

# TSEC Corporation and Subsidiaries

## Consolidated Financial Statements and Independent Auditors' Review Report 3Q 2022 and 2023

Address: 8F, No. 225, Beixin Rd., Sec. 3, Fuxing Village,  
Xindian District, New Taipei City

Tel: (02)2912-2199

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## **Independent Auditors' Review Report**

To TSEC Corporation,

### **Introduction**

We have reviewed the accompanying statement of financial position of TSEC Corporation (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2023 and 2022, the consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2023 and 2022, relevant consolidated statements of changes in equity, cash flows for the nine months then ended, as well as relevant notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). The responsibility for preparing financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standards (IAS) 34 "Interim Financial Reporting," as endorsed and issued into effect by the Financial Supervisory Commission (FSC) to fairly present the consolidated financial position of the Group, lies with the management. Our responsibility is to arrive at a conclusion on the consolidated financial statements based on our review results.

### **Scope**

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 "Review of Financial Statement". The procedures for reviewing the consolidated financial statements include inquiries (mainly to personnel in charge of financial and accounting affairs), analytical procedures, and other review procedures. As the scope of the review is obviously smaller than that of an audit, we may not be able to detect all the material matters that can be identified through audits, so we were not able to express an audit opinion.

### **Conclusions**

Based on the results of our review (please refer to the other matters), the consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. This allows for the fair presentation of the Group's consolidated

financial position and consolidated financial performance as of September 30, 2023 and 2022, for the three months ended September 30, 2023 and 2022, as well as the consolidated financial performance and consolidated cash flows for the nine months ended September 30, 2023 and 2022.

**Other matters**

Among the investee companies included in TSEC's consolidated financial statements that are evaluated using the equity method, the financial statements of Yuan-Yu Solar Energy Co., Ltd. have not been reviewed by us but have been reviewed by other accountants. Therefore, in the conclusions expressed by us on the abovementioned consolidated financial statements, the amount listed in the financial statements of Yuan-Yu Solar Energy Co., Ltd. is based on the review results produced by other accountants. As of September 30, 2023, the balance of investment in Yuan-Yu Solar Energy using the equity method is \$143,722 thousand, accounting for 1% of the total consolidated assets. For the three months ended September 30, 2023 and for the nine months ended September 30, 2023, the share of profit and loss of associate and joint ventures recognized using the equity method was \$9,793 thousand and \$49,395, respectively, accounting for 9% and 11% of the total consolidated comprehensive income, respectively.

Deloitte Taiwan

Robert Yu, CPA

Connie Chen, CPA

Securities and Futures Commission  
Approval Document No.  
Tai-Cai-Zheng-VI No. 0930128050

FSC Approval Document No.  
Jin-Guan-Zheng-Shen No. 1060023872

November 13, 2023

TSEC Corporation and Subsidiaries  
Consolidated Statement of Financial Position  
September 30, 2023, December 31, 2022 and September 30, 2022

Unit: NTD in thousands

| Code  | Assets  | September 30, 2023   |            | December 31, 2022    |            | September 30, 2022   |            |
|---|---|----------------------|------------|----------------------|------------|----------------------|------------|
|   |   | Amount               | %          | Amount               | %          | Amount               | %          |
| <b>Current assets</b>   |   |                      |            |                      |            |                      |            |
| 1100  | Cash and cash equivalents (Note 4 and 6)                                  | \$ 1,270,729         | 11         | \$ 837,804           | 8          | \$ 906,098           | 8          |
| 1110  | Financial assets at fair value through profit or loss (Note 4 and 7)      | 899                  | -          | -                    | -          | 23,278               | -          |
| 1136  | Financial assets at amortized cost (Note 4 and 8)                         | 77,894               | 1          | -                    | -          | -                    | -          |
| 1150  | Notes receivable (Notes 4, 9, and 25)                                     | 285,399              | 2          | -                    | -          | -                    | -          |
| 1172  | Accounts receivable (Notes 4, 9, and 25)                                  | 907,561              | 7          | 1,164,930            | 10         | 1,100,483            | 9          |
| 1180  | Accounts receivable - related parties (Notes 4, 9, 25, and 32)            | 25,654               | -          | 9,498                | -          | 31,856               | -          |
| 1200  | Other receivables (Note 4 and 9)  | 3,622                | -          | 15,449               | -          | 23,217               | -          |
| 1210  | Other receivables-related parties (Note 4 and 32)                         | 1,403                | -          | 1,416                | -          | 1,162                | -          |
| 1220  | Income tax assets for the current period (Note 4)                         | 1,616                | -          | 382                  | -          | 89                   | -          |
| 130X  | Inventory (Note 4 and 10)   | 1,283,079            | 11         | 1,699,321            | 15         | 2,048,491            | 18         |
| 1470  | Other current assets (Notes 18 and 33)                                    | 153,821              | 1          | 298,529              | 3          | 296,525              | 3          |
| 11XX  | Total current assets  | <u>4,011,677</u>     | <u>33</u>  | <u>4,027,329</u>     | <u>36</u>  | <u>4,431,199</u>     | <u>38</u>  |
| <b>Non-current assets</b>   |   |                      |            |                      |            |                      |            |
| 1550  | Investments accounted for using equity method (Note 4, 13 and 33)         | 807,272              | 7          | 325,622              | 3          | 324,118              | 3          |
| 1600  | Property, plant, and equipment (Notes 4, 5, 14 and 33)                    | 6,345,463            | 53         | 5,442,722            | 48         | 5,427,945            | 47         |
| 1755  | Right-of-use assets (Note 4 and 15)                                       | 13,644               | -          | 10,770               | -          | 5,083                | -          |
| 1760  | Investment property (Notes 4, 16 and 33)                                  | -                    | -          | 163,159              | 1          | 166,097              | 1          |
| 1780  | Other intangible assets (Note 4 and 17)                                   | 6,807                | -          | 4,708                | -          | 5,266                | -          |
| 1840  | Deferred income tax assets (Note 4)                                       | 258,142              | 2          | 236,844              | 2          | 237,627              | 2          |
| 1990  | Other non-current assets (Notes 18, 29, and 33)                           | 581,718              | 5          | 1,096,896            | 10         | 1,039,816            | 9          |
| 15XX  | Total non-current assets  | <u>8,013,046</u>     | <u>67</u>  | <u>7,280,721</u>     | <u>64</u>  | <u>7,205,952</u>     | <u>62</u>  |
| 1XXX  | Total assets  | <u>\$ 12,024,723</u> | <u>100</u> | <u>\$ 11,308,050</u> | <u>100</u> | <u>\$ 11,637,151</u> | <u>100</u> |
| <b>Liabilities and Equity</b>                                     |   |                      |            |                      |            |                      |            |
| <b>Current liabilities</b>  |   |                      |            |                      |            |                      |            |
| 2100  | Short-term borrowings (Notes 19, 29, and 33)                              | \$ 473,729           | 4          | \$ 939,962           | 8          | \$ 1,258,867         | 11         |
| 2110  | Short-term notes payable (Notes 19, 29 and 33)                            | -                    | -          | 329,513              | 3          | 299,415              | 2          |
| 2120  | Financial liabilities at fair value through profit or loss (Note 4 and 7) | -                    | -          | 637                  | -          | -                    | -          |
| 2126  | Hedged financial liabilities - Current (Note 4 and 31)                    | -                    | -          | 218                  | -          | -                    | -          |
| 2130  | Contract liabilities (Note 4, 25 and 32)                                  | 74,222               | 1          | 117,745              | 1          | 217,764              | 2          |
| 2150  | Notes payable (Note 20)   | 24                   | -          | 24                   | -          | -                    | -          |
| 2170  | Accounts payable (Note 20)  | 622,713              | 5          | 898,218              | 8          | 564,777              | 5          |
| 2219  | Other payables (Notes 21 and 29)  | 491,899              | 4          | 393,148              | 4          | 356,542              | 3          |
| 2280  | Lease liabilities - Current (Note 4, 15 and 29)                           | 8,916                | -          | 5,473                | -          | 5,377                | -          |
| 2320  | Loan-term borrowings-current portion (Notes 19, 29, and 33)               | 397,895              | 3          | 218,604              | 2          | 940,185              | 8          |
| 2399  | Other current liabilities (Notes 21 and 29)                               | 58,784               | 1          | 7,579                | -          | 6,705                | -          |
| 21XX  | Total current liabilities   | <u>2,128,182</u>     | <u>18</u>  | <u>2,911,121</u>     | <u>26</u>  | <u>3,649,632</u>     | <u>31</u>  |
| <b>Non-current liabilities</b>                                    |   |                      |            |                      |            |                      |            |
| 2540  | Long-term borrowings (Notes 19, 29, and 33)                               | 2,024,671            | 17         | 1,931,346            | 17         | 1,649,469            | 14         |
| 2550  | Provisions for Liabilities (Note 4)                                       | 23,228               | -          | 17,140               | -          | 14,417               | -          |
| 2570  | Deferred income tax liabilities (Note 4)                                  | 1,764                | -          | 628                  | -          | 4,656                | -          |
| 2580  | Lease liabilities - Non-current (Note 4, 15 and 29)                       | 4,897                | -          | 5,396                | -          | -                    | -          |
| 2635  | Liabilities of preferred shares - non-current (Notes 4, 23, and 29)       | 287,949              | 2          | 287,949              | 3          | 287,949              | 3          |
| 2645  | Guarantee deposits received (Notes 21 and 29)                             | -                    | -          | 3,705                | -          | 3,705                | -          |
| 25XX  | Total non-current liabilities   | <u>2,342,509</u>     | <u>19</u>  | <u>2,246,164</u>     | <u>20</u>  | <u>1,960,196</u>     | <u>17</u>  |
| 2XXX  | Total liabilities   | <u>4,470,691</u>     | <u>37</u>  | <u>5,157,285</u>     | <u>46</u>  | <u>5,609,828</u>     | <u>48</u>  |
| <b>Equity attributable to the owners of the Company (Note 24)</b> |   |                      |            |                      |            |                      |            |
| 3110  | Common stock  | 5,127,967            | 43         | 4,762,967            | 42         | 4,762,967            | 41         |
| 3200  | Capital reserve   | 1,965,635            | 16         | 1,325,024            | 12         | 1,325,024            | 11         |
| <b>Retained earnings</b>  |   |                      |            |                      |            |                      |            |
| 3310  | Legal reserve   | 23,373               | -          | 4,632                | -          | 4,632                | -          |
| 3320  | Special reserve   | 171,049              | 1          | 41,685               | -          | 41,685               | -          |
| 3350  | Undistributed earnings  | 433,585              | 4          | 187,411              | 2          | 63,566               | 1          |
| 3300  | Total retained earnings   | 628,007              | 5          | 233,728              | 2          | 109,883              | 1          |
| 3400  | Other equities  | (170,573)            | (1)        | (171,049)            | (2)        | (170,646)            | (1)        |
| 31XX  | Total equity attributable to the owners of the Company                    | <u>7,551,036</u>     | <u>63</u>  | <u>6,150,670</u>     | <u>54</u>  | <u>6,027,228</u>     | <u>52</u>  |
| 36XX  | Non-controlling interests   | 2,996                | -          | 95                   | -          | 95                   | -          |
| 3XXX  | Total equity  | <u>7,554,032</u>     | <u>63</u>  | <u>6,150,765</u>     | <u>54</u>  | <u>6,027,323</u>     | <u>52</u>  |
| <b>Total liabilities and equity</b>                               |   | <u>\$ 12,024,723</u> | <u>100</u> | <u>\$ 11,308,050</u> | <u>100</u> | <u>\$ 11,637,151</u> | <u>100</u> |

The notes attached are part of the Consolidated Financial Statements.

Chairman: Wei Jen Investment Co Ltd.  
Representative: Kuo-Jung, Liao

Managerial Officer: Cheng-Jen, Hung

Accounting Manager: Wei-Che Chang

TSEC Corporation and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the Three Months Ended September 30, 2023 and 2022, and the Nine Months Ended September 30, 2023 and 2022

Unit: NTD in thousands except  
Earnings per share in NTD

| Code |  | For the three months ended<br>September 30, 2023 |       | For the three months ended<br>September 30, 2022 |       | For the nine months ended<br>September 30, 2023 |       | For the nine months ended<br>September 30, 2022 |       |
|------|--|--|-------|--|-------|---|-------|---|-------|
|      |  | Amount   | %     | Amount   | %     | Amount  | %     | Amount  | %     |
| 4000 | Operating revenue (Note 25, 32 and 38)   | \$ 1,857,645                                     | 100   | \$ 2,272,608                                     | 100   | \$ 6,405,448                                    | 100   | \$ 6,169,696                                    | 100   |
| 5000 | Operating cost (Note 5, 10, 22 and 25)   | 1,440,904  | 78    | 2,153,079  | 95    | 5,538,899                                       | 86    | 5,781,233                                       | 94    |
| 5900 | Operating Gross Income   | 416,741  | 22    | 119,529  | 5     | 866,549   | 14    | 388,463   | 6     |
| 5910 | Unrealized gain (loss) from sales  | 545  | -     | ( 3,416 )  | -     | ( 5,927 )                                       | -     | ( 993 )   | -     |
| 5920 | Realized loss of sales   | -  | -     | -  | -     | ( 78 )  | -     | -   | -     |
| 5950 | Realized gross profit  | 416,196  | 22    | 122,945  | 5     | 872,398   | 14    | 389,456   | 6     |
|      | Operating expenses (Notes 22, 25, and 32)  |  |       |  |       |   |       |   |       |
| 6100 | Selling expenses   | 26,769   | 1     | 22,640   | 1     | 80,373  | 1     | 69,803  | 1     |
| 6200 | Management expenses  | 102,775  | 6     | 55,247   | 2     | 234,020   | 4     | 166,819   | 3     |
| 6300 | Research and development expenses  | 23,525   | 1     | 10,415   | 1     | 55,568  | 1     | 31,727  | -     |
| 6450 | Expected credit loss (Note 9)  | 54,250   | 3     | 3,376  | -     | 57,307  | 1     | 5,142   | -     |
| 6000 | Total operating expenses   | 207,319  | 11    | 91,678   | 4     | 427,268   | 7     | 273,491   | 4     |
| 6500 | Other income and expense, net (Note 25)  | ( 96,987 )                                       | ( 5 ) | 64   | -     | ( 103,211 )                                     | ( 1 ) | 64  | -     |
| 6900 | Profit from operations   | 111,890  | 6     | 31,331   | 1     | 341,919   | 6     | 116,029   | 2     |
|      | Non-operating income and expense   |  |       |  |       |   |       |   |       |
| 7050 | Financing costs (Note 25)  | ( 18,787 )                                       | ( 1 ) | ( 22,292 )                                       | ( 1 ) | ( 51,000 )                                      | ( 1 ) | ( 57,746 )                                      | ( 1 ) |
| 7060 | Share of profits and losses of associates using equity method (Note 13)  | 2,082  | -     | 7,723  | 1     | 56,657  | 1     | 1,925   | -     |
| 7100 | Interest income (Note 25)  | 6,907  | -     | 1,723  | -     | 15,077  | -     | 3,098   | -     |
| 7110 | Rental income (Note 32)  | 4,395  | -     | 5,693  | -     | 24,780  | 1     | 17,035  | -     |
| 7190 | Other income (Note 32)   | 10,171   | 1     | 3,862  | -     | 15,281  | -     | 9,979   | -     |
| 7230 | Net profit (loss) on foreign currency exchange (Note 25)   | 7,655  | 1     | ( 25,136 )                                       | ( 1 ) | 5,255   | -     | ( 43,470 )                                      | -     |
| 7235 | Net gain on financial assets and liabilities at fair value through profit and loss                                     | 757  | -     | 15,686   | 1     | 3,623   | -     | 7,920   | -     |
| 7000 | Total non-operating income and expense   | 13,180   | 1     | ( 12,741 )                                       | -     | 69,673  | 1     | ( 61,259 )                                      | ( 1 ) |
| 7900 | Pre-tax net income   | 125,070  | 7     | 18,590   | 1     | 411,592   | 7     | 54,770  | 1     |
| 7950 | Income tax (expense) gains (Notes 4 and 26)  | ( 12,340 )                                       | ( 1 ) | 3,943  | -     | 20,352  | -     | 11,035  | -     |
| 8200 | Current period net profit  | 112,730  | 6     | 22,533   | 1     | 431,944   | 7     | 65,805  | 1     |
|      | Other comprehensive income   |  |       |  |       |   |       |   |       |
| 8310 | Items not reclassified to profit or loss:  |  |       |  |       |   |       |   |       |
| 8316 | Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 24) | -  | -     | 1,917  | -     | -   | -     | 1,413   | -     |
| 8317 | Gains or losses of hedging instruments applicable for basis adjustments (Note 24)                                      | -  | -     | -  | -     | 119   | -     | -   | -     |
| 8320 | Share of other comprehensive income of associates and joint ventures recognized by using the equity method (Note 24)   | ( 33 )   | -     | -  | -     | ( 28 )  | -     | -   | -     |
| 8349 | Relevant income tax for items that will not be reclassified (Note 26)  | -  | -     | -  | -     | ( 44 )  | -     | -   | -     |
| 8360 | Items that may be reclassified subsequently to profit or loss:   |  |       |  |       |   |       |   |       |
| 8361 | Exchange differences on translation of financial statements of foreign operations (Note 24)                            | 299  | -     | 530  | -     | 413   | -     | 1,069   | -     |
| 8399 | Income tax related to items that may be reclassified (Note 26)   | ( 59 )   | -     | ( 107 )  | -     | ( 83 )  | -     | ( 214 )   | -     |
| 8300 | Other comprehensive income of the current year (net of tax)  | 207  | -     | 2,340  | -     | 377   | -     | 2,268   | -     |
| 8500 | Total comprehensive income in the current period   | \$ 112,937                                       | 6     | \$ 24,873  | 1     | \$ 432,321                                      | 7     | \$ 68,073                                       | 1     |
|      | Net income attributable to:  |  |       |  |       |   |       |   |       |
| 8610 | The owners of the Company  | \$ 112,731                                       | 6     | \$ 22,533  | 1     | \$ 431,943                                      | 7     | \$ 65,805                                       | 1     |
| 8620 | Non-controlling interests  | ( 1 )  | -     | -  | -     | 1   | -     | -   | -     |
| 8600 |  | \$ 112,730                                       | 6     | \$ 22,533  | 1     | \$ 431,944                                      | 7     | \$ 65,805                                       | 1     |
|      | Total comprehensive income attributable to:  |  |       |  |       |   |       |   |       |
| 8710 | The owners of the Company  | \$ 112,938                                       | 6     | \$ 24,873  | 1     | \$ 432,320                                      | 7     | \$ 68,073                                       | 1     |
| 8720 | Non-controlling interests  | ( 1 )  | -     | -  | -     | 1   | -     | -   | -     |
| 8700 |  | \$ 112,937                                       | 6     | \$ 24,873  | 1     | \$ 432,321                                      | 7     | \$ 68,073                                       | 1     |
|      | Earnings per share (Note 27)   |  |       |  |       |   |       |   |       |
| 9710 | Basic  | \$ 0.23  |       | \$ 0.05  |       | \$ 0.89   |       | \$ 0.14   |       |
| 9810 | Diluted  | \$ 0.23  |       | \$ 0.05  |       | \$ 0.89   |       | \$ 0.14   |       |

The notes attached are part of the Consolidated Financial Statements.

