,600	3,321,600	-	-	Short-term financing	-	Operation requirements	-	None	-	57,063,366	79,888,712	
4	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	651,600	651,600	86,880	3.85%	Short-term financing	-	Operation requirements	-	None	-	1,163,560	1,163,560	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 3)	Balance at December 31, 2021 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1 and 2)	Limit on total lender's loans granted (Notes 1 and 2)	Footnote
					Item	Value											
4	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Qinhuangdao) Co., Ltd.	Other receivables	Yes	\$ 1,086,000	\$ 1,086,000	\$ 651,600	3.85%	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 14,544,496	\$ 20,362,294	
5	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	1,384,000	1,384,000	553,600	0.65%	Short-term financing	-	Operation requirements	-	None	-	39,786,804	55,701,526	
5	Garuda International Limited	Avary Technology (India) Private Limited	Other receivables	Yes	1,107,200	1,107,200	-	-	Short-term financing	-	Operation requirements	-	None	-	39,786,804	55,701,526	
5	Garuda International Limited	Avary Singapore Private Limited	Other receivables	Yes	1,107,200	1,107,200	-	-	Short-term financing	-	Operation requirements	-	None	-	39,786,804	55,701,526	
6	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	8,688,000	8,688,000	868,000	3.80%	Short-term financing	-	Operation requirements	-	None	-	41,323,949	41,323,949	
6	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	8,688,000	8,688,000	7,221,900	3.80%~3.85%	Short-term financing	-	Operation requirements	-	None	-	41,323,949	41,323,949	
6	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd	Other receivables	Yes	868,800	868,800	65,610	3.85%	Short-term financing	-	Operation requirements	-	None	-	41,323,949	41,323,949	
6	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	6,516,000	6,516,000	3,787,968	3.80%~3.85%	Short-term financing	-	Operation requirements	-	None	-	41,323,949	41,323,949	

Table 1, Page 2

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2021 (Note 3)	Balance at December 31, 2021 (Note 4)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1 and 2)	Limit on total lender's loans granted (Notes 1 and 2)	Footnote
					Item	Value											
6	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	\$ 1,303,200	\$ 1,303,200	\$ 503,904	3.80%~ 3.85%	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 41,323,949	\$ 41,323,949	
6	Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Limited	Other receivables	Yes	217,200	217,200	-	-	Short-term financing	-	Operation requirements	-	None	-	41,323,949	41,323,949	

Note 1: The total loans of the Company and subsidiaries granted to others is limited to 50% of the Company’s net asset based on the latest audited or reviewed consolidated financial statements, and:

- (a) Total financial limit on loans granted to the companies having business relationship with the Company is 10% of the Company's net assets, financial limit on loans granted to a single party is the higher value of purchasing and selling during current year on the year of financing and 10% of the Company’s net asset based on the latest audited or reviewed consolidated financial statements.
- (b) Limit on total loans to parties with short-term financing is 40% of the Company’s net asset; but limit on loans to a single party is 40% of the Company’s net asset based on the latest audited or reviewed consolidated financial statements.

Note 2: limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share, are not restricted to the limit on loans of 40% of the Company’s net assets.

In accordance with the Company’s “Procedures for Provision of Endorsements and Guarantees”, limit on total loans granted by a listed subsidiary to listed subsidiaries of which the Company directly or indirectly holds 100% of its voting shares, or limit on total loans to the Company granted by listed foreign subsidiaries which the Company directly or indirectly holds 100% of its voting share are 700% of the Company’s net asset based on the latest audited or reviewed consolidated financial statements.

In accordance with the Company’s “Procedures for Provision of Endorsements and Guarantees”, limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share are 500% of the Company’s net asset based on the latest audited or reviewed consolidated financial statements.

Note 3: The maximum outstanding balance of loans to others for the year ended the balance sheet date.

Note 4: The credit line to this company was approved by the Board of Directors.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the year ended December 31, 2021 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 6)	Actual amount drawn down (Note 7)	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
0	The Company	Qi Ding Technology Qinhuangdao Co., Ltd.	2	\$ 8,436,115	\$ 553,600	\$ -	\$ -	\$ -	0.00%	\$ 84,361,152	Y	N	Y	
1	Avary Technology (India) Private Limited	Avary Technology (India) Private Limited	1	8,436,115	276,800	276,800	22,255	22,255	0.33%	84,361,152	N	N	Y	(Note 9)

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

(1) The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The limit on endorsements / guarantees provided to a single entity: The limit on endorsements / guarantees provided to a single entity is 10% of the net assets of the parent company.

Note 4: The total amount of endorsements/ guarantees: The total amount of endorsements/ guarantees provide to others by the Company is limited to 100% of net assets of the parent company.

Note 5: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 7: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

Note 9: The Company's subsidiaries provided guarantees for its tariff, technology development programs (TDPs) and leases.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2021

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2021				Footnote (Note 4)
				Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	
Zhen Ding Technology Co., Ltd.	Synpower Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,437,697	\$ 114,281	8.12%	\$ 114,281	
Avary Holding (Shenzhen) Co., Limited	Jiangsu Aisen Semiconductor Material Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	2,600,000	168,512	3.93%	168,512	
Avary Holding Investment (Shenzhen) Co., Ltd.	Sixpure Intellignet Technology (Dongguan) Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	1,461,039	169,181	3.55%	169,181	
Boardtek Electronics Corporation	Chipboard Technology Corporation	None	Non-current financial assets at fair value through other comprehensive income	1,377,068	24,645	15.60%	24,645	
Avary Holding (Shenzhen) Co., Limited	Jingning Dingqing Electronic Technology Limited Partnership	None	Non-current financial assets at fair value through profit or loss	-	308,554	12.53%	308,554	
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Chenyi M&A Fund	None	Non-current financial assets at fair value through profit or loss	-	618,538	2.94%	618,538	
Avary Holding Investment (Shenzhen) Co., Ltd.	Zhuhai Hengqin New Area Leishi Tianhe Technology Industry Investment Partnership (Limited Partnership)	None	Non-current financial assets at fair value through profit or loss	-	73,828	99.39%	73,828	
Avary Holding Investment (Shenzhen) Co., Ltd.	Primavera Jingzhi (Beijing) Equity Investment Fund L.P.	None	Non-current financial assets at fair value through profit or loss	-	21,720	19.42%	21,720	
Zhen Ding Technology Co., Ltd.	Zoyi Capital Investment Fund II L.P	None	Non-current financial assets at fair value through profit or loss	-	91,948	11.06%	91,948	

Note 1: In accordance with IAS 39, 'Financial instruments: recognition and measurement', marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

ACQUISITION OR SALE OF THE SAME SECURITY WITH THE ACCUMULATED COST EXCEEDING \$300 MILLION OR 20% OF THE COMPANY'S PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2021

Table 4

Expressed in thousands of foreign currency

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2021		Addition (Note 3)		Disposal (Note 3)			Gain (loss) on disposal (Note 4)	Balance as at December 31, 2021	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Carrying amount		Number of shares	Amount
Pacific Fair International Limited	Shares of Avary Holding (Shenzhen) Co., Limited	Investments accounted for using equity method	Sold in active market	None	148,954,568	\$ 6,073,256	-	\$ -	9,320,759	\$ 1,709,633	\$ 583,847	\$ 1,128,489	139,633,809	\$ 6,244,753
Monterey Park Finance Limited	Shares of Qi Ding Technology Qinhuangdao Co., Ltd.	Investments accounted for using equity method	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	An indirect wholly-owned subsidiary	477,026,000	1,784,468	-	-	477,026,000	2,654,352	2,599,867	(85,558)	-	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: It is non-controlling interest transactions, gain or loss on disposal were accounted as capital surplus, difference between consideration and carrying amount of subsidiaries acquired or disposed.

Note 5: Including gain on investment.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
ACQUISITION OF REAL ESTATE REACHING NT\$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 5 Expressed in thousands of foreign currency

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate	Date of occurrence	Transaction amount	Status of payment	Company	Relationship with the counterparty	Penultimate Owner	Relationship between the owner and the issuer	Date of transfer	Amount	Price determination and supporting reference materials	Purpose and use of acquisition	Other commitments
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Right-of use asset	January 28, 2021	RMB 70,300	RMB 70,300	Shenzhen Municipal Administration of Planning and Natural Resources	None	Not applicable	Not applicable	Not applicable	Not applicable	RMB 77,010	Operation requirements	None

Note 1: Fill in the appraisal result in the 'price determination and supporting reference materials' column if the real estate acquired shall be appraised in accordance with regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. If the shares issued by an issuer have no par value or a par value other than NT\$10 per share, the threshold transaction amount of 20% of paid-in capital shall be replaced attributable to owners of the parent as stated in the balance sheet.

Note 3: Date of occurrence referred to herein is the date of contract signing date, date of payment, date of consignment trade, date of transfer, date of boards of directors resolutions, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever date is earlier.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

FOR THE YEAR ENDED DECEMBER 31, 2021

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	\$ 57,121,709	85	60 days from the shipping date	Note 2	Note 2	\$ 17,699,904	87	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	8,675,724	13	90 days from the shipping date	Note 2	Note 2	1,990,244	10	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	38,280,080	90	90 days from the shipping date	Note 2	Note 2	9,287,612	90	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	3,993,642	9	90 days from the shipping date	Note 2	Note 2	1,016,463	10	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	182,565	-	90 days from the shipping date	Note 2	Note 2	48,239	-	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Qi Ding Technology Qinhuangdao Co., Ltd.	An indirect wholly-owned subsidiary	Sales	126,995	-	90 days from the shipping date	Note 2	Note 2	25,037	-	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	4,708,610	70	60 days from the shipping date	Note 2	Note 2	790,599	70	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,689,869	25	90 days from the shipping date	Note 2	Note 2	255,655	22	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	259,764	4	30 days from the shipping date	Note 2	Note 2	63,720	6	

							Differences in transaction terms compared to third party transactions				
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Unit price	Credit term	Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term			Balance	Percentage of total notes/accounts receivable (payable)	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	\$ 42,333,358	93	60 days from invoice date	Note 2	Note 2	\$ 7,136,692	96	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	2,617,037	6	90 days from the shipping date	Note 2	Note 2	248,569	3	
Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect International Limited	An indirect wholly-owned subsidiary	Sales	677,716	13	90 days from the shipping date	Note 2	Note 2	-	-	
Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	3,095,129	61	90 days from the shipping date	Note 2	Note 2	471,247	57	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	1,344,552	100	90 days from the shipping date	Note 2	Note 2	372,270	100	
Leading Interconnect International Limited	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	674,132	100	90 days from the shipping date	Note 2	Note 2	-	-	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	15,662,551	11	90 days from the first day of next month of shipping	Note 2	Note 2	4,696,153	13	
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,056,772	1	90 days from the first day of next month of shipping	Note 2	Note 2	325,322	1	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	3,715,197	3	90 days from the first day of next month of shipping	Note 2	Note 2	1,129,766	3	
Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	131,035	-	90 days from the first day of next month of shipping	Note 2	Note 2	1,982	-	
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	6,136,735	4	90 days from the first day of next month of shipping	Note 2	Note 2	1,549,931	4	

Table 6, Page 2

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Garuda International Limited	Interface Technology (ChengDu) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	Sales	\$ 397,076	-	60 days from the first day of next month of receipt	Note 2	Note 2	\$ 150,240	-	
Garuda Technology Co., Ltd.	Reco Technology (ChengDu) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	Sales	1,970,810	11	90 days from the first day of next month of shipping	Note 2	Note 2	643,977	14	
Boardtek Electronics Corporation	Foxconn (Far East) and subsidiaries	An indirect wholly- owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	335,764	6	90 days from the first day of next month of shipping	Note 2	Note 2	155,140	10	
Avary Holding (Shenzhen) Co., Limited	Foxconn (Far East) and subsidiaries	An indirect wholly- owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	725,086	1	90 days from invoice date	Note 2	Note 2	(62,548)	1	
Avary Holding (Shenzhen) Co., Limited	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly- owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	1,640,061	3	90 days from invoice date	Note 2	Note 2	(517,526)	4	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	General Interface Solution Ltd (Taiwan)	An investee company accounted for under the equity method of Hon Hai	Purchases	1,481,626	4	30 days from invoice date	Note 2	Note 2	(180,666)	3	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly- owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	752,140	2	90 days from invoice date	Note 2	Note 2	(259,692)	5	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Foxconn (Far East) and subsidiaries	An indirect wholly- owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	136,412	-	90 days from invoice date	Note 2	Note 2	(27,723)	1	

Note 1: The opposite related party transactions are not disclosed.

Note 2: Unless the transaction terms were determined in accordance with mutual agreements due to no similar transactions, the transaction terms to related parties were similar to third parties.

Note 3: Advance sales receipts.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
DECEMBER 31, 2021

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2021		Amount	Action taken		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	\$ 17,699,904	3	\$ -	-	\$ 8,827,854	\$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	1,990,244	4	-	-	616,068	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	9,287,612	4	-	-	3,069,003	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	1,016,463	5	-	-	290,785	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	790,599	6	-	-	607,660	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	255,655	6	-	-	31,322	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	7,136,692	5	-	-	5,993,382	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	248,569	5	-	-	119,981	-
Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	471,247	13	-	-	255,687	-

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2021		Amount	Action taken		
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	\$ 372,270	4	\$ -	-	\$ 252,011	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	4,696,153	3	-	-	2,130,001	-
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	352,322	4	171,774	Subsequent collection	228,634	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	1,129,766	1	129	Subsequent collection	483,226	-
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	1,549,931	3	98,160	Subsequent collection	527,760	-
Garuda International Limited	Reco Technology (ChengDu) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	150,240	0	-	-	39,252	-
Garuda Technology Co., Ltd.	Reco Technology (ChengDu) Co., Ltd.	An investee company accounted for under the equity method of Hon Hai	643,977	5	-	-	185,637	-
Garuda Technology Co., Ltd.	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	155,140	3	1,449	Subsequent collection	521	-

As to receivables from loans to related parties exceeding NT\$100 million or 20% of issued capital, please refer to Table 1.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIOD
FOR THE YEAR ENDED DECEMBER 31, 2021

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Other receivables	\$ 830,400	Note 5	-
2	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	3	Other receivables	86,880	"	-
2	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Qinhuangdao) Co., Ltd.	3	Other receivables	651,600	"	-
3	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	553,600	"	-
4	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd	3	Other receivables	65,160	"	-
4	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	868,800	"	-
4	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	7,221,900	"	4
4	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	3,787,968	"	2
4	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	503,904	"	-
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	57,121,709	Note 8	37
4	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	17,699,904	"	9
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	8,675,724	Note 7	6
4	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	1,990,244	"	1
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	38,280,080	Note 8	25
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	9,287,612	"	5
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	3,993,642	Note 7	3
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	1,016,463	"	1

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	\$ 182,565	Note 9	-
5	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Sales	126,995	"	-
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	4,708,610	Note 8	3
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	790,599	"	-
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	259,764	Note 9	-
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	1,689,869	Note 7	1
6	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	255,655	"	-
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	42,333,358	Note 8	27
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	7,136,692	"	4
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	2,617,037	Note 7	2
7	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	248,569	"	-
8	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect International Limited	3	Sales	677,716	Note 6	-
8	Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	3	Sales	3,095,129	"	2
8	Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	3	Accounts receivable	471,247	"	-
9	Kui Sheng Technology (Shenzhen) Co., Ltd	Avary Holding (Shenzhen) Co., Limited	3	Sales	1,344,552	Note 7	1
9	Kui Sheng Technology (Shenzhen) Co., Ltd	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	372,270	"	-
10	Leading Interconnect International Limited	Zhen Ding Technology Co., Ltd.	3	Sales	674,132	Note 6	-

Table 8, Page 2

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	\$ 15,662,551	Note 6	10
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	4,696,153	"	2
11	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Sales	1,056,772	"	1
11	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Accounts receivable	325,322	"	-
11	Garuda International Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Sales	3,715,197	"	2
11	Garuda International Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Accounts receivable	1,129,766	"	1
11	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Sales	131,035	"	-

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

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Only the related party transactions exceeding the amount of NT \$100 million or 20% paid-in capital are disclosed, and the opposite related party transactions are not disclosed.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts. All the transactions had been eliminated in the consolidated financial statements.

Note 5: Nature of other receivables and other payables are loans to (from) others. Please refer to Note 13(1) A for interest rate and limit on loans.

Note 6: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the first day of next month of shipping.

Note 7: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.

Note 8: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the shipping date.

Note 9: The prices and terms to related parties were similar to third parties. Credit term is 30 days from the shipping date.

Note 10: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the received date.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2021

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance at December 31, 2020	Number of shares	Ownership (%)	Carrying amount			
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	\$ 27,022,600	\$ 25,085,000	976,250,000	100	\$ 91,691,141	\$ 11,405,845	\$ 11,405,845	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	2,169,800 (	421,798) (	421,798)	
The Company	Boardtek Electronics Corporation	Taiwan	Manufacturing	5,512,771	5,512,771	95,918,453	100	4,194,541 (	818,054) (	887,690)	
The Company	Zhen Ding Technology Singapore Private Limited	Singapore	Investment holding	830,400	3	30,000,000	100	830,257	2,858	2,858	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	2,845,111	2,845,111	102,785,806	100	73,457,118	9,403,007	9,368,185	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	7,570,480	7,570,480	2,133,300,000	100	11,412,673	942,500	942,500	
Monterey Park Finance Limited	Leading Interconnect International Limited	Hong Kong	Trading	-	-	1	100	4,498 (	5,681) (	5,681)	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	33,080,588	33,080,588	9,321,841,932	100	73,409,583	9,403,092	9,403,092	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	138	138	5,000	100	694,271 (	1,019) (	1,019)	
Boardtek Electronics Corporation	Boardtek Investment Corporation	Taiwan	Investment	248,294	170,000	24,829,362	100	281,122	9,227	9,227	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance at December 31, 2020	Number of shares	Ownership (%)	Carrying amount			
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	\$ 1,633,120	\$ 1,633,120	460,200,000	72	\$ 5,627,886	\$ 1,674,080	\$ 1,265,855	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Investment holding	1,775,118	1,775,118	64,130,000	72	733,070	(636,263)	(463,331)	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	1,525,000	1,525,000	152,500,000	72	1,196,891	(11,942)	(8,690)	
Garuda International Limited	Avary Japan Co., Ltd.	Japan	Trading	23,600	23,600	3,260	72	4,605	(18,069)	(13,158)	
Avary Singapore Private Limited	Avary Technology (India) Private Limited	India	Manufacturing	266,341	266,341	71,620,000	72	(347,419)	(635,576)	(462,821)	
FAT Holdings Limited	Zhen Ding Technology India Private Limited	India	Manufacturing	23	-	6,250	63	(186)	(340)	(212)	
Zhen Ding Technology Singapore Private Limited	Zhen Ding Technology India Private Limited	India	Manufacturing	14	-	3,750	37	(111)	(340)	(128)	
FAT Holdings Limited	Zhen Ding Developer India Private Limited	India	Property management	23	-	6,250	1	23	1,713	(1,617)	
Zhen Ding Technology Singapore Private Limited	Zhen Ding Developer India Private Limited	India	Property management	780,964	-	210,003,750	99	782,646	1,713	3,330	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2021

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net profit (loss) of investee for the year ended December 31, 2021	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 3)	Carrying amount of investments as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	\$ 10,158,227	2	\$ -	\$ -	\$ -	\$ -	\$ 5,551,267	72	\$ 4,043,273	\$ 20,272,120	\$ -	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	4,024,649	2	-	-	-	-	(566,705)	72	(410,191)	32,138	-	
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	10,084,464	2	-	-	-	-	14,659,424	72	10,730,696	74,857,247	-	
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	478,143	2	-	-	-	-	3,727	72	2,714	460,950	-	
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	1,046,641	2	-	-	-	-	14,849	72	10,813	696,996	-	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	13,729,532	2	-	-	-	-	1,467,447	72	1,080,539	14,136,525	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net profit (loss) of investee for the year ended December 31, 2021	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 3)	Carrying amount of investments as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Qi Ding Technology Qinhuangdao Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	\$ 2,072,195	2	\$ -	\$ -	\$ -	\$ -	\$ 1,135,214	70	\$ 1,097,862	\$ 2,048,591	\$ -	(Note 4)
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	86,880	2	-	-	-	-	10,719	72	8,617	113,155	-	
Huaian Jia Wei Industrial Development Co., Ltd.	Manufacture and sales of Building materials, Furniture and hardware tools	708,885	2	-	-	-	- (	1,272)	100 (	1,272)	701,770	-	
Avary Holding Investment (Shenzhen) Co., Ltd.	Investment of business	803,638	2	-	-	-	-	39,052	72	28,438	633,956	-	
Guangdong Zhan Yang Intelligent Equipment Limited	Research and development, sales, processing of automation equipment as well as imports and exports of goods or technology	30,408	2	-	-	-	- (	27,054)	32 (	14,081)	23,430	-	
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	3,223,398	2	-	-	-	-	86,439	70	62,249	3,480,508	-	

Table 10, Page 2

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net profit (loss) of investee for the year ended December 31, 2021	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 3)	Carrying amount of investments as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Leading Interconnect Semiconductor Technology (Qinhuangdao) Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	\$ 868,798	2	\$ -	\$ -	\$ -	\$ -	(\$ 6,561)	70	(\$ 4,618)	\$ 606,923	\$ -	

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 2: The methods of investments to PRC are as follows:

- (1) The Group remits its own funds directly to the investee companies located in PRC
- (2) Investee company, Monterey Park Finance Limited (B.V.I.), established by the Company that is located outside of Taiwan and PRC remits its own funds directly to the investee companies located in PRC.
- (3) Others

Note 3: The columns investment income (loss) recognised by the Company for the year ended December 31, 2021 were based on the audited financial statements of the investees in Mainland China for the same period.

Note 4: The Group adjusted the investment structure in 2021, Monterey Park Finance Limited transferred a 100% share equity of Qi Ding Technology Qinhuangdao Co., Ltd. to Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. on December 20, 2021, the Group's shareholding ratio became 70% after the transfer.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2021

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Foxconn (Far East) Limited	305,515,627	32.26%

**ZHEN DING TECHNOLOGY HOLDING AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2022 AND 2021

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Zhen Ding Technology Holding Limited

Opinion

We have audited the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries (the “Group”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters on the Group's 2022 consolidated financial statements were as follows:

Cut-off of hub warehouse sales revenue

Description

Refer to Note 4(29) for accounting policies on revenue recognition.

The Group recognises revenue when the goods are directly shipped from factories and when customers accept the goods (the transfer of control) if picked up from hub warehouses. For pick-ups from hub warehouses, the Group recognises sales revenue based on movements of inventory records contained in the statements or other information provided by the warehouse custodians. The hub warehouses are located around the world with numerous warehouse custodians, the frequency and contents of statements provided by custodians are different, and the process of revenue recognition may involve manual procedures. These factors may potentially result in inaccurate timing of sales revenue recognition.

As there are numerous daily sales transactions from hub warehouses and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, we considered the cut-off of hub warehouse sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Assessed and tested internal controls over regular record verification between the Group and customers.
- B. Assessed and checked the appropriateness of cut-off of sales revenue prior to or after the balance sheet date, and verified the statements provided by the hub warehouse custodians.
- C. Performed confirmation of the storage quantities or observed physical counts in warehouse, compared against inventory records, and determined whether differences, if any, are properly adjusted.

Estimation of allowance for inventory valuation losses

Description

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5 for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(6) for details of inventory. As of December 31, 2022, the Group's inventory cost and allowance for valuation losses were NT\$18,571,481 thousand and NT\$846,637 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of printed circuit board. Due to rapid technological innovations, short lifespan of electronic products and fluctuations in market prices, there is a higher risk of inventory losses due to market value decline or obsolescence. The Group measures inventories at the lower of cost and net realisable value and recognises the allowance for inventory valuation losses based on the inventories over normal age and those individually identified as obsolete or damaged.

As the amounts of inventories are material, the types of inventories are numerous, and the estimation of net realisable value for individually obsolete or damaged inventories is subject to significant judgement, we considered the estimation of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in relation to the estimation of allowance for inventory valuation losses:

- A. Assessed the reasonableness of accounting policy on allowance for inventory valuation losses and checked whether it has been consistently applied.
- B. Checked whether the logic in calculating inventory aging report was appropriate and confirmed whether the inventory over normal age has been included in the aging report.
- C. Assessed the reasonableness of individually obsolete or damaged inventory identified by the Group against related supporting documents, reviewed scrap inventory before and after the balance sheet date, and verified the information obtained from physical count.
- D. For the net realisable value of inventories over normal age and those individually identified as obsolete and damaged inventory, discussed with the Group, obtained supporting documents and reviewed calculation of inventory loss.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Sheng-Chung

Chieh-Ju, Hsu

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 13, 2023

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	8	\$ 55,243,562	24	\$ 33,789,530	17
1136	Current financial assets at amortised cost	6(3) and 8	1,907,751	1	1,389,177	1
1170	Accounts receivable, net	6(4)	26,932,980	11	35,002,337	18
1180	Accounts receivable due from related parties, net	6(4) and 7	3,071,665	1	2,531,004	1
1200	Other receivables	6(5)	523,996	-	1,135,584	1
130X	Inventories	6(6)	17,724,844	8	17,675,165	9
1410	Prepayments	6(5)	4,883,541	2	4,297,594	2
1470	Other current assets	8	4,640	-	114,643	-
11XX	Total current assets		110,292,979	47	95,935,034	49
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	1,640,432	1	1,114,588	1
1517	Non-current financial assets at fair value through other comprehensive income	6(7)	753,272	-	476,619	-
1535	Non-current financial assets at amortised cost	6(3) and 8	448,023	-	78,408	-
1550	Investments accounted for using equity method		32,978	-	23,430	-
1600	Property, plant and equipment	6(8)	100,307,311	43	86,072,884	44
1755	Right-of-use assets	6(9)	8,327,697	4	8,545,293	4
1760	Investment property, net	6(10)	4,506,853	2	-	-
1780	Intangible assets	6(11)	2,138,586	1	2,079,308	1
1840	Deferred income tax assets	6(30)	2,576,898	1	1,199,753	1
1990	Other non-current assets	6(12) and 8	1,535,083	1	229,977	-
15XX	Total non-current assets		122,267,133	53	99,820,260	51
1XXX	Total assets		\$ 232,560,112	100	\$ 195,755,294	100

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13)	\$ 16,819,556	7	\$ 19,636,568	10
2170	Accounts payable		15,964,613	7	19,030,051	10
2180	Accounts payable to related parties	7	936,026	-	1,066,691	-
2200	Other payables	6(14)	20,181,766	9	14,820,927	8
2230	Current income tax liabilities		1,635,243	1	1,029,989	-
2280	Current lease liabilities		86,860	-	133,689	-
2320	Long-term liabilities, current portion	6(15)(16)	15,572,856	7	-	-
2399	Other current liabilities		3,029,985	1	1,161,811	1
21XX	Total current liabilities		74,226,905	32	56,879,726	29
Non-current liabilities						
2530	Bonds payable	6(15)	-	-	10,383,152	5
2540	Long-term borrowings	6(16)	12,966,168	6	7,599,023	4
2570	Deferred income tax liabilities	6(30)	3,647,057	1	2,750,027	2
2580	Non-current lease liabilities		336,799	-	383,627	-
2600	Other non-current liabilities		8,517,492	4	4,239,800	2
25XX	Total non-current liabilities		25,467,516	11	25,355,629	13
2XXX	Total liabilities		99,694,421	43	82,235,355	42
Equity						
Equity attributable to owners of parent						
	Share capital	6(19)				
3110	Ordinary share		9,470,492	4	9,470,492	5
	Capital surplus	6(20)				
3200	Capital surplus		38,021,187	16	36,937,742	19
	Retained earnings	6(21)				
3310	Legal reserve		6,995,473	3	6,029,763	3
3320	Special reserve		4,848,301	2	4,130,316	2
3350	Unappropriated retained earnings		40,698,111	18	32,898,629	17
	Other equity interest	6(22)				
3400	Other equity interest		(2,882,437)	(1)	(4,848,301)	(3)
3500	Treasury shares	6(19)	(257,489)	-	(257,489)	-
31XX	Equity attributable to owners of parent		96,893,638	42	84,361,152	43
36XX	Non-controlling interest	6(32)	35,972,053	15	29,158,787	15
3XXX	Total equity		132,865,691	57	113,519,939	58
	Significant contingent liabilities and unrecognized contract commitments	9				
3X2X	Total liabilities and equity		\$ 232,560,112	100	\$ 195,755,294	100

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Year ended December 31			
			2022		2021	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22)(23), 7 and 14	\$ 171,356,495	100	\$ 155,022,197	100
5000	Operating costs	6(6) and 7	(131,468,413)	(77)	(124,484,711)	(80)
5950	Gross profit from operations		39,888,082	23	30,537,486	20
	Operating expenses	6(24)				
6100	Selling expenses		(1,959,988)	(1)	(1,646,890)	(1)
6200	Administrative expenses		(7,197,223)	(4)	(5,822,470)	(4)
6300	Research and development expenses		(8,279,766)	(5)	(7,302,208)	(5)
6450	(Expected credit loss) reversal of impairment loss in accordance with IFRS 9	12	(4,344)	-	15,538	-
6000	Total operating expenses		(17,441,321)	(10)	(14,756,030)	(10)
6900	Net operating income		22,446,761	13	15,781,456	10
	Non-operating income and expenses					
7100	Interest income	6(26)	767,556	1	298,959	-
7010	Other income	6(27)	773,019	-	961,883	1
7020	Other gains and losses	6(28)	374,110	-	(288,355)	-
7050	Finance costs	6(29)	(901,834)	-	(525,209)	-
7060	Share of profit (loss) of associates and joint ventures accounted for using equity method		8,892	-	(9,927)	-
7000	Total non-operating income and expenses		1,021,743	1	437,351	1
7900	Profit before income tax		23,468,504	14	16,218,807	11
7950	Income tax expense	6(30)	(2,933,192)	(2)	(2,524,439)	(2)
8200	Profit		\$ 20,535,312	12	\$ 13,694,368	9

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Actuarial gains on defined benefit plans	6(17)	\$ 26,729	-	\$ 7,252	-
8316 Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(7)(21)	(22,804)	-	47,630	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(3,278)	-	(10,589)	-
8310 Other comprehensive income that will not be reclassified to profit or loss		647	-	44,293	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation of foreign financial statements	6(22)	2,584,339	1	(1,157,715)	(1)
8300 Other comprehensive income (loss)		\$ 2,584,986	1	(\$ 1,113,422)	(1)
8500 Total comprehensive income		\$ 23,120,298	13	\$ 12,580,946	8
Profit attributable to:					
8610 Owners of the parent		\$ 14,197,040	8	\$ 9,651,297	6
8620 Non-controlling interests		6,338,272	4	4,043,071	3
		\$ 20,535,312	12	\$ 13,694,368	9
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 16,184,287	9	\$ 8,939,113	6
8720 Non-controlling interests		6,936,011	4	3,641,833	2
		\$ 23,120,298	13	\$ 12,580,946	8
Earnings per share (in dollars)					
9750 Basic earnings per share	6(31)	\$ 15.02		\$ 10.21	
9850 Diluted earnings per share	6(31)	\$ 13.92		\$ 9.58	

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
			Retained Earnings			Other Equity Interest						
		Capital surplus- additional paid-in capital			Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total	Non-controlling interest	Total equity	
	Notes	Ordinary shares	Legal reserve	Special reserve								
Year ended December 31, 2021												
Balance at January 1, 2021		\$ 9,470,492	\$ 35,671,212	\$ 5,219,158	\$ 5,014,697	\$ 27,429,476	(\$ 4,136,945)	\$ 6,629	(\$ 257,489)	\$ 78,417,230	\$ 25,620,646	\$ 104,037,876
Profit for the year		-	-	-	-	9,651,297	-	-	-	9,651,297	4,043,071	13,694,368
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	5,801	(749,427)	31,442	-	(712,184)	(401,238)	(1,113,422)
Total comprehensive income (loss)		-	-	-	-	9,657,098	(749,427)	31,442	-	8,939,113	3,641,833	12,580,946
Appropriations of 2020 earnings:												
Legal reserve		-	-	810,605	-	(810,605)	-	-	-	-	-	-
Special reserve		-	-	-	(884,381)	884,381	-	-	-	-	-	-
Cash dividends		-	-	-	-	(4,261,721)	-	-	-	(4,261,721)	-	(4,261,721)
Compensation cost of employee restricted stock	6(20)	-	150,821	-	-	-	-	-	-	150,821	56,294	207,115
Adjustments of capital surplus for company's cash dividends received by subsidiaries		-	9,420	-	-	-	-	-	-	9,420	-	9,420
Difference between consideration and carrying amount of subsidiaries disposed		-	1,103,156	-	-	-	-	-	-	1,103,156	-	1,103,156
Changes in non-controlling interests - acquisition of shares of the subsidiary		-	3,133	-	-	-	-	-	-	3,133	598,027	601,160
Changes in non-controlling interests - distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	-	(1,343,549)	(1,343,549)
Changes in non-controlling interests - disposal of the subsidiary		-	-	-	-	-	-	-	-	-	585,536	585,536
Balance at December 31, 2021		\$ 9,470,492	\$ 36,937,742	\$ 6,029,763	\$ 4,130,316	\$ 32,898,629	(\$ 4,886,372)	\$ 38,071	(\$ 257,489)	\$ 84,361,152	\$ 29,158,787	\$ 113,519,939
Year ended December 31, 2022												
Balance at January 1, 2022		\$ 9,470,492	\$ 36,937,742	\$ 6,029,763	\$ 4,130,316	\$ 32,898,629	(\$ 4,886,372)	\$ 38,071	(\$ 257,489)	\$ 84,361,152	\$ 29,158,787	\$ 113,519,939
Profit for the year		-	-	-	-	14,197,040	-	-	-	14,197,040	6,338,272	20,535,312
Other comprehensive income (loss) for the year	6(22)	-	-	-	-	21,383	1,986,380	(20,516)	-	1,987,247	597,739	2,584,986
Total comprehensive income (loss)		-	-	-	-	14,218,423	1,986,380	(20,516)	-	16,184,287	6,936,011	23,120,298
Appropriations of 2021 earnings:												
Legal reserve		-	-	965,710	-	(965,710)	-	-	-	-	-	-
Special reserve		-	-	-	717,985	(717,985)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(4,735,246)	-	-	(4,735,246)	-	(4,735,246)	-
Compensation cost of employee restricted stock	6(20)	-	174,675	-	-	-	-	-	-	174,675	57,115	231,790
Adjustments of capital surplus for company's cash dividends received by subsidiaries	6(32)	-	10,467	-	-	-	-	-	-	10,467	-	10,467
Difference between consideration and carrying amount of subsidiaries disposed	6(32)	-	755,262	-	-	-	-	-	-	755,262	547,116	1,302,378
Changes in non-controlling interests - acquisition of shares of the subsidiary	6(32)	-	143,041	-	-	-	-	-	-	143,041	720,409	863,450
Changes in non-controlling interests - distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	-	(1,447,385)	(1,447,385)
Balance at December 31, 2022		\$ 9,470,492	\$ 38,021,187	\$ 6,995,473	\$ 4,848,301	\$ 40,698,111	(\$ 2,899,992)	\$ 17,555	(\$ 257,489)	\$ 96,893,638	\$ 35,972,053	\$ 132,865,691

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 23,468,504	\$ 16,218,807
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	14,196,216	11,492,846
Amortisation	6(24)	441,835	382,067
Gain on financial assets or liabilities at fair value through profit or loss, net	6(2)	(57,338)	(228,392)
Share of (profit) loss of associates and joint ventures accounted for using equity method		(8,892)	9,927
Impairment losses	6(8)	960,690	91,499
Expected credit losses (gains)	12	4,344	(15,538)
Losses (gains) on disposal of property, plant and equipment	6(28)	16,711	(8,437)
Interest income	6(26)	(767,556)	(298,959)
Interest expense	6(29)	901,834	525,209
Gain from lease modification	6(9)	(2,032)	-
Share-based payment	6(18)	231,790	207,115
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(29,874)	25,239
Accounts receivable		10,851,993	(4,694,991)
Accounts receivable due from related parties		(352,904)	21,209
Other receivables		724,741	(16,070)
Inventories		257,100	(4,844,859)
Prepayments		(532,962)	428,433
Other current assets		91	536
Changes in operating liabilities			
Accounts payable		(3,352,090)	(3,549,162)
Accounts payable to related parties		(147,879)	91,174
Other payables		1,396,796	(202,076)
Other current liabilities		21,343	33,359
Cash inflow generated from operations		48,222,461	15,668,936
Income tax paid		(2,911,823)	(1,610,746)
Net cash flows from operating activities		45,310,638	14,058,190

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		(\$ 467,286)	(\$ 138,066)
(Increase) decrease in current financial assets at amortised cost		(786,300)	1,028,690
Acquisition of financial assets at fair value through other comprehensive income		(352,382)	-
Disposal of financial assets at fair value through other comprehensive income		66,595	-
Acquisition of property, plant and equipment	6(33)	(29,031,926)	(30,745,042)
Proceeds from disposal of property, plant and equipment		306,687	396,775
Acquisition of right-of-use assets		-	(403,532)
Increase in restricted assets		(103,007)	(101,026)
Increase in other non-current assets		(1,200,839)	(194,754)
Increase in other non-current liabilities		451,018	209,145
Collected income distribution	6(2)	13,745	-
Interest received		677,029	349,609
Net cash flows used in investing activities		(30,426,666)	(29,598,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	6(33)	(2,988,098)	6,929,472
Decrease in short-term notes and bills payable	6(33)	-	(950,000)
Proceeds from long-term borrowings	6(33)	8,486,133	7,813,020
Repayments of long-term borrowings	6(33)	-	(8,694,000)
Increase in guarantee deposits received	6(33)	5,061,535	4,459,036
Cash dividends paid	6(21)	(4,735,246)	(4,261,721)
Payments of lease liabilities		(121,739)	(134,439)
Interest paid		(739,787)	(296,515)
Changes in non-controlling interests - distribution of retained earnings by subsidiaries		(1,447,385)	(1,343,549)
Changes in non-controlling interests - acquisition of shares of the subsidiary	6(32)	863,450	601,160
Changes in non-controlling interests - disposal of the subsidiary	6(32)	1,480,120	1,531,891
Net cash flows from financing activities		5,858,983	5,654,355
Effect of exchange rate changes on cash and cash equivalents		711,077	(547,701)
Net increase (decrease) in cash and cash equivalents		21,454,032	(10,433,357)
Cash and cash equivalents at beginning of year		33,789,530	44,222,887
Cash and cash equivalents at end of year		\$ 55,243,562	\$ 33,789,530

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANIZATION

Zhen Ding Technology Holding Limited (the ‘Company’, formerly named as Foxconn Advanced Technology Limited) was incorporated in the Cayman Islands in June 2006. According to the resolution of the Board of Directors in May 2011, the Company was renamed to Zhen Ding Technology Holding Limited and related registration was completed in July 2011. The registration address is P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company and its subsidiaries (collectively referred herein as the ‘Group’) are engaged in manufacturing and selling printed circuit board (the ‘PCB’). The Company has been listed on the Taiwan Stock Exchange since December 26, 2011.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 13, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission (the ‘FSC’) (collectively referred herein as the ‘IFRSs’)

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

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

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

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

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

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

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

(3) IFRSs issued by International Accounting Standard Board (the 'IASB') but not yet endorsed by the FSC

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as stated otherwise, the principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the periods presented.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the ‘Regulations Governing the Preparation of Financial Reports by Securities Issuers’, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the ‘IFRSs’).