Chairman: Wei Jen Investment Co Ltd.  
Representative: Kuo-Jung, Liao

Managerial Officer: Cheng-Jen, Hung

Accounting Manager: Wei-Che, Chang

TSEC Corporation and Subsidiaries  
Consolidated Statements of Changes in Equity  
For the Nine Months Ended September 30, 2023 and 2022

Unit: Unless otherwise specified, in NTD thousands

|      |  | Equity attributable to the owners of the Company (Note 24) |                     |                     |                  |                   |   | Other equities  |  |             |   |                 |                        |
|------|--|--|---------------------|---------------------|------------------|-------------------|---|---|--|-------------|---|-----------------|------------------------|
| Code |  | Common stock   |                     | Retained earnings   |                  |                   | Exchange differences in translation of the financial statements of foreign operations | Unrealized gains or losses on financial assets at fair value through other comprehensive income | Gains or losses of hedging instruments | Total       | Non-controlling interests (Notes 12 and 24) | Total equity    |                        |
|      |  | Shares (thousand shares)                                   | Amount              | Capital reserve     | Legal reserve    | Special reserve   |   |   |  |             |   |                 | Undistributed earnings |
| A1   | Balance as of January 1, 2022  | 445,797  | \$ 4,457,967        | \$ 800,321          | \$ -             | \$ -              | \$ 46,317   | ( \$ 869 )  | ( \$ 174,284 )                         | \$ -        | \$ 5,129,452                                | \$ 95           | \$ 5,129,547           |
| B1   | Appropriation of legal reserve   | -  | -                   | -                   | 4,632            | -                 | ( 4,632 )   | -   | -                                      | -           | -   | -               | -                      |
| B3   | Appropriation of special reserve   | -  | -                   | -                   | -                | 41,685            | ( 41,685 )  | -   | -                                      | -           | -   | -               | -                      |
| E1   | Capital increase in cash   | 30,500   | 305,000             | 503,250             | -                | -                 | -   | -   | -                                      | -           | 808,250                                     | -               | 808,250                |
| N1   | Recognition of cash capital increase through Employee stock option compensation expense                  | -  | -                   | 21,442              | -                | -                 | -   | -   | -                                      | -           | 21,442                                      | -               | 21,442                 |
| O1   | Changes in shares of associates recognized using equity method   | -  | -                   | 11                  | -                | -                 | -   | -   | -                                      | -           | 11  | -               | 11                     |
| Q1   | Disposal of investments in equity instruments at fair value through other comprehensive income (Note 11) | -  | -                   | -                   | -                | -                 | ( 2,239 )   | -   | 2,239                                  | -           | -   | -               | -                      |
| D1   | Net income for the nine months ended September 30, 2022  | -  | -                   | -                   | -                | -                 | 65,805  | -   | -                                      | -           | 65,805                                      | -               | 65,805                 |
| D3   | Other comprehensive income after tax for the nine months ended September 30, 2022                        | -  | -                   | -                   | -                | -                 | -   | 855   | 1,413                                  | -           | 2,268                                       | -               | 2,268                  |
| D5   | Total comprehensive income for the nine months ended September 30, 2022                                  | -  | -                   | -                   | -                | -                 | 65,805  | 855   | 1,413                                  | -           | 68,073                                      | -               | 68,073                 |
| Z1   | Balance as of September 30, 2022   | <u>476,297</u>   | <u>\$ 4,762,967</u> | <u>\$ 1,325,024</u> | <u>\$ 4,632</u>  | <u>\$ 41,685</u>  | <u>\$ 63,566</u>  | <u>( \$ 14 )</u>  | <u>( \$ 170,632 )</u>                  | <u>\$ -</u> | <u>\$ 6,027,228</u>                         | <u>\$ 95</u>    | <u>\$ 6,027,323</u>    |
| A1   | Balance as of January 1, 2023  | 476,297  | \$ 4,762,967        | \$ 1,325,024        | \$ 4,632         | \$ 41,685         | \$ 187,411  | ( \$ 234 )  | ( \$ 170,641 )                         | ( \$ 174 )  | \$ 6,150,670                                | \$ 95           | \$ 6,150,765           |
| B1   | Appropriation of legal reserve   | -  | -                   | -                   | 18,741           | -                 | ( 18,741 )  | -   | -                                      | -           | -   | -               | -                      |
| B3   | Appropriation of special reserve   | -  | -                   | -                   | -                | 129,364           | ( 129,364 )   | -   | -                                      | -           | -   | -               | -                      |
| B5   | Cash dividends for shareholders  | -  | -                   | -                   | -                | -                 | ( 37,664 )  | -   | -                                      | -           | ( 37,664 )                                  | -               | ( 37,664 )             |
| C15  | Distribution of cash dividends from capital reserve  | -  | -                   | ( 12,555 )          | -                | -                 | -   | -   | -                                      | -           | ( 12,555 )                                  | -               | ( 12,555 )             |
| E1   | Capital increase in cash   | 36,500   | 365,000             | 624,150             | -                | -                 | -   | -   | -                                      | -           | 989,150                                     | -               | 989,150                |
| N1   | Recognition of cash capital increase through Employee stock option compensation expense                  | -  | -                   | 29,016              | -                | -                 | -   | -   | -                                      | -           | 29,016                                      | -               | 29,016                 |
| O1   | Net increase in non-controlling interests  | -  | -                   | -                   | -                | -                 | -   | -   | -                                      | -           | -   | 2,900           | 2,900                  |
| T1   | Basis adjustments to hedging instruments   | -  | -                   | -                   | -                | -                 | -   | -   | -                                      | 99          | 99  | -               | 99                     |
| D1   | Net income for the nine months ended September 30, 2023  | -  | -                   | -                   | -                | -                 | 431,943   | -   | -                                      | -           | 431,943                                     | 1               | 431,944                |
| D3   | Other comprehensive income after tax for the nine months ended September 30, 2023                        | -  | -                   | -                   | -                | -                 | -   | 330   | ( 28 )                                 | 75          | 377   | -               | 377                    |
| D5   | Total comprehensive income for the nine months ended September 30, 2023                                  | -  | -                   | -                   | -                | -                 | 431,943   | 330   | ( 28 )                                 | 75          | 432,320                                     | 1               | 432,321                |
| Z1   | Balance as of September 30, 2023   | <u>512,797</u>   | <u>\$ 5,127,967</u> | <u>\$ 1,965,635</u> | <u>\$ 23,373</u> | <u>\$ 171,049</u> | <u>\$ 433,585</u>   | <u>\$ 96</u>  | <u>( \$ 170,669 )</u>                  | <u>\$ -</u> | <u>\$ 7,551,036</u>                         | <u>\$ 2,996</u> | <u>\$ 7,554,032</u>    |

The notes attached are part of the Consolidated Financial Statements.

Chairman: Wei Jen Investment Co Ltd.  
Representative: Kuo-Jung, Liao

Managerial Officer: Cheng-Jen, Hung

Accounting Manager: Wei-Che, Chang

TSEC Corporation and Subsidiaries  
Consolidated Statements of Cash Flows  
For the Nine Months Ended September 30, 2023 and 2022

Unit: NTD in thousands

| Code   |  | For the nine months<br>ended September 30,<br>2023 | For the nine months<br>ended September 30,<br>2022 |
|--------|--|--|--|
|        | Cash flow from operating activities  |  |  |
| A10000 | Pre-tax net income   | \$ 411,592   | \$ 54,770  |
|        | Income and expenses  |  |  |
| A20100 | Depreciation expenses  | 696,857  | 411,652  |
| A20200 | Amortization expenses  | 2,475  | 1,297  |
| A20300 | Expected credit loss   | 57,307   | 5,142  |
| A20400 | Net gains on financial instruments at<br>fair value through profit or loss | ( 3,623 )  | ( 7,920 )  |
| A20900 | Finance costs  | 51,000   | 57,746   |
| A21200 | Interest income  | ( 15,077 )   | ( 3,098 )  |
| A21900 | Share-based payment for remuneration<br>cost (Note 28)                     | 29,016   | 21,442   |
| A22300 | Share of profits and losses of<br>associates using equity method           | ( 56,657 )   | ( 1,925 )  |
| A22500 | Disposal of property, plant and<br>equipment losses (gains)                | 96,987   | ( 64 )   |
| A23700 | Loss on inventory valuation and<br>obsolescence                            | 183,633  | 18,312   |
| A23900 | Unrealized losses from affiliates  | ( 5,927 )  | ( 993 )  |
| A24000 | Realized losses from associates  | 78   | -  |
| A24100 | Unrealized net loss on foreign<br>currency exchange                        | 1,280  | 14,955   |
| A29900 | Provision for liabilities  | 6,088  | -  |
| A30000 | Net changes in operating assets and<br>liabilities                         |  |  |
| A31115 | Financial assets mandatorily at fair<br>value through profit or loss       | 2,087  | ( 15,601 )   |
| A31130 | Notes receivable   | ( 285,399 )  | -  |
| A31150 | Net accounts receivable  | 201,370  | ( 346,250 )  |
| A31160 | Accounts receivable - related parties,<br>net                              | ( 16,156 )   | 56,628   |
| A31180 | Other receivables  | 13,756   | ( 8,761 )  |
| A31190 | Other receivables-related parties  | 13   | ( 966 )  |
| A31200 | Inventory  | 232,609  | ( 494,663 )  |
| A31240 | Other current assets   | 19,779   | ( 34,363 )   |
| A32125 | Contract liabilities   | ( 43,523 )   | ( 76,468 )   |
| A32150 | Accounts payable   | ( 280,334 )  | ( 447,925 )  |
| A32180 | Other payables   | 4,356  | ( 10,149 )   |
| A32200 | Provisions for Liabilities   | -  | ( 278 )  |
| A32230 | Other current liabilities  | <u>1,205</u>                                       | <u>277</u>   |
| A33000 | Cash inflows (outflows) from operations                                    | 1,304,792  | ( 807,203 )  |
| A33100 | Interest received  | 13,148   | 1,490  |

(Continued on next page)

(Continued from previous page)

| Code   |  | For the nine months<br>ended September 30,<br>2023 | For the nine months<br>ended September 30,<br>2022 |
|--------|--|--|--|
| A33300 | Financial cost paid  | (\$ 81,734)  | (\$ 67,148)  |
| A33500 | Income tax paid  | ( 1,171)   | ( 34)  |
| AAAA   | Net cash inflow (outflow) from<br>operating activities                           | <u>1,235,035</u>                                   | <u>( 872,895)</u>                                  |
|        | Cash flows from investing activities   |  |  |
| B00020 | Disposal of financial assets at fair value<br>through other comprehensive income | -  | 7,504  |
| B00040 | Acquisition of financial assets at amortized<br>cost                             | ( 77,894)  | -  |
| B01600 | Disposal of financial liabilities for hedging                                    | ( 99)  | -  |
| B01800 | Acquisition of associate   | ( 432,000)   | -  |
| B02700 | Purchase of property, plant and equipment<br>(Note 29)                           | ( 907,853)   | ( 1,028,608)                                       |
| B02800 | Proceeds from disposal of property, plant<br>and equipment                       | 4,025  | 379  |
| B03700 | Increase in refundable deposits  | ( 22,397)  | ( 629)   |
| B04500 | Purchase of other intangible assets  | ( 4,574)   | ( 2,309)   |
| B06500 | Increase in other financial assets   | -  | ( 45,029)  |
| B06600 | Decrease in other financial assets   | 163,928  | -  |
| B07600 | Dividends received   | <u>12,828</u>                                      | <u>2,138</u>                                       |
| BBBB   | Net cash used in investing activities  | <u>( 1,264,036)</u>                                | <u>( 1,066,554)</u>                                |
|        | Cash flows from financing activities   |  |  |
| C04500 | Distribution of cash dividends   | ( 50,219)  | -  |
| C00100 | Increase in short-term borrowings  | -  | 636,920  |
| C00200 | Decrease in short-term borrowings  | ( 466,233)   | -  |
| C00500 | Increase in short-term notes payable   | -  | 299,415  |
| C00600 | Decrease in short-term notes payable   | ( 329,513)   | -  |
| C01600 | Borrowing of long-term loans   | 465,775  | 542,400  |
| C01700 | Repayment of long-term borrowings  | ( 193,159)   | ( 506,154)   |
| C03000 | Increase in guarantee deposits received  | 46,295   | -  |
| C04020 | Repayment of principal lease liabilities   | ( 7,374)   | ( 9,398)   |
| C04600 | Capital increase in cash   | 989,150  | 808,250  |
| C05800 | Net increase in non-controlling interests  | <u>2,900</u>                                       | <u>-</u>   |
| CCCC   | Net cash inflow used in financing<br>activities                                  | <u>457,622</u>                                     | <u>1,771,433</u>                                   |
| DDDD   | Effect of exchange rate changes on cash and cash<br>equivalents                  | <u>4,304</u>                                       | <u>16,732</u>                                      |
| EEEE   | Net increase (decrease) in cash and cash<br>equivalents                          | 432,925  | ( 151,284)   |
| E00100 | Opening balance of cash and cash equivalents                                     | <u>837,804</u>                                     | <u>1,057,382</u>                                   |
| E00200 | Cash and cash equivalents, end of period   | <u>\$ 1,270,729</u>                                | <u>\$ 906,098</u>                                  |

The notes attached are part of the Consolidated Financial Statements.

Chairman: Wei Jen Investment Co Ltd.      Managerial Officer: Cheng-Jen, Hung      Accounting

Manager: Wei-Che, Chang

Representative: Kuo-Jung, Liao

TSEC Corporation and Subsidiaries  
Notes to Consolidated Financial Statements  
For the Nine Months Ended September 30, 2023 and 2022  
(Unit: NTD in thousands, unless specified otherwise)

I. Company History

TSEC Corporation (hereinafter referred to as “the Company”, and the entities controlled by the Company, hereinafter collectively referred to as the “Group”) was approved to be incorporated on June 24, 2010, and is mainly engaged in the design, manufacturing, establishment, and sales of solar cells, modules, and power plants.

The Company’s shares have been listed and traded on the Taiwan Stock Exchange since October 1, 2015.

The consolidated financial statements are presented in the New Taiwan dollar (NTD), the Company’s functional currency.

II. Date and Procedure for Approval of Financial Statements

These consolidated financial statements were approved by the Company’s Board of Directors on November 13, 2023.

III. Application of New and Amended Standards and Interpretations

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

The application of the amended IFRSs endorsed and issued into effect by the FSC will not cause any significant changes in the Group’s accounting policies.

- (II) 2024 IFRSs endorsed by the FSC

| <u>New/Amended/Revised Standards and Interpretations</u>                     | <u>Effective Date Announced<br/>by IASB (Note 1)</u> |
|--|--|
| Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”              | January 1, 2024 (Note 2)                             |
| Amendment to IAS 1 “Classification of Liabilities as Current or Non-Current” | January 1, 2024                                      |
| Amendment to IAS 1 “Non-Current Liabilities with Covenants”                  | January 1, 2024                                      |
| Amendments to IAS 7 and IFRS 7 “Supplier Financing Arrangements”             | January 1, 2024 (Note 3)                             |

Note 1: Unless otherwise specified, each of the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after each said date.

Note 2: The seller-lessee shall apply the amendments of IFRS 16 retrospectively to the sale and leaseback transactions signed after the date of the initial application of IFRS 16.

Note 3: When these amendments are applied for the first time, part of the disclosure requirements are exempted.

As of the date the consolidated financial statements were approved for release, the Group assesses that the amendments to the above standards and interpretations will not have a significant impact on the financial position and financial performance.

(III) IFRSs Announced by IASB but Not Yet Endorsed and Issued into Effect by FSC

| <u>New/Amended/Revised Standards and Interpretations</u>   | <u>Effective Date Announced<br/>by IASB (Note 1)</u> |
|--|--|
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined                                     |
| IFRS 17 “Insurance Contracts”  | January 1, 2023                                      |
| Amendment to IFRS 17   | January 1, 2023                                      |
| Amendments 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 (Note 2)                             |

Note 1: Unless otherwise specified, each of the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after each said date.

Note 2: Applicable to annual reporting periods beginning on or after January 1, 2025. When the amendment is applied for the first time, the impact will be recognized in the retained earnings on the date of initial application. When the Group uses a non-functional currency as the presentation currency, it will affect the exchange differences of foreign operations under equity on the date of initial application.

As of the date the consolidated financial statements were approved for release, the Group continues to evaluate the impact of the amendments to the above standards and interpretations on its financial position and financial performance. The relevant impact will be disclosed when the evaluation is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IAS 34 “Interim Financial Reporting” endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the information as disclosed in the annual financial statements required by IFRSs.

##### (II) Basis of preparation

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

The fair value measurement is classified into three levels based on the observability and significance of relevant inputs:

1. Level 1 inputs: Quoted (unadjusted) prices in active markets for identical assets or liabilities on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1 that are observable, either directly (i.e. prices) or indirectly (derived from prices) for assets or liabilities.
3. Level 3 inputs: Unobservable inputs for assets or liabilities.

##### (III) Basis of consolidation

Please refer to Note 12 and Table 4 in Note 37 for details of subsidiaries, shareholdings, and business scope.

##### (IV) Other Significant Accounting Policies

Except for the description below, please refer to the Summary of Significant Accounting Policies in the 2022 consolidated financial statements.

##### Income Tax Expense

Income tax expense is the sum of the current income tax and the deferred income tax. The income tax in the interim period is measured on an annual basis. The income before tax in the interim period is calculated at the tax rate applicable to the expected total annual earnings.

#### V. Critical Accounting Judgments, Assumptions, and Key Sources of Estimation Uncertainty

In the application of the Group’s accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not

readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Group takes into account the impacts of inflation and possible market interest rate fluctuations on the relevant critical accounting estimates of cash flows, growth rates, discount rates, and profitability. The management will continue to review the estimates and the basic assumptions. If an amendment to estimates only affects the current period, it shall be recognized in the period of said amendment; if an amendment to accounting estimates affects the current year and future periods, it shall be recognized in the period of said amendment and future periods.

#### Property, Plant and Equipment

The board resolution considered that the introduction of advanced production lines for large-size products could replace some of the machinery and equipment of the Group, and that after the assessment of the economic benefits and wear and tear of the machinery and equipment to be replaced, it is proposed to change the estimated service life of those machinery and equipment to reflect the actual service life and reasonably amortize costs to facilitate the provision of reliable and more relevant information. Therefore, the service life of some of the machinery and equipment is shorted starting May 1, 2023. The change in estimate increases the depreciation expenses in 2023 by \$167,653 thousand, which has been fully reflected in the Group's Q3 2023 consolidated financial statements.

#### VI. Cash and Cash Equivalents

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---|-----------------------|----------------------|-----------------------|
| Cash on hand and petty cash   | \$ 609                | \$ 609               | \$ 609                |
| Bank checks and demand deposits   | 627,979               | 686,570              | 689,432               |
| Cash equivalents (investment with original maturity date of less than 3 months) |                       |                      |                       |
| Time deposits with banks  | <u>642,141</u>        | <u>150,625</u>       | <u>216,057</u>        |
|   | <u>\$ 1,270,729</u>   | <u>\$ 837,804</u>    | <u>\$ 906,098</u>     |

The interest rate ranges of bank demand deposits and bank time deposits with an initial maturity term of less than three months at the statement of financial position date are as follows:

|  | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|--|-----------------------|----------------------|-----------------------|
| Bank demand deposits   | 0.001%~1.45%          | 0.05%~1.05%          | 0.001%~0.7%           |
| Bank time deposits with an initial maturity term of less than three months | 0.55%~5.57%           | 1.70%~4.70%          | 0.79%~4.050%          |

VII. Instruments Measured at Fair Value Through Profit or Loss

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---|-----------------------|----------------------|-----------------------|
| <u>Financial assets mandatorily as at fair value through profit or loss</u>                   |                       |                      |                       |
| Derivative financial instruments (not designated for hedging)<br>-forward exchange agreements | \$ <u>899</u>         | \$ <u>-</u>          | \$ <u>23,278</u>      |

Financial liabilities - held for trading

|   |             |               |             |
|---|-------------|---------------|-------------|
| Derivative financial instruments (not designated for hedging)<br>-forward exchange agreements | \$ <u>-</u> | \$ <u>637</u> | \$ <u>-</u> |
| The unexpired forward exchange agreements without applying hedging accounting                 |             |               |             |

at the statement of financial position date are as follows:

September 30, 2023

|  | Currency   | Term       | Amount (NTD in thousands) |        |
|--|------------|------------|---------------------------|--------|
| Purchase of forward exchange agreement | RMB to NTD | 2023.10.25 | CNY 1,258/NTD             | 5,482  |
|  | RMB to NTD | 2023.10.25 | CNY 1,608/NTD             | 7,018  |
|  | RMB to NTD | 2023.10.25 | CNY 1,072/NTD             | 4,661  |
|  | RMB to NTD | 2023.10.25 | CNY 3,000/NTD             | 13,050 |
|  | RMB to NTD | 2023.10.25 | CNY 8,750/NTD             | 38,053 |

December 31, 2022

|  | Currency   | Term       | Amount (NTD in thousands) |        |
|--|------------|------------|---------------------------|--------|
| Purchase of forward exchange agreement | USD to NTD | 2023.01.10 | USD 1,000/NTD             | 31,242 |
|  | USD to NTD | 2023.01.10 | USD 790/NTD               | 24,447 |
|  | USD to NTD | 2023.01.10 | USD 1,000/NTD             | 30,532 |

September 30, 2022

|  | Currency   | Term       | Amount (NTD in thousands) |           |        |
|--|------------|------------|---------------------------|-----------|--------|
|  | USD to NTD |            | USD                       | 955/NTD   | 27,811 |
| Purchase of forward exchange agreement | USD to NTD | 2022.10.07 | USD                       | 955/NTD   | 27,811 |
|  | USD to NTD | 2022.10.12 | USD                       | 1,228/NTD | 35,900 |
|  | USD to NTD | 2022.10.19 | USD                       | 1,386/NTD | 40,651 |
|  | USD to NTD | 2022.11.04 | USD                       | 955/NTD   | 28,271 |
|  | USD to NTD | 2022.11.09 | USD                       | 763/NTD   | 22,599 |
|  | USD to NTD | 2022.11.09 | USD                       | 973/NTD   | 28,803 |
|  | USD to NTD | 2022.12.12 | USD                       | 1,222/NTD | 36,074 |
|  | USD to NTD | 2022.11.25 | USD                       | 1,006/NTD | 29,629 |
|  | USD to NTD | 2022.11.21 | USD                       | 973/NTD   | 28,846 |
|  | USD to NTD | 2022.12.02 | USD                       | 1,003/NTD | 29,713 |
|  | USD to NTD | 2022.10.21 | USD                       | 471/NTD   | 14,906 |
|  | USD to NTD | 2022.11.10 | USD                       | 233/NTD   | 7,400  |

The main purpose of the Group's purchase of forward exchange agreements is to hedge the risks arising from foreign currency assets and liabilities due to exchange rate fluctuations. Its financial hedging strategy is to achieve the purpose of hedging most of the market price risks.

VIII. Financial assets at amortized cost

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---|-----------------------|----------------------|-----------------------|
| Time deposits with an original maturity of more than 3 months | \$ 77,894             | \$ -                 | \$ -                  |

As of September 30, 2023, the interest rate range was 1.29% - 4.00%

IX. Notes Receivable, Accounts Receivable And Other Receivables

|  | September 30, 2023 | December 31, 2022   | September 30, 2022  |
|--|--------------------|---------------------|---------------------|
| <u>Notes receivable</u>                      |                    |                     |                     |
| At amortized cost                            |                    |                     |                     |
| Gross carrying amount                        | \$ 285,399         | \$ -                | \$ -                |
| Less: Allowance for losses                   | -                  | -                   | -                   |
|  | <u>\$ 285,399</u>  | <u>\$ -</u>         | <u>\$ -</u>         |
| <u>Accounts receivable</u>                   |                    |                     |                     |
| At amortized cost                            |                    |                     |                     |
| Gross carrying amount                        | \$ 983,259         | \$ 1,183,321        | \$ 1,135,177        |
| Less: Allowance for losses                   | ( 75,698 )         | ( 18,391 )          | ( 34,694 )          |
|  | <u>\$ 907,561</u>  | <u>\$ 1,164,930</u> | <u>\$ 1,100,483</u> |
| <u>Accounts receivable - related parties</u> |                    |                     |                     |
| At amortized cost                            |                    |                     |                     |
| Gross carrying amount                        | \$ 25,654          | \$ 9,498            | \$ 31,856           |
| Less: Allowance for losses                   | -                  | -                   | -                   |
|  | <u>\$ 25,654</u>   | <u>\$ 9,498</u>     | <u>\$ 31,856</u>    |
| <u>Other receivables</u>                     |                    |                     |                     |
| Interest receivable                          | \$ 3,485           | \$ 1,556            | \$ 1,824            |
| Business tax refund                          | -                  | 8,415               | 11,326              |
| Rent receivable                              | -                  | 5,408               | 9,864               |
| Others                                       | 137                | 70                  | 203                 |
|  | <u>\$ 3,622</u>    | <u>\$ 15,449</u>    | <u>\$ 23,217</u>    |

(II) Notes receivable

The Group's average cash days for notes receivable ranged from 11 to 63 days.

The Group recognizes the loss allowance for notes receivable based on the lifetime expected credit losses. The existing period expected credit losses are based on the past default records of customers and the economic situation of the industry. As of September 30, 2023, December 31, 2022, and September 30, 2022, the Group assessed that the notes receivable are not required to be recognized as expected credit losses.

The aging analysis of notes receivable based on the account opening date is as follows:

|             | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|-------------|-----------------------|----------------------|-----------------------|
| 1 - 60 days | <u>\$ 285,399</u>     | <u>\$ -</u>          | <u>\$ -</u>           |

(II) Accounts receivable/ Accounts receivable - Related parties

The average credit period of the Group's accounts receivable was 30 to 75 days. No interest was accrued for the accounts receivable. In addition, the Group reviews the recoverable amount of accounts receivable one by one at the balance sheet date to ensure that impairment losses have been recognized appropriately for the accounts receivable that cannot be recovered. With that, the Company's management believes that the Group's credit risk has been reduced significantly. The Group continues to monitor the exposure to the credit risk and the counterparties' credit ratings, and distributes the total transaction amount to different clients with qualified credit ratings.

The Group recognizes the allowances for losses on accounts receivable based on the lifetime expected credit losses. The existing period expected credit losses are calculated using a provision matrix, with clients' past records of overdue payments, current financial position, and economic situation of the industry, as well as the GDP forecast and industry outlook taken into account. Based on the Group's history of credit losses, as there was no significant difference in the loss patterns among different client groups, the client groups were not further differentiated in the provision matrix, and only the expected credit loss rate was set based on the number of days for which accounts receivable was past due.

If there was information indicating that a counterparty was in severe financial difficulty and the Group could not reasonably expect the amount to be recovered, the Group would write off relevant accounts receivable and continued to collect the receivable due. The receivable recovered was recognized in profit or loss.

The Group's allowance for losses on accounts receivable (including related parties) measured according to the reserve matrix is as follows:

September 30, 2023

|  | Not Past Due      | Less than 60 Days | 61 to 120 Days | Over 121 Days | Individual assessment | Total             |
|--|-------------------|-------------------|----------------|---------------|-----------------------|-------------------|
| Expected credit loss rate                            | 0%                | 0%                | -              | -             |                       |                   |
| Gross carrying amount                                | \$ 875,395        | \$ 57,820         | \$ -           | \$ -          | \$ 75,698             | \$ 1,008,913      |
| Allowance for losses (lifetime expected credit loss) | -                 | -                 | -              | -             | ( 75,698 )            | ( 75,698 )        |
| Amortized cost                                       | <u>\$ 875,395</u> | <u>\$ 57,820</u>  | <u>\$ -</u>    | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ 933,215</u> |

December 31, 2022

|  | Not Past Due        | Less than 60 Days | 61 to 120 Days | Over 121 Days | Individual assessment | Total               |
|--|---------------------|-------------------|----------------|---------------|-----------------------|---------------------|
| Expected credit loss rate                            | 0.30%               | 4.87%             | -              | -             |                       |                     |
| Gross carrying amount                                | \$ 1,160,338        | \$ 13,458         | \$ -           | \$ -          | \$ 19,023             | \$ 1,192,819        |
| Allowance for losses (lifetime expected credit loss) | ( 3,467 )           | ( 656 )           | -              | -             | ( 14,268 )            | ( 18,391 )          |
| Amortized cost                                       | <u>\$ 1,156,871</u> | <u>\$ 12,802</u>  | <u>\$ -</u>    | <u>\$ -</u>   | <u>\$ 4,755</u>       | <u>\$ 1,174,428</u> |

September 30, 2022

|  | Not Past Due        | Less than 60 Days | 61 to 120 Days | Over 121 Days | Total               |
|--|---------------------|-------------------|----------------|---------------|---------------------|
| Expected credit loss rate                            | 0.3%                | 4.88%             | -              | 100%          |                     |
| Gross carrying amount                                | \$ 1,133,890        | \$ 1,860          | \$ -           | \$ 31,283     | \$ 1,167,033        |
| Allowance for losses (lifetime expected credit loss) | ( 3,320 )           | ( 91 )            | -              | ( 31,283 )    | ( 34,694 )          |
| Amortized cost                                       | <u>\$ 1,130,570</u> | <u>\$ 1,769</u>   | <u>\$ -</u>    | <u>\$ -</u>   | <u>\$ 1,132,339</u> |

The movements of the allowance for losses on accounts receivable are as follows:

|                                     | For the nine months ended September 30, 2023 | For the nine months ended September 30, 2022 |
|-------------------------------------|--|--|
| Opening balance                     | \$ 18,391                                    | \$ 29,552                                    |
| Add: Impairment loss for the period | <u>57,307</u>                                | <u>5,142</u>                                 |
| Closing balance                     | <u>\$ 75,698</u>                             | <u>\$ 34,694</u>                             |

Please refer to Note 31 (4) for the description of the credit risk concentration of the Group's accounts receivable on September 30, 2023, December 31, 2022, and September 30, 2022.

(II) Other receivables

The Group's account of other receivables is mainly the tax refund receivable and interest receivable. The Group's policy is to only trade with parties with good credit

ratings. The Group continues to track and refer to counterparties' past records of overdue payments. It analyzes their current financial positions to assess whether the credit risk of other receivables has increased significantly since the initial recognition and to measure the expected credit losses thereon. As of September 30, 2023, December 31, 2022, and September 30, 2022, the expected credit loss rate of the Group's other receivables was 0%.

X. Inventory

|                 | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|-----------------|-----------------------|----------------------|-----------------------|
| Raw materials   | \$ 429,979            | \$ 958,385           | \$ 1,246,428          |
| Finished goods  | 796,331               | 608,353              | 633,913               |
| Work in process | 56,769                | 132,583              | 168,150               |
|                 | <u>\$ 1,283,079</u>   | <u>\$ 1,699,321</u>  | <u>\$ 2,048,491</u>   |

The nature of the cost of goods sold is as follows:

|                            | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|----------------------------|--|--|---|---|
| Cost of inventory sold     | \$ 1,434,466   | \$ 2,124,958   | \$ 5,341,105  | \$ 5,762,921  |
| Inventory valuation losses | -  | 28,121   | 183,633   | 18,312  |
| Others                     | 6,438  | -  | 14,161  | -   |
|                            | <u>\$ 1,440,904</u>                                    | <u>\$ 2,153,079</u>                                    | <u>\$ 5,538,899</u>                                   | <u>\$ 5,781,233</u>                                   |

XI. Financial assets at fair value through other comprehensive income

Investment in equity instruments at fair value through other comprehensive income

|                                | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|--------------------------------|-----------------------|----------------------|-----------------------|
| <u>Non-current</u>             |                       |                      |                       |
| Domestic unlisted common stock |                       |                      |                       |
| Eversol Corporation            | <u>\$ -</u>           | <u>\$ -</u>          | <u>\$ -</u>           |

Considering the investment strategy, the Group dissolved the overseas equity investment in Kyushu Ion-Beam Therapy Facility Maintenance Company and received a refund of \$7,504 thousand in July 2022. Therefore, the unrealized evaluation loss of \$2,239 thousand in the Other equity -- Financial assets at fair value through other comprehensive income has been reclassified as retained earnings.

XII. Subsidiary

Subsidiaries included in the consolidated financial statements

The main entities in the consolidated financial statements are as follows:

| Investor         | Name of subsidiary  | Business nature  | Shareholding percentage |                   |                    |
|------------------|---|--|-------------------------|-------------------|--------------------|
|                  |   |  | September 30, 2023      | December 31, 2022 | September 30, 2022 |
| TSEC Corporation | TSEC AMERICA, INC.<br>(Note 1)                            | Wholesale and retail of power generation equipment, with the business risks mainly arising from foreign exchange rates.  | 100%                    | 100%              | 100%               |
|                  | Hou Chang Energy Co., Ltd.<br>(Hou Chang Energy) (Note 2) | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 100%                    | 100%              | 100%               |
|                  | Changyang Optoelectronics Co., Ltd.<br>(Changyang)        | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 80%                     | 80%               | 80%                |
|                  | Yunsheng Optoelectronics Co., Ltd.<br>(Yunsheng)          | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 100%                    | 100%              | 100%               |
|                  | Yunxing Optoelectronics Co., Ltd.<br>(Yunxing)            | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 100%                    | 100%              | 100%               |

(Continued on next page)

(Continued from previous page)

| Investor         | Name of subsidiary   | Business nature  | Shareholding percentage |                   |                    |
|------------------|--|--|-------------------------|-------------------|--------------------|
|                  |  |  | September 30, 2023      | December 31, 2022 | September 30, 2022 |
| TSEC Corporation | TSECPV(HK) LIMITED   | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 100%                    | 100%              | 100%               |
|                  | Heng Li Energy Co., Ltd. (Heng Li Energy) (Note 3)             | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 100%                    | 100%              | 100%               |
|                  | Yuan-Jin Energy Co., Ltd. (Yuan-Jin Energy Co., Ltd.) (Note 4) | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 90%                     | -                 | -                  |
| Hou Chang        | Hengyoung Energy Co., Ltd. (Hengyoung)                         | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 100%                    | 100%              | 100%               |
|                  | Heng Li Energy Co., Ltd. (Heng Li Energy) (Note 3)             | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | -                       | -                 | -                  |
|                  | Youngli Energy Co., Ltd. (Youngli)                             | Renting solar power generation equipment, sales of self-generated power, and provision of energy technology services, with the business risks mainly arising from government laws and natural disaster losses. | 100%                    | 100%              | 100%               |

Note 1: The Company's Board of Directors resolved a decision to dissolve and liquidate its subsidiary TSEC America, Inc. on September 11, 2018. As of November 13, 2023, the process for liquidating the subsidiary had not been completed.

Note 2: The Company increased its capital in the subsidiary Hou Chang Energy by NTD120,000 thousand in June 2022, and the Company's shareholding percentage remained unchanged.

Note 3: In March 2022, the Company purchased the entire equity of Heng Li Energy from the subsidiary Hou Chang Energy with cash of \$89 thousand, and the Company's shareholding became 100% after the acquisition.

Note 4: The Company established Yuan-Jin Energy Co., Ltd. in February 2023 to engage in power development, operation and sales businesses of solar power generation systems, and the business registration has been completed.

Please refer to Table 4 in Note 37 for the business nature, main business location, and country of registration of the subsidiaries above.

XIII. Investments accounted for using equity method

Investments in associates

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---|-----------------------|----------------------|-----------------------|
| Associates with materiality                       |                       |                      |                       |
| Holdgood Energy Co.,<br>Ltd. (Holdgood)           | \$ 234,342            | \$ 231,410           | \$ 232,609            |
| Yuan-Yu Solar Energy<br>Co., Ltd. (Yuan-Yu)       | 143,722               | -                    | -                     |
| NFC III Renewable<br>Power Co., Ltd. (NFC<br>III) | 429,208               | -                    | -                     |
| Associates that are not<br>individually material  |                       |                      |                       |
| Yuan-Yu   | -                     | 94,212               | 91,509                |
|   | <u>\$ 807,272</u>     | <u>\$ 325,622</u>    | <u>\$ 324,118</u>     |

(I) Associates with materiality

| Company Name | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|--------------|-----------------------|----------------------|-----------------------|
| Holdgood     | 45.49%                | 45.49%               | 45.49%                |
| Yuan-Yu      | 20%                   | -                    | -                     |
| NFC III      | 24%                   | -                    | -                     |

(II) Associates that are not individually material

The percentage of equity held by the Group in the associate at the statement of financial position date is as follows:

| Company Name | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|--------------|-----------------------|----------------------|-----------------------|
| Yuan-Yu      | -                     | 20%                  | 20%                   |

Please refer to Table 4 “Information and locations of invested affiliates” in Note 37, for the business nature, main business location, and country of registration of the associate above.

The Group adopts the equity method to measure the abovementioned associates.

The Group offers the equity of Yuan-Yu to financial institutions as collateral for Yuan-Yu’s financing. Please refer to Note 33 for the information on the collateral.

In July 2023, the Group acquired 43,200 thousand common shares from NFC III with NTD432,000 thousand in cash, with a shareholding of 24%.

Investments accounted for using equity method, along with the Group's share of profit or loss and other comprehensive income, excludes Yuan-Yu. For Yuan-Yu, the financial reports for the three months ended September 30 and for the nine months ended September 30, 2022, were calculated based on unaudited financial statements, while the rest are recognized based on the audited financial reports for the corresponding periods of each affiliated entity. However, the management of the consolidated company believes that the financial statements of the aforementioned invested companies, which were not audited by accountants, are not likely to have a significant impact.