(2) Basis of preparation

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

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) The profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, and total comprehensive income shall also be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). It shall be recognised directly in equity and difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	
The Company	Zhen Ding Technology Singapore Private Limited (Singapore)	Holding company	100	100	
The Company	Boardtek Electronics Corporation	Manufacturing company	100	100	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Monterey Park Finance Limited (B.V.I.)	Pacific Fair International Limited (Hongkong)	Holding company	100	100	
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect International Limited (Formerly named: Henley International Limited (Hongkong))	Trading company	100	100	
Monterey Park Finance Limited (B.V.I.)	Huaian Jia Wei Industrial Development Co., Ltd	Trading company	100	100	
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Manufacturing company	69.65	70.39	(a)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hong Kong)	Holding company	100	100	
Mayco Industrial Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.10	66.09	(b)
Pacific Fair International Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	5.70	6.01	(b)
Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd.	Manufacturing company	100	100	
Avary Holding (Shenzhen) Co., Limited	Kui Sheng Technology (Shenzhen) Co., Ltd.	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Holding Investment (Shenzhen) Co., Ltd.	Investment company	100	100	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited (Singapore)	Holding company	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Logistics Services (Shenzhen) Co., Ltd.	Property management company	100	-	(c)
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
Garuda International Limited (Hongkong)	Avary Japan Co., Ltd.(Japan)	Trading company	100	100	
Avary Singapore Private Limited (Singapore)	Avary Technology (India) Private Limited (India)	Manufacturing company	100	100	
Boardtek Electronics Corporation	Boardtek Investment Co., Ltd.	Investment company	100	100	
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	
Zhen Ding Technology Singapore Private Limited (Singapore)	Zhen Ding Technology India Private Limited (India)	Manufacturing company	37.50	37.50	
Zhen Ding Technology Singapore Private Limited (Singapore)	Zhen Ding Developer India Private Limited (India)	Property management company	99.997	99.997	
FAT Holdings Limited (Cayman)	Zhen Ding Technology India Private Limited (India)	Manufacturing company	62.50	62.50	
FAT Holdings Limited (Cayman)	Zhen Ding Developer India Private Limited (India)	Property management company	0.003	0.003	

- (a) On September 4, 2020, the Group invested in Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. in Shenzhen, which has been included in the consolidated financial statements. It is mainly engaged in the manufacture of electronic products. In the first quarter of 2022 and 2021, Monterey Park Finance Limited did not participate in the cash capital increase of Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., thus, the shareholding ratio became 69.65% and 70.39%, respectively.
- (b) On June 23, 2021, because Avary Holding (Shenzhen) Co., Limited issued restricted shares to employees, the shareholding ratio of Mayco Industrial Limited (Hongkong) and Pacific Fair International Limited (Hongkong) became 66.09% and 6.42%, respectively. In addition, on December 31, 2021 and March 31, 2022, as Pacific Fair International Limited (Hongkong) disposed some of its equity interest in Avary Holding (Shenzhen) Co., Limited, the shareholding ratio became 6.01% and 5.70%, respectively. On June 23, 2022, because Avary Holding (Shenzhen) Co., Limited cancelled 320,000 shares after repurchasing restricted shares, the shareholding ratio of Mayco Industrial Limited (Hongkong) and Pacific Fair International Limited (Hongkong) became 66.10% and 5.70%, respectively.
- (c) On January 25, 2022, the Group invested in Avary Logistics Services (Shenzhen) Co., Ltd. in Shenzhen, which has been included in the consolidated financial statements. It is mainly engaged in the property management business.
- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group:
- As of December 31, 2022 and 2021, the non-controlling interests of the Group amounted to \$35,972,053 and \$29,158,787, respectively. The information on non-controlling interests and their subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest		
		December 31, 2022		
		Amount	Ownership (%)	Description
Avary Holding (Shenzhen) Co., Limited	China	\$ 34,378,498	28.20%	

Name of subsidiary	Principal place of business	Non-controlling interest		
		December 31, 2021		
		Amount	Ownership (%)	Description
Avary Holding (Shenzhen) Co., Limited	China	\$ 28,511,717	27.90%	

Summary of the financial information of subsidiary:

Consolidated balance sheets of Avary Holding (Shenzhen) Co., Limited

	December 31, 2022	December 31, 2021
Current assets	\$ 81,746,914	\$ 70,532,575
Non-current assets	90,129,068	85,604,868
Current liabilities	(44,105,244)	(48,888,899)
Non-current liabilities	(4,530,438)	(3,938,671)
Total net assets	<u>\$ 123,240,300</u>	<u>\$ 103,309,873</u>

Consolidated statements of comprehensive income of Avary Holding (Shenzhen) Co., Limited

	Years ended December 31,	
	2022	2021
Revenue	<u>\$ 160,712,886</u>	<u>\$ 144,525,372</u>
Profit before income tax	25,320,619	16,840,037
Income tax expense	(2,711,220)	(2,162,341)
Profit	22,609,399	14,677,696
Other comprehensive loss, net of tax	(810,007)	(103,924)
Total comprehensive income	<u>\$ 21,799,392</u>	<u>\$ 14,573,772</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 6,081,049</u>	<u>\$ 3,618,123</u>

Consolidated statements of cash flows of Avary Holding (Shenzhen) Co., Limited

	Years ended December 31,	
	2022	2021
Net cash from operating activities	\$ 40,081,711	\$ 14,429,976
Net cash used in investing activities	(15,834,482)	(25,851,017)
Net cash (used in) from financing activities	(2,651,376)	682,007
Effect of exchange rate changes on cash and cash equivalents	<u>365,153</u>	<u>(274,744)</u>
Net increase (decrease) in cash and cash equivalents	<u>21,961,006</u>	<u>(11,013,778)</u>
Cash and cash equivalents at beginning of year	<u>13,783,793</u>	<u>24,797,571</u>
Cash and cash equivalents at end of year	<u>\$ 35,744,799</u>	<u>\$ 13,783,793</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's functional currency is USD; however, the consolidated financial statements are presented in NTD because of regulatory requirements.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

When presenting the Group's functional currency denominated financial statements in NT dollars, the average exchange rates were NT \$29.81 (in dollars) to US \$1 (in dollar) and NT \$28.01 (in dollars) to US \$1 (in dollar) for the years ended December 31, 2022 and 2021, respectively; the closing rates were NT \$30.71 (in dollars) to US \$1 (in dollar) and NT \$27.68 (in dollars) to US \$1 (in dollar) as of December 31, 2022 and 2021, respectively.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date; or
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date; or
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets/liabilities at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets measured at amortised cost or fair value through other comprehensive income are designated as the financial assets at fair value through profit or loss at initial recognition by the Group if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.
- D. The Group recognises the dividend income in profit or loss only when the right to receive payment

is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

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

- A. The Group may make irrevocable election at initial recognition to recognise the changes in fair value in other comprehensive income for the investments in equity instruments that is not held for trading or the investments in debt instruments meet both of the following conditions:
 - (a) The financial assets held within a business model whose objective is both collecting contractual cash flows and selling financial assets.
 - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity instruments are recognised in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. Dividends are recognised in profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.
 - (b) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss, the changes in fair value of debt instruments are recognised in other comprehensive income before derecognition. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet both of the following conditions:
 - (a) The financial assets held within a business model whose objective is in order to collect contractual cash flows, and
 - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets containing a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each balance sheet date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information (including forecasts). On the other hand, the Group recognises the impairment provision for lifetime ECLs for accounts receivable or contract assets containing a significant financing component.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are

accounted for using the equity method and are initially recognised at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 54 years
Machinery and equipment	2 ~ 11 years
Leasehold improvements	5 years
Other equipment	3 ~ 16 years

(17) Leases (lessee)

- A. Leases are recognised as right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. At the commencement date, the right-of-use asset measured at cost shall comprise the amount of the initial measurement of lease liability and any initial direct costs incurred. The right-of-use asset subsequently measured at cost model and shall be depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- C. The lease liability is at the present value of the lease payments that are not paid and shall be discounted using the Group's incremental borrowing rate at commencement date. The lease payments include fixed payments less any lease incentives receivable. The lease liability is subsequently measured using an effective interest method on an amortised cost basis and the interest expense is allocated over the lease term. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset if there are changes in the lease term or to the lease payments not arising from contract modifications.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25 years.

(19) Intangible assets

A. Patents and technological expertise

Separately acquired patents and technological expertise are recognised at cost. Patents and technological expertise acquired in a business combination are recognised at fair value at the acquisition date. Patents and technological expertise with a finite useful life are amortised on the straight-line method over their estimated useful life of 5 years.

B. Computer software

Computer software shall be measured initially at cost and amortised on the straight-line method over its estimated useful life of 3 to 5 years.

C. Goodwill

Goodwill arose from a business combination accounted for by applying the acquisition method.

(20) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated based on the operating segment to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(21) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.
- C. Extension option is not closed related to the host debt instruments, unless the rates are also adjusted close to current market rates when extending.

(22) Accounts payable

- A. Accounts payable are the liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled, or expired.

(24) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group are embedded with conversion options (that is, the bondholders have the right to convert the bonds into the Group's ordinary share by exchanging a fixed amount of cash for a fixed number of ordinary share), call options and put options. In accordance with the terms and conditions of the indenture, the Group classifies the convertible corporate bonds and the embedded derivative instruments on initial recognition as a financial asset, a financial liability or an equity instrument (the 'capital surplus-share options'). Convertible corporate bonds are accounted for as follows:

- A. The exercise price of call options and put options embedded in the convertible corporate bonds is approximately equal to the amortised cost of the host debt instrument on each exercise date; therefore, call options and put options are closely related to the host debt contract.
- B. Call options, put options, and host debt of the convertible corporate bonds are initially recognised at fair value. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond outstanding using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in the 'capital surplus-share options' at the residual amount of total issue price less amounts of the 'bonds payable' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component shall be remeasured on the conversion date. The carrying amount of ordinary share issued due to the conversion shall be based on the remeasured carrying amount of the abovementioned liability component plus the carrying amount of the 'capital surplus-share options'.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognised as expenses when the employees have rendered service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions shall be recognised as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognised as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is accrued from the present value of future benefits that employees have earned in return for their services in the current or prior periods. The Group recognises the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' remuneration (bonus) is distributed by shares, the Group calculates the number of shares based on the fair value per share (closing price) at the previous day of the Board of Directors' resolution.

(26) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the quantity of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost is recognised based on the number of equity instruments that eventually vest.
- B. Employee restricted stocks:
 - (a) Employee restricted stocks measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period.

- (b) Those restricted stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) Employees have to pay to acquire those restricted stocks. If employees resign during the vesting period, the Group must refund their payments in exchange for the restricted stocks return by the employees. The Group recognises the payments to the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments for the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Different tax regulations are applicable to the Group according to the countries where the companies are registered:
 - (a) Companies that are registered in Cayman Islands and British Virgin Islands are exempted from income tax in accordance with local regulations.
 - (b) For the companies that are registered in the Republic of China, in addition to income tax that is estimated in accordance with the tax laws, an additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings. When calculating income tax, in addition to applying the tax laws to calculate regular tax, the basic tax is calculated under the 'Income Basic Tax Act.' If regular tax is lower than basic tax, the difference between them shall be added to income tax payable. The aforementioned difference shall not be offset with investment tax credits under other laws and regulations.
 - (c) Income taxes of companies that are registered in Mainland China are calculated in accordance with 'Law of the People's Republic of China on Enterprise Income Tax' and its implementation and related notification letters.

- (d) Income taxes of companies that are registered in the Government of the Hong Kong Special Administrative Region of the People's Republic of China are calculated based on the revenue earned in Hong Kong and in accordance with 'Hong Kong Inland Revenue Ordinance'.
 - (e) Income taxes of companies that are registered in the Singapore, India and Japan are calculated in accordance with the local regulations for the current year.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells PCB and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery

occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales of PCB and related products are recognised as the amount of contract price, net of the estimated discounts credits and price concessions.

- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financial component

The contract between the Group and the customer, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(30) Government grants

Government grants shall not be recognised at fair value until there is reasonable assurance that the entity will comply with the conditions attached to them, and that the grants will be received. Government grants shall be recognised in profit on a systematic basis over the periods in which the entity recognises the related expenses for which the grants are intended to compensate. Government grants related to property, plant and equipment shall be recognised within non-current liabilities that are recognised in profit on the straight-line method over the estimated useful life of related assets.

(31) Business combinations

A. The Group accounts for a business combination by applying the acquisition method, unless it is a combination involving entities or businesses under common control or the acquiree is a subsidiary of an investment entity, as defined in IFRS 10, 'Consolidated financial statements', which is required to be measured at fair value through profit or loss. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. If the total of the fair values of the consideration of acquisition, non-controlling interest in the

acquiree, and previous equity interest in the acquiree is higher than the fair value of the identifiable assets and obligations acquired, the difference is recorded as goodwill; if the fair value of the identifiable assets and obligations acquired is higher than the total of the fair values of the consideration of acquisition, non-controlling interest in the acquiree, and previous equity interest in the acquiree, the difference is recognised directly in profit or loss as ‘gain recognised in bargain purchase transaction’.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker, who is responsible for allocating resources to operating segments and evaluating their performance.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group took into consideration the economic impact of Covid-19 epidemic into the critical accounting estimates and will continue to evaluate the impact on financial position and financial performance. The related information is addressed below:

Critical accounting estimates and assumptions

Accounting estimates are based on the situation on the balance sheet date to estimate future events, though there could be differences between the actual events and estimation. Estimates and assumptions on the risk of possible critical adjustments to the carrying amount of assets and liabilities for the next fiscal year are as follows:

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$17,724,844.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and petty cash	\$ 408	\$ 137
Checking accounts and demand deposits	30,697,545	16,326,795
Cash equivalents		
Time deposits	<u>24,545,609</u>	<u>17,462,598</u>
Cash and cash equivalents presented in the balance sheet	<u>\$ 55,243,562</u>	<u>\$ 33,789,530</u>

- A. As of December 31, 2022 and 2021, the Group's time deposits over three months which are recognised within 'current financial assets at amortised cost' are described in Note 6(3).
- B. The Group has no cash and cash equivalents pledged to others except for restricted demand deposits which are recognised within 'other current assets' and 'other non-current assets'. Refer to Note 8 for details.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Private fund	\$ 1,095,200	\$ 698,688
Unlisted partnership share	<u>516,398</u>	<u>402,029</u>
	1,611,598	1,100,717
Net exchange differences	<u>28,834</u>	<u>13,871</u>
	<u>\$ 1,640,432</u>	<u>\$ 1,114,588</u>

- A. The Group recognised net gain of \$57,338 and \$228,392 within 'financial assets at fair value through profit or loss held for trading' for the years ended December 31, 2022 and 2021, respectively.
- B. The distribution of income from private equity funds for the years ended December 31, 2022 and 2021 amounted to \$13,475 and \$0, respectively.
- C. As of December 31, 2022 and 2021, the Group has no unsettled forward foreign exchange transactions.
- D. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items		
Time deposits with maturity of over three months	\$ 1,907,751	\$ 558,777
Guaranteed income financial products	-	830,400
	<u>\$ 1,907,751</u>	<u>\$ 1,389,177</u>
Non-current items		
Time deposits with maturity of over three months	<u>\$ 448,023</u>	<u>\$ 78,408</u>

- A. Refer to Note 6(26) for interest income arising from financial assets at amortised cost recognised in profit or loss for the years ended December 31, 2022 and 2021.
- B. The Group's principal and income guaranteed financial product are income notes for receiving contracted cash flows. Under the contract, the principal will be redeemed on the maturity date with a fixed interest rate at 3.5%.
- C. The Group has no financial assets at amortised cost pledged to others as tariff guarantee and government subsidy collateral, except for time deposits with maturity of over three months which are recognised within 'other current assets' and time deposits with maturity of over one year which are recognised within 'other non-current assets'. Refer to Note 8 for details.
- D. Refer to Note 12(2) for the information on credit risk.

(4) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 29,697	\$ -
Accounts receivable	<u>26,993,667</u>	<u>35,088,596</u>
	27,023,364	35,088,596
Less: Allowance for bad debts	(<u>90,384</u>)	(<u>86,259</u>)
	<u>\$ 26,932,980</u>	<u>\$ 35,002,337</u>
Accounts receivable due from related parties	\$ 3,080,912	\$ 2,535,410
Less: Allowance for bad debts	(<u>9,247</u>)	(<u>4,406</u>)
	<u>\$ 3,071,665</u>	<u>\$ 2,531,004</u>

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

	December 31, 2022	December 31, 2021
Not past due	\$ 29,595,096	\$ 36,996,371
Between 1 and 90 days	491,345	601,247
Between 91 and 180 days	8,972	2,336
Over 180 days	<u>8,863</u>	<u>24,052</u>
	<u>\$ 30,104,276</u>	<u>\$ 37,624,006</u>

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. In addition, as of January 1, 2021, the balance of receivables arising from contracts with customers amounted to \$33,848,614.

C. The Group does not hold any collateral as security.

D. Refer to Note 12(2) for the information on credit risk.

(5) Other receivables and prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Other receivables</u>		
Interest income receivable	\$ 214,777	\$ 123,566
Business tax refundable	196,308	791,807
Receivables from disposal of investments	-	177,742
Others	112,911	42,469
	<u>\$ 523,996</u>	<u>\$ 1,135,584</u>
<u>Prepayments</u>		
Excess business tax paid	\$ 3,246,576	\$ 1,836,797
Prepaid expenses	1,636,965	2,460,797
	<u>\$ 4,883,541</u>	<u>\$ 4,297,594</u>

The Group's Mainland China subsidiaries are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on business tax ('VAT') exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organizations, so the possibility of default is remote. The subsidiaries recognise related refunds and deductibles within 'other receivables' and 'prepayments', respectively.

(6) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation losses</u>	<u>Carrying amount</u>
Raw materials	\$ 4,341,095	(\$ 127,077)	\$ 4,214,018
Work in process	5,733,766	(350,732)	5,383,034
Finished goods	8,496,620	(368,828)	8,127,792
	<u>\$ 18,571,481</u>	<u>(\$ 846,637)</u>	<u>\$ 17,724,844</u>

	December 31, 2021		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 4,279,701	(\$ 116,703)	\$ 4,162,998
Work in process	5,421,186	(337,134)	5,084,052
Finished goods	9,137,752	(709,637)	8,428,115
	<u>\$ 18,838,639</u>	<u>(\$ 1,163,474)</u>	<u>\$ 17,675,165</u>

Expenses and losses incurred on inventories for the years ended December 31, 2022 and 2021 are as follows:

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 133,864,535	\$ 126,278,578
Impairment losses	3,549	60,445
(Reversal of) losses on valuation of inventory	(340,357)	145,752
Income from sale of scraps and wastes	(2,059,314)	(2,000,064)
	<u>\$ 131,468,413</u>	<u>\$ 124,484,711</u>

The Group reversed losses from a previous inventory write-down and recognised gain on reversal for the year ended December 31, 2022 as the Group sold some inventories with net realisable values lower than its costs.

(7) Non-current financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Equity instruments		
Listed stocks	\$ 70,927	\$ -
Emerging stocks	120,992	-
Unlisted stocks	502,269	409,954
Valuation adjustment	48,334	71,138
Net exchange differences	10,750	(4,473)
	<u>\$ 753,272</u>	<u>\$ 476,619</u>

A. The Group has elected to classify the stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2022	2021
Equity instruments	<u>(\$ 22,804)</u>	<u>\$ 47,630</u>

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

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2022</u>						
Cost	\$ 2,338,433	\$ 27,766,519	\$ 67,804,287	\$ 29,653,914	\$ 13,434,452	\$ 140,997,605
Accumulated depreciation and impairment	-	(8,957,477)	(32,088,853)	(13,878,391)	-	(54,924,721)
	<u>\$ 2,338,433</u>	<u>\$ 18,809,042</u>	<u>\$ 35,715,434</u>	<u>\$ 15,775,523</u>	<u>\$ 13,434,452</u>	<u>\$ 86,072,884</u>
<u>2022</u>						
Opening net carrying amount	\$ 2,338,433	\$ 18,809,042	\$ 35,715,434	\$ 15,775,523	\$ 13,434,452	\$ 86,072,884
Additions (transfers)	-	10,612,988	7,331,855	8,679,483	5,937,891	32,562,217
Transferred to investment property	-	(4,503,788)	-	-	-	(4,503,788)
Disposals	-	(21,188)	(263,569)	(38,641)	-	(323,398)
Depreciation expense	-	(2,260,101)	(6,190,750)	(5,342,090)	-	(13,792,941)
Impairment losses	-	-	(724,291)	(236,399)	-	(960,690)
Net exchange differences	197,456	453,049	311,923	126,291	164,308	1,253,027
Closing net carrying amount	<u>\$ 2,535,889</u>	<u>\$ 23,090,002</u>	<u>\$ 36,180,602</u>	<u>\$ 18,964,167</u>	<u>\$ 19,536,651</u>	<u>\$ 100,307,311</u>
<u>At December 31, 2022</u>						
Cost	\$ 2,535,889	\$ 32,809,165	\$ 73,649,928	\$ 40,291,883	\$ 19,536,651	\$ 168,823,516
Accumulated depreciation and impairment	-	(9,719,163)	(37,469,326)	(21,327,716)	-	(68,516,205)
	<u>\$ 2,535,889</u>	<u>\$ 23,090,002</u>	<u>\$ 36,180,602</u>	<u>\$ 18,964,167</u>	<u>\$ 19,536,651</u>	<u>\$ 100,307,311</u>

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2021</u>						
Cost	\$ 2,390,675	\$ 26,672,561	\$ 55,750,789	\$ 21,315,866	\$ 8,410,005	\$ 114,539,896
Accumulated depreciation and impairment	-	(9,090,514)	(27,570,839)	(9,701,368)	-	(46,362,721)
	<u>\$ 2,390,675</u>	<u>\$ 17,582,047</u>	<u>\$ 28,179,950</u>	<u>\$ 11,614,498</u>	<u>\$ 8,410,005</u>	<u>\$ 68,177,175</u>
<u>2021</u>						
Opening net carrying amount	\$ 2,390,675	\$ 17,582,047	\$ 28,179,950	\$ 11,614,498	\$ 8,410,005	\$ 68,177,175
Additions (transfers)	-	2,870,370	13,351,222	8,711,421	5,066,650	29,999,663
Disposals	-	(7,522)	(268,414)	(146,897)	9,957	(412,876)
Depreciation expense	-	(1,510,022)	(5,257,706)	(4,320,793)	-	(11,088,521)
Impairment losses	-	-	(91,499)	-	-	(91,499)
Net exchange differences	(52,242)	(125,831)	(198,119)	(82,706)	(52,160)	(511,058)
Closing net carrying amount	<u>\$ 2,338,433</u>	<u>\$ 18,809,042</u>	<u>\$ 35,715,434</u>	<u>\$ 15,775,523</u>	<u>\$ 13,434,452</u>	<u>\$ 86,072,884</u>
<u>At December 31, 2021</u>						
Cost	\$ 2,338,433	\$ 27,766,519	\$ 67,804,287	\$ 29,653,914	\$ 13,434,452	\$ 140,997,605
Accumulated depreciation and impairment	-	(8,957,477)	(32,088,853)	(13,878,391)	-	(54,924,721)
	<u>\$ 2,338,433</u>	<u>\$ 18,809,042</u>	<u>\$ 35,715,434</u>	<u>\$ 15,775,523</u>	<u>\$ 13,434,452</u>	<u>\$ 86,072,884</u>

A. The significant parts of the Group's buildings and structures include main plants and auxiliary improvements, which are depreciated over 20~54 years and 3~10 years, respectively.

B. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost and value-in-use calculations at discount rate of 4.21% and 5.73% respectively. Additionally, the fair value using market approach valuation technique considering replacement cost belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on property, plant and equipment of \$960,690 and \$91,499 for the years ended December 31, 2022 and 2021, respectively. The amounts recognised in 2022 were shown within ‘operating costs’ of \$3,549 and ‘other gains and losses’ of \$957,141, while the amounts recognised in 2021 were shown within ‘operating costs’ of \$60,445 and ‘other gains and losses’ of \$31,054. The impairment losses belong to PCB segments.

(9) Right-of-use assets/Lease liabilities

- A. The assets leased by the Group include right-of-use land, buildings, official vehicles and other facilities. The Group’s subsidiaries signed right-of-use land contracts with local governments whom the subsidiaries will return the right to when the contract expires. Except for the lease term of right-of-use land of 20 to 50 years, the remaining lease terms are between 2 and 8 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for the leased assets restricted to pledge to others.
- B. The leases of buildings, parking space, etc. in the Group are with a lease term of 12 months or less, and the leases for which the underlying asset is of low value are all-in-one printers, etc.
- C. The information on the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Right-of-use land	\$ 8,233,364	\$ 8,375,406
Buildings	69,631	154,404
Transportation equipment (official vehicles)	17,355	10,986
Other facilities	7,347	4,497
	<u>\$ 8,327,697</u>	<u>\$ 8,545,293</u>
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Right-of-use land	\$ 294,945	\$ 284,165
Buildings	69,447	107,554
Transportation equipment (official vehicles)	20,514	10,453
Other facilities	3,205	2,153
	<u>\$ 388,111</u>	<u>\$ 404,325</u>

The acquisition of the right-of-use assets for the years ended December 31, 2022 and 2021 amounted to \$62,433 and \$422,007, respectively.

- D. As of December 31, 2022, right-of-use land contracts of \$702,029 were in the process of registration between the subsidiaries of the Group and the local government.
- E. The Group recognised rental expense for either the lease term of less than 12 months or leases for which the underlying asset is of low value. The information on the lease contract affecting profit or loss is as follows:

	Years ended December 31,	
	2022	2021
<u>Items affecting current profit or loss</u>		
Interest expense from lease liabilities	\$ 14,919	\$ 17,284
Rental expenses for short-term lease contracts	\$ 279,021	\$ 384,660
Gains from lease modification	\$ 2,032	\$ -

- F. The cash flows used in the lease payments of the Group for the years ended December 31, 2022 and 2021 were \$415,679 and \$939,915, respectively.

(10) Investment property

	December 31, 2022	
	<u>Buildings and structures</u>	
<u>2022</u>		
Opening net carrying amount	\$	-
Reclassifications		4,503,788
Depreciation expense	(	15,164)
Net exchange differences		18,229
Closing net carrying amount	\$	<u>4,506,853</u>
<u>At December 31, 2022</u>		
Cost	\$	4,522,079
Accumulated depreciation and impairment	(	15,226)
	\$	<u>4,506,853</u>

- A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Year ended December 31, 2022</u>
Rental income from investment property	\$ <u>-</u>
Direct operating expenses arising from the investment property that generated rental income during the year	\$ <u>15,164</u>

- B. The fair value of the investment property held by the Group as at December 31, 2022 was \$9,126,606, which was revalued by independent appraisers. The valuation is based on income

approach which is categorized within Level 3 in the fair value hierarchy.

(11) Intangible assets

	Year ended December 31, 2022			
	Patents and technological expertise	Software	Goodwill	Total
<u>At January 1, 2022</u>				
Cost	\$ 400,522	\$ 1,400,642	\$ 1,203,863	\$ 3,005,027
Accumulated amortisation and impairment	(95,971)	(829,748)	-	(925,719)
	<u>\$ 304,551</u>	<u>\$ 570,894</u>	<u>\$ 1,203,863</u>	<u>\$ 2,079,308</u>
<u>2022</u>				
Opening net carrying amount	\$ 304,551	\$ 570,894	\$ 1,203,863	\$ 2,079,308
Additions	-	332,281	-	332,281
Amortisation expense	(83,882)	(357,953)	-	(441,835)
Net exchange differences	30,638	6,434	131,760	168,832
Closing net carrying amount	<u>\$ 251,307</u>	<u>\$ 551,656</u>	<u>\$ 1,335,623</u>	<u>\$ 2,138,586</u>
<u>At December 31, 2022</u>				
Cost	\$ 444,365	\$ 1,791,152	\$ 1,335,623	\$ 3,571,140
Accumulated amortisation and impairment	(193,058)	(1,239,496)	-	(1,432,554)
	<u>\$ 251,307</u>	<u>\$ 551,656</u>	<u>\$ 1,335,623</u>	<u>\$ 2,138,586</u>

	Year ended December 31, 2021			
	Patents and technological expertise	Software	Goodwill	Total
<u>At January 1, 2021</u>				
Cost	\$ 412,098	\$ 1,088,808	\$ 1,238,657	\$ 2,739,563
Accumulated amortisation and impairment	(13,459)	(561,075)	-	(574,534)
	<u>\$ 398,639</u>	<u>\$ 527,733</u>	<u>\$ 1,238,657</u>	<u>\$ 2,165,029</u>
<u>2021</u>				
Opening net carrying amount	\$ 398,639	\$ 527,733	\$ 1,238,657	\$ 2,165,029
Additions	-	341,197	-	341,197
Amortisation expense	(83,879)	(294,366)	-	(378,245)
Net exchange differences	(10,209)	(3,670)	(34,794)	(48,673)
Closing net carrying amount	<u>\$ 304,551</u>	<u>\$ 570,894</u>	<u>\$ 1,203,863</u>	<u>\$ 2,079,308</u>
<u>At December 31, 2021</u>				
Cost	\$ 400,522	\$ 1,400,642	\$ 1,203,863	\$ 3,005,027
Accumulated amortisation and impairment	(95,971)	(829,748)	-	(925,719)
	<u>\$ 304,551</u>	<u>\$ 570,894</u>	<u>\$ 1,203,863</u>	<u>\$ 2,079,308</u>

- A. The Group acquired 100% of the shares of Boardtek Electronics Corporation on November 4, 2020 and Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd. in 2008, and recognized goodwill as well as patents and technological expertise under the acquisition method.
- B. Goodwill is allocated to the Group's cash-generating units identified by operating segments. The recoverable amount has been determined based on value-in-use calculations with operating income rate, growth rate and discount rate. Management determined budgeted operating income rate based on its expectations of market development, the growth rates based on the expectations of industry, and the discount rates based on the weighted average capital cost. The discount rate was 4.21% and 5.73% for the years ended December 31, 2022 and 2021, respectively.

(12) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for business facilities	\$ 891,956	\$ 16,549
Refundable deposits	229,363	103,179
Net defined benefit asset	82,309	47,408
Others	331,455	62,841
	<u>\$ 1,535,083</u>	<u>\$ 229,977</u>

Information about the other non-current assets that were pledged to others as tariff guarantee and

reserve accounts for long-term is described in Note 8.

(13) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Credit loans	\$ 16,819,556	1.25%~8.20%	None
	December 31, 2021	Interest rate range	Collateral
Credit loans	\$ 19,636,568	0.38%~6.40%	None

(14) Other payables

	December 31, 2022	December 31, 2021
Payable on machinery and equipment	\$ 9,870,079	\$ 6,255,970
Wages and bonuses payable	5,270,984	4,328,423
Repairs and maintenance fees payable	763,148	652,163
Payable on mold and jig	683,966	649,026
Tax payable	409,036	259,258
Power expenses payable	326,086	238,620
Others	2,858,467	2,437,467
	<u>\$ 20,181,766</u>	<u>\$ 14,820,927</u>

(15) Bonds payable

	December 31, 2022	December 31, 2021
3rd overseas unsecured convertible bonds:		
Bonds payable	\$ 12,284,000	\$ 11,072,000
Less: Discount on bonds payable	(545,895)	(688,848)
	\$ 11,738,105	\$ 10,383,152
Less: Current portion of bonds payable (within 'long-term liabilities, current portion')	(11,738,105)	-
Bonds payable	<u>\$ -</u>	<u>\$ 10,383,152</u>

A. Conditions for issuance of 3rd overseas unsecured convertible bonds are as follows:

- The competent authority has approved the Company's third issuance of overseas unsecured corporate bonds on June 16, 2020. The total issue amount of the bonds is USD 400,000 thousand, at a coupon rate of 0% and maturity of 5 years from June 30, 2020 to June 30, 2025.
- The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of December 31, 2022, no bonds have been converted into ordinary shares, and the conversion price was NTD 138.45 (exchange rate of NTD 29.593 (in dollars) to USD 1 (in dollar)).
- The bondholders have the right to require the Company to repurchase all or any portion of bonds at the price of the bonds' principal amount with an annual rate of 0% as interest compensation (100% of the principal amount of the corporate bonds) on the day when three

years have elapsed since issuance of the bonds. Because of the above conditions, the Group transferred all convertible corporate bonds to current liabilities on December 31, 2022.

- (d) Except for bonds redeemed before maturity, repurchased and retired, or converted by the bondholders, the Company will fully redeem the bonds at the maturity date with an annual rate of 0% based on the principal amount. The redemption amount is about 100% of the principal amount of the corporate bonds, and the bonds will be redeemed in full.
 - (e) According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired and not to be re-issued.
 - (f) According to the terms of the bonds, rights and obligations of newly issued shares after conversion are the same as other issued ordinary share.
 - (g) The effective rate of the corporate bonds is 1.86%.
- B. Regarding the issuance of overseas unsecured corporate bonds, the equity conversion options were separated from the liability component in accordance with IAS 32. As of December 31, 2022, the Company's 3rd overseas unsecured corporate bonds in 2020 were recognised within "capital surplus - share options" of \$996,753.

(16) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	December 31, 2022
Syndicated loans	Borrowing period is from April 6, 2021 to April 6, 2024; principal is repayable semiannually from October 6, 2023 in two installments; 50% of principal has to be repaid for each installment.	\$ 7,677,500
Credit loans	Borrowing period is from March 24, 2022 to March 24, 2036; principal is repayable semiannually after four years since the first drawdown in twenty installments; 5% of principal has to be repaid respectively.	6,426,497
	Ten loans with borrowing period from January 25, 2021 to June 28, 2025 are payable on the due date.	2,704,919
		16,808,916
Less: Syndicated loan arrangement fees		(7,997)
Current portion of long-term borrowings (within 'long-term liabilities, current portion')		(3,834,751)
		<u>\$ 12,966,168</u>
Interest rate		<u>1.97%~4.73%</u>

Type of borrowings	Borrowing period and repayment term	December 31, 2021
Syndicated loans	Borrowing period is from April 6, 2021 to April 6, 2024; principal is repayable semiannually from October 6, 2023 in two installments; 50% of principal has to be repaid for each installment.	\$ 6,920,000
Credit loans	Borrowing period is from January 25, 2021 to July 25, 2024, it is repayable on the due date.	276,799
	Borrowing period is from March 18, 2021 to July 25, 2024, it is repayable on the due date.	138,400
	Borrowing period is from June 29, 2021 to July 25, 2024, it is repayable on the due date.	276,799
		7,611,998
Less: Syndicated loan arrangement fees		(12,975)
		\$ 7,599,023
Interest rate		1.01%~2.04%

During the terms of the syndicated loans, in accordance with the syndicated loan agreement, the Company is required to calculate and maintain certain level of current ratio, liability ratio, times-interest-earned ratio and net tangible asset balance based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements. As of December 31, 2022, the Company was in compliance with the terms of the syndicated loan agreement.

(17) Pensions

A. Defined benefit plans

	December 31, 2022	December 31, 2021
Present value of funded defined benefit obligations	(\$ 87,049)	(\$ 139,004)
Fair value of plan assets	169,358	186,412
Net defined benefit asset (within "other non-current assets")	\$ 82,309	\$ 47,408

- (a) The Group's subsidiaries in Taiwan, Zhen Ding Technology Co., Ltd. and Boardtek Electronics Corporation, have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Taiwan subsidiaries contribute

monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the 'Fund'). Before the end of each year, the Taiwan subsidiaries assess the balance in the aforementioned Fund. If the balance in the Fund is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Taiwan subsidiaries are required to fund the deficit in one appropriation before the end of next March.

(b) Movements in net defined benefit assets are as follows:

<u>Year ended December 31, 2022</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1, 2022	(\$ 139,004)	\$ 186,412	\$ 47,408
Current service cost	(526)	-	(526)
Interest (expense) income of net defined benefit asset	(925)	1,271	346
	(140,455)	187,683	47,228
Remeasurements:			
Return on plan assets (excluding aforementioned interest income or expense)	-	15,034	15,034
Change in demographic assumptions	(36)	-	(36)
Change in financial assumptions	6,422	-	6,422
Experience adjustments	5,309	-	5,309
	11,695	15,034	26,729
Pension fund contribution	-	15	15
Paid pension	41,711	(33,374)	8,337
Balance at December 31, 2022	<u>(\$ 87,049)</u>	<u>\$ 169,358</u>	<u>\$ 82,309</u>

<u>Year ended December 31, 2021</u>	<u>Present value of defined benefit obligations</u>	<u>Fair value of of plan assets</u>	<u>Net defined benefit liability</u>
Balance at January 1, 2021	(\$ 160,885)	\$ 201,623	\$ 40,738
Current service cost	(815)	-	(815)
Interest (expense) income of net defined benefit asset	(963)	1,181	218
	(162,663)	202,804	40,141
Remeasurements:			
Return on plan assets (excluding aforementioned interest income or expense)	-	2,616	2,616
Change in demographic assumptions	(1,936)	-	(1,936)
Change in financial assumptions	8,294	-	8,294
Experience adjustments	(1,722)	-	(1,722)
	4,636	2,616	7,252
Pension fund contribution	-	15	15
Paid pension	19,023	(19,023)	-
Balance at December 31, 2021	(\$ 139,004)	\$ 186,412	\$ 47,408

- (c) The Bank of Taiwan was commissioned to manage the plan assets of the Fund for the Taiwan subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the 'Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund' (Article 6: the scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the amounts accrued from the local bank interest rates of two-year time deposits. If the earnings are inadequate, government shall make payment for the deficit after being authorised by the Taiwan Competent Authority. The Taiwan subsidiaries have no right to participate in managing and operating the Fund and hence the Taiwan subsidiaries are unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. As of December 31, 2022 and 2021, the fair value of plan assets is given in the 'Utilization Status of the Labor Funds' announced by the local government.