#### XIV. Property, Plant and Equipment

##### For self-use

|   | Land                | Buildings and structures | Machinery and equipment | Office equipment | Other equipment   | Unfinished construction projects | Total               |
|---|---------------------|--------------------------|-------------------------|------------------|-------------------|----------------------------------|---------------------|
| <u>Cost</u>                                     |                     |                          |                         |                  |                   |                                  |                     |
| Balance as of January 1, 2023                   | \$ 1,071,526        | \$ 3,477,828             | \$ 3,192,654            | \$ 24,917        | \$ 344,535        | \$ 530,800                       | \$ 8,642,260        |
| Additions                                       | -                   | 146,028                  | 1,304,404               | -                | 28,115            | 51,460                           | 1,530,007           |
| Disposal  | -                   | -                        | ( 1,102,707)            | ( 179)           | ( 19,722)         | -                                | ( 1,122,608)        |
| Reclassification                                | -                   | 705,096                  | -                       | -                | -                 | ( 410,012)                       | 295,084             |
| Balance as of September 30, 2023                | <u>1,071,526</u>    | <u>4,328,952</u>         | <u>3,394,351</u>        | <u>24,738</u>    | <u>352,928</u>    | <u>172,248</u>                   | <u>9,344,743</u>    |
| <u>Accumulated depreciation and impairment</u>  |                     |                          |                         |                  |                   |                                  |                     |
| Balance as of January 1, 2023                   | -                   | 1,249,600                | 1,688,278               | 24,773           | 236,887           | -                                | 3,199,538           |
| Depreciation expenses                           | -                   | 118,689                  | 541,215                 | 30               | 22,632            | -                                | 682,566             |
| Disposal  | -                   | -                        | ( 1,001,695)            | ( 179)           | ( 19,722)         | -                                | ( 1,021,596)        |
| Reclassification                                | -                   | 138,772                  | -                       | -                | -                 | -                                | 138,772             |
| Balance as of September 30, 2023                | <u>-</u>            | <u>1,507,061</u>         | <u>1,227,798</u>        | <u>24,624</u>    | <u>239,797</u>    | <u>-</u>                         | <u>2,999,280</u>    |
| Net amount as of September 30, 2023             | <u>\$ 1,071,526</u> | <u>\$ 2,821,891</u>      | <u>\$ 2,166,553</u>     | <u>\$ 114</u>    | <u>\$ 113,131</u> | <u>\$ 172,248</u>                | <u>\$ 6,345,463</u> |
| Net as of December 31, 2022 and January 1, 2023 | <u>\$ 1,071,526</u> | <u>\$ 2,228,228</u>      | <u>\$ 1,504,376</u>     | <u>\$ 144</u>    | <u>\$ 107,648</u> | <u>\$ 530,800</u>                | <u>\$ 5,442,722</u> |
| <u>Cost</u>                                     |                     |                          |                         |                  |                   |                                  |                     |
| Balance as of January 1, 2022                   | \$ 1,071,526        | \$ 3,414,260             | \$ 3,236,862            | \$ 24,806        | \$ 263,933        | \$ 64,974                        | \$ 8,076,361        |
| Additions                                       | -                   | 18,326                   | 504,887                 | 160              | 28,886            | 396,049                          | 948,308             |
| Disposal  | -                   | -                        | ( 343,348)              | ( 49)            | ( 545)            | -                                | ( 343,942)          |
| Reclassification                                | -                   | 7,645                    | -                       | -                | -                 | ( 7,645)                         | -                   |
| Balance as of September 30, 2022                | <u>1,071,526</u>    | <u>3,440,231</u>         | <u>3,398,401</u>        | <u>24,917</u>    | <u>292,274</u>    | <u>453,378</u>                   | <u>8,680,727</u>    |
| <u>Accumulated depreciation and impairment</u>  |                     |                          |                         |                  |                   |                                  |                     |
| Balance as of January 1, 2022                   | -                   | 1,109,070                | 1,849,304               | 24,323           | 220,560           | -                                | 3,203,257           |
| Depreciation expenses                           | -                   | 105,911                  | 275,064                 | 490              | 11,687            | -                                | 393,152             |
| Disposal  | -                   | -                        | ( 343,034)              | ( 49)            | ( 544)            | -                                | ( 343,627)          |
| Balance as of September 30, 2022                | <u>-</u>            | <u>1,214,981</u>         | <u>1,781,334</u>        | <u>24,764</u>    | <u>231,703</u>    | <u>-</u>                         | <u>3,252,782</u>    |
| Net amount as of September 30, 2022             | <u>\$1,071,526</u>  | <u>\$ 2,225,250</u>      | <u>\$ 1,617,067</u>     | <u>\$ 153</u>    | <u>\$ 60,571</u>  | <u>\$ 453,378</u>                | <u>\$ 5,427,945</u> |

For the nine months ended September 30, 2023 and 2022, no impairment loss was recognized or reversed.

The Group's property, plant and equipment are depreciated on a straight-line basis based on the estimated useful lives below:

|                          |               |
|--------------------------|---------------|
| Buildings and structures |               |
| Plants and buildings     | 50 years      |
| Plant improvements       | 5 to 20 years |
| Machinery and equipment  | 3 to 20 years |
| Office equipment         | 3 years       |
| Other equipment          | 3 to 15 years |

Please refer to Note 34 for the description of the Group's material commitments to the purchase of machinery and equipment from and the construction contracts with suppliers.

Please refer to Note 19 and Note 33 for the financing borrowings of property, plant and equipment for the three months ended September 30, 2023, December 31, 2022, and September 30, 2022.

Please refer to Note 25(9) for the information on the Group's interest capitalization for the three months ended September 30, 2023 and 2022 and nine months ended September 30, 2023 and 2022 and the capitalization of interest.

XV. Lease agreements

(I) Right-of-use assets

|  | September 30,<br>2023                                  | December 31,<br>2022                                   | September 30,<br>2022                                 |
|--|--|--|---|
| Carrying amount of right-of-use assets       |  |  |   |
| Buildings                                    | \$ 12,564  | \$ 10,770  | \$ 5,083  |
| Transportation equipment                     | 1,080  | -  | -   |
|  | <u>\$ 13,644</u>                                       | <u>\$ 10,770</u>                                       | <u>\$ 5,083</u>                                       |
|  | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 |
| Additions to right-of-use assets             |  |  | <u>\$ 10,318</u>                                      |
| Depreciation expenses of right-of-use assets |  |  | <u>\$ 4,064</u>                                       |
| Buildings                                    | \$ 2,088   | \$ 2,274   | \$ 6,969  |
| Transportation equipment                     | 130  | -  | 475   |
| Machinery and equipment                      | -  | -  | 297   |
|  | <u>\$ 2,218</u>  | <u>\$ 2,274</u>  | <u>\$ 7,444</u>                                       |
|  |  |  | <u>\$ 9,337</u>                                       |

Except for the additions and depreciation expenses recognized listed above, the Group did not have any significant sublease or impairment of the right-of-use assets for the nine months ended September 30, 2023 and 2022.

(II) Lease liabilities

|                                      | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|--------------------------------------|-----------------------|----------------------|-----------------------|
| Carrying amount of lease liabilities |                       |                      |                       |
| Current                              | <u>\$ 8,916</u>       | <u>\$ 5,473</u>      | <u>\$ 5,377</u>       |
| Non-current                          | <u>\$ 4,897</u>       | <u>\$ 5,396</u>      | <u>\$ -</u>           |

Ranges of discount rates for lease liabilities are as follows:

|                          | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|--------------------------|-----------------------|----------------------|-----------------------|
| Buildings                | 2.33%~3.06%           | 2.33%~2.43%          | 2.33%~2.78%           |
| Transportation equipment | 3.06%                 | -                    | -                     |

(III) Important leasing activities and terms

The Group leases some buildings and cars to be used as employee dormitories, offices and company vehicles, and the lease period is 2 to 3 years. The Group does not have the preferential purchase right at the end of the lease period.

(IV) Other leasehold information

|  | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|--|--|--|---|---|
| Lease expenses for short-term and low-value assets | <u>\$ 1,545</u>  | <u>\$ 1,942</u>  | <u>\$ 4,723</u>                                       | <u>\$ 4,592</u>                                       |
| Total cash (outflow) from leases                   |  |  | <u>( \$ 12,414 )</u>                                  | <u>( \$ 14,385 )</u>                                  |

The Group has elected to apply the exemption for recognizing parking spaces and employee dormitories that qualify as short-term leases and certain photocopier leases that qualify as low-value asset leases. It does not recognize such leases in relevant right-of-use assets and lease liabilities.

XVI. Investment property

|   | <u>Buildings and<br/>structures</u> |
|---|-------------------------------------|
| <u>Cost</u>   |                                     |
| Balance as of January 1, 2023                           | \$ 295,084                          |
| Reclassified (Note)                                     | ( <u>295,084</u> )                  |
| Balance as of September 30, 2023                        | <u>-</u>                            |
| <u>Accumulated depreciation</u>                         |                                     |
| Balance as of January 1, 2023                           | 131,925                             |
| Depreciation expenses                                   | 6,847                               |
| Reclassified (Note)                                     | ( <u>138,772</u> )                  |
| Balance as of September 30, 2023                        | <u>-</u>                            |
| Net amount as of September 30,<br>2023                  | <u>\$ -</u>                         |
| Net as of December 31, 2022<br>and January 1, 2023      | <u>\$ 163,159</u>                   |
| <u>Cost</u>   |                                     |
| Balance for the nine months ended<br>September 30, 2022 | <u>\$ 295,084</u>                   |
| <u>Accumulated depreciation</u>                         |                                     |
| Balance as of January 1, 2022                           | 119,824                             |
| Depreciation expenses                                   | <u>9,163</u>                        |
| Balance as of September 30, 2022                        | <u>128,987</u>                      |
| Net amount as of September 30,<br>2022                  | <u>\$ 166,097</u>                   |

Note: Reclassified to property, plant and equipment.

Investment property is depreciated on a straight-line basis over the following useful lives:

|                            |               |
|----------------------------|---------------|
| Buildings and structures   |               |
| Main building of the plant | 50 years      |
| Plant improvements         | 3 to 20 years |

The lease term for investment property leasing is four years.

The lessee does not have the preferential rights to purchase the investment property upon the end of the lease term.

The total amount of lease payments that will be collected for the lease-out of investment property under operating lease in the future is as follows:

|          | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|----------|-----------------------|----------------------|-----------------------|
| 1st year | \$ -                  | \$ 43,705            | \$ 9,263              |
| 2nd year | -                     | 48,000               | -                     |
| 3rd year | -                     | 48,000               | -                     |
| 4th year | -                     | 8,000                | -                     |
|          | <u>\$ -</u>           | <u>\$ 147,705</u>    | <u>\$ 9,263</u>       |

The fair value of investment property has not been appraised by independent appraisers, and was only measured by the Group's management using the appraisal model commonly used by market participants at Level 3 inputs. The appraisal was conducted with reference to the market transaction prices of similar properties.

The fair value based on the appraisal is as follows:

|            | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|------------|-----------------------|----------------------|-----------------------|
| Fair value | <u>\$ -</u>           | <u>\$ 441,246</u>    | <u>\$ 194,348</u>     |

The Group's all investment property is self-owned. Please refer to Note 33 for information on the investment property provided to financial institutions as collateral for financing.

The interest on the Group's investment property was not capitalized without interest for the three months ended September 30, 2023 and 2022 and the nine months ended September 30, 2023 and 2022.

#### XVII. Other intangible assets

|                   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|-------------------|-----------------------|----------------------|-----------------------|
| Computer software | <u>\$ 6,807</u>       | <u>\$ 4,708</u>      | <u>\$ 5,266</u>       |

|                                 | For the nine months<br>ended September<br>30, 2023 | For the nine months<br>ended September<br>30, 2022 |
|---------------------------------|--|--|
| <u>Cost</u>                     |  |  |
| Opening balance                 | \$ 54,004  | \$ 51,695  |
| Acquired separately             | 4,574  | 2,309  |
| Disposal                        | ( 80)  | -  |
| Closing balance                 | <u>58,498</u>                                      | <u>54,004</u>                                      |
| <u>Accumulated amortization</u> |  |  |
| Opening balance                 | 49,296   | 47,441   |
| Amortization expenses           | 2,475  | 1,297  |
| Disposal                        | ( 80)  | -  |
| Closing balance                 | <u>51,691</u>                                      | <u>48,738</u>                                      |
| Net amount, end of period       | <u>\$ 6,807</u>                                    | <u>\$ 5,266</u>                                    |

The computer software is amortized over a period of one to four years on a straight-line basis.

The amortization expenses by function are summarized as follows:

|                                      | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|--------------------------------------|--|--|---|---|
| Operating cost                       | \$ 509   | \$ 289   | \$ 1,338  | \$ 737  |
| Selling expenses                     | 357  | 153  | 901   | 351   |
| Management expenses                  | 78   | 67   | 218   | 198   |
| Research and development<br>expenses | 7  | 4  | 18  | 11  |
|                                      | <u>\$ 951</u>  | <u>\$ 513</u>  | <u>\$ 2,475</u>                                       | <u>\$ 1,297</u>                                       |

#### XVIII. Other assets-current and non-current

|  | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|--|-----------------------|----------------------|-----------------------|
| <u>Current</u>   |                       |                      |                       |
| Prepayments to suppliers   | \$ 94,859             | \$ 114,485           | \$ 172,486            |
| Other financial assets   | 10,000                | 134,929              | 18,500                |
| Prepaid expenses   | 30,934                | 35,828               | 38,163                |
| Excess business tax paid   | 14,656                | 12,323               | 66,113                |
| Others   | <u>3,372</u>          | <u>964</u>           | <u>1,263</u>          |
|  | <u>\$ 153,821</u>     | <u>\$ 298,529</u>    | <u>\$ 296,525</u>     |
| <u>Non-current</u>   |                       |                      |                       |
| Prepayments for business<br>facilities (including<br>capitalized interest) | \$ 292,577            | \$ 791,563           | \$ 730,299            |
| Refundable deposits  | 204,448               | 182,051              | 180,699               |
| Other financial assets   | <u>84,693</u>         | <u>123,282</u>       | <u>128,818</u>        |
|  | <u>\$ 581,718</u>     | <u>\$ 1,096,896</u>  | <u>\$ 1,039,816</u>   |

The ranges of interest on the pledged certificates of deposit and the reserve account in the Group’s “Other assets - current and “Other financial assets - non-current” used as collateral for bank-secured loans, performance guarantees, and loans for purchases as of September 30, 2023, December 31, 2022, and September 30, 2022 were 0.3%–4.0%, 0.2%–3.5%, and 0.15%–1.35%, respectively. Please refer to Note 33 for details.

XIX. Borrowings

(I) Short-term borrowings

|                        | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|------------------------|-----------------------|----------------------|-----------------------|
| Bank credit borrowings | <u>\$ 473,729</u>     | <u>\$ 939,962</u>    | <u>\$ 1,258,867</u>   |
| Interest rate ranges   |                       |                      |                       |
| Bank credit borrowings | 2.40%~2.81%           | 2.21%~2.87%          | 1.97%~4.50%           |

(II) Short-term notes payable

The unexpired short-term notes payable are as follows:

December 31, 2022

| <u>Guarantee/Acceptance institutions</u>          | <u>Face amount</u> | <u>Discounted amount</u> | <u>Carrying amount</u> | <u>Interest rate ranges</u> | <u>Name of collateral</u> |
|---|--------------------|--------------------------|------------------------|-----------------------------|---------------------------|
| <u>Commercial paper payable</u>                   |                    |                          |                        |                             |                           |
| Notes issued by Mega Bank                         | \$ 50,000          | \$ 103                   | \$ 49,897              | 2.218%                      | Machinery and equipment   |
| Notes issued by Mega Bank                         | 50,000             | 60                       | 49,940                 | 2.288%                      | Machinery and equipment   |
| Notes issued by Taiwan Cooperative Bank           | 50,000             | 103                      | 49,897                 | 2.218%                      | Machinery and equipment   |
| Notes issued by Taiwan Cooperative Bank           | 50,000             | 60                       | 49,940                 | 2.288%                      | Machinery and equipment   |
| Notes issued by International Bills Finance Corp. | 30,000             | 32                       | 29,968                 | 2.288%                      | Nil                       |
| China Bills Finance Corporation                   | 50,000             | 38                       | 49,962                 | 2.138%                      | Nil                       |
| China Bills Finance Corporation                   | <u>50,000</u>      | <u>91</u>                | <u>49,909</u>          | 2.138%                      | Nil                       |
|   | <u>\$ 330,000</u>  | <u>\$ 487</u>            | <u>\$ 329,513</u>      |                             |                           |

September 30, 2022

| <u>Guarantee/Acceptance institutions</u> | <u>Face amount</u> | <u>Discounted amount</u> | <u>Carrying amount</u> | <u>Interest rate ranges</u> | <u>Name of collateral</u> |
|--|--------------------|--------------------------|------------------------|-----------------------------|---------------------------|
| <u>Commercial paper payable</u>          |                    |                          |                        |                             |                           |
| Notes issued by Mega Bank                | \$ 100,000         | \$ 260                   | \$ 99,740              | 1.908%~2.148%               | Machinery and equipment   |
| Notes issued by Taiwan Cooperative Bank  | 100,000            | 259                      | 99,741                 | 1.908%~2.148%               | Machinery and equipment   |
| China Bills Finance Corporation          | <u>100,000</u>     | <u>66</u>                | <u>99,934</u>          | 1.928%                      | Nil                       |
|  | <u>\$ 300,000</u>  | <u>\$ 585</u>            | <u>\$ 299,415</u>      |                             |                           |

Please refer to Note 33 for the collateral provided by the Group for the short-term notes payable.

(III) Loan-term borrowings

|  | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|--|---------------------------|--------------------------|---------------------------|
| <u>Secured borrowings</u>                  |                           |                          |                           |
| Bank borrowings against collateral         | \$ 1,548,000              | \$ 1,344,000             | \$ 2,116,930              |
| Less: Arrangement fee for syndicated loans | ( <u>15,194</u> )         | ( <u>9,846</u> )         | ( <u>10,321</u> )         |
|  | 1,532,806                 | 1,334,154                | 2,106,609                 |
| Bank-secured loans                         | <u>889,760</u>            | <u>815,796</u>           | <u>483,045</u>            |
| Total                                      | 2,422,566                 | 2,149,950                | 2,589,654                 |
| Less: portion due within 1 year            | ( <u>397,895</u> )        | ( <u>218,604</u> )       | ( <u>940,185</u> )        |
| Loan-term borrowings                       | <u>\$ 2,024,671</u>       | <u>\$ 1,931,346</u>      | <u>\$ 1,649,469</u>       |
| Interest rate ranges                       | 1.595%~3.299%             | 1.35%~3.10%              | 1.22%~2.80%               |

1. Syndicated loans against collateral

- (1) In March 2023, the Group signed a syndicated loan agreement with a bank syndicate with Mega International Commercial Bank as the lead bank. The credit line is \$1,909,600 thousand (including \$1,573,600 thousand for the limit of Type A loan and \$336,000 thousand for the Type B loan), and the loan period is five years from the date when the loan is first utilized. The principal of Type A loan should be paid off before the date when the credit period ends. As for Type B loans, the 24-month period after the loan is first utilized is considered period 1, and one month is a period afterward; the principal is divided into 48 installments, with the remaining principal being

paid off in the final period. As of June 30, 2023, the Type B loan balance was NTD300,000 thousand.

In the course of the duration of the above-mentioned borrowings, the Group's financial statements are required to be in compliance with certain financial ratios. If any non-conformity with the agreed financial ratios occurs, the Group should make improvements to the agreement through cash capital increase or other means. Financial commitments are not deemed to have been breached if completed within the specified time period.

- (2) In November 2020, the Group signed a syndicated loan agreement with a bank syndicate with Taiwan Cooperative Bank as the lead bank. The credit line is NTD2,000,000 thousand (including NTD1,600,000 thousand for the limit of Type A loan and NTD400,000 thousand for the Type B loan), and the loan period is up to November 2025. The first installment shall be paid upon three months after the first drawdown, and the Group shall pay the following installments every three months in a total of 20 installments to pay off the principal of the loan. The Group shall repay 2% of the principal from the 1st to the 12th installments, 4% of the principal from the 13th to the 19th installments, and the remaining principal in the last installment. As of September 30, 2023, December 31, 2022, and September 30, 2022, the balances of the Type A loan were NTD1,248,000 thousand, NTD1,344,000 thousand, and NTD1,376,000 thousand, respectively. As of December 31 and September 30, 2022, the balance of Type B loan was NTD200,000 thousand, which was recorded in short-term notes payable.

In the course of the duration of the above-mentioned borrowings, the Group's financial statements are required to be in compliance with certain financial ratios. In the event of a non-conformity with any of the financial ratios, the Group shall conduct capital increase in cash or make improvements by other means while paying compensation to the group of banks in a lump sum at 0.20% of the outstanding balance of the loan drawn down. Also, the Group shall make improvements to meet the requirements of the agreement between the provision of the financial statements to the provision of the next first-half or annual financial statements. If the Group completes the improvement within said improvement period and meets the

requirements of the agreement, the non-conformity shall not be deemed as a breach of the Group's financial commitment.

- (3) In February 2018, the Group entered into a syndicated credit agreement with a consortium led by Chang Hwa Commercial Bank. The credit line is NTD1,250,000 thousand (including NTD500,000 thousand for land financing under category A and NTD750,000 thousand for plant financing under category B). The borrowing period extends until February 2023. Commencing from the first utilization date, the repayment schedule is structured into seven periods. The first period spans 24 months from the initiation date, followed by subsequent periods every six months. During the first four periods, 5% of the principal is to be repaid in each installment, while in the fifth and sixth periods, 10% of the principal is to be repaid in each installment. The remaining principal is to be settled in the final period. As of September 30, 2022, the balance of the loan was NTD740,930 thousand; this syndicated loan project was repaid in advance in December 2022.

In the course of the duration of the above-mentioned borrowings, the Group's financial statements must comply with certain financial ratios. In the event of a non-conformity with any of the financial ratios, the Group shall pay compensation to the credit limit management bank in accordance with the agreement while providing written documents on specific financial improvement measures immediately to the credit limit management bank. Also, the Company shall make improvements to meet the requirements of the agreement between the provision of the financial statements to the provision of the next first-half or annual financial statements. If the Company completes the improvement within said improvement period and meets the requirements of the agreement, the non-conformity shall not be deemed as a breach of the Group's financial commitment.

2. The contract periods of bank-secured borrowings range from 5 years 5 months to 6 years 6 months, and the Group repays the principal and interest on a monthly basis.

Please refer to Note 33 for the collateral provided by the Group for the long-term borrowings.

XX. Notes payable and accounts payable

|                                   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|-----------------------------------|-----------------------|----------------------|-----------------------|
| Notes payable - from operations   | \$ <u>24</u>          | \$ <u>24</u>         | \$ <u>-</u>           |
| Accounts payable - from operation | \$ <u>622,713</u>     | \$ <u>898,218</u>    | \$ <u>564,777</u>     |

The Group has a financial risk management policy in place to ensure that all accounts payable are repaid within the credit period agreed in advance.

XXI. Other liabilities

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---|-----------------------|----------------------|-----------------------|
| <u>Current</u>                              |                       |                      |                       |
| Other payables                              |                       |                      |                       |
| Salaries and bonuses payable                | \$ 162,153            | \$ 151,828           | \$ 108,797            |
| Business facilities payable                 | 152,852               | 55,577               | 67,328                |
| Customs clearance fee payable               | 49,934                | 37,403               | 48,360                |
| Labor and health insurance premiums payable | 20,739                | 12,340               | 20,450                |
| Interest payable                            | 12,159                | 15,440               | 15,907                |
| Environmental protection expenses payable   | 8,967                 | 9,232                | 4,914                 |
| Business tax payable                        | -                     | 11,123               | -                     |
| Others                                      | <u>85,095</u>         | <u>100,205</u>       | <u>90,786</u>         |
|   | <u>\$ 491,899</u>     | <u>\$ 393,148</u>    | <u>\$ 356,542</u>     |
| Other liabilities                           |                       |                      |                       |
| Guarantee deposits received                 | \$ 50,000             | \$ -                 | \$ -                  |
| Others                                      | <u>8,784</u>          | <u>7,579</u>         | <u>6,705</u>          |
|   | <u>\$ 58,784</u>      | <u>\$ 7,579</u>      | <u>\$ 6,705</u>       |
| <u>Non-current</u>                          |                       |                      |                       |
| Other liabilities                           |                       |                      |                       |
| Guarantee deposits received                 | <u>\$ -</u>           | <u>\$ 3,705</u>      | <u>\$ 3,705</u>       |

## XXII. Post-employment benefit plan

The Group adopted a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries and wages.

Pension expenses related to the defined contribution plan are recognized in the accounts below:

|                    | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|--------------------|--|--|---|---|
| Operating cost     | \$ 8,777   | \$ 8,898   | \$ 26,946   | \$ 24,712   |
| Operating expenses | <u>1,465</u>   | <u>1,423</u>   | <u>4,393</u>  | <u>4,245</u>  |
|                    | <u>\$ 10,242</u>                                       | <u>\$ 10,321</u>                                       | <u>\$ 31,339</u>                                      | <u>\$ 28,957</u>                                      |

## XXIII. Preferred stock liabilities

On April 7, 2021, the resolution of the shareholders' meeting approved a cash capital increase through private placement of 75,000 thousand A-Preferred shares, with a face value of NTD10 per share. On November 18, 2021, the board approved the issuance of 25,895 thousand shares, priced at NTD23.75 per share. A full payment of NTD615,000 thousand was received on December 2, 2021, and the change registration was completed. According to the issuance conditions of the preferred stock, the shares are split into preferred stock liabilities of \$287,949 thousand and conversion rights of \$327,051 thousand. The rights and obligations of the preferred stock in the private placement are as follows:

- (1) The distribution of the Company's earnings is conducted pursuant to the Articles of Incorporation. The distributable earnings shall firstly be distributed to the A-preferred shares for the current year, or current season with the accumulated undistributed dividends. In the event of no earnings, or insufficient earnings to be distributed for all A-preferred shares, such distributable earnings shall still be firstly distributed to the Preferred Share-A, and the shortage will be made up first when annual or quarterly earnings are provided.
- (2) The dividend rate of the A-preferred shares is an annual rate of 2% and is calculated based on the issuance price per share. The dividends are paid in cash. The ex-dividend base date of the preferred shares is authorized to the Board to determine. The distribution of dividends for the issue year/quarter and the reacquired year/quarter is calculated based on the actual issuance date of the year.

- (3) Share the amount of intended dividends for the common shares exceeds the amount of the A-preferred shares dividends, the holders of the A-preferred shares are entitled to the distribution.
- (4) Other than the abovementioned dividends, the A-preferred shares are entitled to participate in the distribution of earnings and reserves for the common shares.
- (5) The A-preferred shares are entitled to be converted to common shares from the next day of the third anniversary of holding.
- (6) The holders of the A-preferred shares have the right to vote in the general shareholders' meetings, as well as to elect directors (independent directors included). The A-preferred shares are also entitled to vote in extraordinary shareholders' meetings and for matters related to the Preferred Share-A holders' interests.
- (7) For distributing the Company's remaining properties, the A-preferred shares has higher priority over the common shares, but shall not exceed the sum of issuance priced plus the payable dividends.
- (8) The issuance period of A-preferred shares is infinite. The holders of Preferred A-Shares are not entitled to request the Company to reacquire the A-preferred shares held by them early. However, the Company may reacquire all or part of the A-preferred shares from the next day of the third anniversary since issuance, with the actual issuance price in cash, or other method permitted by laws and regulations. The rights and obligations of the remaining A-preferred shares follow the issuance condition until being reacquired. If the Company resolves to issue dividends for the year reacquiring the A-preferred shares on the shareholders' meeting, the part of dividends that should be paid before the reacquisition date will be calculated based on the actual number of issue days of the year.
- (9) When the Company issues new common shares by cash capital increase, shareholders of A-preferred shares have the same preferred options for new shares as the shareholders of common shares.
- (10) Shall the A-preferred shares satisfy the conditions for early reacquisition, or the issuance period expires, but the Company is unable to reacquire all or part of such shares due to force majeure or event not attributable to the Company, each of the abovementioned issuance conditions stays in force until all A-preferred shares are reacquired. The dividends are calculated at the original rate for the extended period.

The rights entitled by A-preferred shares pursuant to the Articles of Incorporation shall not be harmed.

The board resolved on March 7, 2022 that the unissued preferred stock totaling 49,105 thousand shares will not be issued during the remaining issuance period.

#### XXIV. Equity

##### (I) Common stock

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---|-----------------------|----------------------|-----------------------|
| Number of authorized shares (in thousand shares)            | <u>700,000</u>        | <u>700,000</u>       | <u>700,000</u>        |
| Authorized capital  | <u>\$ 7,000,000</u>   | <u>\$ 7,000,000</u>  | <u>\$ 7,000,000</u>   |
| Number of shares issued and fully paid (in thousand shares) | <u>512,797</u>        | <u>476,297</u>       | <u>476,297</u>        |
| Share capital issued  | <u>\$ 5,127,967</u>   | <u>\$ 4,762,967</u>  | <u>\$ 4,762,967</u>   |

The ordinary shares issued, with a par value of NTD10 per share, are entitled to one voting right per share and to the right to receive dividends. In addition, 25,895 thousand shares of A-preferred shares have been issued. Please refer to Note 23.

The Company adopted July 13, 2022 as the base date for a capital increase in cash to issue 30,500 thousand shares, with a par value of NTD10 per share; the shares are issued at a premium of NTD26.50 per share. The payments received for the shares issued through the capital increase in cash were in the amount of NTD808,250 thousand, and the number of outstanding shares increased to 476,297 thousand shares. The Company has completed the change registration on August 4, 2022.

The Company adopted August 2, 2023 as the base date for a capital increase in cash to issue 36,500 thousand shares, with a par value of NTD10 per share; the shares are issued at a premium of NTD27.10 per share. The payments received for the shares issued through the capital increase in cash were in the amount of NTD989,150 thousand, and the number of outstanding shares increased to 512,797 thousand shares. The Company has completed the change registration on August 31, 2023.

The Company's total capital retains NTD50,000 thousand in a total of 5,000 thousand shares, with a par value of NTD10 per share, for the issue of employee stock options, which may be issued in tranches in accordance with the resolution of the Board of Directors.

(II) Capital reserve

|  | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|--|-----------------------|----------------------|-----------------------|
| <u>May be used to</u><br><u>compensate for a deficit,</u><br><u>distributed as cash</u><br><u>dividends, or transferred</u><br><u>to share capital</u> |                       |                      |                       |
| Premium of shares issued   | \$ 1,624,201          | \$ 991,729           | \$ 991,729            |
| Expired employee stock<br>options  | 14,372                | 6,233                | 6,233                 |
| <u>May be used to compensate</u><br><u>for a deficit only</u>  |                       |                      |                       |
| Changes in ownership<br>interests in subsidiaries<br>using the equity method<br>recognized   | 11                    | 11                   | 11                    |
| <u>Not for any purpose</u>   |                       |                      |                       |
| Conversion rights of<br>preferred stock  | <u>327,051</u>        | <u>327,051</u>       | <u>327,051</u>        |
|  | <u>\$ 1,965,635</u>   | <u>\$ 1,325,024</u>  | <u>\$ 1,325,024</u>   |

Capital reserve arising from shares issued in excess of the par value and the donations may be used to compensate for a deficit. In addition, when the Company has no deficit, such capital reserve may be distributed as cash dividends or transferred to share capital; however, when it is transferred to share capital, it is limited to a certain percentage of the Company's paid-in capital.

(III) Retained Earnings and Dividend Policy

According to the earnings distribution policy outlined in the Company's Articles of Incorporation, in a fiscal year where the Company generates a profit, the following steps will be taken: first, the profit will be utilized to pay taxes and compensate for any cumulative deficit. Subsequently, the Company will set aside 10% of the remaining profit as a legal reserve and allocate or reverse a special reserve in compliance with relevant laws and regulations. Finally, the Company's Board of Directors will utilize the remaining profit, along with any undistributed retained earnings from the prior year, as the basis for proposing a distribution plan, which will be resolved at the shareholders' meeting for distribution. For the Company's Articles of Incorporation, please refer to Note 25(7) Employees' and Directors' remuneration policy.

In addition, in accordance with the Company's Articles of Incorporation, the Company shall distribute dividends as appropriate based on the future capital expenditure budget and capital needs as per the dividend policy. The Company shall

distribute dividends in cash or stock, and the proportion of cash dividends shall not be less than 10% of the total dividend distributed.

The Company shall set aside legal reserve until the balance reaches the amount of the Company's total paid-in capital. The legal reserve may be adopted to compensate for the deficit. When the Company has no deficit to be compensated, the portion of the legal reserve in excess of 25% of the total paid-in capital may be distributed in cash in addition to being transferred to the share capital.

The Company held the shareholders' meeting on May 24, 2023 and June 9, 2022, which resolved to approve the 2022 and 2021 profit distribution shown as follows:

|                               | <u>2022</u>       | <u>2021</u>      |
|-------------------------------|-------------------|------------------|
| Legal reserve                 | <u>\$ 18,741</u>  | <u>\$ 4,632</u>  |
| Special reserve               | <u>\$ 129,364</u> | <u>\$ 41,685</u> |
| Cash dividends                | <u>\$ 37,664</u>  | <u>\$ -</u>      |
| Cash dividend per share (NTD) | <u>\$ 0.075</u>   | <u>\$ -</u>      |

On May 24, 2023, the Company's shareholders' meeting resolved to distribute cash dividends of NTD12,555 thousand, or NTD0.025 per share, based on the capital reserve - stock premium.

(IV) Special reserve

|   | For the nine months<br>ended September<br>30, 2023 | For the nine months<br>ended September<br>30, 2022 |
|---|--|--|
| Opening balance   | <u>\$ 41,685</u>                                   | <u>\$ -</u>  |
| Appropriation of special reserve<br>Amount debited to other<br>equity items | <u>129,364</u>                                     | <u>41,685</u>                                      |
| Closing balance   | <u>\$ 171,049</u>                                  | <u>\$ 41,685</u>                                   |

(V) Other equity items

1. Exchange differences on translation of financial statements of foreign operations

|  | For the nine months<br>ended September<br>30, 2023 | For the nine months<br>ended September<br>30, 2022 |
|--|--|--|
| Opening balance  | <u>(\$ 234)</u>                                    | <u>(\$ 869)</u>                                    |
| Occurred in the current<br>period                          |  |  |
| Exchange differences<br>on foreign<br>operations           | 413  | 1,069  |
| Income tax related to<br>items that may be<br>reclassified | <u>( 83)</u>                                       | <u>( 214)</u>                                      |
| Closing balance  | <u>\$ 96</u>                                       | <u>(\$ 14)</u>                                     |

2. Unrealized gain (loss) on financial assets at fair value through other comprehensive income

|   | For the nine months<br>ended September<br>30, 2023 | For the nine months<br>ended September<br>30, 2022 |
|---|--|--|
| Opening balance   | (\$ 170,641)                                       | (\$ 174,284)                                       |
| Occurred in the current period  |  |  |
| Unrealized gains (losses)   |  |  |
| Equity instruments  | -  | 1,413  |
| Share of associates using the equity method   | ( 28)  | -  |
| Accumulated gains and losses on disposal of equity instruments transferred to retained earnings | <u>-</u>   | <u>2,239</u>                                       |
| Closing balance   | (\$ 170,669)                                       | (\$ 170,632)                                       |

3. Gains or losses of hedging instruments

|   | For the nine months<br>ended September<br>30, 2023 | For the nine months<br>ended September<br>30, 2022 |
|---|--|--|
| Opening balance   | (\$ 174)   | \$ -   |
| Occurred in the current period                                    |  |  |
| Gains or losses from changes in fair value of hedging instruments | -  | -  |
| Exchange rate risk  |  |  |
| - Forward foreign exchange contracts                              | 119  | -  |
| The original book value transferred to the hedged item            |  |  |
| Exchange rate risk  |  |  |
| - Forward foreign exchange contracts                              | 99   | -  |
| Related income tax  | ( 44)  | -  |
| Closing balance   | <u>\$ -</u>  | <u>\$ -</u>  |

(VI) Non-controlling interests

|  | For the nine months<br>ended September<br>30, 2023 | For the nine months<br>ended September<br>30, 2022 |
|--|--|--|
| Opening balance  | \$ 95  | \$ 95  |
| Share attributable to<br>uncontrolled equity                                   |  |  |
| Current period net profit  | 1  | -  |
| Acquisition of the increased<br>non-controlling interest in<br>Yuan-Jin Energy | 2,900  | -  |
| Closing balance  | <u>\$ 2,996</u>                                    | <u>\$ 95</u>                                       |

XXV. Net income

(I) Operating Revenue

1. Contract balance

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 | January 1,<br>2022 |
|---|-----------------------|----------------------|-----------------------|--------------------|
| Notes receivable (Note<br>9)                                | <u>\$ 285,399</u>     | <u>\$ -</u>          | <u>\$ -</u>           | <u>\$ -</u>        |
| Accounts receivable<br>(Note 9)                             | <u>\$ 907,561</u>     | <u>\$ 1,164,930</u>  | <u>\$ 1,100,483</u>   | <u>\$ 754,026</u>  |
| Accounts receivable -<br>related parties<br>(Note 9 and 32) | <u>\$ 25,654</u>      | <u>\$ 9,498</u>      | <u>\$ 31,856</u>      | <u>\$ 88,484</u>   |
| Contract liabilities  |                       |                      |                       |                    |
| Sales of modules  | <u>\$ 74,222</u>      | <u>\$ 117,745</u>    | <u>\$ 217,764</u>     | <u>\$ 294,232</u>  |

Please refer to Note 9 for the details of the accounts receivable from contracts.

Changes in contract liabilities are mainly due to the difference between the time when the performance obligations are fulfilled and the time when clients make payments.

2. Breakdown of revenue from customer contracts

Please refer to Note 38(1) for the information on revenue breakdown.