(d) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2022	2021
Discount rate	<u>1.35%~1.45%</u>	<u>0.70%~0.80%</u>
Rate of future salary increase	<u>2.00%</u>	<u>2.00%</u>
Rate of employee turnover	<u>0.23%~1.21%</u>	<u>0.21%~1.20%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

The analysis of the present value of defined benefit obligation due to the main actuarial assumption changes was as follows:

	Discount rate		Rate of future salary increase		Rate of employee turnover	
	Increase	Decrease	Increase	Decrease	110% of expected rate	90% of expected rate
<u>December 31, 2022</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%~1%</u>	<u>0.25%~1%</u>		
Increase (decrease) in present value of defined benefit obligations	<u>(\$ 2,312)</u>	<u>\$ 2,398</u>	<u>\$ 2,377</u>	<u>(\$ 2,304)</u>	<u>(\$ 109)</u>	<u>\$ 109</u>
<u>December 31, 2021</u>						
Increase (decrease) in present value of defined benefit obligations	<u>(\$ 3,420)</u>	<u>\$ 3,549</u>	<u>\$ 3,494</u>	<u>(\$ 3,385)</u>	<u>(\$ 177)</u>	<u>\$ 179</u>

(e) Expected contributions to the defined benefit pension plans of the Group amount to \$39 for the year ending December 31, 2023.

(f) As of December 31, 2022, the weighted average duration of the pension plan is 10~14 years.

B. Defined contribution plan

(a) Effective July 1, 2005, the Taiwan subsidiaries of the Group have established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Taiwan subsidiaries of the Group contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. The pension expenses recognised in accordance with the New Plan were \$79,793 and \$72,287 for the years ended December 31, 2022 and 2021, respectively.

- (b) The Mainland China subsidiaries of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages with the contribution percentage of 10%~20%, and pension is contributed to the employees' individual pension accounts. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations. The pension expenses recognised in accordance with local regulations were \$1,533,521 and \$1,241,874 for the years ended December 31, 2022 and 2021, respectively.

(18) Share-based payment

- A. The share-based payment arrangements of the Company's subsidiary, Avary Holding (Shenzhen) Co., Limited, are as follows:

Type of arrangements	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.02.27	185,080 thousand shares	7 years	(a)(c)
Restricted stocks to employees	2021.06.15	10,045 thousand shares	6 years	(b)(c)(d)

- (a) A restricted stock has not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 2 years starting from the purchase date. Shares will be vested in accordance with the number of the grantees' shares at 20% every year. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the lower of the investment amount or the carrying amount of net assets. However, appropriated dividend is not required to be returned.
- (b) A restricted stock has not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 1 year starting from the purchase date. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the vested price and retired.
- (c) Until the achievement of the vesting conditions, the right and obligation: cannot sell, pledge, transfer, give to others, create a right in rem over it or any other disposal.
- (d) The vested conditions of the issuance of restricted shares for employees were the annual operating revenue reached a predetermined target and employees' individual performance reached a standard level. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the vested price and retired.
- B. Employee restricted stocks
- The numbers of employee restricted stocks for the first time are as follows (in thousand shares):

	Years ended December 31,	
	2022	2021
Outstanding at January 1	109,917	146,618
Vested during the year	(36,639)	(36,654)
Returned during the year	(2,404)	(47)
Outstanding at December 31	<u>70,874</u>	<u>109,917</u>

The number of employee restricted stocks for the second time are as follows (in thousand shares):

	Years ended December 31,	
	2022	2021
Outstanding at January 1	9,760	-
Granted during the year	-	10,045
Vested during the year	(1,931)	-
Returned during the year	(605)	(285)
Outstanding at December 31	<u>7,224</u>	<u>9,760</u>

C. Expenses incurred on share-based payment transactions are shown below:

	Years ended December 31,	
	2022	2021
Expenses incurred on employee restricted stocks	<u>\$ 231,790</u>	<u>\$ 207,115</u>

(19) Share capital

- A. As of December 31, 2022, the Company's authorised capital was \$16,000,000, and the issued capital is \$9,470,492, consisting of 947,049 thousand shares of ordinary share with a par value of \$10 (in New Taiwan dollars) per share.
- B. As of December 31, 2022, the number of shares of the Company held by the Group's subsidiary, BoardTek Investment Co., Ltd., was 2,093 thousand shares and the acquisition cost amounted to \$257,489 within the 'treasury shares'. The treasury shares shall not be pledged to others, and the shareholders' rights shall not be enjoyed before transfer under the Securities and Exchange Act.

(20) Capital surplus

	Year ended December 31, 2022							
	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in ownership interests in subsidiaries	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Treasury share transactionss	Total
At January 1	\$ 10,754,926	\$ 13,624,555	\$ 996,753	\$ 59,426	\$10,389,506	\$ 1,103,156	\$ 9,420	\$ 36,937,742
Employee restricted stocks	-	-	-	-	174,675	-	-	174,675
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	-	-	-	10,467	10,467
Recognition of changes in ownership interests in subsidiaries	-	-	-	-	143,041	755,262	-	898,303
At December 31	<u>\$ 10,754,926</u>	<u>\$ 13,624,555</u>	<u>\$ 996,753</u>	<u>\$ 59,426</u>	<u>\$10,707,222</u>	<u>\$ 1,858,418</u>	<u>\$ 19,887</u>	<u>\$ 38,021,187</u>

Year ended December 31, 2021

	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in ownership interests in subsidiaries	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Treasury share transactions	Total
At January 1	\$ 10,754,926	\$ 13,624,555	\$ 996,753	\$ 59,426	\$ 10,235,552	\$ -	\$ -	\$ 35,671,212
Employee restricted stocks	-	-	-	-	150,821	-	-	150,821
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	-	-	-	9,420	9,420
Recognition of changes in ownership interests in subsidiaries	-	-	-	-	3,133	1,103,156	-	1,106,289
At December 31	<u>\$ 10,754,926</u>	<u>\$ 13,624,555</u>	<u>\$ 996,753</u>	<u>\$ 59,426</u>	<u>\$ 10,389,506</u>	<u>\$ 1,103,156</u>	<u>\$ 9,420</u>	<u>\$ 36,937,742</u>

A. Capital surplus arising from paid-in capital in excess of par value on issuance of ordinary share is used to offset accumulated losses incurred in previous years or distribute dividends to shareholders.

B. Refer to Note 6(15) for capital surplus - conversion options.

C. Refer to Note 6(32) for capital surplus arising from the recognition of changes in ownership interest in subsidiaries.

(21) Retained earnings

- A. In accordance with the Company's Articles of Incorporation, the Board of Directors shall set aside out of the current year's earnings sequentially as follows:
- (a) A reserve for payment of tax for the relevant financial year;
 - (b) An amount to offset losses incurred in previous years;
 - (c) Ten percent (10%) as a general reserve, and
 - (d) A special surplus reserve as required by the applicable securities authority under the applicable Public Company Rules or a reserve as determined by the Board of Directors.

Dividends shall not be lower than 10% of the distributable amount, and the Board of Directors can determine to distribute in cash, in shares or to distribute in both ways. However, cash dividends shall not be lower than 50% of total dividends.

In addition, cash dividends shall be distributed upon the approval of a majority of the directors present at a meeting attended by at least two-thirds or more of the total number of the directors. Share dividends can be distributed after obtaining approval from the shareholders in each accounting year.

- B. The appropriations of 2021 earnings had been resolved at the shareholders' meeting on May 31, 2022. Additionally, the appropriations of 2020 earnings had been resolved on June 15, 2021 via electronic voting platform for the shareholders' meeting. Details are summarised below:

	2021		2020	
	Amount	Dividends per share (in New Taiwan dollars)	Amount	Dividends per share (in New Taiwan dollars)
Legal reserve	\$ 965,710		\$ 810,605	
Special reserve	717,985		(884,381)	
Cash dividends	<u>4,735,246</u>	5.00	<u>4,261,721</u>	4.50
Total	<u>\$ 6,418,941</u>		<u>\$ 4,187,945</u>	

On March 13, 2023, the Board of Directors proposed for the distribution of cash dividends from 2022 earnings amounting to \$5,682,295 at \$6.00 in New Taiwan dollars per share.

Information on the appropriation of the Company's earnings as resolved at the shareholders' meeting is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(22) Other equity interest

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2022	\$ 38,071	(\$ 4,886,372)	(\$ 4,848,301)
Valuation adjustment	(20,516)	-	(20,516)
Currency translation differences:			
–Group	-	1,986,380	1,986,380
At December 31, 2022	<u>\$ 17,555</u>	<u>(\$ 2,899,992)</u>	<u>(\$ 2,882,437)</u>

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2021	\$ 6,629	(\$ 4,136,945)	(\$ 4,130,316)
Valuation adjustment	31,442	-	31,442
Currency translation differences:			
–Group	-	(749,427)	(749,427)
At December 31, 2021	<u>\$ 38,071</u>	<u>(\$ 4,886,372)</u>	<u>(\$ 4,848,301)</u>

(23) Operating revenue

	Years ended December 31,	
	2022	2021
Revenue from contracts with customers	<u>\$ 171,356,495</u>	<u>\$ 155,022,197</u>

The Group derives revenue from the transfer of goods and services at a point in time. Refer to Note 14(5) for the Group's geographical revenue based on the countries where customers are located.

(24) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	\$ 22,655,378	\$ 21,552,494
Depreciation expense	14,196,216	11,492,846
Amortisation expense	441,835	382,067
	<u>\$ 37,293,429</u>	<u>\$ 33,427,407</u>

The employee benefit expense includes pension gains of \$109 and \$53 which are shown within 'other gains and losses' for the years ended December 31, 2022 and 2021, respectively

(25) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 17,797,392	\$ 17,229,497
Employees' remuneration	513,268	150,000
Labor and health insurance fees	982,442	915,883
Pension expenses	1,613,494	1,314,758
Other personnel expenses	1,748,782	1,942,356
	<u>\$ 22,655,378</u>	<u>\$ 21,552,494</u>

- A. In accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration between zero point five percent (0.5%) and twenty percent (20%) and distribute directors' remuneration no higher than zero point five percent (0.5%) of the distributed earnings covering accumulated losses.
- B. For the years ended December 31, 2022 and 2021, employees' compensation were accrued at \$513,268 and \$150,000, respectively; while directors' remunerations were accrued at \$85,418 and \$17,500, respectively.
- C. Employees' compensation and directors' remuneration as resolved by the Board of Directors for the years ended December 31, 2022 and 2021 were equal to the amounts recognised in the financial statements for the years ended December 31, 2022 and 2021.
- D. Information on employees' remuneration and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(26) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 725,379	\$ 239,239
Interest income from financial assets at amortised cost	42,177	59,720
	<u>\$ 767,556</u>	<u>\$ 298,959</u>

(27) Other income

	Years ended December 31,	
	2022	2021
Government grant revenue	\$ 664,745	\$ 854,868
Others	108,274	107,015
	<u>\$ 773,019</u>	<u>\$ 961,883</u>

(28) Other gains and losses

	Years ended December 31,	
	2022	2021
Net currency exchange gains (losses)	\$ 1,407,731	(\$ 282,637)
Net gains on financial assets and liabilities at fair value through profit or loss	57,338	228,392
Net (losses) gains on disposal of property, plant and equipment	(16,711)	8,437
Impairment loss on property, plant and equipment	(957,141)	(31,054)
Others	(117,107)	(211,493)
	<u>\$ 374,110</u>	<u>(\$ 288,355)</u>

(29) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense		
Bank borrowings	\$ 665,420	\$ 299,137
Amortisation of convertible bond discounts	215,190	199,160
Amortisation of syndicated loan arrangement fees	6,305	9,628
Interest expense from lease liabilities	14,919	17,284
	<u>\$ 901,834</u>	<u>\$ 525,209</u>

(30) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Tax payable arising from the current year	\$ 3,630,813	\$ 1,756,887
Adjustments in respect of prior years	(137,006)	(52,376)
Total current tax	<u>3,493,807</u>	<u>1,704,511</u>
Deferred tax:		
Origination and reversal of temporary differences	(560,615)	819,928
Total deferred tax	<u>(560,615)</u>	<u>819,928</u>
Income tax expense	<u>\$ 2,933,192</u>	<u>\$ 2,524,439</u>

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

	Years ended December 31,	
	2022	2021
Measured at fair value through other comprehensive income from changes in fair values	\$ 2,068	(\$ 9,138)
Remeasurement of defined benefit obligations	(5,346)	(1,451)
	<u>(\$ 3,278)</u>	<u>(\$ 10,589)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 4,579,941	\$ 1,777,659
Effects from items unrecognised by tax regulations	(859,658)	106,329
Effects from adjustments in respect of prior years	(137,006)	(52,376)
Effects from re-evaluation of deferred tax assets	(650,085)	692,827
Income tax expense	<u>\$ 2,933,192</u>	<u>\$ 2,524,439</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

Year ended December 31, 2022					
		Recognised			
	January 1	Recognised in profit or loss	in other comprehensive income	Net exchange differences	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory valuation loss	\$ 160,616	(\$ 39,005)	\$ -	\$ 3,135	\$ 124,746
Wages and bonuses payable	353,878	34,391	-	24,403	412,672
Impairment loss on property, plant and equipment	157,981	(76,869)	-	2,835	83,947
Unrealised profit from sales in respect of inventory	121,339	179,124	-	11,250	311,713
Remeasurement of defined benefit obligations	10,373	(941)	(5,346)	10	4,096
Taxable difference arising from property, plant and equipment	115,389	763,657		340	879,386
Others	280,177	484,984	2,068	(6,891)	760,338
	<u>1,199,753</u>	<u>1,345,341</u>	<u>(3,278)</u>	<u>35,082</u>	<u>2,576,898</u>
-Deferred tax liabilities:					
Taxable difference arising from property, plant and equipment	(1,391,535)	(424,994)	-	380,200	(1,436,329)
Others	(1,358,492)	(359,732)	-	(492,504)	(2,210,728)
	<u>(2,750,027)</u>	<u>(784,726)</u>	<u>-</u>	<u>(112,304)</u>	<u>(3,647,057)</u>
	<u>(\$ 1,550,274)</u>	<u>\$ 560,615</u>	<u>(\$ 3,278)</u>	<u>(\$ 77,222)</u>	<u>(\$ 1,070,159)</u>

Year ended December 31, 2021					
		Recognised			
	January 1	Recognised in profit or loss	in other comprehensive income	Net exchange differences	December 31
Temporary differences:					
-Deferred tax assets:					
Allowance for inventory valuation loss	\$ 142,911	\$ 18,903	\$ -	(\$ 1,198)	\$ 160,616
Wages and bonuses payable	311,148	43,678	-	(948)	353,878
Impairment loss on property, plant and equipment	85,210	73,240	-	(469)	157,981
Unrealised profit from sales in respect of inventory	118,082	4,424	-	(1,167)	121,339
Remeasurement of defined benefit obligations	13,315	(1,488)	(1,451)	(3)	10,373
Others	<u>614,373</u>	<u>(205,425)</u>	<u>(9,138)</u>	<u>(4,244)</u>	<u>395,566</u>
	<u>1,285,039</u>	<u>(66,668)</u>	<u>(10,589)</u>	<u>(8,029)</u>	<u>1,199,753</u>
-Deferred tax liabilities:					
Taxable difference arising from property, plant and equipment	(759,564)	(637,135)	-	5,164	(1,391,535)
Others	<u>(1,262,751)</u>	<u>(116,125)</u>	<u>-</u>	<u>20,384</u>	<u>(1,358,492)</u>
	<u>(2,022,315)</u>	<u>(753,260)</u>	<u>-</u>	<u>25,548</u>	<u>(2,750,027)</u>
	<u>(\$ 737,276)</u>	<u>(\$ 819,928)</u>	<u>(\$ 10,589)</u>	<u>\$ 17,519</u>	<u>(\$ 1,550,274)</u>

D. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	<u>\$ 5,736,857</u>	<u>\$ 6,029,511</u>
Tax effect	<u>\$ 1,304,665</u>	<u>\$ 1,403,112</u>

E. The income tax returns of the Group's subsidiaries, Zhen Ding Technology Co., Ltd., Garuda Technology Co., Ltd., Boardtek Electronics Corporation and Boardtek Investment Co., Ltd., through 2020 have been assessed and approved by the Tax Authority.

(31) Earnings per share

Year ended December 31, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 14,197,040</u>	<u>944,956</u>	<u>\$ 15.02</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 14,197,040	944,956	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds-overseas	215,190	85,498	
Employees' remuneration	<u>-</u>	<u>5,220</u>	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	<u>\$ 14,412,230</u>	<u>1,035,674</u>	<u>\$ 13.92</u>
Year ended December 31, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in New Taiwan dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 9,651,297</u>	<u>944,956</u>	<u>\$ 10.21</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,651,297	944,956	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds-overseas	199,160	81,670	
Employees' remuneration	<u>-</u>	<u>1,623</u>	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	<u>\$ 9,850,457</u>	<u>1,028,249</u>	<u>\$ 9.58</u>

As employees' remuneration might be distributed in the form of shares, the diluted EPS is calculated based on the assumption that all distribution will be in the form of shares in the calculation of the weighted-average number of ordinary shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential ordinary shares.

(32) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary.

- (a) In the first quarter of 2022, the Group's subsidiary, Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., has increased its capital by issuing new shares. As the Group did not acquire shares proportionately, the shareholding ratio decreased by 0.74%. Abovementioned transaction resulted in an increase in the non-controlling interest by \$720,409 and an increase in the equity attributable to owners of the parent by \$143,041.
- (b) On March 30, 2021, the Group's subsidiary, Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., has increased its capital by issuing new shares. As the Group did not acquire shares proportionately, the shareholding ratio decreased by 29.61%. Abovementioned transaction resulted in an increase in the non-controlling interest by \$598,027 and an increase in the equity attributable to owners of the parent by \$3,133.
- (c) The effect of changes in interests in the Group on the equity attributable to owners of the parent for the year ended December 31, 2022 and 2021 is shown below:

	Years ended December 31,	
	2022	2021
Cash	\$ 863,450	\$ 601,160
Increase in the carrying amount of non-controlling interest	(720,409)	(598,027)
Capital surplus - recognition of changes in ownership interest in subsidiaries	\$ 143,041	\$ 3,133

B. Disposal of ownership interest in the subsidiary without losing control

- (a) In January 2022, the Group's subsidiary, Pacific Fair International Limited, disposed the share equity of Avary Holding (Shenzhen) Co., Limited which caused the Group's shareholding ratio to decrease to 0.31% in the amount of \$1,302,378. This transaction resulted in an increase in the non-controlling interest by \$547,116 and an increase in the equity attributable to owners of the parent by \$755,262.
- (b) In December 2021, the Group's subsidiary, Monterey Park Finance Limited, disposed the share equity of Qi Ding Technology Qinhuangdao Co., Ltd. to Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., resulting to a decrease in the Group's shareholding ratio to 29.61% in the amount of \$785,935. The carrying amount of non-

controlling interest in the Group was \$769,802 at the disposal date. This transaction resulted in an increase in the non-controlling interest by \$25,333 and a decrease in the equity attributable to owners of the parent by \$25,333.

- (c) In December 2021, the Group's subsidiary, Pacific Fair International Limited, disposed the share equity of Avary Holding (Shenzhen) Co., Limited which caused the Group's shareholding ratio to decrease to 0.4% in the amount of \$1,709,633. As of December 31, 2021, the remaining amount of \$177,742 has not yet been collected which was accounted as other receivables. The carrying amount of non-controlling interest in the Group was \$583,847 at the disposal date. This transaction resulted in an increase in the non-controlling interest by \$583,847 and an increase in the equity attributable to owners of the parent by \$1,128,489.
- (d) The effect of changes in interests in the Group on the equity attributable to owners of the parent for the years ended December 31, 2022 and 2021 is shown below:

	Years ended December 31,	
	2022	2021
Carrying amount disposed to non-controlling interest	(\$ 535,112)	(\$ 1,353,649)
Consideration paid from non-controlling interest	1,302,378	2,495,568
Other equity interest (e.g., as financial statements translation differences of foreign operations)	(12,004)	(38,763)
Capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>\$ 755,262</u>	<u>\$ 1,103,156</u>

(33) Additional information of cash flows

A. Investing activities with partial cash payments

	Years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$ 32,562,217	\$ 29,999,663
Add: Opening balance of payable on machinery and equipment (within 'other payables')	6,255,970	7,060,667
Less: Ending balance of payable on machinery and equipment (within 'other payables')	(9,870,079)	(6,255,970)
Net exchange differences	<u>83,818</u>	<u>(59,318)</u>
Cash paid during the year	<u>\$ 29,031,926</u>	<u>\$ 30,745,042</u>

	Years ended December 31,	
	2022	2021
Acquisition of right-of-use land (within 'right-of-use assets')	\$ -	\$ 403,532

B. Changes in liabilities from financing activities

	Year ended December 31, 2022						Total liabilities from financing activities
	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits received		
At January 1	\$ 19,636,568	\$ 517,316	\$10,383,152	\$ 7,599,023	\$ 4,600,762		\$ 42,736,821
Changes in cash flow from financing activities	(2,988,098)	(136,658)	-	8,486,133	5,061,535		10,422,912
Changes in right-of-use assets	-	19,353	-	-	-		19,353
Gains from lease modification	-	(2,032)	-	-	-	(	(2,032)
Amortisation on interest expense	-	14,919	215,190	6,305	-		236,414
Effect of exchange rate changes	171,086	10,761	1,139,763	709,459	500,616		2,531,685
At December 31	\$ 16,819,556	\$ 423,659	\$11,738,105	\$ 16,800,920	\$ 10,162,913		\$ 55,945,153

	Year ended December 31, 2021						Total liabilities from financing activities
	Short-term borrowings	Short-term notes and bills payable	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits received	
At January 1	\$ 12,838,545	\$ 949,666	\$ 655,821	\$ 10,480,741	\$ 8,928,523	\$ 186,613	\$ 34,039,909
Changes in cash flow from financing activities	6,929,472	(950,000)	(151,723)	-	(880,980)	4,459,036	9,405,805
Changes in right-of-use assets	-	-	3,137	-	-	-	3,137
Amortisation on interest expense	-	-	17,284	199,160	9,629	-	226,073
Effect of exchange rate changes	(131,449)	334	(7,203)	(296,749)	(458,149)	(44,887)	(938,103)
At December 31	\$ 19,636,568	\$ -	\$ 517,316	\$ 10,383,152	\$ 7,599,023	\$ 4,600,762	\$ 42,736,821

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties and relationship</u>	<u>Relationship with the Company</u>
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The entity has significant influence over the Group
CyberTAN Technology Inc. and its subsidiaries	Other related party
Ennoconn Corporation and its subsidiaries	Other related party
Foxconn Interconnect Technology Limited and its subsidiaries	Other related party
General Interface Solution Holding Limited and its subsidiaries	Other related party
Foxconn Technology Co., Ltd. and its subsidiaries	Other related party
Guangdong Zhanyang Intelligent Equipment Co., Limited	Associates
(Formerly named: Zhan Yang Automation (Dongguan) Co., Ltd.)	(Starting from September 15, 2021)

(2) Significant related party transactions and balances

A. Sales:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
Entity with significant influence over the Company	\$ 6,583,580	\$ 6,530,640
Other related parties	3,083,916	2,459,790
	<u>\$ 9,667,496</u>	<u>\$ 8,990,430</u>

Unless there are similar transactions, the prices and terms were determined in accordance with mutual agreements. Otherwise, the sales prices and credit terms to related parties were similar to third parties. The normal credit term is around 1 to 4 months.

B. Purchases:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Entity with significant influence over the Company	\$ 623,791	\$ 986,703
Other related parties	3,997,829	3,904,388
Associates	2,914	691
	<u>\$ 4,624,534</u>	<u>\$ 4,891,782</u>

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the purchase prices and payment terms to related parties were similar to third parties. The normal payment term is around 1 to 4 months.

C. Accounts receivable:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable - related parties:		
Entity with significant influence over the Company	\$ 2,076,812	\$ 1,719,990
Other related parties	<u>1,004,100</u>	<u>815,420</u>
	3,080,912	2,535,410
Less: Allowance for bad debts	(9,247)	(4,406)
	<u>\$ 3,071,665</u>	<u>\$ 2,531,004</u>

D. Notes and accounts payable:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable - related parties:		
Entity with significant influence over the Company	\$ 24,839	\$ 104,229
Other related parties	910,292	962,343
Associates	<u>895</u>	<u>119</u>
	<u>\$ 936,026</u>	<u>\$ 1,066,691</u>

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$ 371,785</u>	<u>\$ 226,793</u>

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Carrying amount</u>		<u>Pledged assets</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Other current assets			
- Time deposits with maturity of over three months	\$ 4,640	\$ 4,648	Tariff guarantee and governments subsidy guarantee
- Demand deposits	-	109,903	Standby letters of credit
Other non-current assets			
- Demand deposits	221,711	-	Reserve accounts for long-term loans
- Time deposits with maturity of over one year	27,839	27,891	Tariff guarantee
	<u>\$ 254,190</u>	<u>\$ 142,442</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 35,412,514</u>	<u>\$ 17,239,436</u>

B. The amount of unused letters of credit for the acquisition of property, plant and equipment is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unused letters of credit	<u>\$ 3,743,437</u>	<u>\$ 3,542,469</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The appropriations of 2022 earnings were proposed by the Board of Directors on March 13, 2023. Refer to Note 6(21).

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortised cost	\$ 88,382,167	\$ 74,068,574
Financial assets at fair value through profit or loss	1,640,432	1,114,588
Financial assets at fair value through other comprehensive income	<u>753,272</u>	<u>476,619</u>
	<u>\$ 90,775,871</u>	<u>\$ 75,659,781</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost	\$ 92,603,898	\$ 77,137,174
Lease liabilities	<u>423,659</u>	<u>517,316</u>
	<u>\$ 93,027,557</u>	<u>\$ 77,654,490</u>

Note: Financial assets at amortised cost including cash and cash equivalents, accounts receivable (including due from related parties), other receivables, other current assets, and other non-current assets-demand deposits and time deposits with maturity of over one year; financial liabilities at amortised cost including short-term borrowings, accounts payable (including to related parties), other payables, current portion of long-term liabilities, bonds payable, long-term borrowings and guarantee deposits received.

B. Risk management policies

(a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives:

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be eliminated through internal controls or operational procedures. Therefore, the goal in managing each of these risks is to reduce them to zero.

- ii. As for market risk, the goal is to optimise its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of trends in the external economic/financial environment, internal operating conditions and the actual effects of market fluctuations.
- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- iv. The Group uses derivative financial instruments. Please refer to Note 6 for details.

(c) Management system:

- i. Risk management is carried out by a central treasury department (the Group treasury) under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.
- ii. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from (a) the timing of recognition for accounts receivable, accounts payable, borrowings, and payables on machinery and equipment denominated in non-functional currencies is different, (b) recognised assets and liabilities and (c) net investments in foreign operations. Since the transacting currencies are different from functional currencies, foreign exchange risks arise.
- ii. Management has set up a policy to require all subsidiaries within the Group to manage their foreign exchange risk against their functional currency. However, the overall foreign exchange risk is managed by the Group treasury for hedging.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: RMB or NTD) so it is impacted by the exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2022			Year ended December 31, 2022	
	Foreign currency amount	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis	
	(In thousands)			Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD: NTD	274,810	30.71	\$ 8,439,415	1%	\$ 84,394
USD: RMB	1,937,518	6.9646	59,501,172	1%	595,012
<u>Net effect in consolidated entities with foreign currency</u>					
USD: NTD	3,869,813	30.71	118,841,957	1%	1,188,420
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD: NTD	116,680	30.71	3,583,243	1%	35,832
USD: RMB	913,574	6.9646	28,055,851	1%	280,559
JPY: RMB	12,064,299	0.0524	2,785,280	1%	27,853

	December 31, 2021			Year ended December 31, 2021	
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis Degree of variation	Effect on comprehensive income
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD: NTD	228,874	27.68	\$ 6,335,232	1%	\$ 63,352
USD: RMB	1,504,326	6.3757	41,663,873	1%	416,639
<u>Net effect in consolidated entities with foreign currency</u>					
USD: NTD	3,569,976	27.68	98,816,936	1%	988,169
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD: NTD	143,791	27.68	3,980,135	1%	39,801
USD: RMB	1,186,143	6.3757	32,851,465	1%	328,515
JPY: RMB	8,849,113	0.0554	2,130,185	1%	21,302

- v. Refer to Note 6(28) for the total exchange gains (losses) including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021.

Interest rate risk for cash flow and fair value

The Group's interest rate risk arises from borrowings. Borrowings at floating rates expose the Group to interest rate risk of cash flow, which is partially offset by cash and cash equivalents held at floating rates.

Based on the simulations performed, the impact on after-tax profit of a quarter-point shift would be a maximum increase or decrease of \$74,464 and \$68,089 for the years ended December 31, 2022 and 2021, respectively. The simulation is based on a quarterly basis to ensure that the maximum potential loss is within the limit given by the management.

The financial assets at amortised cost held by the Group are fixed rate products, and their changes of fair value arise from changes in market interest rate. However, the Group would hold the financial assets to the maturity because of the return at the effective rates for the duration, thus, there are no gains or losses on disposal or valuation arising from change in fair value.

Price risk

The Group's investments in equity securities comprise domestic listed stocks which are classified as investments in financial assets at fair value through other comprehensive income. The price of equity securities would be affected by the uncertainty of the future value of underlying investment. However, the Group expects the price fluctuations do not have significant impact on the price of equity securities.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments, and is managed and monitored by the Group treasury. The clients and counterparties are government organisations, banks with high credit quality and financial institutions with investment grade; thus, there is no significant default risk and critical credit risk.

- ii. The Group assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were an underlying more than 30 days past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If the credit rating grade of an underlying investment degrades two grades, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

- iv. The default occurs when the contract payments are more than 90 days past due.
- v. The credit quality information of financial assets that are neither overdue nor impaired is as follows:

Cash and cash equivalents

The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

Financial assets at amortised cost

The Group's investments in debt instruments classified as financial assets at amortised cost have low credit risk, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

Accounts receivable (including due from related parties)

- (i) The Group applies the following approaches to assess the expected credit losses (the 'ECLs') of accounts receivable:
 1. Assess the ECLs on an individual basis if a significant default has occurred to certain customers.
 2. Classify the other customers' accounts receivable based on the Group's credit rating standards and estimates the ECLs using the loss rate methodology or provision matrix.
 3. Adjust the loss rates derived from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.
 4. As of December 31, 2022 and 2021, the individual provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	Individual	Group 1	Group 2	Group 3	Group 4	Total
<u>December 31, 2022</u>						
Expected loss rate		0.03%	0.07%	0.1%~1%	0.1%~5%	
Total carrying amount	\$ -	\$ 20,605,084	\$ 6,144,649	\$ 1,837,272	\$ 1,517,271	\$ 30,104,276
Loss allowance	\$ -	(\$ 6,182)	(\$ 4,301)	(\$ 18,373)	(\$ 70,775)	(\$ 99,631)
	Individual	Group 1	Group 2	Group 3	Group 4	Total
<u>December 31, 2021</u>						
Expected loss rate		0.03%	0.07%	0.1%~1%	1%~5%	
Total carrying amount	\$ -	\$ 26,473,187	\$ 7,404,212	\$ 1,155,112	\$ 2,591,495	\$ 37,624,006
Loss allowance	\$ -	(\$ 7,942)	(\$ 5,183)	(\$ 5,776)	(\$ 71,764)	(\$ 90,665)

Group 1: Standard Poor's, Fitch Ratings or Moody's ratings in A category, or A category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch Ratings in BBB category, Moody's ratings in Baa category, or in B or C category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch Ratings in BB+ category or below, or Moody's ratings in Bal category or below.

Group 4: Having no external agency rating. Ratings other than A, B, or C based on the Group's Credit Quality Control Policy.

(ii) Movements on allowance for accounts receivable adopting the modified approach (including due from related parties) are as follows:

	Years ended December 31,	
	2022	2021
Opening balance	\$ 90,665	\$ 107,459
Provision for (reversal of) impairment	4,567 (	15,538)
Net exchange differences	4,399 (	1,256)
Ending balance	<u>\$ 99,631</u>	<u>\$ 90,665</u>

Other receivables

The Group's subsidiaries incorporated in Mainland China are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on VAT exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organisations, so the possibility of default is remote. The Group's other accounts receivable of \$223 for the year ended December 31, 2022 was recognised as gain on reversal of expected credit loss.

Financial assets at fair value through other comprehensive income

The equity securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

Financial assets at fair value through profit or loss

The bond securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

(c) Liquidity risk

- i. Cash flow forecasting is performed by each entity in the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities (Note 6) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such

forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and applicable external regulatory or legal requirements, such as foreign currency restrictions.

ii. The Group has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Expiring within one year	\$ 41,104,713	\$ 48,705,892
Expiring over one year	10,342,382	6,359,990
	<u>\$ 51,447,095</u>	<u>\$ 55,065,882</u>

iii. The following table analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows. The remaining period of corporate bonds payable is expressed as the period between the balance sheet date and the redeemable date by holders. Except those listed in the following table, all of the Group's derivative and nonderivative financial liabilities will attain maturity within one year:

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable (Note 1)	\$ 12,284,000	\$ -	\$ 12,284,000
Long-term borrowings (Note 2)	10,975,067	17,159,176	28,134,243
Guarantee deposits received	2,905,427	7,257,486	10,162,913
Lease liabilities	106,286	381,487	487,773
	<u>\$ 26,270,780</u>	<u>\$ 24,798,149</u>	<u>\$ 51,068,929</u>

Non-derivative financial liabilities:

<u>December 31, 2021</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable (Note 1)	\$ -	\$ 11,072,000	\$ 11,072,000
Long-term borrowings (Note 2)	83,844	7,690,534	7,774,378
Guarantee deposits received	1,020,495	3,580,267	4,600,762
Lease liabilities	153,535	421,134	574,669
	<u>\$ 1,257,874</u>	<u>\$ 22,763,935</u>	<u>\$ 24,021,809</u>

Note: 1. In accordance with the conditions of issuance, bondholders have the right to repurchase bonds on the day when three years have elapsed since issuance of the

bonds; therefore, the Group transferred all convertible corporate bonds to current liabilities on December 31, 2022; Please refer to Note 6(15) for the conditions of issuance of bonds payable.

2. Including imputed interest payable.

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(d) Cash flow risk of changes from interest rate

For the Group's borrowings at floating rates, the effective interest rate changes according to market interest rates. However, the working capital of the Group is sufficient to hedge the cash flow risk due to changes in interest rate. Furthermore, the Group's borrowings as fixed rates and lease payable have no cash flow risk due to changes in market interest rate.

(3) Information on fair value

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices). The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

(a) Except those listed in the following table, the carrying amounts of the Group's financial instruments not measured at fair value approximate to their fair values, including cash and cash equivalents, financial assets at amortised cost – time deposits with maturity of over three months, financial assets at amortised cost – guaranteed income financial products, accounts receivable (including due from related parties), other receivables, other current assets, other non-current assets – time deposits with maturity of over one year, short-term borrowings, accounts payable (including to related parties), other payables, lease liabilities, and long-term borrowings is a reasonable approximation of fair value:

December 31, 2022				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 11,738,105	\$ -	\$ 11,745,760	\$ -
Guarantee deposits received	<u>10,162,913</u>	<u>-</u>	<u>10,141,616</u>	<u>-</u>
Total	<u>\$ 21,901,018</u>	<u>\$ -</u>	<u>\$ 21,887,376</u>	<u>\$ -</u>
December 31, 2021				
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 10,383,152	\$ -	\$ 10,726,468	\$ -
Guarantee deposits received	<u>4,600,762</u>	<u>-</u>	<u>4,594,789</u>	<u>-</u>
Total	<u>\$ 14,983,914</u>	<u>\$ -</u>	<u>\$ 15,321,257</u>	<u>\$ -</u>

(b) The methods and assumptions of fair value measurement are as follows:

- i. Bonds payable: Regarding the convertible bonds issued by the Group, the fair value is estimated based on the expected cash flows using the present value and market rate.
- ii. Guarantee deposits received: The fair value is estimated using the present value of the expected cash flows. The discount rate refers to the fixed interest rate of postal savings for a one-year time deposit.
- iii. Financial assets at amortised cost - corporate bond: the fair value is the quoted price in active market.