3. Contracts with customers not yet completed

The dates when performance obligations that have not been fully fulfilled are expected to be recognized in revenue income are as follows:

|                        | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|------------------------|-----------------------|----------------------|-----------------------|
| Sales of modules       |                       |                      |                       |
| - Fulfilled in<br>2022 | \$ -                  | \$ -                 | \$ 217,764            |
| - Fulfilled in<br>2023 | 74,222                | 117,745              | -                     |
|                        | <u>\$ 74,222</u>      | <u>\$ 117,745</u>    | <u>\$ 217,764</u>     |

(II) Interest income

|                                       | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---------------------------------------|--|--|---|---|
| Bank savings                          | \$ 6,285   | \$ 1,101   | \$ 11,960   | \$ 1,361  |
| Financial assets at<br>amortized cost | 268  | 454  | 1,869   | 667   |
| Other financial assets                | 351  | 168  | 1,230   | 529   |
| Others                                | 3  | -  | 18  | 541   |
| Total                                 | <u>\$ 6,907</u>  | <u>\$ 1,723</u>  | <u>\$ 15,077</u>                                      | <u>\$ 3,098</u>                                       |

(III) Other net income, expense, and loss

|  | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|--|--|--|---|---|
| Net (losses) gains from<br>the disposal of<br>property, plant and<br>equipment | (\$ 96,987)  | \$ 64  | (\$ 96,987)   | \$ 64   |
| Others   | -  | -  | (6,224)   | -   |
| Total  | <u>(\$ 96,987)</u>                                     | <u>\$ 64</u>   | <u>(\$ 103,211)</u>                                   | <u>\$ 64</u>  |

(IV) Depreciation and amortization

|                                      | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|--------------------------------------|--|--|---|---|
| Property, Plant and<br>Equipment     | \$ 167,943   | \$ 130,767   | \$ 682,566  | \$ 393,152  |
| Right-of-use assets                  | 2,218  | 2,274  | 7,444   | 9,337   |
| Investment property                  | 978  | 2,942  | 6,847   | 9,163   |
| Other intangible assets              | 951  | 513  | 2,475   | 1,297   |
| Total                                | <u>\$ 172,090</u>                                      | <u>\$ 136,496</u>                                      | <u>\$ 699,332</u>                                     | <u>\$ 412,949</u>                                     |
| Depreciation expenses<br>by function |  |  |   |   |
| Operating cost                       | \$ 164,344   | \$ 130,050   | \$ 677,247  | \$ 391,207  |
| Operating expenses                   | 6,795  | 5,933  | 19,610  | 20,445  |
|                                      | <u>\$ 171,139</u>                                      | <u>\$ 135,983</u>                                      | <u>\$ 696,857</u>                                     | <u>\$ 411,652</u>                                     |
| Amortization expenses<br>by function |  |  |   |   |
| Operating cost                       | \$ 509   | \$ 289   | \$ 1,338  | \$ 737  |
| Operating expenses                   | 442  | 224  | 1,137   | 560   |
|                                      | <u>\$ 951</u>  | <u>\$ 513</u>  | <u>\$ 2,475</u>                                       | <u>\$ 1,297</u>                                       |

(V) Direct operating expenses of investment property

|                          | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|--------------------------|--|--|---|---|
| Generate rental income   |  |  |   |   |
| Depreciation<br>expenses | \$ 978   | \$ 2,942   | \$ 6,847  | \$ 9,163  |
| Taxation                 | 33   | 86   | 234   | 332   |
|                          | <u>\$ 1,011</u>  | <u>\$ 3,028</u>  | <u>\$ 7,081</u>                                       | <u>\$ 9,495</u>                                       |

(VI) Employee benefit expense

|   | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---|--|--|---|---|
| Post-employment<br>benefits               |  |  |   |   |
| Defined<br>contribution plan<br>(Note 22) | \$ 10,242  | \$ 10,321  | \$ 31,339   | \$ 28,957   |
| Share-based payment<br>(Note 28)          | 29,016   | -  | 29,016  | 21,442  |
| Salary and wages                          | 251,926  | 247,895  | 794,164   | 695,268   |
| Labor and health<br>insurance expenses    | 27,358   | 26,269   | 84,217  | 72,567  |
| Other employee benefit<br>expenses        | <u>27,786</u>  | <u>24,916</u>  | <u>90,486</u>   | <u>66,550</u>   |
| Total employee benefit<br>expenses        | <u>\$ 346,328</u>                                      | <u>\$ 309,401</u>                                      | <u>\$ 1,029,222</u>                                   | <u>\$ 884,784</u>                                     |
| By function                               |  |  |   |   |
| Operating cost                            | \$ 260,577   | \$ 267,914   | \$ 824,142  | \$ 741,074  |
| Operating expenses                        | <u>85,751</u>  | <u>41,487</u>  | <u>205,080</u>  | <u>143,710</u>  |
|   | <u>\$ 346,328</u>                                      | <u>\$ 309,401</u>                                      | <u>\$ 1,029,222</u>                                   | <u>\$ 884,784</u>                                     |

(VII) Remuneration to employees and directors

The Company allocates no less than 5% and no more than 5% of the current year's pre-tax net income before employees' compensation and remuneration to directors are deducted for employees' compensation and remuneration to directors, respectively. However, in the case of a deficit to be compensated, the amount of the compensation shall be reserved in advance.

The Group's estimated remuneration of employees and directors for the nine months ended September 30, 2023 and 2022 is as follows:

Estimated percentage

|                         | For the nine months<br>ended September<br>30, 2023 | For the nine months<br>ended September<br>30, 2022 |
|-------------------------|--|--|
| Employee compensation   | 5.4%   | 5.0%   |
| Directors' remuneration | 3.0%   | 0.5%   |

Amount

|                         | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|-------------------------|--|--|---|---|
| Employee compensation   | <u>\$ 7,772</u>  | <u>\$ 984</u>  | <u>\$ 24,002</u>                                      | <u>\$ 2,898</u>                                       |
| Directors' remuneration | <u>\$ 3,972</u>  | <u>\$ 99</u>   | <u>\$ 13,335</u>                                      | <u>\$ 290</u>   |

If there is still a change in the amount after the annual consolidated financial report is released, it will be treated as a change in accounting estimates and will be adjusted and accounted for in the next year.

The remuneration for employees and directors in 2022 and 2021 resolved by the board at the meetings held on March 8, 2023 and March 14, 2022 is as follows:

Amount

|  | <u>2022</u> |   |   |   | <u>2021</u> |   |   |   |
|--|-------------|---|---|---|-------------|---|---|---|
|  | C           | a | s | h | C           | a | s | h |
| Employee compensation                      | \$ 9,586    |   |   |   | \$ 2,392    |   |   |   |
| Remuneration for directors and supervisors | 6,710       |   |   |   | 1,440       |   |   |   |

There is no difference between the amount of remuneration for employees and directors in 2022 and 2021 resolved to be distributed and the amount recognized in the 2022 and 2021 consolidated financial reports.

For information on the employees' compensation and remuneration to directors as resolved by the Company's Board of Directors, please visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

(VIII) Foreign exchange gain (loss)

|   | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---|--|--|---|---|
| Total gain on foreign currency exchange | \$ 22,047  | \$ 9,349   | \$ 46,263   | \$ 56,754   |
| Total loss on foreign currency exchange | ( 14,392 )   | ( 34,485 )   | ( 41,008 )  | ( 100,224 )   |
| Net income (loss)                       | <u>\$ 7,655</u>  | <u>( \$ 25,136 )</u>                                   | <u>\$ 5,255</u>                                       | <u>( \$ 43,470 )</u>                                  |

(IX) Finance costs

|   | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---|--|--|---|---|
| Interest expense                        | \$ 19,534  | \$ 24,479  | \$ 62,111   | \$ 61,557   |
| Interest on preferred stock liabilities | 3,075  | 3,075  | 10,236  | 9,225   |
| Financing costs                         | 1,757  | 2,658  | 5,194   | 6,714   |
| Interest on lease liabilities           | 103  | 40   | 317   | 395   |
| Others                                  | 217  | 664  | 595   | 1,336   |
| Less: Capitalized interest              | ( 5,899 )  | ( 8,624 )  | ( 27,453 )  | ( 21,481 )  |
|   | <u>\$ 18,787</u>                                       | <u>\$ 22,292</u>                                       | <u>\$ 51,000</u>                                      | <u>\$ 57,746</u>                                      |

Information on capitalized interest is as follows:

|                                 | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---------------------------------|--|--|---|---|
| Interest capitalization         | <u>\$ 5,899</u>  | <u>\$ 8,624</u>  | <u>\$ 27,453</u>                                      | <u>\$ 21,481</u>                                      |
| Interest capitalization<br>rate | 2.94%  | 2.80%  | 2.94%   | 2.54%   |

## XXVI. Income tax

### (I) Income tax recognized in profit or loss

The main components of income tax benefits (expenses) are as follows:

|  | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|--|--|--|---|---|
| Current income tax<br>Incurred during the<br>year              | \$ 63  | \$ -   | \$ 63   | \$ -  |
| Deferred income tax<br>Incurred during the<br>year             | ( <u>12,403</u> )                                      | <u>3,943</u>   | <u>20,289</u>   | <u>11,035</u>   |
| Income tax recognized in<br>profit or loss<br>Gains (expenses) | ( <u>\$ 12,340</u> )                                   | <u>\$ 3,943</u>  | <u>\$ 20,352</u>                                      | <u>\$ 11,035</u>                                      |

### (II) Income tax recognized in other comprehensive income

|   | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---|--|--|---|---|
| <u>Deferred income tax</u><br>Occurred in the current<br>period             |  |  |   |   |
| - Translation of the<br>financial<br>statements of<br>foreign<br>operations | ( \$ 59 )  | ( \$ 107 )   | ( \$ 83 )   | ( \$ 214 )  |
| - Cash flow hedging   | <u>-</u>   | <u>-</u>   | ( <u>44</u> )   | <u>-</u>  |
|   | ( <u>\$ 59</u> )                                       | ( <u>\$ 107</u> )                                      | ( <u>\$ 127</u> )                                     | ( <u>\$ 214</u> )                                     |

- (III) Deductible temporary difference not recognized as deferred income tax assets and unused loss deduction amount not recognized in the consolidated statement of financial position

|                                     | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|-------------------------------------|---------------------------|---------------------------|
| Loss deduction                      |                           |                           |
| Due in 2027                         | \$ -                      | \$ 319,586                |
| Due in 2028                         | 444,844                   | 1,191,451                 |
| Due in 2029                         | 448,043                   | 448,043                   |
| Due in 2030                         | 634,800                   | 634,800                   |
| Due in 2032                         | 1,598                     | -                         |
| Due in 2033                         | <u>3,463</u>              | <u>-</u>                  |
|                                     | <u>\$ 1,532,748</u>       | <u>\$ 2,593,880</u>       |
| Deductible temporary difference     |                           |                           |
| Impairment loss of financial assets | <u>\$ 1,705</u>           | <u>\$ 1,705</u>           |

- (IV) Information on unused loss deduction

As of September 30, 2023, the relevant information on loss deduction for taxes of the Group is as follows:

| <u>Outstanding tax credit</u> | <u>Final year of deduction</u> |
|-------------------------------|--------------------------------|
| \$ 34,302                     | 2027                           |
| 238,290                       | 2028                           |
| 89,609                        | 2029                           |
| 126,950                       | 2030                           |
| 320                           | 2032                           |
| <u>692</u>                    | 2033                           |
| <u>\$ 490,163</u>             |                                |

- (V) Income tax approval

The Company's declared cases before 2021 have been approved by the tax collection authority, and there is no significant difference between the approved number and the declared number.

The profit-seeking enterprise income tax returns filed by Changyang, Yunsheng and Yunxing, Hou Chang, Hengyoung, Heng Li, and Youngli up to the fiscal year of 2021 have been approved by the tax authority. There was no major difference between the amount approved and that filed. Yuan-Jin Energy has not filed income tax returns since its establishment in 2023.

## XXVII. Earnings per Share

The earnings and the weighted average number of common shares used to calculate the earnings per share are as follows:

### Current period net profit

|   | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---|--|--|---|---|
| Net income used to calculate basic and diluted earnings per share |  |  |   |   |
| Profits attributable to shareholders of the Company               | <u>\$ 112,731</u>                                      | <u>\$ 22,533</u>                                       | <u>\$ 431,943</u>                                     | <u>\$ 65,805</u>                                      |

### Shares

Unit: Thousand shares

|   | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---|--|--|---|---|
| Weighted average number of common shares used to calculate the earnings per share         | 500,101  | 454,734  | 484,319   | 454,734   |
| Assumed conversion of all dilutive potential ordinary shares:                             |  |  |   |   |
| Employee compensation   | <u>847</u>   | <u>81</u>  | <u>908</u>  | <u>96</u>   |
| Weighted average number of common shares used to calculate the diluted earnings per share | <u>500,948</u>   | <u>454,815</u>   | <u>485,227</u>  | <u>454,830</u>  |

If the Company can choose to issue employee remuneration in the form of stock or cash, when calculating diluted earnings per share, it is assumed that the employee remuneration will be issued in the form of stock, and when the potential common shares have a dilutive effect, it will be included in the weighted average number of outstanding shares to calculate diluted earnings per share. When calculating diluted earnings per share before resolving the number of shares to distribute employee remuneration in the following year, the dilutive effect of these potential common shares will also continue to be considered.

As of September 30, 2023, the Company's outstanding preferred stock shares were calculated based on the weighted average number of outstanding shares that were not included in the diluted earnings per share, as the right to transfer had not yet been exercised.

XXVIII. Share-based payment agreement

The Company completed a cash capital increase in July 2023 and June 2022, in which the party available for employees' subscription is calculated at \$29,016 thousand and \$21,442 thousand based on the option evaluation model, and the capital reserve was increased by the same amount.

The hypothetical disclosure of employee stock options is as follows:

|                             | Grant date        |                   |
|-----------------------------|-------------------|-------------------|
|                             | July 5, 2023      | June 14, 2022     |
| Fair value of stock options | NTD7.95 per share | NTD7.03 per share |
| Exercise price              | NTD27.1 per share | NTD26.5 per share |
| Existing period             | 11 days           | 12 days           |
| Stock price volatility      | 40.00%            | 44.08%            |
| Risk-free rate              | 0.9920%           | 0.6624%           |

XXIX. Cash flow information

(I) Non-cash transactions

The Group conducted the investment transactions below partially in cash for the nine months ended September 30, 2023 and 2022:

|  | For the nine months ended September 30, 2023 | For the nine months ended September 30, 2022 |
|--|--|--|
| Partial cash payment for property, plant and equipment |  |  |
| Purchase of property, plant and equipment              | \$ 1,530,007                                 | \$ 948,308                                   |
| Net changes in prepayments for business facilities     | ( 526,538)                                   | 104,607                                      |
| Net changes in business facilities payable             | ( 97,275)                                    | ( 27,008)                                    |
| Effect of exchange rate changes                        | 1,659  | 2,701  |
| Cash paid  | <u>\$ 907,853</u>                            | <u>\$ 1,028,608</u>                          |

(II) Changes in liabilities from financing activities

For the nine months ended September 30, 2023

|                                      | January 1,<br>2023  | Cash flows          | Non-cash changes     |   |  |                                       | Others            | September 30,<br>2023 |
|--------------------------------------|---------------------|---------------------|----------------------|---|--|---------------------------------------|-------------------|-----------------------|
|                                      |                     |                     | Newly added<br>lease | Loan-term<br>borrowings-<br>current portion | Amortization<br>of interest<br>expense | Effect of<br>exchange rate<br>changes |                   |                       |
| Short-term borrowings                | \$ 939,962          | (\$ 466,233)        | \$ -                 | \$ -  | \$ -                                   | \$ -                                  | \$ -              | \$ 473,729            |
| Short-term notes payable             | 329,513             | ( 329,513)          | -                    | -   | 3,886                                  | -                                     | ( 3,886)          | -                     |
| Loan-term borrowings-current portion | 218,604             | ( 193,159)          | -                    | 372,450                                     | -                                      | -                                     | -                 | 397,895               |
| Loan-term borrowings                 | 1,931,346           | 465,775             | -                    | ( 372,450)                                  | -                                      | -                                     | -                 | 2,024,671             |
| Guarantee deposits received          | 3,705               | 46,295              | -                    | -   | -                                      | -                                     | -                 | 50,000                |
| Lease liabilities                    | 10,869              | ( 7,374)            | 10,318               | -   | 317                                    | -                                     | ( 317)            | 13,813                |
| Preferred stock liabilities          | 287,949             | -                   | -                    | -   | -                                      | -                                     | -                 | 287,949               |
|                                      | <u>\$ 3,721,948</u> | <u>(\$ 484,209)</u> | <u>\$ 10,318</u>     | <u>\$ -</u>                                 | <u>\$ 4,203</u>                        | <u>\$ -</u>                           | <u>(\$ 4,203)</u> | <u>\$ 3,248,057</u>   |

For the nine months ended September 30, 2022

|                                      | January 1,<br>2022  | Cash flows        | Non-cash changes     |   |  |                                       | Others            | September 30,<br>2022 |
|--------------------------------------|---------------------|-------------------|----------------------|---|--|---------------------------------------|-------------------|-----------------------|
|                                      |                     |                   | Newly added<br>lease | Loan-term<br>borrowings-<br>current portion | Amortization<br>of interest<br>expense | Effect of<br>exchange rate<br>changes |                   |                       |
| Short-term borrowings                | \$ 598,972          | \$ 636,920        | \$ -                 | \$ -  | \$ -                                   | \$ 22,975                             | \$ -              | \$ 1,258,867          |
| Short-term notes payable             | -                   | 299,415           | -                    | -   | 2,158                                  | -                                     | ( 2,158)          | 299,415               |
| Loan-term borrowings-current portion | 412,623             | ( 506,154)        | -                    | 1,033,716                                   | -                                      | -                                     | -                 | 940,185               |
| Loan-term borrowings                 | 2,140,785           | 542,400           | -                    | ( 1,033,716)                                | -                                      | -                                     | -                 | 1,649,469             |
| Guarantee deposits received          | 3,705               | -                 | -                    | -   | -                                      | -                                     | -                 | 3,705                 |
| Lease liabilities                    | 10,711              | ( 9,398)          | 4,064                | -   | 395                                    | -                                     | ( 395)            | 5,377                 |
| Preferred stock liabilities          | 287,949             | -                 | -                    | -   | -                                      | -                                     | -                 | 287,949               |
|                                      | <u>\$ 3,454,745</u> | <u>\$ 963,183</u> | <u>\$ 4,064</u>      | <u>\$ -</u>                                 | <u>\$ 2,553</u>                        | <u>\$ 22,975</u>                      | <u>(\$ 2,553)</u> | <u>\$ 4,444,967</u>   |

XXX. Capital risk management

The Group manages its capital to ensure that all entities in the Group will be able to continue as ongoing concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group's key management personnel review its capital structure from time to time based on the economic environment and the business plan. The Group balances its overall capital structure by means of issue of new shares through capital increase in cash and financing as per its key management personnel's assessment and suggestions while in accordance with laws and regulations.

XXXI. Financial instruments

(I) Fair value—financial instruments not at fair value

Of the financial assets and financial liabilities not at fair value, the carrying amounts thereof approximates the fair values thereof or the fair values thereof cannot be measured reliably.