D. Financial instruments measured at fair value

(a) The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 367,924</u>	<u>\$ 1,272,508</u>	<u>\$ 1,640,432</u>
Financial assets at fair value through other comprehensive income	<u>\$ 197,437</u>	<u>\$ -</u>	<u>\$ 555,835</u>	<u>\$ 753,272</u>

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through profit or loss	\$ <u>-</u>	\$ <u>308,554</u>	\$ <u>806,034</u>	\$ <u>1,114,588</u>
Financial assets at fair value through other comprehensive income	\$ <u>-</u>	\$ <u>-</u>	\$ <u>476,619</u>	\$ <u>476,619</u>

- (b) The methods and assumptions that the Group used to measure fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (i.e., Level 1).
 - ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
 - iii. When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. The movements on Level 3 for the years ended December 31, 2022 and 2021 are as follows:

	Years ended December 31,			
	2022		2021	
	Financial assets at fair value through profit or loss-debt securities	Financial assets at fair value through other comprehensive income-equity securities	Financial assets at fair value through profit or loss-debt securities	Financial assets at fair value through other comprehensive income-equity securities
Opening balance	\$ 806,034	\$ 476,619	\$ 753,522	\$ 431,266
Acquisition of financial assets	467,286	214,859	138,066	-
Income distribution	(13,745)	-	-	-
Unrealised gains (losses) from financial assets	3,931	(31,334)	112,382	47,630
Transfers out from level 3	-	(94,826)	(191,570)	-
Net exchange differences	<u>9,002</u>	<u>(9,483)</u>	<u>(6,366)</u>	<u>(2,277)</u>
Ending balance	<u>\$ 1,272,508</u>	<u>\$ 555,835</u>	<u>\$ 806,034</u>	<u>\$ 476,619</u>

- (a) External appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in accordance with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- (b) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value as of December 31, 2022	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 144,884	Market comparable companies	Stock price volatility	48.11%	The higher the stock price volatility, the higher the fair value
Unlisted shares	24,258	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	3.20~7.50 [3.66] 0.61~1.61 [1.09]	The higher the EBIT, the higher the fair value The higher the net value of stocks, the higher the fair value
Unlisted shares	143,991	Market comparable companies	Enterprise value to EBIT multiple	3.30~18.42 [7.75]	The higher the EBIT, the higher the fair value
Unlisted shares	27,235	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	99,212	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	57,477	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	<u>58,778</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$ 555,835</u>				
Debt securities:					
Private fund	\$ 956,370	Net asset value	Not applicable	Not applicable	Not applicable
Private fund	156,521	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	73,173	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	<u>86,444</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$1,272,508</u>				

	Fair value as of December 31, 2021	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 114,281	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	7.86~30.44 [8.72] 2.37~7.23 [3.21]	The higher the EBIT, the higher the fair value The higher the net value of stocks, the higher the fair value
Unlisted shares	168,512	Market comparable companies	Stock price volatility	50.59%	The higher the stock price volatility, the higher the fair value
Unlisted shares	24,645	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	3.27~15.14 [4.58] 0.90~1.88 [1.46]	The higher the EBIT, the higher the fair value The higher the net value of stocks, the higher the fair value
Unlisted shares	<u>169,181</u>	Market comparable companies	Enterprise value to EBIT multiple	2.62~20.88 [9.42]	The higher the EBIT, the higher the fair value
	<u>\$ 476,619</u>				
Debt securities:					
Private fund	\$ 618,538	Net asset value	Not applicable	Not applicable	Not applicable
Private fund	91,948	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	73,828	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	<u>21,720</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$ 806,034</u>				

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

			Year ended December 31, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Debt instrument	Enterprise value to	±1%	\$ 12,725	(\$ 12,725)	\$ -	\$ -
Equity instrument	EBIT multiple, etc.	±1%	-	-	5,558	(5,558)
			<u>\$ 12,725</u>	<u>(\$ 12,725)</u>	<u>\$ 5,558</u>	<u>(\$ 5,558)</u>
			Year ended December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Debt instrument	Enterprise value to	±1%	\$ 8,060	(\$ 8,060)	\$ -	\$ -
Equity instrument	EBIT multiple, etc.	±1%	-	-	4,766	(4,766)
			<u>\$ 8,060</u>	<u>(\$ 8,060)</u>	<u>\$ 4,766</u>	<u>(\$ 4,766)</u>

F. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

G. For the years ended December 31, 2022 and 2021, the fair value of debt instruments held by the Group has quoted market price, thus, the Group has transferred the fair value from Level 3 into Level 2.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: Refer to table 2.
- C. Holding of securities at the end of the period (excluding the investment in subsidiaries, associates and joint ventures): Refer to table 3.
- D. Aggregate purchases or sales of the same securities reaching NT \$300 million or 20% of paid-in capital or more: Refer to table 4.
- E. Acquisition of real estate reaching NT \$300 million or 20% of paid-in capital or more: Refer to table 5.
- F. Disposal of real estate reaching NT \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT \$100 million or 20% of paid-in capital or more: Refer to table 6.
- H. Receivables from related parties reaching NT \$100 million or 20% of paid-in capital or more: Refer to table 7.
- I. Trading in derivative financial instruments: None.
- J. The business relationship and significant transactions between the parent company and the subsidiaries and between each subsidiary: Refer to table 8.

(2) Information on investees

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were audited by independent accountants. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

Names, locations and other information of investee companies (excluding the investees in Mainland China) : Refer to table 9.

(3) Information on investments in Mainland China

- A. Basic information: Refer to table 10.
- B. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: None.

(4) Information on major shareholders information

Information on major shareholders information: Refer to table 11.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the manufacturing of various types of PCB products. The chief operating decision-maker considered the business and operations from the product perspective. Currently, the Group only discloses one reportable segment as all operating segments meet the aggregation criteria. In allocating resources and assessing performance of the Group, the chief operating decision-maker uses operating segments' revenue and net income which reflects internal cost and expense allocation. Except for inter-segment charges which were determined based on the Group's internal policy, accounting policies of operating segments are in agreement with Note 4, 'Summary of significant accounting policies'.

(2) Reportable segment information

Information on reportable segment provided to the chief operating decision maker is as follows:

	Years ended December 31,	
	2022	2021
Revenue from external customers	\$ 171,356,495	\$ 155,022,197
Inter-segment revenue	-	-
Segments' revenue	<u>\$ 171,356,495</u>	<u>\$ 155,022,197</u>
Measure of segment profit	<u>\$ 17,643,347</u>	<u>\$ 12,097,325</u>

(3) Reconciliation of reportable segment's revenue and measurement of profit and loss

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

The reconciliation from total reportable segment's revenue to the enterprise income and from segment profit from reportable segment to the net income for the year is as follows:

	Years ended December 31,	
	2022	2021
Reportable segment's revenue	<u>\$ 171,356,495</u>	<u>\$ 155,022,197</u>

	Years ended December 31,	
	2022	2021
Reportable segment's profit	\$ 17,643,347	\$ 12,097,325
Interest income and finance costs	(134,278)	(226,250)
Net foreign exchange gains (losses)	1,407,731	(282,637)
Net (losses) gains on disposal of property, plant and equipment	(16,711)	8,437
Net gains on financial assets and liabilities at fair value through profit or loss	57,338	228,392
Others	1,577,885	1,869,101
Profit	<u>\$ 20,535,312</u>	<u>\$ 13,694,368</u>

(4) Information on products and services

Revenues from external customers are primarily from the manufacturing of PCB products as follows:

	Years ended December 31,	
	2022	2021
Revenues from the manufacturing PCB products	<u>\$ 171,356,495</u>	<u>\$ 155,022,197</u>

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
U.S.A	\$ 129,325,689	\$ -	\$ 111,063,476	\$ -
Mainland China	24,818,374	105,739,377	26,208,170	88,063,183
Taiwan	8,350,137	6,885,370	8,246,550	5,588,948
Singapore	1,502,884	-	2,202,953	-
Others	7,359,411	4,190,783	7,301,048	3,275,331
Total	<u>\$ 171,356,495</u>	<u>\$ 116,815,530</u>	<u>\$ 155,022,197</u>	<u>\$ 96,927,462</u>

The Group's geographical revenue is based on the countries where customers are located. Non-current assets are property, plant, equipment, right-of-use assets, investment property, intangible assets and other non-current assets.

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31,			
	2022		2021	
	Revenue	Segment	Revenue	Segment
Company B		Manufacturing of		Manufacturing of
	<u>\$ 127,642,549</u>	PCB products	<u>\$ 110,233,046</u>	PCB products

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

LOANS TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2022

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
					(Note 3)	(Note 4)							Item	Value			
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	\$ 2,149,700	\$ 2,149,700	\$ 1,781,180	1.8116%~3.1717%	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 455,033,466	\$ 637,046,853	
1	Mayco Industrial Limited	Leading Interconnect International Limited	Other receivables	Yes	921,300	921,300	61,420	1.0553%	Short-term financing	-	Operation requirements	-	None	-	455,033,466	637,046,853	
1	Mayco Industrial Limited	Zhen Ding Technology India Private Limited	Other receivables	Yes	1,535,500	1,535,500	-	-	Short-term financing	-	Operation requirements	-	None	-	455,033,466	637,046,853	
1	Mayco Industrial Limited	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	4,299,400	4,299,400	-	-	Short-term financing	-	Operation requirements	-	None	-	36,402,677	36,402,677	
1	Mayco Industrial Limited	BoardTek Electronics Corporation	Other receivables	Yes	2,456,800	2,456,800	1,228,400	1.0055%	Short-term financing	-	Operation requirements	-	None	-	36,402,677	36,402,677	
2	Pacific Fair International Limited	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	2,763,900	2,763,900	-	-	Short-term financing	-	Operation requirements	-	None	-	5,723,868	5,723,868	
2	Pacific Fair International Limited	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	921,300	921,300	921,300	1.8116%	Short-term financing	-	Operation requirements	-	None	-	71,548,351	100,167,692	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Limit on total lender's loans granted	Footnote
					December 31, 2022	December 31, 2022						Item	Value	(Notes 1&2)	(Notes 1&2)		
					(Note 3)	(Note 4)											
3	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	\$ 661,416	\$ 661,416	\$ 661,416	3.65%	Short-term financing	\$ -	Operation requirements	-	None	-	\$ 1,628,944	\$ 1,628,944	
3	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	2,204,720	2,204,720	1,331,691	3.65%~3.70%	Short-term financing	-	Operation requirements	-	None	-	20,361,801	28,506,521	
4	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	1,535,500	1,535,500	-	-	Short-term financing	-	Operation requirements	-	None	-	46,263,315	64,768,640	
4	Garuda International Limited	Avary Technology (India) Private Limited	Other receivables	Yes	2,456,800	2,456,800	-	-	Short-term financing	-	Operation requirements	-	None	-	46,263,315	64,768,640	
4	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	3,071,000	3,071,000	3,071,000	4.23%~4.73%	Short-term financing	-	Operation requirements	-	None	-	46,263,315	64,768,640	
5	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	4,409,440	4,409,440	220,472	3.65%	Short-term financing	-	Operation requirements	-	None	-	49,296,120	49,296,120	
5	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	15,433,040	15,433,040	8,560,928	3.65%~3.70%	Short-term financing	-	Operation requirements	-	None	-	49,296,120	49,296,120	
5	Avary Holding (Shenzhen) Co., Limited	Fu Bo Industrial (Shenzhen) Co., Ltd	Other receivables	Yes	88,189	88,189	-	-	Short-term financing	-	Operation requirements	-	None	-	49,296,120	49,296,120	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
					December 31, 2022 (Note 3)	December 31, 2022 (Note 4)							Item	Value			
5	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	\$ 6,614,160	\$ 6,614,160	\$ 4,387,393	3.65%~3.70%	Short-term financing	\$ -	Operation requirements	-	None	-	\$ 49,296,120	\$ 49,296,120	
5	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co.,Ltd.	Other receivables	Yes	881,888	881,888	299,842	3.65%~3.70%	Short-term financing	-	Operation requirements	-	None	-	49,296,120	49,296,120	

Note 1: The total loans of the Company and subsidiaries granted to others is limited to 50% of the Company's net asset based on the latest audited or reviewed consolidated financial statements, and:

- (a) Total financial limit on loans granted to the companies having business relationship with the Company is 10% of the Company's net assets, financial limit on loans granted to a single party is the higher value of purchasing and selling during current year on the year of financing and 10% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.
- (b) Limit on total loans to parties with short-term financing is 40% of the Company's net asset; but limit on loans to a single party is 40% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 2: limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share, are not restricted to the limit on loans of 40% of the Company's net assets.

In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on total loans granted by a listed subsidiary to listed subsidiaries of which the Company directly or indirectly holds 100% of its voting shares, or limit on total loans to the Company granted by listed foreign subsidiaries which the Company directly or indirectly holds 100% of its voting share are 700% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share are 500% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 3: The maximum outstanding balance of loans to others for the year ended the balance sheet date.

Note 4: The credit line to this company was approved by the Board of Directors.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the year ended December 31, 2022 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 6)	Actual amount drawn down (Note 7)	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Zhen Ding Technology Holding Limited	BoardTek Electronics Corporation	2	\$ 9,689,364	\$ 7,500,000	\$ 7,500,000	\$ 5,600,000	\$ -	7.74%	\$ 96,893,638	Y	N	N	

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

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The limit on endorsements / guarantees provided to a single entity: The limit on endorsements / guarantees provided to a single entity is 10% of the net assets of the parent company.

Note 4: The total amount of endorsements/ guarantees: The total amount of endorsements/ guarantees provide to others by the Company is limited to 100% of net assets of the parent company.

Note 5: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 7: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2022				Footnote (Note 4)
				Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	
Zhen Ding Technology Co., Ltd.	Synpower Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,437,697	\$ 94,826	8.12%	\$ 94,826	
Avary Holding (Shenzhen) Co., Limited	Jiangsu Aisen Semiconductor Material Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,600,000	144,884	3.93%	144,884	
Avary Holding Investment (Shenzhen) Co., Ltd.	Sixpure Intelligenet Technology (Dongguan) Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,461,039	143,991	3.55%	143,991	
Avary Holding Investment (Shenzhen) Co., Ltd.	Sanying Precision Instruments Co.,Ltd.	None	Financial assets at fair value through other comprehensive income	1,212,009	102,611	3.70%	102,611	
Avary Holding Investment (Shenzhen) Co., Ltd.	Sanying Precision Instruments (Tianjin) Co.,Ltd.	None	Financial assets at fair value through other comprehensive income	540,580	27,235	5.18%	27,235	
Avary Holding Investment (Shenzhen) Co., Ltd.	Wuxi iData Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,352,651	99,212	3.46%	99,212	
Avary Holding Investment (Shenzhen) Co., Ltd.	Hubei Omar Electronics Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,370,000	57,477	3.60%	57,477	
Avary Holding Investment (Shenzhen) Co., Ltd.	Shenzhen Hangsheng Electronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,000,000	58,778	3.36%	58,778	
BoardTek Electronics Corporation	Chipboard Technology Corporation	None	Financial assets at fair value through other comprehensive income	1,337,068	<u>24,258</u>	15.60%	24,258	
					<u>\$ 753,272</u>			
Avary Holding (Shenzhen) Co., Limited	Jingning Dingqing Electronic Technology Limited Partnership	None	Financial assets at fair value through profit or loss	-	\$ 367,924	12.53%	367,924	
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Chenyi M&A Fund	None	Financial assets at fair value through profit or loss	-	956,370	2.94%	956,370	
Avary Holding Investment (Shenzhen) Co., Ltd.	Zhuhai Hengqin New Area Leishi Tianhe Technology Industry Investment Partnership (Limited Partnership)	None	Financial assets at fair value through profit or loss	-	73,173	99.39%	73,173	
Avary Holding Investment (Shenzhen) Co., Ltd.	Primavera Jingzhi (Beijing) Equity Investment Fund L.P.	None	Financial assets at fair value through profit or loss	-	86,444	20.00%	86,444	
Zhen Ding Technology Co., Ltd.	Zoyi Capital Investment Fund II L.P	None	Financial assets at fair value through profit or loss	-	<u>156,521</u>	10.59%	156,521	
					<u>\$ 1,640,432</u>			

Note 1: In accordance with IAS 39, 'Financial instruments: recognition and measurement', marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

ACQUISITION OR SALE OF THE SAME SECURITY WITH THE ACCUMULATED COST EXCEEDING \$300 MILLION OR 20% OF THE COMPANY'S PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Balance as at December 31, 2022		
					Number of shares	Amount (Note 5)	Number of shares	Amount	Number of shares	Selling price	Carrying amount (Note 5)	Gain (loss) on disposal (Note 4)	Number of shares	Amount (Note 5)
Pacific Fair International Limited	Shares of Avary Holding (Shenzhen) Co., Limited	Investments accounted for using equity method	Sold in active market	Non-related party	139,633,809	\$ 6,244,753	-	\$ -	7,231,034	1,302,378	\$ 547,116	\$ 755,262	132,402,775	\$ 7,139,933
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Chenyi M&A Fund	Financial assets at fair value through profit or loss	Not applicable	Not applicable	-	618,538	-	311,778	-	-	-	-	-	956,370

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: It is non-controlling interest transactions, gain or loss on disposal were accounted as capital surplus, difference between consideration and carrying amount of subsidiaries acquired or disposed.

Note 5: Including gain on investment.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
ACQUISITION OF REAL ESTATE REACHING NT\$300 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate	Date of occurrence	Transaction amount	Status of payment	Company	Relationship with the counterparty	Penultimate Owner	Relationship between the owner and the issuer	Date of transfer	Amount	Price determination and supporting reference materials	Purpose and use of acquisition	Other commitments
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Staff dorm	November 18, 2022	\$ 402,383	\$ 402,383	Huaian Tingyue Real Estate Development Co.,Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Based on market price	Operation requirements	None

Note 1: Fill in the appraisal result in the 'price determination and supporting reference materials' column if the real estate acquired shall be appraised in accordance with regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. If the shares issued by an issuer have no par value or a par value other than NT\$10 per share, the threshold transaction amount of 20% of paid-in capital shall be replaced attributable to owners of the parent as stated in the balance sheet.

Note 3: Date of occurrence referred to herein is the date of contract signing date, date of payment, date of consignment trade, date of transfer, date of boards of directors resolutions, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever date is earlier.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

FOR THE YEAR ENDED DECEMBER 31, 2022

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions				
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction						Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	\$ 59,556,978	86	60 days from the shipping date	Note 2	Note 2	\$ 17,531,327	89	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	7,776,342	11	90 days from the shipping date	Note 2	Note 2	1,447,747	7	
Avary Holding (Shenzhen) Co., Limited	Avary Technology (India) Private Limited	An indirect wholly-owned subsidiary	Sales	252,614	-	90 days from the shipping date	Note 2	Note 2	152,272	1	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	38,084,882	86	90 days from the shipping date	Note 2	Note 2	9,118,622	85	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	5,408,897	12	90 days from the shipping date	Note 2	Note 2	1,416,819	13	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	433,648	1	90 days from the shipping date	Note 2	Note 2	228,275	2	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	Sales	5,009,999	67	60 days from the shipping date	Note 2	Note 2	1,331,309	70	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	1,836,321	24	90 days from the shipping date	Note 2	Note 2	347,485	18	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	BoardTek Electronics Corporation	An indirect wholly-owned subsidiary	Sales	431,903	6	90 days from the shipping date	Note 2	Note 2	133,921	7	

							Differences in transaction terms compared to third party transactions				
			Transaction						Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	\$ 223,481	3	30 days from the shipping date	Note 2	Note 2	\$ 87,793	5	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	55,240,119	95	60 days from invoice date	Note 2	Note 2	15,303,461	95	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	1,834,880	3	90 days from the shipping date	Note 2	Note 2	356,698	2	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Technology (India) Private Limited	An indirect wholly- owned subsidiary	Sales	850,700	1	90 days from the shipping date	Note 2	Note 2	374,218	2	
Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	4,258,361	82	90 days from the shipping date	Note 2	Note 2	466,205	69	
Avary Technology (India) Private Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly- owned subsidiary	Sales	312,234	26	90 days from the shipping date	Note 2	Note 2	10,600	2	
Avary Technology (India) Private Limited	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	599,289	50	90 days from the shipping date	Note 2	Note 2	439,822	94	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	1,152,721	100	90 days from the shipping date	Note 2	Note 2	324,491	100	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	12,262,328	8	90 days from the first day of next month of shipping	Note 2	Note 2	2,299,077	8	

							Differences in transaction terms compared to third party transactions				
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction						Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	\$ 684,915	-	90 days from the first day of next month of shipping	Note 2	Note 2	\$ 60,293	-	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	5,817,093	4	90 days from the first day of next month of shipping	Note 2	Note 2	2,420,641	9	
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	5,841,066	4	90 days from the first day of next month of shipping	Note 2	Note 2	1,799,899	7	
Garuda International Limited	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	572,780	-	60 days from the first day of next month of shipping	Note 2	Note 2	154,592	1	
Garuda Technology Co., Ltd.	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	2,440,291	14	90 days from the first day of next month of shipping	Note 2	Note 2	819,326	21	
BoardTek Electronics Corporation	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	560,657	10	90 days from the first day of next month of shipping	Note 2	Note 2	239,160	16	
Avary Technology (India) Private Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	116,155	10	90 days from the first day of next month of shipping	Note 2	Note 2	9,564	2	
Avary Holding (Shenzhen) Co., Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	443,438	1	90 days from invoice date	Note 2	Note 2	(8,510)	-	
Avary Holding (Shenzhen) Co., Limited	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	1,361,343	3	90 days from invoice date	Note 2	Note 2	(486,767)	5	

Table 6, Page 3

							Differences in transaction terms compared to third party transactions					
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction						Notes/accounts receivable (payable)			Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	\$ 1,877,124	8	30 days from invoice date	Note 2	Note 2	(\$ 281,697)		8	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	632,681	3	90 days from invoice date	Note 2	Note 2	(103,715)		3	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	126,968	1	90 days from invoice date	Note 2	Note 2	(6,224)		-	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	126,681	-	90 days from invoice date	Note 2	Note 2	(38,113)		1	

Note 1: The opposite related party transactions are not disclosed.

Note 2: Unless the transaction terms were determined in accordance with mutual agreements due to no similar transactions, the transaction terms to related parties were similar to third parties.

Note 3: Advance sales receipts.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
DECEMBER 31, 2022

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2022		Amount	Action taken		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	\$ 17,531,327	3	\$ -	-	\$ 7,312,398	\$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	1,447,747	5	-	-	589,038	-
Avary Holding (Shenzhen) Co., Limited	Avary Technology (India) Private Limited	An indirect wholly-owned subsidiary	152,272	3	61,823	Subsequent collection	-	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	9,118,622	4	-	-	3,964,578	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	1,416,819	4	-	-	403,030	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	228,275	3	1,686	Subsequent collection	109,166	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	1,331,309	5	-	-	484,091	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	347,485	6	-	-	101,248	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	BoardTek Electronics Corporation	An indirect wholly-owned subsidiary	133,921	6	37,250	Subsequent collection	53,429	-

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2022		Amount	Action taken		
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	\$ 15,303,461	5	-	-	\$ 5,156,276	\$ -
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	356,698	6	-	-	164,372	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Technology (India) Private Limited	An indirect wholly-owned subsidiary	374,218	4	119,936	Subsequent collection	-	-
Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	466,205	9	-	-	375,530	-
Avary Technology (India) Private Limited	Garuda International Limited	An indirect wholly-owned subsidiary	439,822	3	-	-	293,784	-
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	324,491	3	-	-	118,480	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	2,299,077	4	-	-	1,286,071	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	2,420,641	3	848	Subsequent collection	514,748	-
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	1,799,899	3	2,522	Subsequent collection	463,894	-

Creditor	Counterparty	Relationship	Receivables from related parties as of December 31,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2022		Amount	Action taken		
Garuda International Limited	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An investee company accounted for under the equity method of Hon Hai Precision Industry Co., Ltd.	\$ 154,592	4	-	-	\$ 65,601	-
Garuda Technology Co., Ltd.	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An investee company accounted for under the equity method of Hon Hai Precision Industry Co., Ltd.	819,326	3	-	-	157,478	-
BoardTek Electronics Corporation	Foxconn (Far East) and subsidiaries	An indirect wholly- owned subsidiary of Hon Hai Precision Industry Co., Ltd.	239,160	3	5,068	Subsequent collection	60,614	-

As to receivables from loans to related parties exceeding NT\$100 million or 20% of issued capital, please refer to Table 1.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS
FOR THE YEAR ENDED DECEMBER 31, 2022

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	3	Other receivables	\$ 1,781,180	Note 5	1
1	Mayco Industrial Limited	BoardTek Electronics Corporation	3	Other receivables	1,228,400	"	1
2	FAT Holdings Limited	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	3	Other receivables	921,300	"	-
3	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	3	Other receivables	1,331,691	"	1
3	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	3	Other receivables	661,416	"	-
4	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	3,071,000	"	1
5	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Other receivables	220,472	"	-
5	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	8,560,928	"	4
5	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	4,387,393	"	2
5	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	299,842	"	-
5	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	59,556,978	Note 8	35
5	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	17,531,327	"	8
5	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	7,776,342	Note 7	5
5	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	1,447,747	"	1
5	Avary Holding (Shenzhen) Co., Limited	Avary Technology (India) Private Limited	3	Sales	252,614	"	-
5	Avary Holding (Shenzhen) Co., Limited	Avary Technology (India) Private Limited	3	Accounts receivable	152,272	"	-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	38,084,882	Note 8	22

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	\$ 9,118,622	"	4
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	5,408,897	Note 7	3
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	1,416,819	"	1
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	433,648	Note 9	-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	228,275	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	5,009,999	Note 8	3
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	1,331,309	"	1
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	223,481	Note 9	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	1,836,321	Note 7	1
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	347,485	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	BoardTek Electronics Corporation	3	Sales	431,903	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	BoardTek Electronics Corporation	3	Accounts receivable	133,921	"	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	55,240,119	Note 8	32
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	15,303,461	"	7
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	1,834,880	Note 7	1
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	356,698	"	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Technology (India) Private Limited	3	Sales	850,700	"	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Technology (India) Private Limited	3	Accounts receivable	374,218	"	-
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	3	Sales	4,258,361	"	2

Table 8, Page 2

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	3	Accounts receivable	\$ 466,205	"	-
10	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	1,152,721	Note 7	1
10	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	324,491	"	-
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	12,262,328	Note 6	7
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	2,299,077	"	1
11	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Sales	684,915	"	-
11	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	5,817,093	"	3
11	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	2,420,641	"	1
12	Avary Technology (India) Private Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	312,234	Note 6	-
12	Avary Technology (India) Private Limited	Garuda International Limited	3	Sales	599,289	Note 8	-
12	Avary Technology (India) Private Limited	Garuda International Limited	3	Accounts receivable	439,822	"	-

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

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Only the related party transactions exceeding the amount of NT \$100 million or 20% paid-in capital are disclosed, and the opposite related party transactions are not disclosed.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts. All the transactions had been eliminated in the consolidated financial statements.

Note 5: Nature of other receivables and other payables are loans to (from) others. Please refer to Note 13(1) A for interest rate and limit on loans.

Note 6: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the first day of next month of shipping.

Note 7: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.

Note 8: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the shipping date.

Note 9: The prices and terms to related parties were similar to third parties. Credit term is 30 days from the shipping date.

Note 10: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the received date.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2022

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2022			Net profit (loss) of the investee for the year ended	Investment income (loss) recognised by the Company for the year ended	Footnote
				Balance at December 31, 2022	Balance at December 31, 2021	Number of shares	Ownership (%)	Carrying amount	December 31, 2022	December 31, 2022	
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	\$ 29,980,638	\$ 29,980,638	976,250,000	100	\$ 112,607,570	\$ 15,344,186	\$ 15,344,467	
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	2,078,393 (	155,495) (	155,495)	
The Company	BoardTek Electronics Corporation	Taiwan	Manufacturing	5,512,771	5,512,771	95,918,453	100	3,998,604 (	461,893) (	531,532)	
The Company	Zhen Ding Technology Singapore Private Limited	Singapore	Investment holding	921,300	921,300	30,000,000	100	862,728	30,313	30,313	
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	3,156,552	3,156,552	102,785,806	100	91,007,340	14,254,447	14,253,497	
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	8,399,185	8,399,185	2,133,300,000	100	14,309,670	1,211,335	1,211,335	
Monterey Park Finance Limited	Leading Interconnect International Limited	Hong Kong	Trading	-	-	1	100 (	2,749) (	7,468) (	7,468)	
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	36,701,765	36,701,765	9,321,841,932	100	91,006,693	14,254,531	14,254,531	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	154	154	5,000	100	786,619	14,060	14,060	
BoardTek Electronics Corporation	BoardTek Investment Co., Ltd.	Taiwan	Investment holding	248,294	248,294	24,829,362	100	281,102	8,256	8,256	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	1,811,890	1,811,890	460,200,000	72	5,981,777	451,419 (	231,931)	

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance at December 31, 2022	Balance at December 31, 2021	Number of shares	Ownership (%)	Carrying amount			
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Investment holding	\$ 1,969,432	\$ 1,969,432	64,130,000	72	\$ 376,395	(\$ 633,068)	(\$ 456,471)	
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	1,525,000	1,525,000	152,500,000	72	1,336,239	117,854	84,974	
Garuda International Limited	Avary Japan Co., Ltd	Japan	Trading	22,625	38,786	3,260	72	6,016	(13,704)	(9,881)	
Avary Singapore Private Limited	Avary Technology (India) Private Limited	India	Manufacturing	998,659	265,844	269,044,910	72	(269,467)	(643,155)	(462,735)	
FAT Holdings Limited	Zhen Ding Technology India Private Limited	India	Manufacturing	23	23	6,250	63	(251)	(104)	(66)	
Zhen Ding Technology Singapore Private Limited	Zhen Ding Technology India Private Limited	India	Manufacturing	14	14	3,750	37	(147)	(104)	(39)	
FAT Holdings Limited	Zhen Ding Developer India Private Limited	India	Property management	23	23	6,250	-	-	30,847	-	
Zhen Ding Technology Singapore Private Limited	Zhen Ding Developer India Private Limited	India	Property management	779,506	779,506	210,003,750	100	811,265	30,847	30,847	

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2022

Table 10

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net profit (loss) of investee for the year ended December 31, 2022	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 3)	Carrying amount of investments as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	\$ 10,311,287	2	\$ -	\$ -	\$ -	\$ -	\$ 7,694,003	72	\$ 5,463,632	\$ 24,037,852	\$ -	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	4,085,291	2	-	-	-	-	279,433	72	202,921	234,040	-	
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	10,235,002	2	-	-	-	-	22,609,398	72	16,302,450	88,933,145	-	Note 4
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	485,347	2	-	-	-	-	57,437	72	41,139	507,380	-	
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	1,062,411	2	-	-	-	- (	3,255)	72 (	2,360)	702,242	-	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	13,936,403	2	-	-	-	-	5,185,624	72	3,634,558	17,917,630	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net profit (loss) of investee for the year ended December 31, 2022	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 3)	Carrying amount of investments as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Qi Ding Technology Qinhuangdao Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	\$ 2,103,418	2	\$ -	\$ -	\$ -	\$ -	\$ 1,123,337	70	\$ 782,379	\$ 2,836,309	\$ -	
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	88,189	2	-	-	-	-	20,962	72	14,996	130,174	-	
Huaian Jia Wei Industrial Development Co., Ltd.	Manufacture and sales of Building materials, Furniture and hardware tools	719,566	2	-	-	-	-	4,888	100	4,888	717,220	-	
Avary Holding Investment (Shenzhen) Co., Ltd.	Investment of business	1,499,210	2	-	-	-	- (	5,521)	72 (	3,981)	1,142,394	-	
Leading Interconnect Semiconductor Technology (Shenzhen) Co.,Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	2,606,452	2	-	-	-	-	191,657	70	133,522	3,656,695	-	

Table 10, Page 2

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net profit (loss) of investee for the year ended December 31, 2022	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 3)	Carrying amount of investments as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Leading Interconnect Semiconductor Technology Qinhuangdao Co.,Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	\$ 1,763,777	2	\$ -	\$ -	\$ -	\$ -	(\$ 467,048)	70	(\$ 325,288)	\$ 899,184	\$ -	
Avary Logistics Services (Shenzhen) Co., Ltd.	Property management business	22,047	2	-	-	-	-	(19,262)	72	(13,889)	2,118	-	
Guangdong Zhan Yang Intelligent Equipment Co.,Ltd.	Research and development, sales, processing of automation equipment as well as imports and exports of goods or technology	42,090	2	-	-	-	-	22,073	32	8,892	32,978	-	

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 2: The methods of investments to PRC are as follows:

- (1) The Group remits its own funds directly to the investee companies located in PRC
- (2) Investee company, Monterey Park Finance Limited (B.V.I.), established by the Company that is located outside of Taiwan and PRC remits its own funds directly to the investee companies located in PRC.
- (3) Others

Note 3: The columns investment income (loss) recognised by the Company for the year ended December 31, 2022 were based on the audited financial statements of the investees in Mainland China for the same period.

Note 4: The cumulative earnings distributed to the parent company by Avary Holding (Shenzhen) Co., Limited amounted to RMB 5,614,870 thousand as of December 31, 2022.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
MAJOR SHAREHOLDERS INFORMATION
DECEMBER 31, 2022

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Foxconn (Far East) Limited	305,515,627	32.26%

**ZHEN DING TECHNOLOGY HOLDING AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

SEPTEMBER 30, 2023 AND 2022

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

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of Zhen Ding Technology Holding Limited

Introduction

We have reviewed the accompanying consolidated balance sheets of Zhen Ding Technology Holding Limited and its subsidiaries (the "Group") as at September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Hsu, Sheng-Chung

Chieh-Ju, Hsu

For and on Behalf of PricewaterhouseCoopers, Taiwan

November 6, 2023

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 57,663,573	23	\$ 55,243,562	24	\$ 47,853,747	21
1136	Current financial assets at	6(3)						
	amortised cost		2,047,814	1	1,907,751	1	680,436	-
1170	Accounts receivable, net	6(4)	28,204,885	11	26,932,980	11	33,232,759	15
1180	Accounts receivable due from	6(4) and 7						
	related parties, net		3,510,961	2	3,071,665	1	2,841,415	1
1200	Other receivables	6(5)	425,234	-	523,996	-	251,703	-
130X	Inventories	6(6)	22,311,492	9	17,724,844	8	24,053,378	11
1410	Prepayments	6(5)	3,131,453	1	4,883,541	2	5,178,839	2
1470	Other current assets	8	4,936	-	4,640	-	4,870	-
11XX	Total current assets		<u>117,300,348</u>	<u>47</u>	<u>110,292,979</u>	<u>47</u>	<u>114,097,147</u>	<u>50</u>
Non-current assets								
1510	Non-current financial assets at	6(2)						
	fair value through profit or loss		1,647,041	1	1,640,432	1	1,497,934	1
1517	Non-current financial assets at	6(7)						
	fair value through other							
	comprehensive income		1,160,280	1	753,272	-	701,578	-
1535	Non-current financial assets at	6(3)						
	amortised cost		267,311	-	448,023	-	423,097	-
1550	Investments accounted for							
	using equity method		20,956	-	32,978	-	7,940	-
1600	Property, plant and equipment	6(8)	108,325,822	44	100,307,311	43	99,514,309	43
1755	Right-of-use assets	6(9)	8,209,379	3	8,327,697	4	8,536,985	4
1760	Investment property, net	6(10)	4,454,167	2	4,506,853	2	-	-
1780	Intangible assets	6(11)	2,478,283	1	2,138,586	1	2,124,273	1
1840	Deferred income tax assets		2,876,421	1	2,576,898	1	1,814,167	1
1990	Other non-current assets	6(12) and 8	1,059,796	-	1,535,083	1	989,293	-
15XX	Total non-current assets		<u>130,499,456</u>	<u>53</u>	<u>122,267,133</u>	<u>53</u>	<u>115,609,576</u>	<u>50</u>
1XXX	Total assets		<u>\$ 247,799,804</u>	<u>100</u>	<u>\$ 232,560,112</u>	<u>100</u>	<u>\$ 229,706,723</u>	<u>100</u>

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(13)	\$ 32,230,086	13	\$ 16,819,556	7	\$ 19,325,823	8
2170	Accounts payable		22,835,631	9	15,964,613	7	23,184,021	10
2180	Accounts payable to related parties	7	1,156,994	1	936,026	-	745,798	-
2200	Other payables	6(14)	20,203,249	8	20,181,766	9	15,844,434	7
2230	Current income tax liabilities		585,795	-	1,635,243	1	1,694,760	1
2280	Current lease liabilities		66,503	-	86,860	-	87,760	-
2320	Long-term liabilities, current portion	6(15)(16)	1,185,168	1	15,572,856	7	12,079,180	5
2399	Other current liabilities		5,039,861	2	3,029,985	1	2,064,728	1
21XX	Total current liabilities		83,303,287	34	74,226,905	32	75,026,504	32
Non-current liabilities								
2540	Long-term borrowings	6(16)	18,224,734	7	12,966,168	6	15,110,330	7
2570	Deferred income tax liabilities		3,009,722	1	3,647,057	1	3,137,840	1
2580	Non-current lease liabilities		293,948	-	336,799	-	365,176	-
2600	Other non-current liabilities		8,497,269	4	8,517,492	4	8,234,020	4
25XX	Total non-current liabilities		30,025,673	12	25,467,516	11	26,847,366	12
2XXX	Total liabilities		113,328,960	46	99,694,421	43	101,873,870	44
Equity								
Equity attributable to owners of parent								
	Share capital	6(19)						
3110	Ordinary share		9,470,492	4	9,470,492	4	9,470,492	4
	Capital surplus	6(20)						
3200	Capital surplus		38,874,731	16	38,021,187	16	37,979,926	17
	Retained earnings	6(21)						
3310	Legal reserve		8,417,315	3	6,995,473	3	6,995,473	3
3320	Special reserve		2,882,437	1	4,848,301	2	4,848,301	2
3350	Unappropriated retained earnings		38,244,443	15	40,698,111	18	35,971,214	16
	Other equity interest	6(22)						
3400	Other equity interest		(2,006,324)	(1)	(2,882,437)	(1)	(1,502,676)	(1)
3500	Treasury shares	6(19)	(257,489)	-	(257,489)	-	(257,489)	-
31XX	Equity attributable to owners of parent		95,625,605	38	96,893,638	42	93,505,241	41
36XX	Non-controlling interest	6(32)	38,845,239	16	35,972,053	15	34,327,612	15
3XXX	Total equity		134,470,844	54	132,865,691	57	127,832,853	56
	Significant contingent liabilities and unrecognized contract commitments	9						
3X2X	Total liabilities and equity		\$ 247,799,804	100	\$ 232,560,112	100	\$ 229,706,723	100

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

	Items	Notes	Three months ended September 30				Nine months ended September 30			
			2023		2022		2023		2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(23), 7 and 14	\$ 41,919,467	100	\$ 50,004,714	100	\$ 97,001,710	100	\$ 118,454,269	100
5000	Operating costs	6(6) and 7	(33,336,871)	(80)	(37,018,883)	(74)	(81,221,067)	(84)	(92,478,936)	(78)
5950	Gross profit from operations		<u>8,582,596</u>	<u>20</u>	<u>12,985,831</u>	<u>26</u>	<u>15,780,643</u>	<u>16</u>	<u>25,975,333</u>	<u>22</u>
	Operating expenses	6(24)								
6100	Selling expenses		(526,057)	(1)	(534,468)	(1)	(1,306,131)	(1)	(1,358,094)	(1)
6200	Administrative expenses		(1,878,770)	(5)	(1,965,963)	(4)	(4,770,522)	(5)	(4,957,042)	(5)
6300	Research and development expenses		(2,563,011)	(6)	(2,390,810)	(5)	(6,799,363)	(7)	(5,883,859)	(5)
6450	(Expected credit loss) reversal of impairment loss in accordance with IFRS 9	12	(40,255)	-	(27,572)	-	568	-	(22,843)	-
6000	Total operating expenses		(5,008,093)	(12)	(4,918,813)	(10)	(12,875,448)	(13)	(12,221,838)	(11)
6900	Net operating income		<u>3,574,503</u>	<u>8</u>	<u>8,067,018</u>	<u>16</u>	<u>2,905,195</u>	<u>3</u>	<u>13,753,495</u>	<u>11</u>
	Non-operating income and expenses									
7100	Interest income	6(26)	499,259	1	199,158	-	1,732,350	2	361,652	-
7010	Other income	6(27)	242,137	1	293,708	1	599,136	1	609,948	1
7020	Other gains and losses	6(28)	(41,579)	-	78,590	-	292,710	-	1,586,063	1
7050	Finance costs	6(29)	(473,155)	(1)	(220,721)	-	(1,313,548)	(1)	(545,773)	-
7060	Share of loss of associates and joint ventures accounted for using equity method		(4,414)	-	(6,213)	-	(12,986)	-	(16,833)	-
7000	Total non-operating income and expenses		<u>222,248</u>	<u>1</u>	<u>344,522</u>	<u>1</u>	<u>1,297,662</u>	<u>2</u>	<u>1,995,057</u>	<u>2</u>
7900	Profit before income tax		<u>3,796,751</u>	<u>9</u>	<u>8,411,540</u>	<u>17</u>	<u>4,202,857</u>	<u>5</u>	<u>15,748,552</u>	<u>13</u>
7950	Income tax (expense) benefit	6(30)	(447,967)	(1)	(1,239,564)	(3)	159,367	-	(2,070,887)	(2)
8200	Profit		<u>\$ 3,348,784</u>	<u>8</u>	<u>\$ 7,171,976</u>	<u>14</u>	<u>\$ 4,362,224</u>	<u>5</u>	<u>\$ 13,677,665</u>	<u>11</u>
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(7)(22)	\$ 42,858	-	\$ 31,283	-	\$ 188,624	-	(\$ 82,261)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(7,772)	-	(4,868)	-	(35,057)	-	10,838	-
8310	Other comprehensive income that will not be reclassified to profit or loss		<u>35,086</u>	<u>-</u>	<u>26,415</u>	<u>-</u>	<u>153,567</u>	<u>-</u>	<u>(71,423)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation of foreign financial statements	6(22)	<u>5,431,582</u>	<u>13</u>	<u>2,004,341</u>	<u>4</u>	<u>2,845,443</u>	<u>3</u>	<u>4,531,659</u>	<u>4</u>
8300	Other comprehensive income		<u>\$ 5,466,668</u>	<u>13</u>	<u>\$ 2,030,756</u>	<u>4</u>	<u>\$ 2,999,010</u>	<u>3</u>	<u>\$ 4,460,236</u>	<u>4</u>
8500	Total comprehensive income		<u>\$ 8,815,452</u>	<u>21</u>	<u>\$ 9,202,732</u>	<u>18</u>	<u>\$ 7,361,234</u>	<u>8</u>	<u>\$ 18,137,901</u>	<u>15</u>
	Profit attributable to:									
8610	Owners of the parent		\$ 2,270,705	5	\$ 4,984,512	10	\$ 2,684,605	3	\$ 9,491,526	7
8620	Non-controlling interests		<u>1,078,079</u>	<u>3</u>	<u>2,187,464</u>	<u>4</u>	<u>1,677,619</u>	<u>2</u>	<u>4,186,139</u>	<u>4</u>
			<u>\$ 3,348,784</u>	<u>8</u>	<u>\$ 7,171,976</u>	<u>14</u>	<u>\$ 4,362,224</u>	<u>5</u>	<u>\$ 13,677,665</u>	<u>11</u>
	Comprehensive income attributable to:									
8710	Owners of the parent		\$ 6,059,651	14	\$ 6,477,707	13	\$ 3,560,718	4	\$ 12,837,151	11
8720	Non-controlling interests		<u>2,755,801</u>	<u>7</u>	<u>2,725,025</u>	<u>5</u>	<u>3,800,516</u>	<u>4</u>	<u>5,300,750</u>	<u>4</u>
			<u>\$ 8,815,452</u>	<u>21</u>	<u>\$ 9,202,732</u>	<u>18</u>	<u>\$ 7,361,234</u>	<u>8</u>	<u>\$ 18,137,901</u>	<u>15</u>
	Earnings per share (in dollars)									
9750	Basic earnings per share	6(31)	<u>\$ 2.40</u>		<u>\$ 5.27</u>		<u>\$ 2.84</u>		<u>\$ 10.04</u>	
9850	Diluted earnings per share	6(31)	<u>\$ 2.40</u>		<u>\$ 4.87</u>		<u>\$ 2.83</u>		<u>\$ 9.33</u>	

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
		Retained Earnings					Other Equity Interest					
			Capital surplus- additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury shares	Total	Non-controlling interest	Total equity
	Notes	Ordinary shares										
<u>Nine months ended September 30, 2022</u>												
Balance at January 1, 2022		\$ 9,470,492	\$ 36,937,742	\$ 6,029,763	\$ 4,130,316	\$ 32,898,629	(\$ 4,886,372)	\$ 38,071	(\$ 257,489)	\$ 84,361,152	\$ 29,158,787	\$ 113,519,939
Profit for the period		-	-	-	-	9,491,526	-	-	-	9,491,526	4,186,139	13,677,665
Other comprehensive income (loss) for the period	6(22)	-	-	-	-	-	3,382,268	(36,643)	-	3,345,625	1,114,611	4,460,236
Total comprehensive income (loss)		-	-	-	-	9,491,526	3,382,268	(36,643)	-	12,837,151	5,300,750	18,137,901
Appropriations of 2021 earnings:	6(21)											
Legal reserve		-	-	965,710	717,985	(1,683,695)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(4,735,246)	-	-	-	(4,735,246)	-	(4,735,246)
Compensation cost of employee restricted stock	6(20)	-	133,414	-	-	-	-	-	-	133,414	47,935	181,349
Adjustments of capital surplus for company's cash dividends received by subsidiaries		-	10,467	-	-	-	-	-	-	10,467	-	10,467
Difference between consideration and carrying amount of subsidiaries disposed	6(32)	-	755,262	-	-	-	-	-	-	755,262	547,116	1,302,378
Changes in non-controlling interests - acquisition of shares of the subsidiary	6(32)	-	143,041	-	-	-	-	-	-	143,041	720,409	863,450
Changes in non-controlling interests - distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	-	(1,447,385)	(1,447,385)
Balance at Septmber 30, 2022		\$ 9,470,492	\$ 37,979,926	\$ 6,995,473	\$ 4,848,301	\$ 35,971,214	(\$ 1,504,104)	\$ 1,428	(\$ 257,489)	\$ 93,505,241	\$ 34,327,612	\$ 127,832,853
<u>Nine months ended September 30, 2023</u>												
Balance at January 1, 2023		\$ 9,470,492	\$ 38,021,187	\$ 6,995,473	\$ 4,848,301	\$ 40,698,111	(\$ 2,899,992)	\$ 17,555	(\$ 257,489)	\$ 96,893,638	\$ 35,972,053	\$ 132,865,691
Profit for the period		-	-	-	-	2,684,605	-	-	-	2,684,605	1,677,619	4,362,224
Other comprehensive income for the period	6(22)	-	-	-	-	-	756,452	119,661	-	876,113	2,122,897	2,999,010
Total comprehensive income		-	-	-	-	2,684,605	756,452	119,661	-	3,560,718	3,800,516	7,361,234
Appropriations of 2022 earnings:	6(21)											
Legal reserve		-	-	1,421,842	-	(1,421,842)	-	-	-	-	-	-
Special reserve		-	-	-	(1,965,864)	1,965,864	-	-	-	-	-	-
Cash dividends		-	-	-	-	(5,682,295)	-	-	-	(5,682,295)	-	(5,682,295)
Compensation cost of employee restricted stock	6(20)	-	58,814	-	-	-	-	-	-	58,814	23,226	82,040
Adjustments of capital surplus for company's cash dividends received by subsidiaries		-	12,560	-	-	-	-	-	-	12,560	-	12,560
Difference between consideration and carrying amount of subsidiaries disposed	6(32)	-	5,913	-	-	-	-	-	-	5,913	(3,357)	2,556
Recognition of changes in ownership interests in subsidiaries		-	26,364	-	-	-	-	-	-	26,364	(26,364)	-
Changes in non-controlling interests - acquisition of shares of the subsidiary	6(32)	-	749,893	-	-	-	-	-	-	749,893	1,031,776	1,781,669
Changes in non-controlling interests - distribution of retained earnings by subsidiaries		-	-	-	-	-	-	-	-	-	(1,952,611)	(1,952,611)
Balance at Septmber 30, 2023		\$ 9,470,492	\$ 38,874,731	\$ 8,417,315	\$ 2,882,437	\$ 38,244,443	(\$ 2,143,540)	\$ 137,216	(\$ 257,489)	\$ 95,625,605	\$ 38,845,239	\$ 134,470,844

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Nine months ended September 30 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,202,857	\$ 15,748,552
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	11,777,734	10,173,363
Amortisation	6(24)	346,148	324,968
Loss (gain) on financial assets or liabilities at fair value through profit or loss, net	6(2)	110,857	(11,097)
Impairment losses	6(8)	-	764,249
Expected credit (gains) losses	12	(568)	22,843
Gain on disposal of property, plant and equipment	6(28)	(52,809)	(3,510)
Loss on disposal of right-of-use assets	6(9)	320	-
Interest income	6(26)	(1,732,350)	(361,652)
Interest expense	6(29)	1,313,548	545,773
Share of loss of associates and joint ventures accounted for using equity method		12,986	16,833
Gain from lease modification	6(9)	-	(1,943)
Loss on redemption of convertible bonds	6(28)	438,175	-
Share-based payment	6(18)	82,040	181,349
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(30,860)	13,392
Accounts receivable		(160,460)	5,363,055
Accounts receivable due from related parties		(304,922)	(53,345)
Other receivables		148,927	891,902
Inventories		(3,420,197)	(6,079,763)
Prepayments		1,839,634	(741,233)
Other current assets		-	91
Changes in operating liabilities			
Accounts payable		6,448,575	3,587,537
Accounts payable to related parties		199,052	(350,082)
Other payables		914,911	1,566,476
Other current liabilities		109,976	6,355
Cash inflow generated from operations		22,243,574	31,604,113
Income tax paid		(1,883,720)	(1,751,032)
Net cash flows from operating activities		20,359,854	29,853,081

(Continued)

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Nine months ended September 30 2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		(\$ 86,623)	(\$ 353,053)
Decrease in current financial assets at amortised cost		127,585	455,634
Acquisition of financial assets at fair value through other comprehensive income		(195,427)	(352,382)
Disposal of financial assets at fair value through other comprehensive income		-	66,595
Acquisition of property, plant and equipment	6(33)	(19,485,269)	(23,462,291)
Proceeds from disposal of property, plant and equipment		263,103	207,168
Acquisition of intangible assets		(33,957)	(140,815)
Decrease in restricted assets		-	112,297
Increase in other non-current assets		(318,609)	(549,857)
Increase in other non-current liabilities		91,997	428,133
Collected income distribution	6(2)	2,311	13,745
Interest received		1,716,245	378,108
Net cash flows used in investing activities		(17,918,644)	(23,196,718)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	6(33)	14,721,093	(750,026)
Proceeds from long-term borrowings	6(33)	9,812,821	6,401,417
Repayments of long-term borrowings	6(33)	(7,871,479)	-
Increase in guarantee deposits received	6(33)	1,299,412	3,587,001
Cash dividends paid	6(21)	(5,682,295)	(4,735,246)
Redemption of convertible bonds	6(33)	(12,465,792)	-
Payments of lease liabilities		(83,162)	(85,234)
Interest paid		(1,391,444)	(447,828)
Changes in non-controlling interests - distribution of retained earnings by subsidiaries		(1,952,611)	(1,447,385)
Changes in non-controlling interests - acquisition of shares of the subsidiary	6(32)	1,781,669	863,450
Changes in non-controlling interests - disposal of the subsidiary	6(32)	2,556	1,480,120
Net cash flows (used in) from financing activities		(1,829,232)	4,866,269
Effect of exchange rate changes on cash and cash equivalents		1,808,033	2,541,585
Net increase in cash and cash equivalents		2,420,011	14,064,217
Cash and cash equivalents at beginning of period		55,243,562	33,789,530
Cash and cash equivalents at end of period		\$ 57,663,573	\$ 47,853,747

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

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

Zhen Ding Technology Holding Limited (the ‘Company’, formerly named as Foxconn Advanced Technology Limited) was incorporated in the Cayman Islands in June 2006. According to the resolution of the Board of Directors in May 2011, the Company was renamed to Zhen Ding Technology Holding Limited and related registration was completed in July 2011. The registration address is P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The Company and its subsidiaries (collectively referred herein as the ‘Group’) are engaged in manufacturing and selling printed circuit board (the ‘PCB’). The Company has been listed on the Taiwan Stock Exchange since December 26, 2011.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on November 6, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission (the ‘FSC’) (collectively referred herein as the ‘IFRSs’)

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model rules’	May 23, 2023

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

(3) IFRSs issued by International Accounting Standard Board (the 'IASB') but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as stated otherwise, the principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all the periods presented.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The items involving a higher degree of judgement or complexity, or items where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) The profit or loss and each component of other comprehensive income shall be attributed to the owners of the parent and to the non-controlling interests, and total comprehensive income shall also be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). It shall be recognised directly in equity and difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.
 - (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All

amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	Zhen Ding Technology Co., Ltd.	Trading company	100	100	100	
The Company	Monterey Park Finance Limited (B.V.I.)	Holding company	100	100	100	
The Company	Zhen Ding Technology Singapore Private Limited (Singapore)	Holding company	100	100	100	
The Company	Boardtek Electronics Corporation	Manufacturing company	100	100	100	
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited (Cayman)	Holding company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Coppertone Enterprises Limited (B.V.I.)	Holding company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Pacific Fair International Limited (Hongkong)	Holding company	100	100	100	

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect International Limited (Formerly named: Henley International Limited (Hongkong))	Trading company	-	100	100	(d)
Monterey Park Finance Limited (B.V.I.)	Huaian Jia Wei Industrial Development Co., Ltd	Trading company	100	100	100	
Monterey Park Finance Limited (B.V.I.)	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Manufacturing company	55.99	69.65	69.65	(b)
Avary Holding (Shenzhen) Co., Limited	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Manufacturing company	13.72	-	-	(a)
Coppertone Enterprises Limited (B.V.I.)	Mayco Industrial Limited (Hong Kong)	Holding company	100	100	100	
Mayco Industrial Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	66.27	66.10	66.10	(c)
Pacific Fair International Limited (Hong Kong)	Avary Holding (Shenzhen) Co., Limited	Manufacturing company	5.72	5.70	5.70	(c)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Yuding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Qingding Precision Electronics (Huaian) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Fu Bo Industry (Shenzhen) Co., Ltd.	Manufacturing company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Kuisheng Technology (Shenzhen) Co., Ltd.	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Holding Investment (Shenzhen) Co., Ltd.	Investment company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited (Hongkong)	Trading company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited (Singapore)	Holding company	100	100	100	
Avary Holding (Shenzhen) Co., Limited	Avary Logistics Services (Shenzhen) Co., Ltd.	Property management company	100	100	100	(g)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Garuda International Limited (Hongkong)	Garuda Technology Co., Ltd.	Trading company	100	100	100	
Garuda International Limited (Hongkong)	Avary Japan Co., Ltd. (Japan)	Trading company	100	100	100	
Garuda International Limited (Hongkong)	Peng Shen Technology (Thailand) Co., Ltd. (Thailand)	Manufacturing company	0.50	-	-	(f)
Avary Singapore Private Limited (Singapore)	Peng Shen Technology (Thailand) Co., Ltd. (Thailand)	Manufacturing company	89.50	-	-	(f)
Avary Singapore Private Limited (Singapore)	Avary Technology (India) Private Limited (India)	Manufacturing company	100	100	100	
Boardtek Electronics Corporation	Boardtek Investment Co., Ltd.	Investment company	100	100	100	
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Manufacturing company	100	100	100	(e)
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Qi Ding Technology Qinhuangdao Co., Ltd.	Manufacturing company	-	100	100	(e)

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Leading Interconnect International Limited (Formerly named: Henley International Limited (Hongkong))	Trading company	100	-	-	(d)
Zhen Ding Technology Singapore Private Limited (Singapore)	Zhen Ding Technology India Private Limited (India)	Manufacturing company	37.50	37.50	37.50	
Zhen Ding Technology Singapore Private Limited (Singapore)	Zhen Ding Developer India Private Limited (India)	Property management company	99.997	99.997	99.997	
FAT Holdings Limited (Cayman)	Zhen Ding Technology India Private Limited (India)	Manufacturing company	62.50	62.50	62.50	
FAT Holdings Limited (Cayman)	Zhen Ding Developer India Private Limited (India)	Property management company	0.003	0.003	0.003	

- (a) In the first half of 2023, Avary Holding (Shenzhen) Co., Limited did not participate in the cash capital increase of Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., thus, the shareholding ratio became 13.72%.
- (b) In the first half of 2023 and the first quarter of 2022, Monterey Park Finance Limited did not participate in the cash capital increase of Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., thus, the shareholding ratio became 55.99% and 69.65%, respectively.
- (c) On March 31, 2022, as Pacific Fair International Limited (Hongkong) disposed some of its equity interest in Avary Holding (Shenzhen) Co., Limited, the shareholding ratio became 5.70%. On June 23, 2022, because Avary Holding (Shenzhen) Co., Limited cancelled 320,000

shares after repurchasing restricted shares, the shareholding ratio of Mayco Industrial Limited (Hongkong) and Pacific Fair International Limited (Hongkong) became 66.10% and 5.70%, respectively. On June 1, 2023, because Avary Holding (Shenzhen) Co., Limited cancelled 718,000 shares after repurchasing restricted shares, the shareholding ratio of Mayco Industrial Limited (Hongkong) and Pacific Fair International Limited (Hongkong) became 66.32% and 5.72%, respectively. On July 10, 2023, because Avary Holding (Shenzhen) Co., Limited lifted the sales restriction on restricted shares of 1,757,000 shares, the shareholding ratio of Mayco Industrial Limited (Hongkong) and Pacific Fair International Limited (Hongkong) became 66.27% and 5.72%, respectively.

- (d) On April 4, 2023, due to the reorganization of the Group, Monterey Park Finance Limited sold Leading Interconnect International Limited to Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd. Refer to Note 6(32) for details.
- (e) On July 31, 2023, due to the reorganization of the Group, Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd. merged with Qi Ding Technology Qinhuangdao Co., Ltd., and the transaction was accounted for using book value method.
- (f) On September 15, 2023, the Group invested in Peng Shen Technology (Thailand) Co., Ltd. in Thailand, which has been included in the consolidated financial statements. It is mainly engaged in the processing and manufacture of electronic products.
- (g) On January 25, 2022, the Group invested in Avary Logistics Services (Shenzhen) Co., Ltd. in Shenzhen, which has been included in the consolidated financial statements. It is mainly engaged in the property management business.

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2023, December 31, 2022 and September 30, 2022, the non-controlling interests of the Group amounted to \$38,845,239, \$35,972,053 and \$34,327,612, respectively. The information on non-controlling interests and their subsidiaries is as follows:

		Non-controlling interest		
		September 30, 2023		
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Description
Avary Holding (Shenzhen) Co., Limited	China	\$ 35,641,559	28.01%	

		<u>Non-controlling interest</u>		
		<u>December 31, 2022</u>		
<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Amount</u>	<u>Ownership (%)</u>	<u>Description</u>
Avary Holding (Shenzhen) Co., Limited	China	<u>\$ 34,378,498</u>	28.20%	

		<u>Non-controlling interest</u>		
		<u>September 30, 2022</u>		
<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Amount</u>	<u>Ownership (%)</u>	<u>Description</u>
Avary Holding (Shenzhen) Co., Limited	China	<u>\$ 32,664,040</u>	28.20%	

Summary of the financial information of subsidiary:

Consolidated balance sheets of Avary Holding (Shenzhen) Co., Limited

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current assets	\$ 90,249,846	\$ 81,746,914	\$ 84,506,173
Non-current assets	95,632,701	90,129,068	89,044,064
Current liabilities	(54,390,162)	(44,105,244)	(51,761,831)
Non-current liabilities	(4,248,328)	(4,530,438)	(4,694,109)
Total net assets	<u>\$ 127,244,057</u>	<u>\$ 123,240,300</u>	<u>\$ 117,094,297</u>

Consolidated statements of comprehensive income of Avary Holding (Shenzhen) Co., Limited

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	<u>\$ 39,392,046</u>	<u>\$ 47,215,316</u>
Profit before income tax	5,098,196	9,470,018
Income tax expense	(500,519)	(1,198,185)
Profit	4,597,677	8,271,833
Other comprehensive loss, net of tax	(3,818,582)	(263,432)
Total comprehensive income	<u>\$ 779,095</u>	<u>\$ 8,008,401</u>
Comprehensive income attributable to non-controlling interest	<u>\$ 217,040</u>	<u>\$ 2,233,984</u>

	Nine months ended September 30,	
	2023	2022
Revenue	\$ 90,291,536	\$ 110,096,665
Profit before income tax	8,613,847	16,500,109
Income tax expense	(404,340)	(1,828,648)
Profit	8,209,507	14,671,461
Other comprehensive (loss) income, net of tax	(6,944,856)	22,507
Total comprehensive income	\$ 1,264,651	\$ 14,693,968
Comprehensive income attributable to non-controlling interest	\$ 352,781	\$ 4,098,956

Consolidated statements of cash flows of Avary Holding (Shenzhen) Co., Limited

	Nine months ended September 30,	
	2023	2022
Net cash from operating activities	\$ 21,710,646	\$ 25,053,305
Net cash used in investing activities	(13,262,219)	(13,105,103)
Net cash used in financing activities	(4,753,375)	(124,232)
Effect of exchange rate changes on cash and cash equivalents	(2,646,510)	658,529
Net increase in cash and cash equivalents	1,048,542	12,482,499
Cash and cash equivalents at beginning of period	35,744,799	13,783,793
Cash and cash equivalents at end of period	\$ 36,793,341	\$ 26,266,292

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's functional currency is USD; however, the consolidated financial statements are presented in NTD because of regulatory requirements.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and

liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at the average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

When presenting the Group's functional currency denominated financial statements in NT dollars, the average exchange rates were NT \$30.93 (in dollars) to US \$1 (in dollar) and NT \$29.28 (in dollars) to US \$1 (in dollar) for the nine months ended September 30, 2023 and 2022, respectively; the closing rates were NT \$32.27 (in dollars) to US \$1 (in dollar), NT \$30.71 (in dollars) to US \$1 (in dollars) and NT \$31.75 (in dollars) to US \$1 (in dollar) as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date; or
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date; or

- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets/liabilities at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets measured at amortised cost or fair value through other comprehensive income are designated as the financial assets at fair value through profit or loss at initial recognition by the Group if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently measured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.
- D. The Group recognises the dividend income in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

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

- A. The Group may make irrevocable election at initial recognition to recognise the changes in fair value in other comprehensive income for the investments in equity instruments that is not held for trading or the investments in debt instruments meet both of the following conditions:
- (a) The financial assets held within a business model whose objective is both collecting contractual cash flows and selling financial assets.
- (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
- (a) The changes in fair value of equity instruments are recognised in other comprehensive income.

The cumulative gain or loss previously recognised in other comprehensive income shall be recorded to retained earnings and not be reclassified to profit or loss upon the derecognition. Dividends are recognised in profit or loss when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

- (b) Except for the impairment losses, interest income and foreign exchange gains or losses which are recognised in profit or loss, the changes in fair value of debt instruments are recognised in other comprehensive income before derecognition. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet both of the following conditions:
 - (a) The financial assets held within a business model whose objective is in order to collect contractual cash flows, and
 - (b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not meet the condition of cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets containing a significant financing component, lease receivables, loan commitments and financial guarantee contracts, at each balance sheet date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk

has increased since initial recognition after taking into consideration all reasonable and verifiable information (including forecasts). On the other hand, the Group recognises the impairment provision for lifetime ECLs for accounts receivable or contract assets containing a significant financing component.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(15) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted

by the Group.

- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(16) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 54 years
Machinery and equipment	2 ~ 11 years
Leasehold improvements	5 years or the lease term whichever is shorter
Other equipment	3 ~ 16 years

(17) Leases (lessee)

- A. Leases are recognised as right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

- B. At the commencement date, the right-of-use asset measured at cost shall comprise the amount of the initial measurement of lease liability and any initial direct costs incurred. The right-of-use asset subsequently measured at cost model and shall be depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- C. The lease liability is at the present value of the lease payments that are not paid and shall be discounted using the Group's incremental borrowing rate at commencement date. The lease payments include fixed payments less any lease incentives receivable. The lease liability is subsequently measured using an effective interest method on an amortised cost basis and the interest expense is allocated over the lease term. The amount of the remeasurement of the lease liability shall be recognised as an adjustment to the right-of-use asset if there are changes in the lease term or to the lease payments not arising from contract modifications.

(18) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25 years.

(19) Intangible assets

A. Patents and technological expertise

Separately acquired patents and technological expertise are recognised at cost. Patents and technological expertise acquired in a business combination are recognised at fair value at the acquisition date. Patents and technological expertise with a finite useful life are amortised on the straight-line method over their estimated useful life of 5 years.

B. Computer software

Computer software shall be measured initially at cost and amortised on the straight-line method over its estimated useful life of 3 to 5 years.

C. Goodwill

Goodwill arose from a business combination accounted for by applying the acquisition method.

(20) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there are any impairment indications. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated based on the operating segment to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(21) Borrowings

- A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.
- C. Extension option is not closed related to the host debt instruments, unless the rates are also adjusted close to current market rates when extending.

(22) Accounts payable

- A. Accounts payable are the liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are measured at initial invoice amount as the effect of discounting is immaterial.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged, cancelled, or expired.

(24) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Group are embedded with conversion options (that is, the bondholders have the right to convert the bonds into the Group's ordinary share by exchanging a fixed amount of cash for a fixed number of ordinary share), call options and put options. In accordance with the terms and conditions of the indenture, the Group classifies the convertible corporate bonds and the embedded derivative instruments on initial recognition as a financial asset, a financial liability or an equity instrument (the 'capital surplus-share options'). Convertible corporate bonds are accounted for as follows:

- A. The exercise price of call options and put options embedded in the convertible corporate bonds is approximately equal to the amortised cost of the host debt instrument on each exercise date; therefore, call options and put options are closely related to the host debt contract.
- B. Call options, put options, and host debt of the convertible corporate bonds are initially recognised at fair value. Any difference between the proceeds and the redemption value is accounted for as

the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond outstanding using the effective interest method.

- C. Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in the 'capital surplus-share options' at the residual amount of total issue price less amounts of the 'bonds payable' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component shall be remeasured on the conversion date. The carrying amount of ordinary share issued due to the conversion shall be based on the remeasured carrying amount of the abovementioned liability component plus the carrying amount of the 'capital surplus-share options'.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for that service, and shall be recognised as expenses when the employees have rendered service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions shall be recognised as pension expenses when they are due on an accrual basis. Prepaid contributions shall be recognised as an asset to the extent that the prepayment will lead to a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is accrued from the present value of future benefits that employees have earned in return for their services in the current or prior periods. The Group recognised the present value of the defined benefit obligation deducting the fair value of plan assets at the balance sheet date. Net obligation of the defined benefit is calculated annually by independent actuaries using the projected unit credit method and is discounted by using the market yield on government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed

accordingly.

C. Employees' remuneration and directors' remuneration

Employees' remuneration and directors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' remuneration (bonus) is distributed by shares, the Group calculates the number of shares based on the fair value per share (closing price) at the previous day of the Board of Directors' resolution.

(26) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the quantity of equity instruments that are expected to vest under the non-market vesting conditions. Ultimately, the amount of compensation cost is recognised based on the number of equity instruments that eventually vest.
- B. Employee restricted stocks:
- (a) Employee restricted stocks measured at the fair value of the equity instruments at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) Those restricted stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) Employees have to pay to acquire those restricted stocks. If employees resign during the vesting period, the Group must refund their payments in exchange for the restricted stocks return by the employees. The Group recognises the payments to the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments for the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

(27) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable

income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Different tax regulations are applicable to the Group according to the countries where the companies are registered:

- (a) Companies that are registered in Cayman Islands and British Virgin Islands are exempted from income tax in accordance with local regulations.
 - (b) For the companies that are registered in the Republic of China, in addition to income tax that is estimated in accordance with the tax laws, an additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings. When calculating income tax, in addition to applying the tax laws to calculate regular tax, the basic tax is calculated under the 'Income Basic Tax Act.' If regular tax is lower than basic tax, the difference between them shall be added to income tax payable. The aforementioned difference shall not be offset with investment tax credits under other laws and regulations.
 - (c) Income taxes of companies that are registered in Mainland China are calculated in accordance with 'Law of the People's Republic of China on Enterprise Income Tax' and its implementation and related notification letters.
 - (d) Income taxes of companies that are registered in the Government of the Hong Kong Special Administrative Region of the People's Republic of China are calculated based on the revenue earned in Hong Kong and in accordance with 'Hong Kong Inland Revenue Ordinance'.
 - (e) Income taxes of companies that are registered in the Singapore, India and Japan are calculated in accordance with the local regulations for the current year.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance

sheet date, unrecognised and recognised deferred income tax assets are reassessed.

- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells PCB and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sales of PCB and related products are recognised as the amount of contract price, net of the estimated discounts credits and price concessions.

- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financial component

The contract between the Group and the customer, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(30) Government grants

Government grants shall not be recognised at fair value until there is reasonable assurance that the entity will comply with the conditions attached to them, and that the grants will be received. Government grants shall be recognised in profit on a systematic basis over the periods in which the entity recognises the related expenses for which the grants are intended to compensate. Government grants related to property, plant and equipment shall be recognised within non-current liabilities that are recognised in profit on the straight-line method over the estimated useful life of related assets.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker, who is responsible for allocating resources to operating segments and evaluating their performance.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

Critical accounting estimates and assumptions

Accounting estimates are based on the situation on the balance sheet date to estimate future events, though there could be differences between the actual events and estimation. Estimates and assumptions on the risk of possible critical adjustments to the carrying amount of assets and liabilities for the next fiscal year are as follows:

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of September 30, 2023, the carrying amount of inventories was \$22,311,492.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand and petty cash	\$ 253	\$ 408	\$ 174
Checking accounts and demand deposits	31,898,129	30,697,545	24,791,136
Cash equivalents			
Time deposits	<u>25,765,191</u>	<u>24,545,609</u>	<u>23,062,437</u>
	<u>\$ 57,663,573</u>	<u>\$ 55,243,562</u>	<u>\$ 47,853,747</u>

A. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group's time deposits over three months which are recognised within 'current financial assets at amortised cost' are described in Note 6(3).

B. The Group has no cash and cash equivalents pledged to others except for restricted demand deposits which are recognised within 'other current assets' and 'other non-current assets'. Refer to Note 8 for details.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Non-current items:			
Private fund	\$ 1,110,502	\$ 1,095,200	\$ 1,089,454
Unlisted partnership share	<u>474,553</u>	<u>516,398</u>	<u>361,671</u>
	1,585,055	1,611,598	1,451,125
Net exchange differences	<u>61,986</u>	<u>28,834</u>	<u>46,809</u>
	<u>\$ 1,647,041</u>	<u>\$ 1,640,432</u>	<u>\$ 1,497,934</u>

A. The Group recognised net (loss) gain of (\$145,331), (\$39,208), (\$110,857) and \$11,097 within 'financial assets at fair value through profit or loss held for trading' for the three months and nine months ended September 30, 2023 and 2022, respectively.

B. The distribution of income from private equity funds for the nine months ended September 30, 2023 and 2022 amounted to \$2,311 and \$13,475, respectively.

C. As of September 30, 2023, December 31, 2022 and September 30, 2022, the Group has no unsettled forward foreign exchange transactions.

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

(3) Financial assets at amortised cost

<u>Items</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current items			
Time deposits with maturity of over three months	\$ 2,047,814	\$ 1,907,751	\$ 540,736
Guaranteed income financial products	-	-	139,700
	<u>\$ 2,047,814</u>	<u>\$ 1,907,751</u>	<u>\$ 680,436</u>
Non-current items			
Time deposits with maturity of over three months	<u>\$ 267,311</u>	<u>\$ 448,023</u>	<u>\$ 423,097</u>

- A. Refer to Note 6(26) for interest income arising from financial assets at amortised cost recognised in profit or loss for the three months and nine months ended September 30, 2023 and 2022.
- B. The Group's principal and income guaranteed financial product are income notes for receiving contracted cash flows. Under the contract, the principal will be redeemed on the maturity date with a fixed interest rate at 3.5%.
- C. The Group has no financial assets at amortised cost pledged to others as tariff guarantee, except for time deposits with maturity of over three months which are recognised within 'other current assets' and time deposits with maturity of over one year which are recognised within 'other non-current assets'. Refer to Note 8 for details.
- D. Refer to Note 12(2) for the information on credit risk.

(4) Notes and accounts receivable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable	\$ 61,710	\$ 29,697	\$ 13,452
Accounts receivable	<u>28,233,718</u>	<u>26,993,667</u>	<u>33,331,643</u>
	28,295,428	27,023,364	33,345,095
Less: Allowance for bad debts	(<u>90,543</u>)	(<u>90,384</u>)	(<u>112,336</u>)
	<u>\$ 28,204,885</u>	<u>\$ 26,932,980</u>	<u>\$ 33,232,759</u>
Accounts receivable due from related parties	\$ 3,521,527	\$ 3,080,912	\$ 2,849,966
Less: Allowance for bad debts	(<u>10,566</u>)	(<u>9,247</u>)	(<u>8,551</u>)
	<u>\$ 3,510,961</u>	<u>\$ 3,071,665</u>	<u>\$ 2,841,415</u>

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Not past due	\$ 31,421,683	\$ 29,595,096	\$ 35,873,758
Between 1 and 90 days	356,181	491,345	294,225
Between 91 and 180 days	7,598	8,972	6,038
Over 180 days	31,493	8,863	21,040
	<u>\$ 31,816,955</u>	<u>\$ 30,104,276</u>	<u>\$ 36,195,061</u>

B. As of September 30, 2023, December 31, 2022 and September 30, 2022, accounts receivable and notes receivable were all from contracts with customers. In addition, as of January 1, 2022, the balance of receivables arising from contracts with customers amounted to \$37,624,006.

C. The Group does not hold any collateral as security.

D. Refer to Note 12(2) for the information on credit risk.

(5) Other receivables and prepayments

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Other receivables</u>			
Interest income receivable	\$ 230,882	\$ 214,777	\$ 107,794
Business tax refundable	100,201	196,308	91,427
Others	94,151	112,911	52,482
	<u>\$ 425,234</u>	<u>\$ 523,996</u>	<u>\$ 251,703</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Prepayments</u>			
Excess business tax paid	\$ 1,658,795	\$ 3,246,576	\$ 3,025,786
Prepaid expenses	1,472,658	1,636,965	2,153,053
	<u>\$ 3,131,453</u>	<u>\$ 4,883,541</u>	<u>\$ 5,178,839</u>

The Group's Mainland China subsidiaries are engaged in export sales. Under local regulations, the subsidiaries are entitled to tax benefits on business tax ('VAT') exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organizations, so the possibility of default is remote. The subsidiaries recognise related refunds and deductibles within 'other receivables' and 'prepayments', respectively.

(6) Inventories

	<u>September 30, 2023</u>		
	<u>Cost</u>	<u>Allowance for valuation losses</u>	<u>Carrying amount</u>
Raw materials	\$ 6,621,412	(\$ 214,395)	\$ 6,407,017
Work in process	5,959,391	(374,138)	5,585,253
Finished goods	11,220,401	(901,179)	10,319,222
	<u>\$ 23,801,204</u>	<u>(\$ 1,489,712)</u>	<u>\$ 22,311,492</u>

	December 31, 2022		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 4,341,095	(\$ 127,077)	\$ 4,214,018
Work in process	5,733,766	(350,732)	5,383,034
Finished goods	8,496,620	(368,828)	8,127,792
	<u>\$ 18,571,481</u>	<u>(\$ 846,637)</u>	<u>\$ 17,724,844</u>

	September 30, 2022		
	Cost	Allowance for valuation losses	Carrying amount
Raw materials	\$ 6,381,042	(\$ 120,596)	\$ 6,260,446
Work in process	6,432,275	(331,688)	6,100,587
Finished goods	12,202,959	(510,614)	11,692,345
	<u>\$ 25,016,276</u>	<u>(\$ 962,898)</u>	<u>\$ 24,053,378</u>

Expenses and losses incurred on inventories for the three months and nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended September 30,	
	2023	2022
Cost of goods sold	\$ 33,991,306	\$ 37,606,188
Reversal of valuation of inventory	(151,451)	(79,303)
Income from sale of scraps and wastes	(502,984)	(508,002)
	<u>\$ 33,336,871</u>	<u>\$ 37,018,883</u>

	Nine months ended September 30,	
	2023	2022
Cost of goods sold	\$ 81,894,501	\$ 94,212,392
Losses on (reversal of) valuation of inventory	645,705	(173,895)
Income from sale of scraps and wastes	(1,319,139)	(1,559,561)
	<u>\$ 81,221,067</u>	<u>\$ 92,478,936</u>

The Group reversed losses from a previous inventory write-down and recognised gain on reversal for the three months and nine months ended September 30, 2023 and 2022 as the Group sold some inventories with net realisable values lower than its costs.