(II) Fair value—financial instruments at fair value on a recurring basis

1. Fair value hierarchy

September 30, 2023

|  | Level 1           | Level 2         | Level 3           | Total           |
|--|-------------------|-----------------|-------------------|-----------------|
| Financial assets at fair value through profit or loss      |                   |                 |                   |                 |
| Derivatives  | \$ <u>      -</u> | \$ <u>  899</u> | \$ <u>      -</u> | \$ <u>  899</u> |
| <u>December 31, 2022</u>                                   |                   |                 |                   |                 |
| Financial liabilities at fair value through profit or loss |                   |                 |                   |                 |
| Derivatives  | \$ <u>      -</u> | \$ <u>  637</u> | \$ <u>      -</u> | \$ <u>  637</u> |
| Hedging financial liabilities                              |                   |                 |                   |                 |
| Derivatives  | \$ <u>      -</u> | \$ <u>  218</u> | \$ <u>      -</u> | \$ <u>  218</u> |
| <u>September 30, 2022</u>                                  |                   |                 |                   |                 |

|   | Level 1           | Level 2          | Level 3           | Total            |
|---|-------------------|------------------|-------------------|------------------|
| Financial assets at fair value through profit or loss   |                   |                  |                   |                  |
| Derivatives   | \$ <u>      -</u> | \$ <u>23,278</u> | \$ <u>      -</u> | \$ <u>23,278</u> |
| There were no transfers between Level 1 and Level 2 fair values during the nine months ended September 30, 2023 and 2022. |                   |                  |                   |                  |

2. Valuation technique and inputs in Level 2 fair value measurement

| Category of financial instrument          | Valuation technique and input  |
|---|--|
| Derivatives - forward exchange agreements | Discounted cash flow method: The future cash flow is estimated based on the observable forward exchange rate at the end of the period and the exchange rate specified in the agreements, and is discounted at a rate that can reflect each counterparty's credit risk. |

3. Reconciliation of financial instruments at Level 3 fair value

For the nine months ended September 30, 2022

| Financial assets  | Financial assets at fair value through other comprehensive income |
|---|---|
|   | <u>Equity instruments</u>   |
| Opening balance   | \$ 6,063  |
| Recognized in other comprehensive income  |   |
| Unrealized gain (loss) on financial assets at fair value through other comprehensive income | 1,441   |
| Disposal  | ( <u>7,504</u> )  |
| Closing balance   | \$ <u>      -</u>   |
| Unrealized gain or loss in the current period   | \$ <u>      -</u>   |

4. Valuation technique and assumptions adopted for Level 3 fair value measurement

The fair value of foreign unlisted equity investments is estimated by referring to the net worth of the investees' financial statements recently released and by adopting the market approach while being determined based on the value of the companies in the same type and the investees' operations.

(III) Types of financial instruments

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---|-----------------------|----------------------|-----------------------|
| <u>Financial assets</u>                             |                       |                      |                       |
| At fair value through profit or loss                |                       |                      |                       |
| Mandatorily as at fair value through profit or loss | \$ 899                | \$ -                 | \$ 23,278             |
| at amortized cost (Note 1)                          | 2,871,403             | 2,460,944            | 2,379,507             |
| <u>Financial liabilities</u>                        |                       |                      |                       |
| At fair value through profit or loss                | -                     | 637                  | -                     |
| Hedging financial liabilities                       | -                     | 218                  | -                     |
| At amortized cost (Note 2)                          | 4,158,647             | 4,810,222            | 5,224,182             |

Note 1: The balance includes cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable, accounts receivable - related parties, other receivables (excluding business tax refund receivable), other receivables - related parties, refundable deposits (recorded as other non-current assets) and other financial assets (recorded as other current and non-current assets) and other financial assets measured at amortized cost.

Note 2: The balance includes short-term borrowings, short-term notes payable, notes payable, accounts payable, other payables (excluding salary and bonuses payable, labor and health insurance expenses, pension, dividends and business tax), long-term borrowings (including the current portion), preferred stock liabilities and guarantee deposits received (recorded as other current liabilities), as well as other financial liabilities at amortized cost.

(IV) Financial risk management objectives and policies

The Group's main financial instruments include financial assets measured at fair value through profit or loss, accounts receivable, accounts payable, short-term borrowings, long-term borrowings, and lease liabilities. The Group's financial management department coordinates the investments in the domestic and international financial markets, analyzes the risks according to the depth and breadth of the risks, and manages the financial risks related to the Group's operations. Such risks include market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk.

The Group adopts derivative financial instruments to hedge risk exposure to mitigate the impact of such risks. The use of derivative financial instruments is regulated by the policies adopted by the Group's Board of Directors. The Group's internal auditors continue to review compliance with such policies and the exposure limit. The Group does not trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The main market risks arising from the Group's operating activities are the risk of changes in foreign currency exchange rates and the risk of changes in interest rates.

The Group's exposure to the market risk related to financial instruments and its exposure management and measurement methods for said risk have not changed.

(1) Exchange rate risk

Please refer to Note 36 for the carrying amounts of the Group's monetary assets and monetary liabilities denominated in non-functional currencies at the statement of financial position date (including monetary items denominated in non-functional currencies eliminated in the consolidated financial statements), and derivatives with exposure to the foreign currency risk.

Sensitivity analysis

The Group was mainly affected by the fluctuations in the exchange rates of USD.

The table below provides a detailed sensitivity analysis of the Group, illustrating the impact when the New Taiwan Dollar (NTD), the functional

currency, increases or decreases by 5% against each relevant foreign currency. 5% is the sensitivity percentage used when reporting foreign currency risk to the key management personnel of the Group. It also represents the management's assessment of the reasonably possible range of changes in foreign exchange rates. The positive values in the table below represent the amount of increase or decrease in net income before tax when the New Taiwan Dollar (NTD) appreciates by 5% against each relevant foreign currency. Conversely, if the NTD depreciates by 5% against each relevant foreign currency, the net income before tax will be represented by the same amounts but with negative values.

|             | Effect of the USD                                  |  |
|-------------|--|--|
|             | For the nine months<br>ended September<br>30, 2023 | For the nine months<br>ended September<br>30, 2022 |
| Gain (loss) | \$ 2,359   | \$ 6,288   |

The above primarily pertains to the Group's USD-denominated bank deposits, other financial assets, short-term borrowings, as well as outstanding accounts receivable and payable without hedging the cash flow as of the statement of financial position date.

The Group's decreased sensitivity to the exchange rate to USD during the current period was mainly due to the decrease in the short-term borrowings denominated in USD during the current period.

#### Hedge accounting

The hedging strategy adopted by the Company is to enter into forward exchange contracts to avoid the risk of exchange rate changes expected to occur in the future for machine purchase contracts denominated in foreign currencies, which will be designated as cash flow hedging. The hedge adjustment is an adjustment to the carrying amount of non-financial hedged items when the expected purchase transaction actually occurs.

For the hedging of highly likely expected purchase transactions, the main terms of the forward exchange contract (such as amount, period and currency) are agreed upon in conjunction with the item to be hedged. The qualitative assessment and determination of the value of forward exchange contracts and hedged expected transactions adopted by the Group would

systematically and inversely change due to changes in the hedged exchange rate. The Group compares changes in the fair value of the forward exchange contracts with changes in purchase cost to evaluate the effectiveness of hedging.

The ineffectiveness of the hedging relationship mainly comes from the impact of the credit risk of the Group and the transaction counterparty on the fair value of the forward exchange contract. This credit risk will not affect the change in the fair value of the hedged item due to exchange rate changes and the changes in the timing of the hedged expected transaction. No other sources of hedging ineffectiveness emerged during the hedge period.

The information on the Group's exchange rate risk hedging is summarized as follows:

September 30, 2023

| Hedging instruments                            | Currency   | Amount (NTD in thousands) | Term             | Forward price | Statement of financial position line items | Carrying amount liabilities |
|--|------------|---------------------------|------------------|---------------|--|-----------------------------|
| Cash flow hedging                              |            |                           |                  |               |  |                             |
| Expected purchase - Forward exchange contracts | USD to NTD | USD 867/NTD 26,795        | January 18, 2023 | \$ 30.905     | Hedging financial liabilities              | \$ -                        |
| Expected purchase - Forward exchange contracts | USD to NTD | USD 289/NTD 8,817         | April 25, 2023   | 30.507        | Hedging financial liabilities              | -                           |
| Expected purchase - Forward exchange contracts | RMB to NTD | RMB 6,690/NTD 29,712      | April 25, 2023   | 4.441         | Hedging financial liabilities              | -                           |

December 31, 2022

| Hedging instruments                            | Currency   | Amount (NTD in thousands) | Term             | Forward price | Statement of financial position line items | Carrying amount liabilities |
|--|------------|---------------------------|------------------|---------------|--|-----------------------------|
| Cash flow hedging                              |            |                           |                  |               |  |                             |
| Expected purchase - Forward exchange contracts | USD to NTD | USD 867/NTD 26,795        | January 18, 2023 | \$ 30.905     | Hedging financial liabilities              | \$ 218                      |

Hedged items

Carrying amounts of other equities continue to apply hedge accounting

Cash flow hedging  
Expected purchase

( \$ 174 )

For the nine months ended September 30, 2023

| <u>Impact on<br/>comprehensive<br/>income</u>       | <u>Hedge gain<br/>recognized in other<br/>comprehensive<br/>income</u> |
|---|--|
| Cash flow hedging<br>Expected<br>purchase (i), (ii) | <u>\$ 75</u>   |

- (i) The Group has signed machine purchase contracts and forward exchange contracts to avoid the risk of exchange rate fluctuations that may arise in expected future purchase transactions. At that time, the amount originally deferred and recognized in equity will be included in the machinery and equipment book value.
- (ii) For information on the adjustment of other equities related to hedging, please refer to Note 24.
- (2) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to the interest rate risk at the statement of financial position date were as follows:

|                               | <u>September 30,<br/>2023</u> | <u>December 31,<br/>2022</u> | <u>September 30,<br/>2022</u> |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|
| Fair value interest rate risk |                               |                              |                               |
| - Financial liabilities       | \$ 301,762                    | \$ 628,331                   | \$ 592,741                    |
| Cash flow interest rate risk  |                               |                              |                               |
| - Financial assets            | 1,441,460                     | 1,093,939                    | 1,051,605                     |
| - Financial liabilities       | 2,896,295                     | 3,089,912                    | 3,848,521                     |

Sensitivity analysis

The sensitivity analysis below is determined based on the exposure of non-derivative financial instruments to interest rate risk as of the statement of financial position date. The rate of change used for reporting interest rates to the key management personnel of the Group is 25 basis points for an increase or decrease in interest rates, which also represents the management's assessment of the reasonably possible range of changes in interest rates.

If interest rates increase/decrease by 25 basis points, with all other variables held constant, the Group's net income before tax for the nine months ended September 30, 2023 and 2022 will decrease/increase by NTD2,728 thousand/NTD5,244 thousand, respectively, mainly due to the exposure of the Group's long-term borrowings to the interest rate risk.

The Group's sensitivity to interest rates declined during the current period, mainly due to the decrease in bank borrowings at variable interest rates.

## 2. Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations, resulting in a financial loss to the Group. At the statement of financial position date, the Group's maximum exposure to credit risk, which might cause financial losses due to a counterparty's failure to perform its obligations, approximated the carrying amounts of the financial assets recognized in the consolidated statement of financial position.

The Group rates its major clients based on the available financial information and the transaction records. The Group continuously monitors its credit exposure and counterparties' credit ratings.

The Group's credit risk mainly arises from its top 10 clients in terms of operating revenue. As of September 30, 2023, December 31, 2022, and September 30, 2022, the percentages of total accounts receivable from main clients were 72.54, 88.42%, and 83.11%, respectively.

## 3. Liquidity risk

The Group managed and maintained sufficient cash and cash equivalents to support the Group's operations and to reduce the impact of cash flow fluctuations. The Group's management monitors the use of the bank financing facilities and ensures compliance with the terms of the borrowing terms.

### (1) Liquidity and interest rate risk tables for non-derivative financial liabilities

The tables below illustrate the remaining contractual maturity analysis of the Group's non-derivative financial liabilities throughout the agreed repayment period. This analysis is based on the earliest date at which the Group might be required to repay, and it was compiled using the undiscounted cash flows of financial liabilities.

September 30, 2023

|   | <u>On-demand or<br/>less than 1<br/>month</u> | <u>1 to 3 months</u> | <u>3 months to 1<br/>year</u> | <u>Over 1 year</u>  |
|---|---|----------------------|-------------------------------|---------------------|
| <u>Non-derivative<br/>financial<br/>liabilities</u> |   |                      |                               |                     |
| Floating interest<br>rate<br>instruments            | \$ 135,099                                    | \$ 228,996           | \$ 571,669                    | \$ 2,130,488        |
| Fixed interest<br>rate<br>instruments               | -   | -                    | -                             | 287,949             |
| Non-interest<br>bearing<br>liabilities              | 459,032                                       | 335,887              | 179,484                       | -                   |
| Lease liabilities                                   | <u>765</u>                                    | <u>1,529</u>         | <u>6,883</u>                  | <u>4,945</u>        |
|   | <u>\$ 594,896</u>                             | <u>\$ 566,412</u>    | <u>\$ 758,036</u>             | <u>\$ 2,423,382</u> |

December 31, 2022

|   | <u>On-demand or<br/>less than 1<br/>month</u> | <u>1 to 3 months</u> | <u>3 months to 1<br/>year</u> | <u>Over 1 year</u>  |
|---|---|----------------------|-------------------------------|---------------------|
| <u>Non-derivative<br/>financial<br/>liabilities</u> |   |                      |                               |                     |
| Floating interest<br>rate<br>instruments            | \$ 281,350                                    | \$ 68,754            | \$ 926,374                    | \$ 2,237,696        |
| Fixed interest<br>rate<br>instruments               | 229,720                                       | 99,793               | -                             | 287,949             |
| Non-interest<br>bearing<br>liabilities              | 737,795                                       | 306,887              | 51,811                        | 6,355               |
| Lease liabilities                                   | <u>600</u>                                    | <u>1,200</u>         | <u>4,116</u>                  | <u>5,486</u>        |
|   | <u>\$ 1,249,465</u>                           | <u>\$ 476,634</u>    | <u>\$ 982,301</u>             | <u>\$ 2,537,486</u> |

September 30, 2022

|   | <u>On-demand or<br/>less than 1<br/>month</u> | <u>1 to 3 months</u> | <u>3 months to 1<br/>year</u> | <u>Over 1 year</u>  |
|---|---|----------------------|-------------------------------|---------------------|
| <u>Non-derivative<br/>financial<br/>liabilities</u> |   |                      |                               |                     |
| Floating interest<br>rate<br>instruments            | \$ 11,051                                     | \$ 1,236,925         | \$ 1,024,024                  | \$ 1,750,272        |
| Fixed interest<br>rate<br>instruments               | 299,415                                       | -                    | -                             | 287,949             |
| Non-interest<br>bearing<br>liabilities              | 432,629                                       | 270,863              | 84,805                        | -                   |
| Lease liabilities                                   | <u>753</u>                                    | <u>1,506</u>         | <u>2,904</u>                  | <u>-</u>            |
|   | <u>\$ 743,848</u>                             | <u>\$ 1,509,294</u>  | <u>\$ 1,111,733</u>           | <u>\$ 2,038,221</u> |

(2) Liquidity and interest rate risk table of derivative financial liabilities

For the liquidity analysis of derivative financial instruments, the information on the derivative instruments settled on a net basis is compiled based on undiscounted net cash inflows and outflows from contracts; the information on the derivatives settled on a gross basis is compiled based on undiscounted gross cash inflows and outflows.

September 30, 2023

|                                   | On-demand or<br>less than 1<br>month | 1 to 3 months | 3 months to 1<br>year | Over 1 year |
|-----------------------------------|--------------------------------------|---------------|-----------------------|-------------|
| <u>Gross settlement</u>           |                                      |               |                       |             |
| Forward<br>exchange<br>agreements |                                      |               |                       |             |
| - Inflow                          | \$ 68,264                            | \$ -          | \$ -                  | \$ -        |
| - Outflow                         | ( 67,365)                            | -             | -                     | -           |
|                                   | <u>\$ 899</u>                        | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u> |

December 31, 2022

|                                   | On-demand or<br>less than 1<br>month | 1 to 3 months | 3 months to 1<br>year | Over 1 year |
|-----------------------------------|--------------------------------------|---------------|-----------------------|-------------|
| <u>Gross settlement</u>           |                                      |               |                       |             |
| Forward<br>exchange<br>agreements |                                      |               |                       |             |
| - Inflow                          | \$ 113,014                           | \$ -          | \$ -                  | \$ -        |
| - Outflow                         | ( 113,869)                           | -             | -                     | -           |
|                                   | <u>( \$ 855)</u>                     | <u>\$ -</u>   | <u>\$ -</u>           | <u>\$ -</u> |

September 30, 2022

|                                   | On-demand or<br>less than 1<br>month | 1 to 3 months    | 3 months to 1<br>year | Over 1 year |
|-----------------------------------|--------------------------------------|------------------|-----------------------|-------------|
| <u>Gross settlement</u>           |                                      |                  |                       |             |
| Forward<br>exchange<br>agreements |                                      |                  |                       |             |
| - Inflow                          | \$ 104,362                           | \$ 226,241       | \$ -                  | \$ -        |
| - Outflow                         | ( 95,498)                            | ( 211,827)       | -                     | -           |
|                                   | <u>\$ 8,864</u>                      | <u>\$ 14,414</u> | <u>\$ -</u>           | <u>\$ -</u> |

(3) Financing limit

|                              | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|------------------------------|-----------------------|----------------------|-----------------------|
| Unsecured bank<br>facilities |                       |                      |                       |
| - Drawn amount               | \$ 568,883            | \$ 1,380,758         | \$ 1,696,219          |
| - Undrawn amount             | <u>1,489,868</u>      | <u>477,943</u>       | <u>299,109</u>        |
|                              | <u>\$ 2,058,751</u>   | <u>\$ 1,858,701</u>  | <u>\$ 1,995,328</u>   |
| Secured bank facilities      |                       |                      |                       |
| - Drawn amount               | \$ 2,846,800          | \$ 1,975,000         | \$ 3,597,200          |
| - Undrawn amount             | <u>2,376,361</u>      | <u>1,465,505</u>     | <u>643,400</u>        |
|                              | <u>\$ 5,223,161</u>   | <u>\$ 3,440,505</u>  | <u>\$ 4,240,600</u>   |

XXXII. Related-party Transactions

Except as disclosed in other notes, the transactions between the Group and its related parties are as follows, and the transaction terms and prices are negotiated additionally:

(I) Related parties and relationship

| Related party | Relationship with the Group |
|---------------|-----------------------------|
| Yuan-Yu       | Associate                   |
| Holdgood      | Associate                   |

(II) Operating Revenue

| Recognition item | Category of related party/<br>Name | For the three months ended<br>September 30, 2023 | For the three months ended<br>September 30, 2022 | For the nine months ended<br>September 30, 2023 | For the nine months ended<br>September 30, 2022 |
|------------------|------------------------------------|--|--|---|---|
| Sales revenue    | Associate                          | <u>\$ 6,853</u>                                  | <u>\$ 46,961</u>                                 | <u>\$ 76,933</u>                                | <u>\$ 177,092</u>                               |

The prices and the payment terms of sales are subject to the contracts, which are equivalent to those of other general companies.

(III) Rental income

| Category of related party/<br>Name | For the three months ended<br>September 30, 2023 | For the three months ended<br>September 30, 2022 | For the nine months ended<br>September 30, 2023 | For the nine months ended<br>September 30, 2022 |
|------------------------------------|--|--|---|---|
| Associate                          |  |  |   |   |
| Holdgood                           | <u>\$ 396</u>                                    | <u>\$ -</u>                                      | <u>\$ 1,076</u>                                 | <u>\$ -</u>                                     |

The rent is based on the general market rate of the contract signed, and rent is collected on a monthly basis.