(7) Non-current financial assets at fair value through other comprehensive income

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Equity instruments			
Listed stocks	\$ 70,927	\$ 70,927	\$ 70,927
Emerging stocks	120,992	120,992	-
Unlisted stocks	697,696	502,269	623,261
Valuation adjustment	236,958	48,334	(11,123)
Net exchange differences	<u>33,707</u>	<u>10,750</u>	<u>18,513</u>
	<u>\$ 1,160,280</u>	<u>\$ 753,272</u>	<u>\$ 701,578</u>

A. The Group has elected to classify the stocks that are considered to be strategic investments as financial assets at fair value through other comprehensive income.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Equity instruments	<u>\$ 42,858</u>	<u>\$ 31,283</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Equity instruments	<u>\$ 188,624</u>	<u>(\$ 82,261)</u>

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

(8) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2023</u>						
Cost	\$ 2,535,889	\$ 32,809,165	\$ 73,649,928	\$ 40,291,883	\$ 19,536,651	\$ 168,823,516
Accumulated depreciation and impairment	-	(9,719,163)	(37,469,326)	(21,327,716)	-	(68,516,205)
	<u>\$ 2,535,889</u>	<u>\$ 23,090,002</u>	<u>\$ 36,180,602</u>	<u>\$ 18,964,167</u>	<u>\$ 19,536,651</u>	<u>\$ 100,307,311</u>
<u>2023</u>						
Opening net carrying amount	\$ 2,535,889	\$ 23,090,002	\$ 36,180,602	\$ 18,964,167	\$ 19,536,651	\$ 100,307,311
Additions (transfers)	-	11,935,785	5,289,591	4,273,488	(4,580,697)	16,918,167
Disposals	-	(54,494)	(106,437)	(49,363)	-	(210,294)
Depreciation expense	-	(1,838,999)	(4,503,849)	(5,031,344)	-	(11,374,192)
Net exchange differences	101,451	546,447	564,072	1,080,859	392,001	2,684,830
Closing net carrying amount	<u>\$ 2,637,340</u>	<u>\$ 33,678,741</u>	<u>\$ 37,423,979</u>	<u>\$ 19,237,807</u>	<u>\$ 15,347,955</u>	<u>\$ 108,325,822</u>
<u>At September 30, 2023</u>						
Cost	\$ 2,637,340	\$ 45,420,243	\$ 78,906,469	\$ 45,818,113	\$ 15,347,955	\$ 188,130,120
Accumulated depreciation and impairment	-	(11,741,502)	(41,482,490)	(26,580,306)	-	(79,804,298)
	<u>\$ 2,637,340</u>	<u>\$ 33,678,741</u>	<u>\$ 37,423,979</u>	<u>\$ 19,237,807</u>	<u>\$ 15,347,955</u>	<u>\$ 108,325,822</u>

	Land	Buildings and structures	Machinery and equipment	Other facilities	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2022</u>						
Cost	\$ 2,338,433	\$ 27,766,519	\$ 67,804,287	\$ 29,653,914	\$ 13,434,452	\$ 140,997,605
Accumulated depreciation and impairment	-	(8,957,477)	(32,088,853)	(13,878,391)	-	(54,924,721)
	<u>\$ 2,338,433</u>	<u>\$ 18,809,042</u>	<u>\$ 35,715,434</u>	<u>\$ 15,775,523</u>	<u>\$ 13,434,452</u>	<u>\$ 86,072,884</u>
<u>2022</u>						
Opening net carrying amount	\$ 2,338,433	\$ 18,809,042	\$ 35,715,434	\$ 15,775,523	\$ 13,434,452	\$ 86,072,884
Additions (transfers)	-	1,392,586	4,694,098	4,585,264	10,836,710	21,508,658
Disposals	-	(21,188)	(158,732)	(23,738)	-	(203,658)
Depreciation expense	-	(1,631,359)	(4,474,967)	(3,758,456)	-	(9,864,782)
Impairment losses	-	-	(546,072)	(218,177)	-	(764,249)
Net exchange differences	265,090	550,980	929,124	604,021	416,241	2,765,456
Closing net carrying amount	<u>\$ 2,603,523</u>	<u>\$ 19,100,061</u>	<u>\$ 36,158,885</u>	<u>\$ 16,964,437</u>	<u>\$ 24,687,403</u>	<u>\$ 99,514,309</u>
<u>At September 30, 2022</u>						
Cost	\$ 2,603,523	\$ 30,239,090	\$ 73,416,832	\$ 34,322,072	\$ 24,687,403	\$ 165,268,920
Accumulated depreciation and impairment	-	(11,139,029)	(37,257,947)	(17,357,635)	-	(65,754,611)
	<u>\$ 2,603,523</u>	<u>\$ 19,100,061</u>	<u>\$ 36,158,885</u>	<u>\$ 16,964,437</u>	<u>\$ 24,687,403</u>	<u>\$ 99,514,309</u>

- A. The significant parts of the Group's buildings and structures include main plants and auxiliary improvements, which are depreciated over 20~54 years and 3~10 years, respectively.
- B. The Group assesses recoverable amount of assets at the end of the reporting period based on fair value less selling cost. The fair value is determined using market approach valuation technique taking into consideration the replacement cost which belongs to Level 3. Based on the aforementioned assessment, the Group recognised impairment losses on property, plant and equipment of \$0 and \$764,249 for the nine months ended September 30, 2023 and 2022, respectively. The impairment losses belong to PCB segments.

(9) Right-of-use assets/Lease liabilities

- A. The assets leased by the Group include right-of-use land, buildings, official vehicles and other facilities. The Group's subsidiaries signed right-of-use land contracts with local governments to which the subsidiaries will return the land use right when the contract expires. Except for the lease term of right-of-use land of 20 to 50 years, the remaining lease terms are between 2 and 8 years. The lease contracts are negotiated individually and contain various terms and conditions without other restrictions except for certain leased assets which have been pledged to others.
- B. The leases of buildings, parking space, etc. of the Group have a lease term of 12 months or less, and the leases for which the underlying asset is of low value are all-in-one printers, etc.
- C. The information on the carrying amount of the right-of-use assets and the recognition of depreciation expense are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Right-of-use land	\$ 8,161,870	\$ 8,233,364	\$ 8,419,188
Buildings	40,725	69,631	86,787
Transportation equipment (official vehicles)	6,038	17,355	22,499
Other facilities	746	7,347	8,511
	<u>\$ 8,209,379</u>	<u>\$ 8,327,697</u>	<u>\$ 8,536,985</u>

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Right-of-use land	\$ 70,494	\$ 73,604
Buildings	11,615	11,940
Transportation equipment (official vehicles)	2,510	5,272
Other facilities	1,298	1,055
	<u>\$ 85,917</u>	<u>\$ 91,871</u>

	Nine months ended September 30,	
	2023	2022
	Depreciation expense	Depreciation expense
Right-of-use land	\$ 217,520	\$ 220,202
Buildings	34,910	70,715
Transportation equipment (official vehicles)	11,116	15,508
Other facilities	2,895	2,156
	<u>\$ 266,441</u>	<u>\$ 308,581</u>

The acquisition of the right-of-use assets for the nine months ended September 30, 2023 and 2022 amounted to \$19,560 and \$61,089, respectively.

- D. As of September 30, 2023, right-of-use land contracts of \$715,580 were in the process of registration between the subsidiaries of the Group and the local government.
- E. The Group recognised rental expense for leases with a lease term of less than 12 months or leases for which the underlying asset is of low value. The information on the lease contract affecting profit or loss is as follows:

	Three months ended September 30,	
	2023	2022
<u>Items affecting current profit or loss</u>		
Interest expense from lease liabilities	<u>\$ 2,241</u>	<u>\$ 3,495</u>
Rental expenses for short-term lease contracts and low-value assets	<u>\$ 144,899</u>	<u>\$ 67,949</u>
	Nine months ended September 30,	
	2023	2022
<u>Items affecting current profit or loss</u>		
Interest expense from lease liabilities	<u>\$ 7,498</u>	<u>\$ 11,671</u>
Rental expenses for short-term lease contracts and low-value assets	<u>\$ 232,252</u>	<u>\$ 206,867</u>
Loss on disposal of right-of-use assets	<u>\$ 320</u>	<u>\$ -</u>
Gains from lease modification	<u>\$ -</u>	<u>\$ 1,943</u>

- F. The cash flows used in the lease payments of the Group for the nine months ended September 30, 2023 and 2022 were \$322,912 and \$302,986, respectively.

(10) Investment property

	<u>September 30, 2023</u>
	<u>Buildings and structures</u>
<u>2023</u>	
Opening net carrying amount	\$ 4,506,853
Depreciation expense	(137,101)
Net exchange differences	<u>84,415</u>
Closing net carrying amount	<u>\$ 4,454,167</u>

At September 30, 2023

Cost	\$ 4,609,365
Accumulated depreciation and impairment	(<u>155,198</u>)
	<u>\$ 4,454,167</u>

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Three months ended</u> <u>September 30, 2023</u>	<u>Nine months ended</u> <u>September 30, 2023</u>
Rental income from investment property	<u>\$ 20,296</u>	<u>\$ 41,538</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 45,688</u>	<u>\$ 137,101</u>

B. The fair value of the investment property held by the Group as at September 30, 2023 and December 31, 2022 were \$9,302,770 and \$9,126,606, which was revalued by independent appraisers. The valuation is based on income approach which is categorized within Level 3 in the fair value hierarchy.

(11) Intangible assets

Nine months ended September 30, 2023				
	Patents and technological expertise	Software	Goodwill	Total
<u>At January 1, 2023</u>				
Cost	\$ 444,365	\$ 1,791,152	\$ 1,335,623	\$ 3,571,140
Accumulated amortisation	(193,058)	(1,239,496)	-	(1,432,554)
	<u>\$ 251,307</u>	<u>\$ 551,656</u>	<u>\$ 1,335,623</u>	<u>\$ 2,138,586</u>
<u>2023</u>				
Opening net carrying amount	\$ 251,307	\$ 551,656	\$ 1,335,623	\$ 2,138,586
Additions (transfers)	-	597,303	-	597,303
Amortisation expense	(62,912)	(283,236)	-	(346,148)
Net exchange differences	10,011	10,683	67,848	88,542
Closing net carrying amount	<u>\$ 198,406</u>	<u>\$ 876,406</u>	<u>\$ 1,403,471</u>	<u>\$ 2,478,283</u>
<u>At September 30, 2023</u>				
Cost	\$ 466,938	\$ 2,425,018	\$ 1,403,471	\$ 4,295,427
Accumulated amortisation	(268,532)	(1,548,612)	-	(1,817,144)
	<u>\$ 198,406</u>	<u>\$ 876,406</u>	<u>\$ 1,403,471</u>	<u>\$ 2,478,283</u>
Nine months ended September 30, 2022				
	Patents and technological expertise	Software	Goodwill	Total
<u>At January 1, 2022</u>				
Cost	\$ 400,522	\$ 1,400,642	\$ 1,203,863	\$ 3,005,027
Accumulated amortisation	(95,971)	(829,748)	-	(925,719)
	<u>\$ 304,551</u>	<u>\$ 570,894</u>	<u>\$ 1,203,863</u>	<u>\$ 2,079,308</u>
<u>2022</u>				
Opening net carrying amount	\$ 304,551	\$ 570,894	\$ 1,203,863	\$ 2,079,308
Additions (transfers)	-	140,815	-	140,815
Amortisation expense	(62,912)	(262,056)	-	(324,968)
Net exchange differences	39,392	12,735	176,991	229,118
Closing net carrying amount	<u>\$ 281,031</u>	<u>\$ 462,388</u>	<u>\$ 1,380,854</u>	<u>\$ 2,124,273</u>
<u>At September 30, 2022</u>				
Cost	\$ 459,413	\$ 1,619,980	\$ 1,380,854	\$ 3,460,247
Accumulated amortisation	(178,382)	(1,157,592)	-	(1,335,974)
	<u>\$ 281,031</u>	<u>\$ 462,388</u>	<u>\$ 1,380,854</u>	<u>\$ 2,124,273</u>

- A. The Group acquired 100% of the shares of Boardtek Electronics Corporation on November 4, 2020 and Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd. in 2008, and recognized goodwill as well as patents and technological expertise under the acquisition method.
- B. Goodwill is allocated to the Group's cash-generating units identified by operating segments. The recoverable amount has been determined based on value-in-use calculations with operating income rate, growth rate and discount rate. Management determined budgeted operating income rate based on its expectations of market development, the growth rates based on the expectations of industry, and the discount rates based on the weighted average capital cost.

(12) Other non-current assets

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Prepayments for royalty for the right of superficies	\$ 347,600	\$ -	\$ -
Refundable deposits	175,667	229,363	253,679
Net defined benefit asset	82,301	82,309	55,726
Prepayments for business facilities	80,504	891,956	615,858
Others	373,724	331,455	64,030
	<u>\$ 1,059,796</u>	<u>\$ 1,535,083</u>	<u>\$ 989,293</u>

A. Information about the other non-current assets that were pledged to others as tariff guarantee and reserve accounts for long-term is described in Note 8.

B. Refer to Note 9(2) for prepayments for royalty for the right of superficies.

(13) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2023</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	<u>\$ 32,230,086</u>	1.60%~8.55%	None
	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	<u>\$ 16,819,556</u>	1.25%~8.20%	None
	<u>September 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Credit loans	<u>\$ 19,325,823</u>	1.25%~7.75%	None

(14) Other payables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Payable on machinery and equipment	\$ 8,731,885	\$ 9,870,079	\$ 4,480,678
Wages and bonuses payable	5,781,942	5,270,984	5,794,453
Payable on mold and jig	1,281,244	683,966	880,421
Repairs and maintenance fee payable	1,078,893	763,148	832,808
Tax payable	439,203	409,036	326,887
Power expenses payable	394,387	326,086	321,130
Payables for processing fees	235,719	196,373	250,577
Others	<u>2,259,976</u>	<u>2,662,094</u>	<u>2,957,480</u>
	<u>\$ 20,203,249</u>	<u>\$ 20,181,766</u>	<u>\$ 15,844,434</u>

(15) Bonds payable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
3rd overseas unsecured convertible bonds:			
Bonds payable	\$ -	\$ 12,284,000	\$ 12,700,000
Less: Discount on bonds payable	<u>-</u>	<u>(545,895)</u>	<u>(620,820)</u>
	<u>-</u>	<u>11,738,105</u>	<u>12,079,180</u>
Less: Current portion of bonds payable (within 'long-term liabilities, current portion')	<u>-</u>	<u>(11,738,105)</u>	<u>(12,079,180)</u>
Bonds payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A. Conditions for issuance of 3rd overseas unsecured convertible bonds are as follows:

- The competent authority has approved the Company's third issuance of overseas unsecured corporate bonds on June 16, 2020. The total issue amount of the bonds is USD 400,000 thousand, at a coupon rate of 0% and maturity of 5 years from June 30, 2020 to June 30, 2025.
- The conversion price of the bonds is adjusted based on the pricing model in the terms of the bonds. As of June 9, 2023, the conversion price of the bonds is adjusted to NTD 131 (exchange rate of NTD 29.593 (in dollars) to USD 1 (in dollar)) based on the terms of the 3rd overseas unsecured convertible bonds.
- The bondholders have the right to require the Company to repurchase all or any portion of bonds at the price of the bonds' principal amount with an annual rate of 0% as interest compensation (100% of the principal amount of the corporate bonds) on the day when three years have elapsed since issuance of the bonds.
- Except for bonds redeemed before maturity, repurchased and retired, or converted by the

bondholders, the Company will fully redeem the bonds at the maturity date with an annual rate of 0% based on the principal amount. The redemption amount is about 100% of the principal amount of the corporate bonds, and the bonds will be redeemed in full.

- (e) According to the terms of the bonds, all bonds repurchased (including bonds repurchased from the secondary market), redeemed before or at maturity, or converted by the bondholders are retired and not to be re-issued.
 - (f) According to the terms of the bonds, rights and obligations of newly issued shares after conversion are the same as other issued ordinary share.
 - (g) The effective rate of the corporate bonds is 1.86%.
- B. As of June 30, 2023, the bondholders required the Company to repurchase the bonds at the price of the bonds' principal amount of USD 386,400 thousand. Because over 90% of the bonds have been repurchased, in accordance with the terms of issuance, on August 15, 2023, the Company repurchased the residual bonds in advance at the price of USD 13,600 thousand, and the loss on the repurchase was \$438,175 (shown as 'other gains and losses').
- C. Regarding the issuance of 3rd overseas unsecured convertible bonds in 2020, the equity conversion options were separated from the liability component in accordance with IAS 32. As of June 30, 2023, the Company repurchased 3rd overseas unsecured convertible bonds at a principal amount of USD 386,400 thousand and transferred the unconverted options to 'capital surplus - expired share options' in the amount of \$962,863. Additionally, on August 15, 2023, the Company repurchased 3rd overseas unsecured convertible bonds at a principal amount of USD 13,600 thousand in advance and transferred the unconverted options to 'capital surplus - treasury shares' in the amount of \$33,890.

(16) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>September 30, 2023</u>
Syndicated loans	Borrowing period is from July 3, 2023 to July 3, 2026; principal is repayable semiannually from January 3, 2026 in two installments; 50% of principal has to be repaid for each installment.	\$ 8,067,500
Credit loans	Borrowing period is from March 24, 2022 to March 24, 2036; principal is repayable semiannually after four years since the first drawdown in twenty installments; 5% of principal has to be repaid for each installment.	4,574,198
	Borrowing period is from January 18, 2023 to January 18, 2025; principal is repayable semiannually after half years since the first drawdown in four installments; the 5% of principal has to be repaid for each of the first 3 installments, respectively, and the remaining is repayable on the due date.	426,983
	Borrowing period is from August 18, 2022 to July 29, 2036; principal is repayable semiannually after four years since the first drawdown in twenty installments; 5% of principal has to be repaid for each installment.	2,022,549
	Borrowing period is from March 30, 2023 to March 30, 2026; the principal and interest are repayable on the last month of every quarter.	754,810
	Borrowing period is from September 14, 2023 to September 14, 2026; principal is repayable quarterly after six months (the first installment) since the first drawdown in eleven installments; 5% of principal has to be repaid for the first and second installments, and 10% of principal has to be repaid for the remaining installments.	181,250

Type of borrowings	Borrowing period and repayment term	September 30, 2023
	Borrowing period is from May 9, 2022 to May 9, 2035; principal is repayable semiannually after three years since the first drawdown in twenty installments; 5% of principal has to be repaid for each installment.	\$ 1,353,678
	Borrowing period is from June 29, 2022 to June 28, 2035; principal is repayable semiannually after three years since the first drawdown in twenty installments; 5% of principal has to be repaid for each installment.	1,255,463
	Borrowing period is from January 25, 2021 to July 25, 2024; interest is repayable monthly and the principal has to be repaid at once.	<u>806,750</u>
		19,443,181
Less: Syndicated loan arrangement fees		(33,279)
Current portion of long-term borrowings (within 'long-term liabilities, current portion')		(<u>1,185,168</u>)
		<u>\$ 18,224,734</u>
Interest rate		<u>3.30%~7.49%</u>
Type of borrowings	Borrowing period and repayment term	December 31, 2022
Syndicated loans	Borrowing period is from April 6, 2021 to April 6, 2024; principal is repayable semiannually from October 6, 2023 in two installments; 50% of principal has to be repaid for each installment.	\$ 7,677,500
Credit loans	Borrowing period is from March 24, 2022 to March 24, 2036; principal is repayable semiannually after four years since the first drawdown in twenty installments; 5% of principal has to be repaid for each installment.	6,426,497
	Ten loans with borrowing period from January 25, 2021 to June 28, 2025 are payable on the due date.	<u>2,704,919</u>
		16,808,916
Less: Syndicated loan arrangement fees		(7,997)
Current portion of long-term borrowings (within 'long-term liabilities, current portion')		(<u>3,834,751</u>)
		<u>\$ 12,966,168</u>
Interest rate		<u>1.97%~4.73%</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>September 30, 2022</u>
Syndicated loans	Borrowing period is from April 6, 2021 to April 6, 2024; principal is repayable semiannually from October 6, 2023 in two installments; 50% of principal has to be repaid for each installment.	\$ 7,937,500
Credit loans	Borrowing period is from March 24, 2022 to March 24, 2036; principal is repayable semiannually after four years since the first drawdown in twenty installments; 5% of principal has to be repaid for each installment.	4,878,928
	Borrowing period is from May 9, 2022 to May 9, 2035, it is repayable on the due date.	321,984
	Borrowing period is from May 26, 2022 to May 9, 2035, it is repayable on the due date.	314,857
	Borrowing period is from June 23, 2022 to May 9, 2035, it is repayable on the due date.	71,653
	Borrowing period is from June 29, 2022 to June 28, 2035, it is repayable on the due date.	459,198
	Borrowing period is from July 28, 2022 to June 28, 2035, it is repayable on the due date.	45,650
	Borrowing period is from August 25, 2022 to June 28, 2035, it is repayable on the due date.	300,142
	Borrowing period is from January 25, 2021 to July 25, 2024, it is repayable on the due date.	316,136
	Borrowing period is from March 18, 2021 to July 25, 2024, it is repayable on the due date.	158,068
	Borrowing period is from June 29, 2021 to July 25, 2024, it is repayable on the due date.	316,136
		<u>15,120,252</u>
Less: Syndicated loan arrangement fees		(9,922)
		<u>\$ 15,110,330</u>
Interest rate		<u>1.97%~4.20%</u>

During the terms of the syndicated loans, in accordance with the syndicated loan agreement, the Company is required to calculate and maintain certain level of current ratio, liability ratio, times-interest-earned ratio and net tangible asset balance based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements.

(17) Pensions

A. Defined benefit plans

- (a) The Group's subsidiaries in Taiwan, Zhen Ding Technology Co., Ltd. and Boardtek Electronics Corporation, have defined benefit pension plans in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the

Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Taiwan subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the 'Fund'). Before the end of each year, the Taiwan subsidiaries assess the balance in the aforementioned Fund. If the balance in the Fund is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year by the aforementioned method, the Taiwan subsidiaries are required to fund the deficit in one appropriation before the end of next March.

- (b) For the aforementioned pension plan, the Group recognised pension costs of \$4, \$11, \$19 and \$31 for the three months and nine months ended September 30, 2023 and 2022, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group amount to \$15 for the year ending December 31, 2024.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Taiwan subsidiaries of the Group have established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Taiwan subsidiaries of the Group contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The contribution plan accrued dividends from an employee's individual account is paid monthly or in lump sum upon retirement of an employee. The pension expenses recognised in accordance with the New Plan were \$21,140, \$19,824, \$61,476 and \$59,755 for the three months and nine months ended September 30, 2023 and 2022, respectively.
- (b) The Mainland China subsidiaries of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages with the contribution percentage of 10%~20%, and pension is contributed to the employees' individual pension accounts. Pension of each employee is managed by the government. Other than the monthly contributions, the Group has no further obligations. The pension expenses recognised in accordance with local regulations were \$409,387, \$378,139, \$1,126,602 and \$1,154,375 for the three months and nine months ended September 30, 2023 and 2022, respectively.

(18) Share-based payment

A. The share-based payment arrangements of the Company's subsidiary, Avary Holding (Shenzhen) Co., Limited, are as follows:

Type of arrangements	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees	2017.02.27	185,080 thousand shares	7 years	(a)(c)
Restricted stocks to employees	2021.06.15	10,045 thousand shares	6 years	(b)(c)(d)

(a) A restricted stock has not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 2 years starting from the purchase date. Shares will be vested in accordance with the number of the grantees' shares at 20% every year. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the lower of the investment amount or the carrying amount of net assets. However, appropriated dividend is not required to be returned.

(b) A restricted stock has not vested until an employee remains the employ in the Avary Holding (Shenzhen) Co., Limited for 1 year starting from the purchase date. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the vested price and retired.

(c) Until the achievement of the vesting conditions, the right and obligation: cannot sell, pledge, transfer, give to others, create a right in rem over it or any other disposal.

(d) The vesting conditions of the issuance of restricted shares for employees were the annual operating revenue reached a predetermined target and employees' individual performance reached a standard level. For an employee who does not satisfy the vesting conditions, the employee's investment would be refunded by the Group at the vested price and retired.

B. Employee restricted stocks

The numbers of employee restricted stocks for the first time are as follows (in thousand shares):

	Nine months ended September 30,	
	2023	2022
Outstanding at January 1	70,874	109,917
Vested during the period	(35,437)	(36,639)
Outstanding at September 30	<u>35,437</u>	<u>73,278</u>

The number of employee restricted stocks for the second time are as follows (in thousand shares):

	Nine months ended September 30,	
	2023	2022
Outstanding at January 1	7,224	9,760
Vested during the period	(1,757)	(1,931)
Returned during the period	(211)	(401)
Outstanding at September 30	<u>5,256</u>	<u>7,428</u>

C. Expenses incurred on share-based payment transactions are shown below:

	Three months ended September 30,	
	2023	2022
Expenses incurred on employee restricted stocks	<u>\$ 28,222</u>	<u>\$ 68,245</u>
	Nine months ended September 30,	
	2023	2022
Expenses incurred on employee restricted stocks	<u>\$ 82,040</u>	<u>\$ 181,349</u>

(19) Share capital

- A. As of September 30, 2023, the Company's authorised capital was \$16,000,000, and the issued capital was \$9,470,492, consisting of 947,049 thousand shares of ordinary share with a par value of \$10 (in New Taiwan dollars) per share.
- B. As of September 30, 2023, the number of shares of the Company held by the Group's subsidiary, BoardTek Investment Co., Ltd., was 2,093 thousand shares and the acquisition cost amounted to \$257,489 within 'treasury shares'. The treasury shares shall not be pledged to others, and the shareholders' rights shall not be enjoyed before transfer under the Securities and Exchange Act.

(20) Capital surplus

Nine months ended September 30, 2023

	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in ownership interests in subsidiaries	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Treasury share transactions	Total
At January 1	\$ 10,754,926	\$ 13,624,555	\$ 996,753	\$ 59,426	\$ 10,707,222	\$ 1,858,418	\$ 19,887	\$ 38,021,187
Employee restricted stocks	-	-	-	-	58,814	-	-	58,814
Expiration of stock options in convertible corporate bonds based on the redemption ratio	-	-	(996,753)	962,863	-	-	33,890	-
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	-	-	-	12,560	12,560
Recognition of changes in ownership interests in subsidiaries	-	-	-	-	776,257	5,913	-	782,170
At September 30	<u>\$ 10,754,926</u>	<u>\$ 13,624,555</u>	<u>\$ -</u>	<u>\$ 1,022,289</u>	<u>\$ 11,542,293</u>	<u>\$ 1,864,331</u>	<u>\$ 66,337</u>	<u>\$ 38,874,731</u>

Nine months ended September 30, 2022

	Additional paid-in capital arising from ordinary share	Additional paid-in capital arising from bond conversion	Share options	Expired share options	Changes in ownership interests in subsidiaries	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Treasury share transactions	Total
At January 1	\$ 10,754,926	\$ 13,624,555	\$ 996,753	\$ 59,426	\$ 10,389,506	\$ 1,103,156	\$ 9,420	\$ 36,937,742
Employee restricted stocks	-	-	-	-	133,414	-	-	133,414
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	-	-	-	-	-	10,467	10,467
Recognition of changes in ownership interests in subsidiaries	-	-	-	-	143,041	755,262	-	898,303
At September 30	<u>\$ 10,754,926</u>	<u>\$ 13,624,555</u>	<u>\$ 996,753</u>	<u>\$ 59,426</u>	<u>\$ 10,665,961</u>	<u>\$ 1,858,418</u>	<u>\$ 19,887</u>	<u>\$ 37,979,926</u>

- A. Capital surplus arising from paid-in capital in excess of par value on issuance of ordinary share is used to offset accumulated losses incurred in previous years or distribute dividends to shareholders.
- B. Refer to Note 6(15) for capital surplus - conversion options, capital surplus – expired share options and capital surplus – treasury shares.
- C. Refer to Note 6(32) for capital surplus arising from the recognition of changes in ownership interest in subsidiaries

(21) Retained earnings

A. In accordance with the Company's Articles of Incorporation, the Board of Directors shall set aside out of the current year's earnings sequentially as follows:

- (a) A reserve for payment of tax for the relevant financial year;
- (b) An amount to offset losses incurred in previous years;
- (c) Ten percent (10%) as a general reserve, and
- (d) A special surplus reserve as required by the applicable securities authority under the Applicable Public Company Rules or a reserve as determined by the Board of Directors.

Dividends shall not be lower than 10% of the distributable amount, and the Board of Directors can determine to distribute in cash, in shares or to distribute in both ways. However, cash dividends shall not be lower than 50% of total dividends.

In addition, cash dividends shall be distributed upon the approval of a majority of the directors present at a meeting attended by at least two-thirds or more of the total number of the directors. Share dividends can be distributed after obtaining approval from the shareholders in each accounting year.

B. On May 30, 2023 and May 31, 2022, the stockholders resolved the distribution of earnings for the years ended December 31, 2022 and 2021 as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (in New Taiwan dollars)</u>	<u>Amount</u>	<u>Dividends per share (in New Taiwan dollars)</u>
Legal reserve	\$ 1,421,842		\$ 965,710	
Special reserve	(1,965,864)		717,985	
Cash dividends	<u>5,682,295</u>	6.00	<u>4,735,246</u>	5.00
Total	<u>\$ 5,138,273</u>		<u>\$ 6,418,941</u>	

Information on the appropriation of the Company's earnings as resolved at the shareholders' meeting is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(22) Other equity interest

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2023	\$ 17,555	(\$ 2,899,992)	(\$ 2,882,437)
Valuation adjustment	119,661	-	119,661
Currency translation differences:			
–Group	-	756,452	756,452
At September 30, 2023	<u>\$ 137,216</u>	<u>(\$ 2,143,540)</u>	<u>(\$ 2,006,324)</u>

	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign financial statements	Total
At January 1, 2022	\$ 38,071	(\$ 4,886,372)	(\$ 4,848,301)
Valuation adjustment	(36,643)	-	(36,643)
Currency translation differences:			
–Group	-	3,382,268	3,382,268
At September 30, 2022	<u>\$ 1,428</u>	<u>(\$ 1,504,104)</u>	<u>(\$ 1,502,676)</u>

(23) Operating revenue

	Three months ended September 30,	
	2023	2022
Revenue from contracts with customers	<u>\$ 41,919,467</u>	<u>\$ 50,004,714</u>

	Nine months ended September 30,	
	2023	2022
Revenue from contracts with customers	<u>\$ 97,001,710</u>	<u>\$ 118,454,269</u>

The Group derives revenue from the transfer of goods and services at a point in time, and the Group's geographical revenue based on the countries where customers are located are as follows:

	Three months ended September 30,	
	2023	2022
Revenue from contracts with customers		
United States	\$ 31,047,149	\$ 37,629,529
Mainland China	5,948,829	6,689,140
Taiwan	2,251,034	2,080,850
Other regions	2,672,455	3,605,195
	<u>\$ 41,919,467</u>	<u>\$ 50,004,714</u>

	Nine months ended September 30,	
	2023	2022
Revenue from contracts with customers		
United States	\$ 71,597,974	\$ 85,656,559
Mainland China	13,583,171	19,194,450
Taiwan	5,465,852	6,669,518
Other regions	6,354,713	6,933,742
	<u>\$ 97,001,710</u>	<u>\$ 118,454,269</u>

(24) Expenses by nature

	Three months ended September 30,	
	2023	2022
Employee benefit expense	\$ 6,481,058	\$ 6,042,935
Depreciation expense	4,001,430	3,440,262
Amortisation expense	122,800	107,313
	<u>\$ 10,605,288</u>	<u>\$ 9,590,510</u>
	Nine months ended September 30,	
	2023	2022
Employee benefit expense	\$ 15,189,828	\$ 16,491,997
Depreciation expense	11,777,734	10,173,363
Amortisation expense	346,148	324,968
	<u>\$ 27,313,710</u>	<u>\$ 26,990,328</u>

(25) Employee benefit expense

	Three months ended September 30,	
	2023	2022
Wages and salaries	\$ 5,152,615	\$ 4,755,013
Employees' remuneration	79,212	199,333
Labor and health insurance fees	274,249	265,071
Pension expenses	430,531	397,974
Other personnel expenses	544,451	425,544
	<u>\$ 6,481,058</u>	<u>\$ 6,042,935</u>

	Nine months ended September 30,	
	2023	2022
Wages and salaries	\$ 11,915,251	\$ 12,927,136
Employees' remuneration	79,272	345,987
Labor and health insurance fees	740,651	724,582
Pension expenses	1,188,097	1,214,161
Other personnel expenses	1,266,557	1,280,131
	<u>\$ 15,189,828</u>	<u>\$ 16,491,997</u>

- A. In accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration between zero point five percent (0.5%) and twenty percent (20%) and distribute directors' remuneration no higher than zero point five percent (0.5%) of the distributable earnings after covering accumulated losses.
- B. For the three months and nine months ended September 30, 2023 and 2022, employees' remunerations were accrued in the amount of \$79,212, \$199,333, \$79,272 and \$345,987, respectively; while directors' remunerations were accrued in the amount of \$13,202, \$56,082, \$13,212 and \$64,895, respectively.
- C. Employees' remuneration and directors' remuneration as resolved by the Board of Directors for the year ended December 31, 2022 were equal to the amount recognised in the financial statements for the year ended December 31, 2022.
- D. Information on employees' remuneration and directors' remuneration of the Company as resolved by the Board of Directors and shareholders is posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(26) Interest income

	Three months ended September 30,	
	2023	2022
Interest income from bank deposits	\$ 464,469	\$ 188,705
Interest income from financial assets at amortised cost	34,790	10,453
	<u>\$ 499,259</u>	<u>\$ 199,158</u>
	Nine months ended September 30,	
	2023	2022
Interest income from bank deposits	\$ 1,642,805	\$ 329,485
Interest income from financial assets at amortised cost	89,545	32,167
	<u>\$ 1,732,350</u>	<u>\$ 361,652</u>

(27) Other income

	Three months ended September 30,	
	2023	2022
Government grant revenue	\$ 196,906	\$ 271,382
Others	45,231	22,326
	<u>\$ 242,137</u>	<u>\$ 293,708</u>
	Nine months ended September 30,	
	2023	2022
Government grant revenue	\$ 471,962	\$ 526,189
Others	127,174	83,759
	<u>\$ 599,136</u>	<u>\$ 609,948</u>

(28) Other gains and losses

	Three months ended September 30,	
	2023	2022
Net currency exchange gains	\$ 122,115	\$ 919,332
Net losses on financial assets and liabilities at fair value through profit or loss	(145,331)	(39,208)
Net gains on disposal of property, plant and equipment	9,548	1,276
Impairment loss on property, plant and equipment	-	(734,451)
Loss on the repurchase of convertible bonds	(14,745)	-
Others	(13,166)	(68,359)
	<u>(\$ 41,579)</u>	<u>\$ 78,590</u>
	Nine months ended September 30,	
	2023	2022
Net currency exchange gains	\$ 816,752	\$ 2,407,900
Net (losses) gains on financial assets and liabilities at fair value through profit or loss	(110,857)	11,097
Net gains on disposal of property, plant and equipment	52,809	3,510
Impairment loss on property, plant and equipment	-	(764,249)
Loss on the repurchase of convertible bonds	(438,175)	-
Others	(27,819)	(72,195)
	<u>\$ 292,710</u>	<u>\$ 1,586,063</u>

(29) Finance costs

	Three months ended September 30,	
	2023	2022
Interest expense		
Bank borrowings	\$ 462,441	\$ 161,596
Amortisation of convertible bond discounts	628	54,046
Amortisation of syndicated loan arrangement fees	7,845	1,584
Interest expense from lease liabilities	2,241	3,495
	<u>\$ 473,155</u>	<u>\$ 220,721</u>
	Nine months ended September 30,	
	2023	2022
Interest expense		
Bank borrowings	\$ 1,185,786	\$ 370,050
Amortisation of convertible bond discounts	109,237	159,382
Amortisation of syndicated loan arrangement fees	11,027	4,670
Interest expense from lease liabilities	7,498	11,671
	<u>\$ 1,313,548</u>	<u>\$ 545,773</u>

(30) Income tax

A. Components of income tax expense:

	Three months ended September 30,	
	2023	2022
Current tax:		
Tax payable arising from the current period	\$ 656,668	\$ 1,724,803
Adjustments in respect of prior years	-	(901)
Total current tax	<u>656,668</u>	<u>1,723,902</u>
Deferred tax:		
Origination and reversal of temporary differences	(\$ 208,701)	(\$ 484,338)
Total deferred tax	<u>(208,701)</u>	<u>(484,338)</u>
Income tax expense	<u>\$ 447,967</u>	<u>\$ 1,239,564</u>

	Nine months ended September 30,	
	2023	2022
Current tax:		
Tax payable arising from the current period	\$ 801,533	\$ 2,557,459
Adjustments in respect of prior years	(277,952)	(137,087)
Total current tax	<u>523,581</u>	<u>2,420,372</u>
Deferred tax:		
Origination and reversal of temporary differences	(\$ 682,948)	(\$ 349,485)
Total deferred tax	(682,948)	(349,485)
Income tax (benefit) expense	<u>(\$ 159,367)</u>	<u>\$ 2,070,887</u>

B. The income tax returns of the Group's subsidiaries, Zhen Ding Technology Co., Ltd., Garuda Technology Co., Ltd., Boardtek Electronics Corporation and Boardtek Investment Co., Ltd., through 2020, 2020, 2020 and 2021 have been assessed and approved by the Tax Authority, respectively.

(31) Earnings per share

	Three months ended September 30, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,270,705</u>	<u>944,956</u>	<u>\$ 2.40</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,270,705	944,956	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	<u>-</u>	<u>925</u>	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,270,705</u>	<u>945,881</u>	<u>\$ 2.40</u>

Three months ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,984,512	944,956	\$ 5.27
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 4,984,512	944,956	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds-overseas	54,506	85,498	
Employees' remuneration	-	3,264	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 5,039,018	1,033,718	\$ 4.87
Nine months ended September 30, 2023			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,684,605	944,956	\$ 2.84
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,684,605	944,956	
Assumed conversion of all dilutive potential ordinary shares			
Employees' remuneration	-	2,112	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 2,684,605	947,068	\$ 2.83

Nine months ended September 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in New Taiwan dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,491,526	944,956	\$ 10.04
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 9,491,526	944,956	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds-overseas	159,382	85,498	
Employees' remuneration	-	3,708	
Profit attributable to ordinary shareholders of the parent considering assumed conversion of all dilutive potential ordinary shares	\$ 9,650,908	1,034,162	\$ 9.33

As employees' remuneration might be distributed in the form of shares, the diluted EPS is calculated based on the assumption that all distribution will be in the form of shares in the calculation of the weighted-average number of ordinary shares outstanding during the reporting period, taking into account the dilutive effects of stock bonus on potential ordinary shares.

(32) Transactions with non-controlling interest

- A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary
- (a) In the first half of 2023, the Group's subsidiary, Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., has increased its capital by issuing new shares. As the Group did not acquire shares proportionately, the shareholding ratio decreased by 3.77%. Abovementioned transaction resulted in an increase in the non-controlling interest by \$1,031,776 and an increase in the equity attributable to owners of the parent by \$749,893.
- (b) In the first half of 2022, the Group's subsidiary, Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., has increased its capital by issuing new shares. As the Group did not acquire shares proportionately, the shareholding ratio decreased by 0.74%. Abovementioned transaction resulted in an increase in the non-controlling interest by \$720,409 and an increase in the equity attributable to owners of the parent by \$143,041.
- (c) The effect of changes in interests in the Group on the equity attributable to owners of the parent for the nine months ended September 30, 2023 and 2022 is shown below:

	Nine months ended September 30,	
	2023	2022
Cash	\$ 1,781,669	\$ 863,450
Increase in the carrying amount of non-controlling interest	(1,031,776)	(720,409)
Capital surplus - recognition of changes in ownership interest in subsidiaries	<u>\$ 749,893</u>	<u>\$ 143,041</u>

B. Disposal of ownership interest in the subsidiary without losing control

- (a) In April 2023, the Group's subsidiary, Monterey Park Finance Limited, disposed the share equity of Leading Interconnect International Limited to Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd., resulting to a decrease in the Group's shareholding ratio to 32.83% in the amount of \$2,556. The carrying amount of non-controlling interest in the Group was \$3,357 at the disposal date. This transaction resulted in an increase in the non-controlling interest by \$3,357 and a decrease in the equity attributable to owners of the parent by \$5,913.
- (b) In January 2022, the Group's subsidiary, Pacific Fair International Limited, disposed the share equity of Avary Holding (Shenzhen) Co., Limited which caused the Group's shareholding ratio to decrease to 0.31% in the amount of \$1,302,378. The carrying amount of non-controlling interest in the Group was \$547,116 at the disposal date. This transaction resulted in an increase in the non-controlling interest by \$547,116 and an increase in the equity attributable to owners of the parent by \$755,262.
- (c) The effect of changes in interests in the Group on the equity attributable to owners of the parent for the nine months ended September 30, 2023 and 2022 is shown below:

	Nine months ended September 30,	
	2023	2022
Carrying amount disposed to non-controlling interest	\$ 1,934	(\$ 535,112)
Consideration paid from non-controlling interest	2,556	1,302,378
Other equity interest (e.g., as financial statements translation differences of foreign operations)	<u>1,423</u>	<u>(12,004)</u>
Capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>\$ 5,913</u>	<u>\$ 755,262</u>

(33) Additional information of cash flows

A. Investing activities with partial cash payments

	Nine months ended September 30,	
	2023	2022
Acquisition of property, plant and equipment	\$ 18,338,438	\$ 21,508,658
Add: Opening balance of payable on machinery and equipment (within 'other payables')	9,870,079	6,255,970
Less: Ending balance of payable on machinery and equipment (within 'other payables')	(8,731,885)	(4,480,678)
Net exchange differences	8,637	178,341
Cash paid during the period	<u>\$ 19,485,269</u>	<u>\$ 23,462,291</u>

B. Changes in liabilities from financing activities

	Nine months ended September 30, 2023					
	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 16,819,556	\$ 423,659	\$ 11,738,105	\$ 16,800,920	\$ 10,162,913	\$ 55,945,153
Changes in cash flow from financing activities	14,721,093	(90,660)	(12,465,792)	1,941,342	1,299,412	5,405,395
Changes in right-of-use assets	-	8,650	-	-	-	8,650
Losses on redemption of convertible bonds	-	-	438,175	-	-	438,175
Losses on disposals of right-of-use assets	-	320	-	-	-	320
Amortisation on interest expense	-	7,498	109,237	11,027	-	127,762
Effect of exchange rate changes	<u>689,437</u>	<u>10,984</u>	<u>180,275</u>	<u>656,613</u>	<u>461,810</u>	<u>1,999,119</u>
At September 30	<u>\$ 32,230,086</u>	<u>\$ 360,451</u>	<u>\$ -</u>	<u>\$ 19,409,902</u>	<u>\$ 11,924,135</u>	<u>\$ 63,924,574</u>

Nine months ended September 30, 2022						
	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings	Guarantee deposits received	Total liabilities from financing activities
At January 1	\$ 19,636,568	\$ 517,316	\$ 10,383,152	\$ 7,599,023	\$ 4,600,762	\$ 42,736,821
Changes in cash flow from financing activities	(750,026)	(96,905)	-	6,401,417	3,587,001	9,141,487
Changes in right-of-use assets	-	22,708	-	-	-	22,708
Gains from lease modification	-	(1,943)	-	-	-	(1,943)
Amortisation on interest expense	-	11,671	159,382	4,670	-	175,723
Effect of exchange rate changes	439,281	89	1,536,646	1,105,220	747,010	3,828,246
At September 30	<u>\$ 19,325,823</u>	<u>\$ 452,936</u>	<u>\$ 12,079,180</u>	<u>\$ 15,110,330</u>	<u>\$ 8,934,773</u>	<u>\$ 55,903,042</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties and relationship	Relationship with the Company
Hon Hai Precision Industry Co., Ltd. and its subsidiaries	The entity has significant influence over the Group
CyberTAN Technology Inc. and its subsidiaries	Other related party
Ennoconn Corporation and its subsidiaries	Other related party
Foxconn Interconnect Technology Limited and its subsidiaries	Other related party
General Interface Solution Holding Limited and its subsidiaries	Other related party
Foxconn Technology Co., Ltd. and its subsidiaries	Other related party
Guangdong Zhanyang Intelligent Equipment Co., Limited	Associates

(2) Significant related party transactions and balances

A. Sales:

	Three months ended September 30,	
	2023	2022
Sales of goods:		
Entity with significant influence over the Company	\$ 2,508,853	\$ 2,060,417
Other related parties	<u>460,446</u>	<u>593,980</u>
	<u>\$ 2,969,299</u>	<u>\$ 2,654,397</u>
	Nine months ended September 30,	
	2023	2022
Sales of goods:		
Entity with significant influence over the Company	\$ 4,978,324	\$ 4,918,388
Other related parties	<u>2,276,728</u>	<u>2,090,084</u>
	<u>\$ 7,255,052</u>	<u>\$ 7,008,472</u>

Unless there are similar transactions, the prices and terms were determined in accordance with mutual agreements. Otherwise, the sales prices and credit terms to related parties were similar to third parties. The normal credit term is around 1 to 4 months.

B. Purchases:

	Three months ended September 30,	
	2023	2022
Purchases of goods:		
Entity with significant influence over the Company	\$ 117,512	\$ 144,496
Other related parties	1,244,769	814,737
Associates	<u>580</u>	<u>557</u>
	<u>\$ 1,362,861</u>	<u>\$ 959,790</u>
	Nine months ended September 30,	
	2023	2022
Purchases of goods:		
Entity with significant influence over the Company	\$ 228,086	\$ 541,718
Other related parties	3,053,216	2,477,532
Associates	<u>1,846</u>	<u>2,143</u>
	<u>\$ 3,283,148</u>	<u>\$ 3,021,393</u>

Unless the prices and terms were determined in accordance with mutual agreements due to no similar transactions, the purchase prices and payment terms to related parties were similar to third parties. The normal payment term is around 1 to 4 months.

C. Accounts receivable:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts receivable			
- related parties:			
Entity with significant influence over the Company	\$ 2,952,364	\$ 2,076,812	\$ 2,214,682
Other related parties	<u>569,163</u>	<u>1,004,100</u>	<u>635,284</u>
	3,521,527	3,080,912	2,849,966
Less: Allowance for bad debts	(<u>10,566</u>)	(<u>9,247</u>)	(<u>8,551</u>)
	<u>\$ 3,510,961</u>	<u>\$ 3,071,665</u>	<u>\$ 2,841,415</u>

D. Notes and accounts payable:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Accounts payable			
- related parties:			
Entity with significant influence over the Company	\$ 16,035	\$ 24,839	\$ 38,062
Other related parties	1,140,467	910,292	707,166
Associates	<u>492</u>	<u>895</u>	<u>570</u>
	<u>\$ 1,156,994</u>	<u>\$ 936,026</u>	<u>\$ 745,798</u>

(3) Key management compensation

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 34,377</u>	<u>\$ 74,202</u>
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	<u>\$ 63,855</u>	<u>\$ 156,438</u>

8. PLEDGED ASSETS

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

<u>Pledged assets</u>	<u>Carrying amount</u>			<u>Pledged assets</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	
Other current assets				
- Time deposits with maturity of over three months	\$ 4,936	\$ 4,640	\$ 4,870	Tariff guarantee
Other non-current assets				
- Demand deposits	258,536	221,711		- Reserve accounts for long-term loans
- Time deposits with maturity of over one year	29,613	27,839	29,219	Tariff guarantee
	<u>\$ 293,085</u>	<u>\$ 254,190</u>	<u>\$ 34,089</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Property, plant and equipment	<u>\$ 37,701,076</u>	<u>\$ 35,412,514</u>	<u>\$ 39,665,375</u>

B. The amount of unused letters of credit for the acquisition of property, plant and equipment is as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unused letters of credit	<u>\$ 2,953,584</u>	<u>\$ 3,743,437</u>	<u>\$ 4,182,631</u>

C. On May 30, 2023, the Board of Directors approved the Group's proposal to enter into a superficies contract with the Irrigation Agency, Ministry of Agriculture, Executive Yuan, of which the total lease payments and royalties amounted to \$1,523,807. Additionally, the Group paid 40% of the total royalties amounting to \$347,600 in June 2023, which is classified as "other non-current assets-others", and the remaining 60% amounting to \$521,400 has not yet been paid.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial assets</u>			
Financial assets at amortised cost	\$ 92,412,863	\$ 88,382,167	\$ 85,317,246
Financial assets at fair value through profit or loss	1,647,041	1,640,432	1,497,934
Financial assets at fair value through other comprehensive income	<u>1,160,280</u>	<u>753,272</u>	<u>701,578</u>
	<u>\$ 95,220,184</u>	<u>\$ 90,775,871</u>	<u>\$ 87,516,758</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost	\$ 107,759,997	\$ 92,603,898	\$ 95,224,359
Lease liabilities	<u>360,451</u>	<u>423,659</u>	<u>452,936</u>
	<u>\$ 108,120,448</u>	<u>\$ 93,027,557</u>	<u>\$ 95,677,295</u>

Note: Financial assets at amortised cost including cash and cash equivalents, accounts receivable (including related parties), other receivables, other current assets, and other non-current assets-demand deposits and time deposits with maturity of over one year; financial liabilities at amortised cost including short-term borrowings, accounts payable (including related parties), other payables, current portion of long-term liabilities, bonds payable, long-term borrowings and guarantee deposits received.

B. Risk management policies

(a) Risk categories:

The Group employs a comprehensive risk management and control system to clearly identify, measure, and control the various kinds of financial risk it faces, including market risk

(including foreign exchange risk, interest rate risk and price risk), credit risk, and liquidity risk.

(b) Management objectives:

- i. Except for market risk, which is controlled by outside factors, the remainder of the foregoing types of risks can be eliminated through internal controls or operational procedures. Therefore, the goal in managing each of these risks is to reduce them to zero.
- ii. As for market risk, the goal is to optimise its overall position through strict analysis, suggestion, execution and audit processes, and proper consideration of trends in the external economic/financial environment, internal operating conditions and the actual effects of market fluctuations.
- iii. The Group's overall risk management policy focuses on the unpredictable item of financial markets and seeks to reduce the potential adverse effects on the Group's financial position and financial performance.
- iv. The Group uses derivative financial instruments. Please refer to Note 6 for details.

(c) Management system:

- i. Risk management is carried out by a central treasury department (the Group treasury) under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.
- ii. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from (a) the timing of recognition for accounts receivable, accounts payable, borrowings, and payables on machinery and equipment denominated in non-functional currencies is different, (b) recognised assets and liabilities and (c) net investments in foreign operations. Since the transacting currencies are different from functional currencies, foreign exchange risks arise.
- ii. Management has set up a policy to require all subsidiaries within the Group to manage their foreign exchange risk against their functional currency. However, the overall foreign exchange risk is managed by the Group treasury for hedging.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the

relevant foreign currencies.

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: USD; other certain subsidiaries' functional currency: RMB or NTD) so it is impacted by the exchange rate fluctuations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2023			Nine months ended September 30, 2023	
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis Degree of variation	Effect on comprehensive income
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	213,146	32.27	\$ 6,878,226	1%	\$ 68,782
USD:RMB	1,751,425	7.1798	56,518,484	1%	565,185
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	3,746,072	32.27	\$ 120,885,743	1%	\$ 1,208,857
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	101,005	32.27	\$ 3,259,431	1%	\$ 32,594
USD:RMB	906,705	7.1798	29,259,377	1%	292,594
JPY:RMB	10,548,253	0.0484	2,380,441	1%	23,804

(Foreign currency: functional currency)	December 31, 2022			Year ended December 31, 2022	
	Foreign currency amount	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis	
	(In thousands)			Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	274,810	30.71	\$ 8,439,415	1%	\$ 84,394
USD:RMB	1,937,518	6.9646	59,501,172	1%	595,012
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	3,869,813	30.71	\$ 118,841,957	1%	\$ 1,188,420
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	116,680	30.71	\$ 3,583,243	1%	\$ 35,832
USD:RMB	913,574	6.9646	28,055,851	1%	280,559
JPY:RMB	12,064,299	0.0524	2,785,280	1%	27,853
(Foreign currency: functional currency)	September 30, 2022			Nine months ended September 30, 2022	
	Foreign currency amount	Exchange rate	Carrying amount (In thousands of NTD)	Sensitivity analysis	
	(In thousands)			Degree of variation	Effect on comprehensive income
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	291,525	31.75	\$ 9,255,919	1%	\$ 92,559
USD:RMB	1,895,009	7.0998	60,166,540	1%	601,665
<u>Net effect in consolidated entities with foreign currency</u>					
USD:NTD	3,647,987	31.75	\$ 115,823,587	1%	\$ 1,158,236
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	145,929	31.75	\$ 4,633,246	1%	\$ 46,332
USD:RMB	1,390,256	7.0998	44,140,623	1%	441,406
JPY:RMB	10,597,174	0.0493	2,335,617	1%	23,356

- v. Refer to Note 6(28) for the total exchange gains including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months end September 30, 2023 and 2022.

Interest rate risk for cash flow and fair value

The Group's interest rate risk arises from borrowings. Borrowings at floating rates expose the Group to interest rate risk of cash flow, which is partially offset by cash and cash equivalents held at floating rates.

Based on the simulations performed, the impact on after-tax profit of a quarter-point shift would be a maximum increase or decrease of \$96,887 and \$64,568 for the nine months ended September 30, 2023 and 2022, respectively. The simulation is based on a quarterly basis to ensure that the maximum potential loss is within the limit given by the management.

The financial assets at amortised cost held by the Group are fixed rate products, and their changes of fair value arise from changes in market interest rate. However, the Group would hold the financial assets to the maturity because of the return at the effective rates for the duration, thus, there are no gains or losses on disposal or valuation arising from change in fair value.

Price risk

The Group's investments in equity securities comprise domestic listed stocks which are classified as investments in financial assets at fair value through other comprehensive income. The price of equity securities would be affected by the uncertainty of the future value of underlying investment. However, the Group expects the price fluctuations do not have significant impact on the price of equity securities.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments.

According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and other financial instruments, and is managed and monitored by the Group treasury. The clients and counterparties are government organisations, banks with high credit quality and financial institutions with investment grade; thus, there is no significant default risk and critical credit risk.

- ii. The Group assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were an underlying more than 30 days past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If the credit rating grade of an underlying investment degrades two grades, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- iv. The default occurs when the contract payments are more than 90 days past due.
- v. The credit quality information of financial assets that are neither overdue nor impaired is as follows:

Cash and cash equivalents

The Group transacts with a variety of financial institutions with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

Financial assets at amortised cost

The Group's investments in debt instruments classified as financial assets at amortised cost have low credit risk, and the carrying amount is measured as the expected credit loss for the 12 months following the balance sheet date.

Accounts receivable (including related parties)

- (i) The Group applies the following approaches to assess the expected credit losses (the 'ECLs') of accounts receivable:
 1. Assess the ECLs on an individual basis if a significant default has occurred to certain customers.
 2. Classify the other customers' accounts receivable based on the Group's credit rating standards and estimate the ECLs using the loss rate methodology or provision matrix.
 3. Adjust the loss rates derived from historical and recent information by taking into account the business cycle indicators of the National Development Council and forecasts of the Basel Committee on Banking Supervision.
 4. As of September 30, 2023, December 31, 2022 and September 30, 2022, the individual

provision for impairment of accounts receivable using loss rate methodology or provision matrix is as follows:

	<u>Individual</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Total</u>
<u>September 30, 2023</u>						
Expected loss rate		0.03%	0.07%	0.1%~1%	1%~5%	
Total carrying amount	\$ -	\$21,970,444	\$5,338,987	\$3,282,181	\$1,225,343	\$31,816,955
Loss allowance	\$ -	(\$ 6,591)	(\$ 3,737)	(\$ 32,822)	(\$ 57,959)	(\$ 101,109)
	<u>Individual</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Total</u>
<u>December 31, 2022</u>						
Expected loss rate		0.03%	0.07%	0.1%~1%	0.1%~5%	
Total carrying amount	\$ -	\$20,605,084	\$6,144,649	\$1,837,272	\$1,517,271	\$30,104,276
Loss allowance	\$ -	(\$ 6,182)	(\$ 4,301)	(\$ 18,373)	(\$ 70,775)	(\$ 99,631)
	<u>Individual</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 3</u>	<u>Group 4</u>	<u>Total</u>
<u>September 30, 2022</u>						
Expected loss rate		0.03%	0.07%	0.1%~1%	1%~5%	
Total carrying amount	\$ -	\$24,625,426	\$7,243,588	\$2,464,296	\$1,861,751	\$36,195,061
Loss allowance	\$ -	(\$ 7,388)	(\$ 5,071)	(\$ 24,643)	(\$ 83,785)	(\$ 120,887)

Group 1: Standard Poor's, Fitch Ratings or Moody's ratings in A category, or A category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 2: Standard Poor's or Fitch Ratings in BBB category, Moody's ratings in Baa category, or in B or C category rated based on the Group's Credit Quality Control Policy for those that have no external credit ratings.

Group 3: Standard Poor's or Fitch Ratings in BB+ category or below, or Moody's ratings in Bal category or below.

Group 4: Having no external agency rating. Ratings other than A, B, or C based on the Group's Credit Quality Control Policy.

(ii) Movements on allowance for accounts receivable adopting the modified approach (including related parties) are as follows:

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Opening balance	\$ 99,631	\$ 90,665
(Reversal of) provision for impairment	(491)	23,061
Net exchange differences	1,969	7,161
Ending balance	<u>\$ 101,109</u>	<u>\$ 120,887</u>

Other receivables

The Group's subsidiaries incorporated in Mainland China are engaged in export sales. Under

local regulations, the subsidiaries are entitled to tax benefits on VAT exemption, deduction and refund on the exports of goods. The subsidiaries calculate VAT refund and deductible amounts based on monthly sales by product types. The subsidiaries' counterparties and performing parties are mainly government organisations, so the possibility of default is remote. The Group's other accounts receivable of \$77 and \$218 for the nine months ended September 30, 2023 and 2022 was recognised as gain on reversal of expected credit loss.

Financial assets at fair value through other comprehensive income

The equity securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

Financial assets at fair value through profit or loss

The bond securities issuer has high credit quality and the Group controls its credit risk through transaction limits control and critical assessment of credit rating levels, so it expects that the probability of default is remote.

(c) Liquidity risk

- i. Cash flow forecasting is performed by each entity in the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient undrawn committed borrowing facilities (Note 6) at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and applicable external regulatory or legal requirements, such as foreign currency restrictions.
- ii. The Group has the following undrawn borrowing facilities:

	September 30, 2023	December 31, 2022	September 30, 2022
Expiring within one year	\$ 66,497,401	\$ 41,104,713	\$ 75,708,146
Expiring over one year	15,917,436	10,342,382	8,642,744
	<u>\$ 82,414,837</u>	<u>\$ 51,447,095</u>	<u>\$ 84,350,890</u>

- iii. The following table analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the following table are the contractual undiscounted cash flows. The remaining period of corporate bonds payable is expressed as the period between the balance sheet date and the redeemable date by holders. Except those listed in the following table, all of the Group's derivative and nonderivative financial liabilities will attain maturity within one year:

Non-derivative financial liabilities:

<u>September 30, 2023</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Long-term borrowings (Note 2)	\$ 2,164,158	\$ 23,377,735	\$ 25,541,893
Guarantee deposits received	4,732,813	7,191,322	11,924,135
Lease liabilities	71,602	323,829	395,431
	<u>\$ 6,968,573</u>	<u>\$ 30,892,886</u>	<u>\$ 37,861,459</u>

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable (Note 1)	\$ 12,284,000	\$ -	\$ 12,284,000
Long-term borrowings (Note 2)	10,975,067	17,159,176	28,134,243
Guarantee deposits received	2,905,427	7,257,486	10,162,913
Lease liabilities	106,286	381,487	487,773
	<u>\$ 26,270,780</u>	<u>\$ 24,798,149</u>	<u>\$ 51,068,929</u>

Non-derivative financial liabilities:

<u>September 30, 2022</u>	<u>Within one year</u>	<u>Over one year</u>	<u>Total</u>
Bonds payable (Note 1)	\$ 12,700,000	\$ -	\$ 12,700,000
Long-term borrowings (Note 2)	139,349	15,829,866	15,969,215
Guarantee deposits received	1,854,390	7,080,383	8,934,773
Lease liabilities	108,718	402,039	510,757
	<u>\$ 14,802,457</u>	<u>\$ 23,312,288</u>	<u>\$ 38,114,745</u>

Note 1: Please refer to Note 6(15) for the conditions of issuance of bonds payable.

Note 2: Including imputed interest payable.

- iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(d) Cash flow risk of changes from interest rate

For the Group's borrowings at floating rates, the effective interest rate changes according to market interest rates. However, the working capital of the Group is sufficient to hedge the cash flow risk due to changes in interest rate. Furthermore, the Group's borrowings as fixed rates and lease payable have no cash flow risk due to changes in market interest rate.

(3) Information on fair value

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if it meets all the following conditions: the items traded in the market are homogeneous; willing buyers and sellers can normally be found at any time; and prices are available to the public. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (e.g., as prices) or indirectly (e.g., derived from prices). The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

(a) Except those listed in the following table, the carrying amounts of the Group's financial instruments not measured at fair value approximate to their fair values, including cash and cash equivalents, financial assets at amortised cost—time deposits with maturity of over three months, financial assets at amortised cost—guaranteed income financial products, accounts receivable (including related parties), other receivables, other current assets, other non-current assets—time deposits with maturity of over one year, short-term borrowings, accounts payable (including related parties), other payables, lease liabilities, and long-term borrowings is a reasonable approximation of fair value:

	September 30, 2023			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Guarantee deposits received	<u>\$ 11,924,135</u>	<u>\$ -</u>	<u>\$ 11,840,070</u>	<u>\$ -</u>
	December 31, 2022			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 11,738,105	\$ -	\$ 11,745,760	\$ -
Guarantee deposits received	<u>10,162,913</u>	<u>-</u>	<u>10,141,616</u>	<u>-</u>
Total	<u>\$ 21,901,018</u>	<u>\$ -</u>	<u>\$ 21,887,376</u>	<u>\$ -</u>

	September 30, 2022			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial liabilities:				
Bonds payable	\$ 12,079,180	\$ -	\$ 12,155,557	\$ -
Guarantee deposits received	8,934,773	-	8,916,049	-
Total	<u>\$ 21,013,953</u>	<u>\$ -</u>	<u>\$ 21,071,606</u>	<u>\$ -</u>

(b) The methods and assumptions of fair value measurement are as follows:

- i. Bonds payable: Regarding the convertible bonds issued by the Group, the fair value is estimated based on the expected cash flows using the present value and market rate.
- ii. Guarantee deposits received: The fair value is estimated using the present value of the expected cash flows. The discount rate refers to the fixed interest rate of postal savings for a one-year time deposit.
- iii. Financial assets at amortised cost - corporate bond: the fair value is the quoted price in active market.

D. Financial instruments measured at fair value

(a) The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>September 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 295,742</u>	<u>\$ 1,351,299</u>	<u>\$ 1,647,041</u>
Financial assets at fair value through other comprehensive income	<u>\$ 275,876</u>	<u>\$ -</u>	<u>\$ 884,404</u>	<u>\$ 1,160,280</u>
<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 367,924</u>	<u>\$ 1,272,508</u>	<u>\$ 1,640,432</u>
Financial assets at fair value through other comprehensive income	<u>\$ 197,437</u>	<u>\$ -</u>	<u>\$ 555,835</u>	<u>\$ 753,272</u>

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss	<u>\$ -</u>	<u>\$ 297,385</u>	<u>\$1,200,549</u>	<u>\$1,497,934</u>
Financial assets at fair value				
through other comprehensive				
income	<u>\$ 102,169</u>	<u>\$ -</u>	<u>\$ 599,409</u>	<u>\$ 701,578</u>

- (b) The methods and assumptions that the Group used to measure fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (i.e., Level 1).
 - ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
 - iii. When assessing non-standard and low-complexity financial instruments, for example, foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
 - iv. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.
 - v. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
 - vi. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the

Group's credit quality.

E. The movements on Level 3 for the nine months ended September 30, 2023 and 2022 are as follows:

	Nine months ended September 30,			
	2023		2022	
	Financial assets		Financial assets	
	Financial assets	at fair value	Financial assets	at fair value
	at fair value	through other	at fair value	through other
	through profit	comprehensive	through profit	comprehensive
	or loss-debt	income-equity	or loss-debt	income-equity
	securities	securities	securities	securities
Opening balance	\$ 1,272,508	\$ 555,835	\$ 806,034	\$ 476,619
Acquisition of				
financial assets	86,623	195,427	353,053	214,859
Income distribution	(2,311)	-	(13,745)	-
Unrealised (losses) gains				
from financial assets	(31,505)	112,707	32,084	(113,985)
Net exchange differences	25,984	20,435	23,123	21,916
Ending balance	<u>\$ 1,351,299</u>	<u>\$ 884,404</u>	<u>\$ 1,200,549</u>	<u>\$ 599,409</u>

- (a) External appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in accordance with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- (b) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value as of September 30, 2023	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 190,102	Market comparable companies	Enterprise value to EBIT multiple	13.87~99.06 [41.79]	The higher the EBIT, the higher the fair value
Unlisted shares	27,944	Market comparable companies	Enterprise value to EBIT multiple	3.17~10.41 [5.25]	The higher the EBIT, the higher the fair value
			Price to net value multiple	0.88~2.70 [1.09]	The higher the net value of stocks, the higher the fair value
Unlisted shares	153,496	Market comparable companies	Enterprise value to EBIT multiple	4.30~24.19 [10.96]	The higher the EBIT, the higher the fair value
Unlisted shares	55,882	Market comparable companies	Price-to- Sales ratio	2.92~9.74 [6.42]	The higher the sale price, the higher the fair value
Unlisted shares	158,812	Market comparable companies	Price-to- Sales ratio	0.48~10.19 [2.80]	The higher the sale price, the higher the fair value
			Stock price volatility	49.63%	The higher the stock price volatility, the higher the fair value
Unlisted shares	27,146	Market comparable companies	Price to net value multiple	1.56~4.83 [2.61]	The higher the net value of stocks, the higher the fair value
			Price-to- Sales ratio	1.51~7.74 [2.22]	The higher the sale price, the higher the fair value

	Fair value as of September 30, 2023	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Unlisted shares	\$ 68,767	Market comparable companies	Enterprise value to EBIT multiple	7.08~62.59 [30.80]	The higher the EBIT, the higher the fair value
Unlisted shares	89,891	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	<u>112,364</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$ 884,404</u>				
Debt securities:					
Private fund	\$ 991,247	Net asset value	Not applicable	Not applicable	Not applicable
Private fund	157,665	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	75,085	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	<u>127,302</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$ 1,351,299</u>				

	Fair value as of December 31, 2022	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 144,884	Market comparable companies	Stock price volatility	48.11%	The higher the stock price volatility, the higher the fair value
Unlisted shares	24,258	Market comparable companies	Enterprise value to EBIT multiple	3.20~7.50 [3.66]	The higher the EBIT, the higher the fair value
			Price to net value multiple	0.61~1.61 [1.09]	The higher the net value of stocks, the higher the fair value
Unlisted shares	143,991	Market comparable companies	Enterprise value to EBIT multiple	3.30~18.42 [7.75]	The higher the EBIT, the higher the fair value
Unlisted shares	27,235	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	99,212	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	57,477	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	<u>58,778</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$ 555,835</u>				

	Fair value as of December 31, 2022	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Debt securities:					
Private fund	\$ 956,370	Net asset value	Not applicable	Not applicable	Not applicable
Private fund	156,521	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	73,173	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	<u>86,444</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$ 1,272,508</u>				

	Fair value as of September 30, 2022	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
Equity securities:					
Unlisted shares	\$ 77,697	Market comparable companies	Enterprise value to EBIT multiple Price to net value multiple	4.37~18.34 [4.45] 2.03~4.09 [2.28]	The higher the EBIT, the higher the fair value The higher the net value of stocks, the higher the fair value
Unlisted shares	67,786	Market comparable companies	Stock price volatility	47.67%	The higher the stock price volatility, the higher the fair value
Unlisted shares	21,774	Market comparable companies	Enterprise value to EBIT multiple	2.35~8.12 [3.17]	The higher the EBIT, the higher the fair value

	Fair value as of September 30, 2022	Valuation technique	Significant unobservable input	Range [weighted average]	Relationship of inputs to fair value
			Price to net value multiple	0.59~1.58 [1.11]	The higher the net value of stocks, the higher the fair value
Unlisted shares	\$ 158,029	Market comparable companies	Enterprise value to EBIT multiple	4.66~23.30 [6.66]	The higher the EBIT, the higher the fair value
Unlisted shares	55,601	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	100,619	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	58,292	The last transaction price	Not applicable	Not applicable	Not applicable
Unlisted shares	<u>59,611</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$ 599,409</u>				
Debt securities:					
Private fund	\$ 1,039,877	Net asset value	Not applicable	Not applicable	Not applicable
Private fund	82,085	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	50,897	Net asset value	Not applicable	Not applicable	Not applicable
Unlisted partnership share	<u>27,690</u>	The last transaction price	Not applicable	Not applicable	Not applicable
	<u>\$ 1,200,549</u>				

(c) The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different

measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			Nine months ended September 30, 2023			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Debt instrument	Enterprise value to EBIT multiple, etc.	±1%	\$ 13,513	(\$ 13,513)	\$ -	\$ -
Equity instrument		±1%	-	-	8,844	(8,844)
			<u>\$ 13,513</u>	<u>(\$ 13,513)</u>	<u>\$ 8,844</u>	<u>(\$ 8,844)</u>
			Nine months ended September 30, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Debt instrument	Enterprise value to EBIT multiple, etc.	±1%	\$ 12,005	(\$ 12,005)	\$ -	\$ -
Equity instrument		±1%	-	-	5,994	(5,994)
			<u>\$ 12,005</u>	<u>(\$ 12,005)</u>	<u>\$ 5,994</u>	<u>(\$ 5,994)</u>

F. For the nine months ended September 30, 2023 and 2022, there was no transfer between Level 1 and Level 2.

G. For the nine months ended September 30, 2023 and 2022, there was no transfer into or out from Level 3.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were reviewed by independent auditors. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

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

- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of securities at the end of the period (excluding the investment in subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Aggregate purchases or sales of the same securities reaching NT \$300 million or 20% of paid-in capital or more: Refer to table 4.
- E. Acquisition of real estate reaching NT \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- H. Receivables from related parties reaching NT \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative financial instruments: None.
- J. The business relationship and significant transactions between the parent company and the subsidiaries and between each subsidiary: Please refer to table 7.

(2) Information on investees

(The portions of transaction information with the investees were based on the financial statements of the investees for the same period which were reviewed by independent auditors. All the transactions with subsidiaries disclosed below had been eliminated in the consolidated financial statements. The disclosure information below is for reference only.)

Names, locations and other information of investee companies (excluding the investees in Mainland China.) : Please refer to table 8.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 9.
- B. Significant transactions with the investees in Mainland China either directly or indirectly through other companies in the third areas: None.

(4) Information on major shareholders information

Information on major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group is engaged in the manufacturing of various types of PCB products. The chief operating decision-maker considered the business and operations from the product perspective. Currently, the Group only discloses one reportable segment as all operating segments meet the aggregation criteria. In allocating resources and assessing performance of the Group, the chief operating decision-maker uses operating segments' revenue and net income which reflects internal cost and expense allocation. Except for inter-segment charges which were determined based on the Group's internal policy, accounting policies of operating segments are in agreement with Note 4, 'Summary of material accounting policies'.

(2) Reportable segment information

Information on reportable segment provided to the chief operating decision maker is as follows:

	Three months ended September 30,	
	2023	2022
Revenue from external customers	\$ 41,919,467	\$ 50,004,714
Inter-segment revenue	-	-
Segments' revenue	<u>\$ 41,919,467</u>	<u>\$ 50,004,714</u>
Measure of segment profit	<u>\$ 3,921,369</u>	<u>\$ 5,982,218</u>
	Nine months ended September 30,	
	2023	2022
Revenue from external customers	\$ 97,001,710	\$ 118,454,269
Inter-segment revenue	-	-
Segments' revenue	<u>\$ 97,001,710</u>	<u>\$ 118,454,269</u>
Measure of segment profit	<u>\$ 3,598,081</u>	<u>\$ 10,408,441</u>

(3) Reconciliation of reportable segment's revenue and measure of profit and loss

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

The reconciliation from total reportable segment's revenue to the enterprise income and from segment profit from reportable segment to the net income for the period is as follows:

	Three months ended September 30,	
	2023	2022
Reportable segment's revenue	<u>\$ 41,919,467</u>	<u>\$ 50,004,714</u>
	Nine months ended September 30,	
	2023	2022
Reportable segment's revenue	<u>\$ 97,001,710</u>	<u>\$ 118,454,269</u>
	Three months ended September 30,	
	2023	2022
Reportable segment's profit	\$ 3,921,369	\$ 5,982,218
Interest income and finance costs	26,104	(21,563)
Net foreign exchange gains	122,115	919,332
Net gains on disposal of property, plant and equipment	9,548	1,276
Net losses on financial assets and liabilities at fair value through profit or loss	(145,331)	(39,208)
Others	(585,021)	329,921
Profit	<u>\$ 3,348,784</u>	<u>\$ 7,171,976</u>

	Nine months ended September 30,	
	2023	2022
Reportable segment's profit	\$ 3,598,081	\$ 10,408,441
Interest income and finance costs	418,802	(184,121)
Net foreign exchange gains	816,752	2,407,900
Net gains on disposal of property, plant and equipment	52,809	3,510
Net (losses) gains on financial assets and liabilities at fair value through profit or loss	(110,857)	11,097
Others	(413,363)	1,030,838
Profit	<u>\$ 4,362,224</u>	<u>\$ 13,677,665</u>

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

LOANS TO OTHERS

Nine months ended September 30, 2023

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine months ended September 30, 2023 (Note 3)	Balance at September 30, 2023 (Note 4)	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
1	Mayco Industrial Limited	Qi Ding Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	\$ 3,549,700	\$ -	\$ -	-	Short-term financing	\$ -	Operation requirements	\$ -	None	\$ -	\$ 473,857,150	\$ 663,400,010	
1	Mayco Industrial Limited	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	3,549,700	3,549,700	2,904,300	3.1717%-6.0266%	Short-term financing	-	Operation requirements	-	None	-	473,857,150	663,400,010	
1	Mayco Industrial Limited	Leading Interconnect International Limited	Other receivables	Yes	968,100	968,100	96,810	5.6300%	Short-term financing	-	Operation requirements	-	None	-	473,857,150	663,400,010	
1	Mayco Industrial Limited	Zhen Ding Technology India Private Limited	Other receivables	Yes	1,613,500	1,613,500	-	-	Short-term financing	-	Operation requirements	-	None	-	473,857,150	663,400,010	
1	Mayco Industrial Limited	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	4,517,800	4,517,800	-	-	Short-term financing	-	Operation requirements	-	None	-	37,908,572	37,908,572	
1	Mayco Industrial Limited	BoardTek Electronics Corporation	Other receivables	Yes	3,872,400	3,872,400	645,400	5.6500%	Short-term financing	-	Operation requirements	-	None	-	37,908,572	37,908,572	
1	Mayco Industrial Limited	Zhen Ding Technology Co., Ltd.	Other receivables	Yes	3,227,000	3,227,000	-	-	Short-term financing	-	Operation requirements	-	None	-	37,908,572	37,908,572	
2	Pacific Fair International Limited	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	2,904,300	2,904,300	645,400	4.7300%	Short-term financing	-	Operation requirements	-	None	-	6,079,029	6,079,029	
2	Pacific Fair International Limited	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	968,100	968,100	968,100	1.8116%	Short-term financing	-	Operation requirements	-	None	-	75,987,859	106,383,002	

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine months ended September 30, 2023	Balance at September 30, 2023	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Limit on total lender's loans granted	Footnote
					(Note 3)	(Note 4)							Item	Value	(Notes 1&2)	(Notes 1&2)	
3	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	\$ 1,123,638	\$ -	\$ -	-	Short-term financing	\$ -	Operation requirements	-	None	-	\$ -	\$ -	Note 5
3	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Other receivables	Yes	3,146,185	-	-	-	Short-term financing	-	Operation requirements	-	None	-	-	-	Note 5
4	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Other receivables	Yes	1,348,365	1,348,365	1,123,638	3.5500%-3.6500%	Short-term financing	-	Operation requirements	-	None	-	1,859,422	1,859,422	
5	Garuda International Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	1,613,500	1,613,500	-	-	Short-term financing	-	Operation requirements	-	None	-	47,929,844	67,101,781	
5	Garuda International Limited	Avary Technology (India) Private Limited	Other receivables	Yes	2,581,600	2,581,600	-	-	Short-term financing	-	Operation requirements	-	None	-	47,929,844	67,101,781	
5	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	3,227,000	3,227,000	3,227,000	4.2300%-4.7300%	Short-term financing	-	Operation requirements	-	None	-	47,929,844	67,101,781	
5	Garuda International Limited	Garuda Technology Co., Ltd.	Other receivables	Yes	3,227,000	3,227,000	-	-	Short-term financing	-	Operation requirements	-	None	-	3,834,388	3,834,388	
6	Avary Holding (Shenzhen) Co., Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Other receivables	Yes	4,494,550	4,494,550	-	-	Short-term financing	-	Operation requirements	-	None	-	50,897,552	50,897,552	
6	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Other receivables	Yes	15,730,925	15,730,925	7,602,531	3.4500%-3.6500%	Short-term financing	-	Operation requirements	-	None	-	50,897,552	50,897,552	

Table 1, Page 2

No.	Lender	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine months ended September 30, 2023	Balance at September 30, 2023	Actual amount drawn down	Interest rate range	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Notes 1&2)	Limit on total lender's loans granted (Notes 1&2)	Footnote
					(Note 3)	(Note 4)							Item	Value			
6	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Other receivables	Yes	\$ 6,741,825	\$ 6,741,825	\$ 4,472,077	3.4500%~3.6500%	Short-term financing	\$ -	Operation requirements	-	None	-	\$ 50,897,552	\$ 50,897,552	
6	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co.,Ltd.	Other receivables	Yes	674,183	674,183	215,738	3.6500%	Short-term financing	-	Operation requirements	-	None	-	50,897,552	50,897,552	

Note 1: The total loans of the Company and subsidiaries granted to others is limited to 50% of the Company's net asset based on the latest audited or reviewed consolidated financial statements, and:

- (a) Total financial limit on loans granted to the companies having business relationship with the Company is 10% of the Company's net assets, financial limit on loans granted to a single party is the higher value of purchasing and selling during current year on the year of financing and 10% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.
- (b) Limit on total loans to parties with short-term financing is 40% of the Company's net asset; but limit on loans to a single party is 40% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 2: Limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share, are not restricted to the limit on loans of 40% of the Company's net assets.

In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on total loans granted by a listed subsidiary to listed subsidiaries of which the Company directly or indirectly holds 100% of its voting shares, or limit on total loans to the Company granted by listed foreign subsidiaries which the Company directly or indirectly holds 100% of its voting share are 700% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", limit on loans granted by a listed subsidiary to a single listed subsidiary of which the Company directly or indirectly holds 100% of its voting shares, or limit on loans to the Company granted by a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting share are 500% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 3: The maximum outstanding balance of loans to others for the year ended the balance sheet date.

Note 4: The credit line to this company was approved by the Board of Directors. In accordance with each subsidiary's "Procedures for Provision of Endorsements and Guarantees", when there are financing needs between the listed foreign subsidiaries which the Company directly or indirectly holds 100% of their voting shares or between a listed foreign subsidiary which the Company directly or indirectly holds 100% of its voting shares and the Company, the financing periods will not be limited in one year but shall not exceed three years.

Note 5: Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd. merged with Qi Ding Technology Qinhuangdao Co., Ltd. on July 31, 2023.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS

Nine months ended September 30, 2023

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount for the nine months ended September 30, 2023 (Note 5)	Outstanding endorsement/ guarantee amount at September 30, 2023 (Note 6)	Actual amount drawn down (Note 7)	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 4)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 8)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 8)	Provision of endorsements/ guarantees to the party in Mainland China (Note 8)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Zhen Ding Technology Holding Limited	BoardTek Electronics Corporation	2	\$ 28,687,682	\$ 10,827,900	\$ 10,827,900	\$ 7,700,000	\$ -	11.32%	\$ 95,625,605	Y	N	N	

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

(1) The Company is '0'.

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The limit on endorsements / guarantees provided to a single entity: The limit on endorsements / guarantees provided to a single entity is 30% of the net assets of the parent company.

Note 4: The total amount of endorsements/ guarantees: The total amount of endorsements/ guarantees provide to others by the Company is limited to 100% of net assets of the parent company.

Note 5: The year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: Once endorsement/guarantee contracts or promissory notes are signed/issued by the endorser/guarantor company to the banks, the endorser/guarantor company bears endorsement/guarantee liabilities.

And all other events involve endorsements and guarantees should be included in the balance of outstanding endorsements and guarantees.

Note 7: The actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

Note 8: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

September 30, 2023

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of September 30, 2023				Footnote (Note 4)
				Number of shares	Carrying amount (Note 3)	Ownership (%)	Fair value	
Zhen Ding Technology Co., Ltd.	Synpower Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,437,697	\$ 123,348	8.12%	\$ 123,348	
Avary Holding (Shenzhen) Co., Limited	Jiangsu Aisen Semiconductor Material Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,600,000	190,102	3.93%	190,102	
Avary Holding Investment (Shenzhen) Co., Ltd.	Sixpure Intellignet Technology (Dongguan) Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,461,039	153,496	3.55%	153,496	
Avary Holding Investment (Shenzhen) Co., Ltd.	Sanying Precision Instruments Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,212,009	152,528	3.58%	152,528	
Avary Holding Investment (Shenzhen) Co., Ltd.	Sanying Precision Instruments (Tianjin) Co., Ltd.	None	Financial assets at fair value through other comprehensive income	540,580	55,882	5.18%	55,882	
Avary Holding Investment (Shenzhen) Co., Ltd.	Wuxi iData Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,352,651	158,812	3.46%	158,812	
Avary Holding Investment (Shenzhen) Co., Ltd.	Hubei Omar Electronics Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income	2,370,000	27,146	3.60%	27,146	
Avary Holding Investment (Shenzhen) Co., Ltd.	Shenzhen Hangsheng Electronics Co., Ltd.	None	Financial assets at fair value through other comprehensive income	1,000,000	68,767	3.36%	68,767	
Avary Holding Investment (Shenzhen) Co., Ltd.	Hostar Intelligence Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income	750,000	89,891	2.11%	89,891	
Avary Holding Investment (Shenzhen) Co., Ltd.	Guangdong De Ju Technology Co., Ltd.	None	Financial assets at fair value through other comprehensive income	759,532	112,364	1.03%	112,364	
BoardTek Electronics Corporation	Chipboard Technology Corporation	None	Financial assets at fair value through other comprehensive income	1,337,068	<u>27,944</u>	15.60%	27,944	
					<u>\$ 1,160,280</u>			
Avary Holding (Shenzhen) Co., Limited	Jingning Dingqing Electronic Technology Limited Partnership	None	Financial assets at fair value through profit or loss	-	\$ 295,742	16.80%	\$ 295,742	
Avary Holding Investment (Shenzhen) Co., Ltd.	Beijing Chenyi M&A Fund	None	Financial assets at fair value through profit or loss	-	991,247	2.94%	991,247	
Avary Holding Investment (Shenzhen) Co., Ltd.	Zhuhai Hengqin New Area Leishi Tianhe Technology Industry Investment	None	Financial assets at fair value through profit or loss	-	75,085	99.39%	75,085	
Avary Holding Investment (Shenzhen) Co., Ltd.	Primavera Jingzhi (Beijing) Equity Investment Fund L.P.	None	Financial assets at fair value through profit or loss	-	127,302	20.00%	127,302	
Zhen Ding Technology Co., Ltd.	Zoyi Capital Investment Fund II L.P	None	Financial assets at fair value through profit or loss	-	<u>157,665</u>	10.59%	157,665	
					<u>\$ 1,647,041</u>			

Note 1: In accordance with IAS 39, 'Financial instruments: recognition and measurement', marketable securities in the table refer to shares, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

ACQUISITION OR SALE OF THE SAME SECURITY WITH THE ACCUMULATED COST EXCEEDING \$300 MILLION OR 20% OF THE COMPANY'S PAID-IN CAPITAL

Nine months ended September 30, 2023

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2023		Addition (Note 3)		Disposal (Note 3)				Balance as at September 30, 2023	
					Number of shares	Amount (Note 5)	Number of shares	Amount	Number of shares	Selling price	Carrying amount (Note 5)	Gain (loss) on disposal (Note 4)	Number of shares	Amount (Note 5)
Avary Holding (Shenzhen) Co., Limited	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Investments accounted for using equity method	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Fellow subsidiary	-	\$ -	-	\$ 4,187,501	-	\$ -	\$ -	\$ -	-	\$ 1,288,198

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: It is non-controlling interest transactions, gain or loss on disposal were accounted as capital surplus, difference between consideration and carrying amount of subsidiaries acquired or disposed.

Note 5: Including gain or loss on investment and adjustment not proportionate to ownership.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE

Nine months ended September 30, 2023

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

							Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term					
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	\$ 32,913,319	85	60 days from the shipping date	Note 2	Note 2	\$ 16,620,934	86	
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	3,870,393	10	90 days from the shipping date	Note 2	Note 2	1,515,065	8	
Avary Holding (Shenzhen) Co., Limited	Avary Technology (India) Private Limited	An indirect wholly- owned subsidiary	Sales	262,431	1	90 days from the shipping date	Note 2	Note 2	257,597	1	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	19,226,207	81	90 days from the shipping date	Note 2	Note 2	9,048,591	86	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	3,532,363	15	90 days from the shipping date	Note 2	Note 2	975,223	9	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	607,208	3	90 days from the shipping date	Note 2	Note 2	386,526	4	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly- owned subsidiary	Sales	130,634	1	90 days from the shipping date	Note 2	Note 2	30,960	-	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	2,994,647	69	60 days from the shipping date	Note 2	Note 2	1,028,717	69	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	993,196	23	90 days from the shipping date	Note 2	Note 2	333,827	22	

							Differences in transaction terms compared to third party transactions				
Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction						Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	BoardTek Electronics Corporation	An indirect wholly- owned subsidiary	Sales	\$ 208,623	5	90 days from the shipping date	Note 2	Note 2	\$ 89,056	6	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	111,143	3	30 days from the shipping date	Note 2	Note 2	49,360	3	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	30,278,954	93	60 days from invoice date	Note 2	Note 2	12,837,292	88	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	865,161	3	90 days from the shipping date	Note 2	Note 2	393,259	3	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	238,550	1	90 days from the shipping date	Note 2	Note 2	83,685	1	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Technology (India) Private Limited	An indirect wholly- owned subsidiary	Sales	1,174,488	4	90 days from the shipping date	Note 2	Note 2	1,207,664	8	
Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	An indirect wholly- owned subsidiary	Sales	868,099	51	90 days from the shipping date	Note 2	Note 2	-	-	Note 3
Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect International Limited	An indirect wholly- owned subsidiary	Sales	382,726	23	90 days from the shipping date	Note 2	Note 2	-	-	Note 3
Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	An indirect wholly- owned subsidiary	Sales	103,435	6	90 days from the shipping date	Note 2	Note 2	-	-	Note 3
Avary Technology (India) Private Limited	Garuda International Limited	An indirect wholly- owned subsidiary	Sales	924,332	69	90 days from the shipping date	Note 2	Note 2	437,100	50	
Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly- owned subsidiary	Sales	796,279	100	90 days from the shipping date	Note 2	Note 2	291,405	100	

Table 5, Page 2

							Differences in transaction terms compared to third party transactions				
			Transaction						Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	\$ 221,911	43	90 days from the shipping date	Note 2	Note 2	\$ -	-	
Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	An indirect wholly-owned subsidiary	Sales	142,884	12	90 days from the shipping date	Note 2	Note 2	-	-	
Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Leading Interconnect International Limited	An indirect wholly-owned subsidiary	Sales	769,188	63	90 days from the shipping date	Note 2	Note 2	874,505	69	
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	Sales	4,220,559	5	90 days from the first day of next month of shipping	Note 2	Note 2	2,470,684	9	
Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	124,613	-	90 days from the first day of next month of shipping	Note 2	Note 2	15,805	-	
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	Sales	3,778,502	4	90 days from the first day of next month of shipping	Note 2	Note 2	1,744,822	6	
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	4,191,198	5	90 days from the first day of next month of shipping	Note 2	Note 2	2,321,176	8	
Garuda International Limited	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	392,985	-	60 days from the first day of next month of shipping	Note 2	Note 2	79,059	-	
Garuda Technology Co., Ltd.	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	1,854,727	19	90 days from the first day of next month of shipping	Note 2	Note 2	457,929	13	
BoardTek Electronics Corporation	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	341,703	10	90 days from the first day of next month of shipping	Note 2	Note 2	185,552	15	
Avary Technology (India) Private Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	382,520	29	90 days from the first day of next month of shipping	Note 2	Note 2	414,812	48	

Table 5, Page 3

							Differences in transaction terms compared to third party transactions				
			Transaction						Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Avary Holding (Shenzhen) Co., Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	\$ 168,750	1	90 days from invoice date	Note 2	Note 2	(\$ 5,852)	-	
Avary Holding (Shenzhen) Co., Limited	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	1,309,071	5	90 days from invoice date	Note 2	Note 2	(729,778)	5	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	1,411,245	11	30 days from invoice date	Note 2	Note 2	(292,753)	6	
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Foxconn Interconnect Technology Limited and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	241,665	2	90 days from invoice date	Note 2	Note 2	(106,685)	2	

Note 1: The opposite related party transactions are not disclosed.

Note 2: Unless the transaction terms were determined in accordance with mutual agreements due to no similar transactions, the transaction terms to related parties were similar to third parties.

Note 3: Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd. merged with Qi Ding Technology Qinhuangdao Co., Ltd. on July 31, 2023.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
September 30, 2023

Table 6

Expressed in thousands of NTD
(Except as otherwise indicated)

Creditor	Counterparty	Relationship	Receivables from related parties as of September 30,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2023		Amount	Action taken		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	An indirect wholly-owned subsidiary	\$ 16,620,934	2	\$ -	-	\$ 1,075,476	\$ -
Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	1,515,065	3	-	-	354,384	-
Avary Holding (Shenzhen) Co., Limited	Avary Technology (India) Private Limited	An indirect wholly-owned subsidiary	257,597	1	132,898	Subsequent collection	509	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	9,048,591	2	-	-	1,495,744	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	975,223	3	-	-	113,407	-
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	386,526	2	175	Subsequent collection	60,266	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	1,028,717	3	-	-	177,969	-
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	333,827	3	-	-	53,342	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	An indirect wholly-owned subsidiary	12,837,292	2	-	-	1,939,111	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	An indirect wholly-owned subsidiary	393,259	2	-	-	50,466	-
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Technology (India) Private Limited	An indirect wholly-owned subsidiary	1,027,664	1	586,244	Subsequent collection	-	-

Creditor	Counterparty	Relationship	Receivables from related parties as of September 30,	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
			2023		Amount	Action taken		
Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Leading Interconnect International Limited	An indirect wholly-owned subsidiary	\$ 874,505	2	\$ -	-	\$ 269,675	\$ -
Avary Technology (India) Private Limited	Garuda International Limited	An indirect wholly-owned subsidiary	437,100	2	-	-	454,885	-
Kui Sheng Technology (Shenzhen) Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	291,405	3	-	-	-	-
Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	An indirect wholly-owned subsidiary	2,470,684	2	-	-	369,381	-
Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	An indirect wholly-owned subsidiary	1,744,822	2	-	-	136,997	-
Garuda International Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	2,321,176	2	5,454	Subsequent collection	428,308	-
Garuda Technology Co., Ltd.	GENERAL INTERFACE SOLUTION HOLDING LIMITED	An investee company accounted for under the equity method of Hon Hai Precision Industry Co., Ltd.	457,929	3	-	-	123,250	-
BoardTek Electronics Corporation	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	185,552	2	1,999	Subsequent collection	493,070	-
Avary Technology (India) Private Limited	Foxconn (Far East) and subsidiaries	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	414,812	2	-	-	407,294	-

As to receivables from loans to related parties exceeding NT\$100 million or 20% of issued capital, please refer to Table 1.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIOD
Nine months ended September 30, 2023

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
1	Mayco Industrial Limited	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	3	Other receivables	\$ 2,904,300	Note 5	1
1	Mayco Industrial Limited	BoardTek Electronics Corporation	3	Other receivables	645,400	"	-
2	Pacific Fair International Limited	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	3	Other receivables	968,100	"	-
2	Pacific Fair International Limited	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	3	Other receivables	645,400	"	-
3	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	3	Other receivables	1,123,638	"	-
4	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	3,227,000	"	1
5	Avary Holding (Shenzhen) Co., Limited	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	3	Other receivables	7,602,531	"	3
5	Avary Holding (Shenzhen) Co., Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	4,472,077	"	2
5	Avary Holding (Shenzhen) Co., Limited	Yu Ding Precision Electronics (Huaian) Co., Ltd.	3	Other receivables	215,738	"	-
5	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Sales	32,913,319	Note 8	34
5	Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	3	Accounts receivable	16,620,934	"	7
5	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Sales	3,870,393	Note 7	4
5	Avary Holding (Shenzhen) Co., Limited	Garuda Technology Co., Ltd.	3	Accounts receivable	1,515,065	"	1
5	Avary Holding (Shenzhen) Co., Limited	Avary Technology (India) Private Limited	3	Sales	262,431	"	-
5	Avary Holding (Shenzhen) Co., Limited	Avary Technology (India) Private Limited	3	Accounts receivable	257,597	"	-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Sales	19,226,207	Note 8	20

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda International Limited	3	Accounts receivable	\$ 9,048,591	Note 8	4
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	3,532,363	Note 7	4
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	975,223	"	-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	607,208	Note 9	1
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	386,526	"	-
6	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	130,634	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	2,994,647	Note 8	3
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	1,028,717	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	111,143	Note 9	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	993,196	Note 7	1
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	333,827	"	-
7	Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	BoardTek Electronics Corporation	3	Sales	208,623	Note 9	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Sales	30,278,954	Note 8	31
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda International Limited	3	Accounts receivable	12,837,292	"	5
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	238,550	Note 9	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Sales	865,161	Note 7	1
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Garuda Technology Co., Ltd.	3	Accounts receivable	393,259	"	-
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Technology (India) Private Limited	3	Sales	1,174,488	"	1
8	Qing Ding Precision Electronics (Huaian) Co., Ltd.	Avary Technology (India) Private Limited	3	Accounts receivable	1,207,664	"	-
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	3	Sales	868,099	Note 6	1

Table 7, Page 2

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount (Note 3)	Transaction terms	
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect International Limited	3	Sales	\$ 382,726	Note 6	-
9	Qi Ding Technology Qinhuangdao Co., Ltd.	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	3	Sales	103,435	"	-
10	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Sales	796,279	Note 7	1
10	Kui Sheng Technology (Shenzhen) Co., Ltd.	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	291,405	"	-
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Sales	4,220,559	Note 6	4
11	Garuda International Limited	Avary Holding (Shenzhen) Co., Limited	3	Accounts receivable	2,470,684	"	1
11	Garuda International Limited	Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	3	Sales	124,613	"	-
11	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Sales	3,778,502	"	4
11	Garuda International Limited	Qing Ding Precision Electronics (Huaian) Co., Ltd.	3	Accounts receivable	1,744,822	"	1
12	Avary Technology (India) Private Limited	Garuda International Limited	3	Sales	924,332	"	1
12	Avary Technology (India) Private Limited	Garuda International Limited	3	Accounts receivable	437,100	"	-
13	Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Zhen Ding Technology Co., Ltd.	3	Sales	221,911	"	-
14	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Zhen Ding Technology Co., Ltd.	3	Sales	142,884	"	-
14	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Leading Interconnect International Limited	3	Sales	769,188	"	1
14	Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd.	Leading Interconnect International Limited	3	Accounts receivable	874,505	"	-

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

(1) Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Only the related party transactions exceeding the amount of NT \$100 million or 20% paid-in capital are disclosed, and the opposite related party transactions are not disclosed.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is calculated based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts. All the transactions had been eliminated in the consolidated financial statements.

Note 5: Nature of other receivables and other payables are loans to (from) others. Please refer to Note 13(1) A for interest rate and limit on loans.

Note 6: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the first day of next month of shipping.

Note 7: The prices and terms to related parties were similar to third parties. Credit term is 90 days from the shipping date.

Note 8: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the shipping date.

Note 9: The prices and terms to related parties were similar to third parties. Credit term is 30 days from the shipping date.

Note 10: The prices and terms to related parties were similar to third parties. Credit term is 60 days from the received date.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES

Nine months ended September 30, 2023

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at September 30, 2023			Net profit (loss) of the investee for the nine months ended September 30, 2023	Investment income (loss) recognised by the Company for the nine months ended September 30, 2023		Footnote
				Balance at September 30, 2023	Balance at December 31, 2022	Number of shares	Ownership (%)	Carrying amount				
The Company	Monterey Park Finance Limited	British Virgin Islands	Investment holding	\$ 31,503,588	\$ 31,503,588	976,250,000	100	\$ 117,036,658	\$ 4,793,880	\$ 4,792,277		
The Company	Zhen Ding Technology Co., Ltd.	Taiwan	Trading	125,488	125,488	12,548,800	100	2,000,127 (	147,633) (	147,633)		
The Company	BoardTek Electronics Corporation	Taiwan	Manufacturing	5,512,771	5,512,771	95,918,453	100	3,226,446 (	971,793) (	1,007,245)		
The Company	Zhen Ding Technology Singapore Private Limited	Singapore	Investment holding	968,100	968,100	30,000,000	100	950,570	35,399	35,399		
Monterey Park Finance Limited	Coppertone Enterprises Limited	British Virgin Islands	Investment holding	3,316,898	3,316,898	102,785,806	100	94,772,307	5,468,454	5,467,715		
Monterey Park Finance Limited	Pacific Fair International Limited	Hong Kong	Investment holding	8,825,845	8,825,845	2,133,300,000	100	15,197,572	703,056	703,056		
Coppertone Enterprises Limited	Mayco Industrial Limited	Hong Kong	Investment holding	38,566,133	38,566,133	9,321,841,932	100	94,771,430	5,468,513	5,468,513		
Zhen Ding Technology Co., Ltd.	FAT Holdings Limited	Cayman Islands	Investment holding	161	161	5,000	100	858,995	31,529	31,529		
BoardTek Electronics Corporation	BoardTek Investment Co., Ltd.	Taiwan	Investment	248,294	248,294	24,829,362	100	291,123	10,022	10,022		
Avary Holding (Shenzhen) Co., Limited	Garuda International Limited	Hong Kong	Trading	1,903,930	1,903,930	460,200,000	72	6,320,213 (	19,387)	105,114		
Avary Holding (Shenzhen) Co., Limited	Avary Singapore Private Limited	Singapore	Investment holding	2,069,475	2,069,475	64,130,000	72	118,563 (	364,189) (	262,178)		

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held at September 30, 2023			Net profit (loss) of the investee for the nine months ended September 30, 2023	Investment income (loss) recognised by the Company for the nine months ended		Footnote
				Balance at September 30, 2023	Balance at December 31, 2022	Number of shares	Ownership (%)	Carrying amount		September 30, 2023	September 30, 2023	
Leading Interconnect Semiconductor Technology (Shenzhen) Co., Ltd.	Leading Interconnect International Limited	Hong Kong	Trading	\$ -	\$ -	1	100	(\$ 63,514)	(\$ 56,002)	(\$ 56,002)		
Garuda International Limited	Garuda Technology Co., Ltd.	Taiwan	Trading	1,525,000	1,525,000	152,500,000	72	1,199,296	(215,690)	(155,266)		
Garuda International Limited	Avary Japan Co., Ltd	Japan	Trading	21,318	21,318	4,660	72	691	(7,137)	(5,138)		
Garuda International Limited	Peng Shen Technology (Thailand) Co.,Ltd.	Thailand	Manufacturing	9	-	100	-	6	-	-		
Avary Singapore Private Limited	Peng Shen Technology (Thailand) Co.,Ltd.	Thailand	Manufacturing	1,594	-	17,900	64	1,148	-	-		
Avary Singapore Private Limited	Avary Technology (India) Private Limited	India	Manufacturing	1,062,315	1,062,315	269,044,910	72	(579,701)	(388,866)	(280,004)		
FAT Holdings Limited	Zhen Ding Technology India Private Limited	India	Manufacturing	25	25	6,250	63	(279)	(18)	(11)		
Zhen Ding Technology Singapore Private Limited	Zhen Ding Technology India Private Limited	India	Manufacturing	15	15	3,750	37	(164)	(18)	(7)		
FAT Holdings Limited	Zhen Ding Developer India Private Limited	India	Property management	25	25	6,250	-	-	35,409	-		
Zhen Ding Technology Singapore Private Limited	Zhen Ding Developer India Private Limited	India	Property management	829,192	829,192	210,003,750	100	900,073	35,409	35,409		

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

Nine months ended September 30, 2023

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2023	Net profit (loss) of investee for the nine months ended September 30, 2023	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the nine months ended September 30, 2023 (Note 3)	Carrying amount of investments as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hong Qi Sheng Precision Electronics (Qinhuangdao) Co., Ltd.	Manufacture and sales of PCB	\$ 10,158,254	2	\$ -	\$ -	\$ -	\$ -	\$ 3,096,759	72	\$ 2,271,180	\$ 21,948,754	\$ -	
Hong Heng Sheng Electronical Technology (Huaian) Co., Ltd.	Manufacture and sales of PCB	4,024,660	2	-	-	-	-	(89,358)	72	(65,186)	172,114	-	
Avary Holding (Shenzhen) Co., Limited	Manufacture and sales of PCB	10,079,853	2	-	-	-	-	8,209,507	72	5,904,804	91,669,346	-	Note 4
Fu Bo Industrial (Shenzhen) Co., Ltd.	Manufacture and sales of PCB	478,144	2	-	-	-	-	37,523	72	27,013	486,685	-	
Yu Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	1,046,644	2	-	-	-	-	936	72	704	715,397	-	
Qing Ding Precision Electronics (Huaian) Co., Ltd.	Manufacture and sales of PCB	13,729,568	2	-	-	-	-	1,870,207	72	1,312,278	19,569,603	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2023	Net profit (loss) of investee for the nine months ended September 30, 2023	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the nine months ended September 30, 2023 (Note 3)	Carrying amount of investments as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Qi Ding Technology Qinhuangdao Co., Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	\$ -	2	\$ -	\$ -	\$ -	\$ -	(\$ 219,612)	66	(\$ 144,199)	\$ -	\$ -	Note 5
Kui Sheng Technology (Shenzhen) Limited	Manufacture and sales of PCB	86,880	2	-	-	-	-	11,338	72	8,079	141,077	-	
Huaian Jia Wei Industrial Development Co., Ltd.	Manufacture and sales of Building materials, Furniture and hardware tools	733,455	2	-	-	-	-	1,232	100	1,232	732,309	-	
Avary Holding Investment (Shenzhen) Co., Ltd.	Investment of business	1,743,293	2	-	-	-	-	(1,711)	72	(1,232)	1,410,809	-	
Leading Interconnect Semiconductor Technology (Shenzhen) Co.,Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	3,216,446	2	-	-	-	-	(1,986,328)	66	(1,308,000)	6,184,920	-	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2023	Net profit (loss) of investee for the nine months ended September 30, 2023	Ownership held directly or indirectly by the Company	Investment income (loss) recognised by the Company for the nine months ended September 30, 2023 (Note 3)	Carrying amount of investments as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Leading Interconnect Semiconductor Technology Qinhuangdao Co.,Ltd.	Development, manufacture and sales of electronic products and goods imports and exports	\$ 2,200,144	2	\$ -	\$ -	\$ -	\$ -	(\$ 597,450)	66	(\$ 392,193)	\$ 3,064,340	\$ -	
Avary Logistics Services (Shenzhen) Co., Ltd.	Property management business	22,047	2	-	-	-	-	15,206	72	10,946	13,337	-	
Guangdong Zhan Yang Intelligent Equipment Co.,Ltd.	Research and development, sales, processing of automation equipment as well as imports and exports of goods or technology	42,903	2	-	-	-	-	(21,553)	32	(12,986)	20,956	-	

Note 1: The amounts in the table are shown in New Taiwan Dollars. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates at the balance sheet date.

Note 2: The methods of investments to PRC are as follows:

(1) The Group remits its own funds directly to the investee companies located in PRC

(2) Investee company, Monterey Park Finance Limited (B.V.I.), established by the Company that is located outside of Taiwan and PRC remits its own funds directly to the investee companies located in PRC.

(3) Others

Note 3: The columns investment income (loss) recognised by the Company for the nine months ended September 30, 2023 were based on the reviewed financial statements of the investees in Mainland China for the same period.

Note 4: The cumulative earnings distributed to the parent company by Avary Holding (Shenzhen) Co., Limited amounted to RMB 6,781,521 thousand as of September 30, 2023.

Note 5: Leading Interconnect Semiconductor Technology Qinhuangdao Co., Ltd. merged with Qi Ding Technology Qinhuangdao Co., Ltd. on July 31, 2023.

ZHEN DING TECHNOLOGY HOLDING LIMITED AND SUBSIDIARIES
MAJOR SHAREHOLDERS INFORMATION
September 30, 2023

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Foxconn (Far East) Limited	305,515,627	32.26%

APPENDIX A – THE SECURITIES MARKET OF THE ROC

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by us, the Initial Purchasers or any of our respective affiliates or advisors in connection with this offering. References to the FSC in this section include both ROC Securities and Futures Commission and the ROC Securities and Exchange Commission, the predecessors of the Securities and Futures Bureau of the FSC.

In September 1960, the ROC government established the ROC Securities and Exchange Commission to supervise and control all aspects of the existing domestic securities market and the TWSE began to take shape soon thereafter. In the 1970s and the early 1980s, the ROC government implemented a number of steps designed to upgrade the quality and importance of the ROC securities markets, such as encouraging listing on the TWSE and establishing an over-the-counter securities exchange. In the mid-1980s, the ROC government began to revise its laws and regulations in a manner designed to facilitate the gradual internationalization of the ROC securities markets. In 1997, the ROC Securities and Exchange Commission was renamed the ROC Securities and Futures Commission. Effective July 1, 2004, the ROC Securities and Futures Commission has been renamed the ROC Securities and Futures Bureau, and its supervisory authority has been transferred from the Ministry of Finance to the FSC.

THE TAIWAN STOCK EXCHANGE

In 1961, the FSC established the TWSE to provide a marketplace for securities trading. The TWSE is a corporation owned by government-controlled and private banks and enterprises. The TWSE is independent of the entities transacting business through it, each of which pays to the TWSE a user's fee. Subject to limited exceptions, all transactions in listed securities by brokers, traders and integrated securities firms (firms which are permitted to combine the activities of brokerage trading and underwriting), must be made through the TWSE.

The TWSE commenced operations in 1962. During the early 1980s, the FSC actively encouraged new listings on the TWSE and the number of listed companies has grown from 119 in 1983 to 997 as of December 31, 2023. As of December 31, 2023, the market capitalization of companies listed on the TWSE was approximately NT\$56.8 trillion.

Historically, ROC companies have listed only shares and bonds on the TWSE. However, the FSC has encouraged companies to list other types of securities. In 1988, the Ministry of Finance permitted the issuance of ROC's first exchangeable bonds. Since 1989, there have been offerings of domestic convertible bonds and convertible preferred shares. In addition, beneficiary units evidencing beneficiary interests in closed-end investment funds and bonds issued by super-national financial institutions are also listed on the TWSE or traded on the TPEx (which is discussed below). The FSC also has promulgated regulations which permit foreign issuers to list certain securities on the TWSE.

The TWSE considers the following factors when evaluating a company for listing:

- the number of shareholders and distribution of shareholdings among such shareholders;
- the length of time in business;
- the amount of paid-in capital; and
- profitability.

However, special listing criteria apply to technology companies, cultural and creative companies and key businesses engaging in national economic development.

The following table sets forth, for the periods indicated information relating to the TWSE.

Period	No. of Listed Companies at Period End	Stock Trading Values (NT\$ in billions)	Index High	Index Low	Index at Period End
1996	382	12,907.6	6,982.81	4,690.22	6,933.94
1997	404	37,241.2	10,116.84	6,820.35	8,187.27
1998	437	29,619.0	9,277.09	6,251.38	6,418.43
1999	462	29,291.5	8,608.91	5,474.79	8,448.84
2000	531	30,526.6	10,202.20	4,614.63	4,739.09
2001	584	18,354.9	6,104.24	3,446.26	5,551.24
2002	638	21,874.0	6,462.30	3,850.04	4,452.45
2003	669	20,333.2	6,142.32	4,139.50	5,890.69
2004	697	23,875.4	7,034.10	5,316.87	6,139.69
2005	691	18,818.9	6,575.53	5,632.97	6,548.34
2006	688	23,900.4	7,823.72	6,257.80	7,823.72
2007	698	33,043.9	9,809.88	7,344.56	8,506.28
2008	718	26,115.4	9,295.20	4,089.93	4,591.22
2009	741	29,680.5	8,188.11	4,242.61	8,188.11
2010	758	28,218.7	8,972.50	7,071.67	8,972.50
2011	790	26,197.4	9,145.35	6,633.33	7,072.08
2012	809	20,238.2	8,144.04	6,894.66	7,699.50
2013	838	18,940.9	8,623.43	7,616.64	8,611.51
2014	854	21,898.5	9,569.17	8,264.48	9,307.26
2015	874	20,191.5	9,973.12	7,410.34	8,338.06
2016	892	16,771.1	9,392.68	7,664.01	9,253.50
2017	907	23,972.2	10,854.57	9,272.88	10,642.86
2018	928	29,608.9	11,253.11	9,478.99	9,727.41
2019	942	26,464.6	12,122.45	9,382.51	11,997.14
2020	948	45,654.3	14,732.53	8,681.34	10,942.16
2021	959	92,290.0	18,248.28	14,902.03	18,218.84
2022	971	56,080.6	18,526.35	12,666.12	14,137.69
2023	997	63,170.2	17,930.81	14,199.13	17,930.81

Source: <https://www.twse.com.tw>

THE TAIPEI EXCHANGE (TPEX)

To complement the TWSE, Taipei Exchange (the “TPEX”, formerly known as GreTai Securities Market) was established in September 1982 on the initiative of the FSC to encourage the trading of securities of companies that do not qualify for listing on the TWSE. As of December 31, 2023, 816 companies had listed equity securities on the TPEX and the total market capitalization of those companies was NT\$5.8 trillion.

The TPEX has established specific requirements for trading securities on the TPEX based on the history of a company, the number and distribution of a company’s shareholders, amount of capital, profitability and capital structure.

PRICE LIMITS, COMMISSIONS, TRANSACTION TAX AND OTHER MATTERS

The TWSE has placed limits on block trading and on the range of daily price movements. According to the TWSE's block trading guidelines, an order for sale or purchase of one class of securities that involves 500 or more trading lots or trading amounts exceeding NT\$15 million, and transactions involving five or more different classes of securities and trading amounts exceeding NT\$15 million must be registered and executed in accordance with the guidelines. Fluctuations in the price of stock traded on the TWSE are currently subject to a restriction of 10% above and below the previous day closing price (or reference price set by the TWSE if the previous day closing price is not available because of lack of trading activity).

However, these restrictions have been modified from time to time by the FSC based on market conditions. Brokerage commission can be set at any rate of the transaction price, provided that any rate exceeding 0.1425% shall be reported to the TWSE and notified to the client in advance. A securities transaction tax, currently levied at 0.3% of the transaction price for shares and at 0.1% of the transaction price for non-governmental bonds, is payable by the seller of equity securities. Such securities transaction taxes are withheld at the time of the transaction giving rise to such tax. In addition, no securities transaction tax will be imposed on the transfer of corporate bonds and financial debentures from January 1, 2010 to December 31, 2026. Sales of shares of companies listed on the TWSE are currently sold in round lots of 1,000 shares. Investors who desire to sell less than 1,000 shares of a listed company occasionally experience delays in effecting such sales. Upon the occurrence of any matter which may have a material impact on the shareholders' equity or the price of securities of a TWSE-listed company (e.g., merger), such company should apply to the TWSE, or the TWSE should request, for suspension of trading of its shares for one to three trading days (or a longer period if necessary).

REGULATION AND SUPERVISION

The FSC has extensive regulatory authority over public companies. Public companies are generally required to obtain the deemed approval from the FSC for all securities offerings. The FSC has promulgated regulations requiring, unless otherwise exempted, periodic reporting of financial and operating information by all public companies. In addition, the FSC establishes standards for financial reporting and carries out licensing and supervision of participants in the ROC securities market.

The FSC has responsibility for implementing ROC Securities and Exchange Act and for overall administration of governmental policies in the ROC securities market. It has extensive regulatory authority over the offering, issuance and trading of securities. In addition, ROC Securities and Exchange Act specifically empowers the FSC to promulgate necessary rules. ROC Securities and Exchange Act prohibits market manipulation. For example, it permits an issuer to recover short-swing trading profits made through purchases and sales within six months by directors, managerial personnel, supervisors, as well as the spouses, minor children and nominees of these parties, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the shares of the issuer. ROC Securities and Exchange Act prohibits trading by "insiders" based on non-public information that materially affects share price movement prior to publication of such information and within 18 hours after publication of such information. "Insiders" include:

- directors, supervisors, managers, and shareholders (together with their spouses, minor children and nominees) who hold more than 10% of the issuing company's shares, as well as the spouses, minor children and nominees of these parties and any individual designated by a governmental or corporate director or supervisor to act on its behalf;
- any person who has learned material, non-public information due to an occupational or

controlling relationship with the issuing company;

- any person who has discharged from the status or position in the first and second bullet points for not more than six months; and
- any person who has learned material, non-public information from any of the above.

Sanctions include imprisonment. In addition, damages may be awarded to persons injured by the transaction. ROC Securities and Exchange Act also imposes criminal liability on certified public accountants and lawyers who make false certifications in their examination and audit of an issuer's contracts, reports and other documents related to securities transactions. The FSC regulations require that financial reports of listed companies be audited by accounting firms consisting of at least three certified public accountants and be signed by at least two certified public accountants.

In addition, ROC Securities and Exchange Act provides for civil liability for material misstatements or omissions made by issuers and regulation of tender offers. The FSC does not have criminal or civil enforcement powers under ROC Securities and Exchange Act. Criminal actions may be pursued only by government prosecutors. Civil actions may only be brought by plaintiffs who assert that they have suffered damages. The FSC is empowered to curb abuses and violations of laws and regulations only through administrative measures including:

- issuance of warnings;
- temporary suspension of operation;
- imposition of administrative fines; and
- revocation of licenses.

In addition to providing a market for securities trading, the TWSE reviews applications by ROC issuers to list securities on the TWSE. If issuers of listed securities violate laws and regulations or encounter significant difficulties, the TWSE may, with the approval of the FSC, delist the securities of these issuers.

For foreign issuer who lists its shares for trading on the TWSE, such as us, in addition to the above-mentioned regulations and supervision, certain restrictions and provisions of the ROC Securities and Exchange Act shall also be applicable to such foreign companies, including but not limited to the following:

- responsibility for preparation and announcement of financial statements;
- responsibility for preparation and distribution of prospectus;
- reporting obligations of change of shareholding of directors, managers and shareholders who hold more than 10% of the shares of the issuer;
- tender offer;
- private placement of securities; and
- margin trading.

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