(IV) Other income

| Category of related party/<br>Name | For the three months ended<br>September 30, 2023 | For the three months ended<br>September 30, 2022 | For the nine months ended<br>September 30, 2023 | For the nine months ended<br>September 30, 2022 |
|------------------------------------|--|--|---|---|
| Associate                          |  |  |   |   |
| Holdgood                           | \$ 291   | \$ 331   | \$ 1,275  | \$ 1,105  |
| Yuan-Yu                            | -  | 360  | -   | 1,080   |
|                                    | <u>\$ 291</u>                                    | <u>\$ 691</u>                                    | <u>\$ 1,275</u>                                 | <u>\$ 2,185</u>                                 |

These include miscellaneous fees, as well as fees for power plant maintenance and cleaning services collected. The prices and payment terms of these transactions are subject to the terms outlined in the contracts.

(V) Accounts receivable - related parties

| <u>Recognition item</u>               | <u>Category of related party/Name</u> | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---------------------------------------|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Accounts receivable - related parties | Associate                             |                           |                          |                           |
|                                       | Holdgood                              | <u>\$ 25,654</u>          | <u>\$ 9,498</u>          | <u>\$ 31,856</u>          |

Outstanding accounts receivable - Related party without guarantee deposits received, and is not overdue. Trade receivables from related parties on September 30, 2023, December 31, 2022, and September 30, 2022 were assessed not to provide any allowance for loss.

(VI) Other receivables

| <u>Recognition item</u>           | <u>Category of related party/Name</u> | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|-----------------------------------|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Other receivables-related parties | Associate                             |                           |                          |                           |
|                                   | Holdgood                              | \$ 1,403                  | \$ 1,296                 | \$ 1,042                  |
|                                   | Yuan-Yu                               | -                         | 120                      | 120                       |
|                                   |                                       | <u>\$ 1,403</u>           | <u>\$ 1,416</u>          | <u>\$ 1,162</u>           |

These include payments collected on behalf of third parties and miscellaneous fees collected.

(VII) Endorsements/Guarantees

Endorsements/guarantees provided

| <u>Category of related party/Name</u> | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Associate                             |                           |                          |                           |
| Yuan-Yu                               | <u>\$ 120,000</u>         | <u>\$ 120,000</u>        | <u>\$ 120,000</u>         |

On September 30, 2023, December 31, 2022, and September 30, 2022, the amount of the Group's collateral provided for the above endorsements/guarantees was NTD143,722 thousand, NTD94,212 thousand, and NTD91,509 thousand, respectively.

(VIII) Contract liabilities

| <u>Recognition item</u> | <u>Category of related party/Name</u> | <u>September 30, 2023</u> | <u>December 31, 2022</u> | <u>September 30, 2022</u> |
|-------------------------|---------------------------------------|---------------------------|--------------------------|---------------------------|
| Contract liabilities    | Associate                             | <u>\$ 3,153</u>           | <u>\$ 685</u>            | <u>\$ 799</u>             |

(IX) Remuneration to key management personnel

|                                 | For the three<br>months ended<br>September 30,<br>2023 | For the three<br>months ended<br>September 30,<br>2022 | For the nine<br>months ended<br>September 30,<br>2023 | For the nine<br>months ended<br>September 30,<br>2022 |
|---------------------------------|--|--|---|---|
| Short-term employee<br>benefits | \$ 3,418   | \$ 10,631  | \$ 47,940   | \$ 32,933   |
| Post-employment<br>benefits     | 324  | 161  | 486   | 413   |
| Share-based payment             | -  | 886  | -   | 886   |
|                                 | <u>\$ 3,742</u>  | <u>\$ 11,678</u>                                       | <u>\$ 48,426</u>                                      | <u>\$ 34,232</u>                                      |

The remuneration of directors and other key management personnel is determined by the Remuneration Committee as per individual performance and market trends.

XXXIII. Assets Pledged as Collateral

The assets below have been pledged as collateral for import tariffs, secured bank facilities, and loans for purchases of materials, contracting power plant business, and other credit facilities:

|   | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---|-----------------------|----------------------|-----------------------|
| Land  | \$ 1,071,526          | \$ 425,279           | \$ 1,071,526          |
| Buildings and structures  | 1,853,292             | 758,252              | 1,885,337             |
| Machinery and equipment   | 161,640               | 319,266              | 414,817               |
| Investment property   | -                     | 92,093               | 142,342               |
| Investments accounted for<br>using equity method  | 143,722               | 94,212               | 91,509                |
| Other financial assets-<br>restricted assets<br>(recognized in "Other<br>assets-current and non-<br>current") | 94,693                | 133,282              | 147,318               |
|   | <u>\$ 3,324,873</u>   | <u>\$ 1,822,384</u>  | <u>\$ 3,752,849</u>   |

XXXIV. Material Contingent Liabilities and Unrecognized Contractual Commitments

Except for those already mentioned in other notes, the significant commitments of the Group on the balance sheet date are as follows:

(I) Promised construction contracts

|                                 | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|---------------------------------|-----------------------|----------------------|-----------------------|
| Amount already<br>requisitioned | \$ 160,383            | \$ 458,897           | \$ 426,157            |
| Future repurchase amount        | <u>179,461</u>        | <u>140,303</u>       | <u>147,544</u>        |
| Total contract amount           | <u>\$ 339,844</u>     | <u>\$ 599,200</u>    | <u>\$ 573,701</u>     |

(II) Promised material purchase contracts

|                              | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|------------------------------|-----------------------|----------------------|-----------------------|
| Amount already requisitioned | \$ 358,995            | \$ 586,901           | \$ 659,269            |
| Future repurchase amount     | <u>732,508</u>        | <u>1,101,911</u>     | <u>1,072,188</u>      |
| Total contract amount        | <u>\$ 1,091,503</u>   | <u>\$ 1,688,812</u>  | <u>\$ 1,731,457</u>   |

(III) Promised equipment purchase contracts

|                              | September 30,<br>2023 | December 31,<br>2022 | September 30,<br>2022 |
|------------------------------|-----------------------|----------------------|-----------------------|
| Amount already requisitioned | \$ 420,711            | \$ 386,646           | \$ 668,570            |
| Future repurchase amount     | <u>399,381</u>        | <u>457,954</u>       | <u>157,534</u>        |
| Total contract amount        | <u>\$ 820,092</u>     | <u>\$ 844,600</u>    | <u>\$ 826,104</u>     |

XXXV. Material Events After the Balance Sheet Date: None

XXXVI. Foreign Currency Assets and Liabilities with Significantly Impact

The aggregate information below is presented in foreign currencies other than the functional currency adopted by the Group, including monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements. The disclosed exchange rates refer to the rates at which these foreign currencies were exchanged for the functional currency. Foreign Currency Assets and Liabilities with Significantly Impact:

Unit: thousands in each foreign currency/NTD

September 30, 2023

|                                     | Foreign<br>currency | Exchange rate   | Carrying amount |
|-------------------------------------|---------------------|-----------------|-----------------|
| <u>Assets in foreign currencies</u> |                     |                 |                 |
| <u>Monetary items</u>               |                     |                 |                 |
| USD                                 | \$ 18,336           | 32.27 (USD:NTD) | \$ 591,703      |
| <u>Non-monetary items</u>           |                     |                 |                 |
| USD                                 | 262                 | 32.27 (USD:NTD) | 8,464           |
| <u>Foreign currency liabilities</u> |                     |                 |                 |
| <u>Monetary items</u>               |                     |                 |                 |
| USD                                 | 16,874              | 32.27 (USD:NTD) | 544,524         |

December 31, 2022

|   | <u>Foreign<br/>currency</u> | <u>Exchange rate</u> | <u>Carrying amount</u> |
|---|-----------------------------|----------------------|------------------------|
| <u>Assets in foreign<br/>currencies</u> |                             |                      |                        |
| <u>Monetary items</u>                   |                             |                      |                        |
| USD                                     | \$ 17,928                   | 30.71 (USD:NTD)      | \$ 550,569             |
| <u>Non-monetary<br/>items</u>           |                             |                      |                        |
| USD                                     | 263                         | 30.71 (USD:NTD)      | 8,071                  |
| <u>Foreign currency<br/>liabilities</u> |                             |                      |                        |
| <u>Monetary items</u>                   |                             |                      |                        |
| USD                                     | 19,355                      | 30.71 (USD:NTD)      | 594,392                |

September 30, 2022

|   | <u>Foreign<br/>currency</u> | <u>Exchange rate</u> | <u>Carrying amount</u> |
|---|-----------------------------|----------------------|------------------------|
| <u>Assets in foreign<br/>currencies</u> |                             |                      |                        |
| <u>Monetary items</u>                   |                             |                      |                        |
| USD                                     | \$ 20,247                   | 31.75 (USD:NTD)      | \$ 642,842             |
| <u>Non-monetary<br/>items</u>           |                             |                      |                        |
| USD                                     | 262                         | 31.75 (USD:NTD)      | 8,333                  |
| <u>Foreign currency<br/>liabilities</u> |                             |                      |                        |
| <u>Monetary items</u>                   |                             |                      |                        |
| USD                                     | 24,208                      | 31.75 (USD:NTD)      | 768,604                |

The unrealized exchange gains (losses) on foreign currencies with significant influence are as follows:

|                             | <u>For the three months ended September 30,<br/>2023</u> | <u>Unrealized<br/>exchange<br/>gains (losses)</u> | <u>For the three months ended September 30,<br/>2022</u> | <u>Unrealized<br/>exchange<br/>gains (losses)</u> |
|-----------------------------|--|---|--|---|
| <u>Foreign<br/>currency</u> | <u>Exchange rate</u>                                     |   | <u>Exchange rate</u>                                     |   |
| USD                         | 30.928(USD: NTD)   | ( \$ 1,993 )                                      | 30.404(USD: NTD)   | ( \$ 8,254 )                                      |
|                             | <u>For the nine months ended September 30,<br/>2023</u>  | <u>Unrealized<br/>exchange<br/>gains (losses)</u> | <u>For the nine months ended September 30,<br/>2022</u>  | <u>Unrealized<br/>exchange<br/>gains (losses)</u> |
| <u>Foreign<br/>currency</u> | <u>Exchange rate</u>                                     |   | <u>Exchange rate</u>                                     |   |
| USD                         | 30.928(USD: NTD)   | ( \$ 1,102 )                                      | 29.285(USD: NTD)   | ( \$ 16,218 )                                     |

XXXVII. Additional Disclosures

(I) Information on Material Transactions:

1. Loan to others: (None).
2. Endorsements/guarantees provided: (Table 1).
3. Marketable securities held at the end of the period (excluding investment in subsidiaries and associates): (Table 2).
4. Marketable securities acquired or sold amounting to at least NTD300 million or 20% of the paid-in capital: (Table 3).
5. Acquisition of real estate amounting to at least NTD300 million or 20% of the paid-in capital: (None).
6. Disposal of real estate amounting to at least NTD300 million or 20% of the paid-in capital: (None).
7. Total purchases from or sales to related parties amounting to at least NTD100 million or 20% of the paid-in capital: (None).
8. Receivables from related parties amounting to at least NTD100 million or 20% of the paid-in capital: (None).
9. Trading in derivative instruments: (Notes 7 and 31).
10. Others: Business relations and important transactions between the parent company and subsidiaries and among subsidiaries and amounts: (None)

(II) Information on Investees: (Table 4).

(III) Mainland China Investment Information: (None).

(IV) Information on Major Shareholders: This includes the names of shareholders holding at least 5%, along with the number of shares they hold and the corresponding percentage. (Table 5).

XXXVIII. Segment Information

Information reported to the chief operating decision-maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. The Group's reportable segments are the solar module segment and other segments.

Solar Module Segment: Production and sales of solar modules and other relevant products.

(I) Segment revenues and business performance

|  | Solar Module Segment | Other segments     | Inter-segment revenue and profit or loss eliminated | Total               |
|--|----------------------|--------------------|---|---------------------|
| <u>For the nine months ended</u>       |                      |                    |   |                     |
| <u>September 30, 2023</u>              |                      |                    |   |                     |
| Revenue from clients outside the Group | <u>\$ 6,304,927</u>  | <u>\$ 100,521</u>  | <u>\$ -</u>   | <u>\$ 6,405,448</u> |
| Inter-segment revenue                  | <u>\$ -</u>          | <u>\$ -</u>        | <u>\$ -</u>   | <u>\$ -</u>         |
| Segment profit (loss)                  | <u>\$ 358,672</u>    | <u>(\$ 17,887)</u> | <u>\$ 1,134</u>                                     | <u>\$ 341,919</u>   |
| <u>For the nine months ended</u>       |                      |                    |   |                     |
| <u>September 30, 2022</u>              |                      |                    |   |                     |
| Revenue from clients outside the Group | <u>\$ 6,043,948</u>  | <u>\$ 125,748</u>  | <u>\$ -</u>   | <u>\$ 6,169,696</u> |
| Inter-segment revenue                  | <u>\$ -</u>          | <u>\$ -</u>        | <u>\$ -</u>   | <u>\$ -</u>         |
| Departmental interest                  | <u>\$ 115,482</u>    | <u>\$ 547</u>      | <u>\$ -</u>   | <u>\$ 116,029</u>   |

(II) Total assets of segments

|                           | September 30, 2023   | December 31, 2022    | September 30, 2022   |
|---------------------------|----------------------|----------------------|----------------------|
| <u>Assets of segments</u> |                      |                      |                      |
| Solar Module Segment      | <u>\$ 11,552,660</u> | <u>\$ 11,005,233</u> | <u>\$ 11,291,699</u> |
| Other segments            | <u>472,063</u>       | <u>302,817</u>       | <u>345,452</u>       |
| Total combined assets     | <u>\$ 12,024,723</u> | <u>\$ 11,308,050</u> | <u>\$ 11,637,151</u> |

TSEC Corporation and Subsidiaries  
Endorsements/guarantees provided  
January 1 to September 30, 2023

Table 1

Unit: Unless otherwise specified  
, in NTD thousands

| No. | Company Name     | Party Endorsed/Guaranteed      |                   | The limit of endorsements/guarantees for a single enterprise (Note 2) | Current maximum endorsement/guarantee balance (Note 4) | Balance of endorsements/guarantees at end of period (Note 4) | Amount Drawn | Endorsement/Guarantee Amount with Assets Pledged | Ratio of accumulated endorsement/guarantee amount to net worth as stated in the most recent financial statements (%) (Note 3) | Maximum amount of endorsements/guarantees (Note 2) | Endorsement/guarantee from the parent company to a subsidiary (Note 5) | Endorsements/guarantees made by subsidiaries to the parent company (Note 5) | Endorsements and guarantees in Mainland China (Note 5) | Remarks |
|-----|------------------|--------------------------------|-------------------|---|--|--|--------------|--|---|--|--|---|--|---------|
|     |                  | Company Name                   | Relation (Note 1) |   |  |  |              |  |   |  |  |   |  |         |
| 0   | TSEC Corporation | Yuan-Yu Solar Energy Co., Ltd. | 5                 | \$ 1,510,207  | \$ 120,000   | \$ 120,000   | \$ 120,000   | \$ 143,722                                       | 1.59  | \$ 3,397,966                                       | N  | N   | N  |         |
| 0   | TSEC Corporation | Hou Chang Energy Co., Ltd.     | 2                 | 1,510,207   | 195,000  | 195,000  | 151,628      | -  | 2.58  | 3,397,966  | Y  | N   | N  |         |

Note 1: The relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following five categories; fill in the number of categories each case belongs to:

1. A company with which it has business dealings.
2. The Company directly or indirectly holds more than 50% of the voting shares of the other company.
3. The other company directly or indirectly holds more than 50% of the voting shares of the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company. However, the restriction does not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
5. Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding four subparagraphs.

Note 2: The total amount of the Company's external endorsement guarantees shall not exceed 45% of the current net worth. The ceiling amount of endorsement guarantees to a single company is no more than 20% of the Company's net worth, and no more than 30% of the Company's net worth if it is to a single overseas affiliated company. The net value is based on the financial statements recently verified or audited by independent auditors.

Note 3: It is calculated according to the financial data of the company providing the endorsements/guarantees.

Note 4: The maximum balance of endorsements/guarantees for the current period and the balance of endorsement/guarantee, end of period, are the amounts approved by the board of directors.

Note 5: "Y" shall be entered only in the cases of endorsement/guarantee by the publicly listed parent to the subsidiary; endorsement/guarantee by the subsidiary to the publicly listed parent; endorsement/guarantee to the entity in Mainland China.

TSEC Corporation and Subsidiaries  
 Marketable securities held at the end of the period (excluding investment in subsidiaries and associates)  
 September 30, 2023

Table 2

Unit: Unless otherwise specified  
 , in NTD thousands

| Holder           | Type and Name of Marketable Securities                       | Relationship with the Issuer | Recognition account   | Ending of the Period |                 |                      |            | Remarks |
|------------------|--|------------------------------|---|----------------------|-----------------|----------------------|------------|---------|
|                  |  |                              |   | Shares (share)       | Carrying amount | Shareholding ratio % | Fair value |         |
| TSEC Corporation | <u>Domestic unlisted common stock</u><br>Eversol Corporation | —                            | Financial assets at fair value through other comprehensive income | 62,591               | \$ -            | 2.23%                | \$ -       | —       |

Note: The listed securities held at the end of the period have not been pledged.

TSEC Corporation and Subsidiaries  
 Marketable securities acquired or sold amounting to at least NTD300 million or 20% of the paid-in capital  
 January 1 to September 30, 2023

Table 3

Unit: Unless otherwise specified  
 , in NTD thousands

| Buying/selling company | Type and Name of Marketable Securities                            | Recognition account                           | Counterparty             | Relation  | Beginning of period      |        | Buying                   |                      | Selling                  |               |               |                       | Ending of the Period     |                      |
|------------------------|---|---|--------------------------|-----------|--------------------------|--------|--------------------------|----------------------|--------------------------|---------------|---------------|-----------------------|--------------------------|----------------------|
|                        |   |   |                          |           | Shares (Thousand Shares) | Amount | Shares (Thousand Shares) | Amount               | Shares (Thousand Shares) | Selling price | Carrying cost | Disposal gain or loss | Shares (Thousand Shares) | Amount               |
| TSEC Corporation       | <u>Marketable securities</u><br>NFC III Renewable Power Co., Ltd. | Investments accounted for using equity method | Capital increase in cash | Associate | -                        | \$ -   | 43,200                   | \$ 432,000<br>(Note) | -                        | \$ -          | \$ -          | \$ -                  | 43,200                   | \$ 432,000<br>(Note) |

Note: It is the original investment amount.

TSEC Corporation and Subsidiaries  
Name, location, and other relevant information of investees  
January 1 to September 30, 2023

Table 4

Unit: Unless otherwise specified  
, in NTD thousands

| Investor                   | Name of Investee                    | Location   | Main Business Items   | Initial Investment Amount      |                                | Held at the End of the Period |           |                 | Gains (Losses) on Investee for the Current Period | Investment Gains (Losses) Recognized in the Current Period | Remarks           |
|----------------------------|-------------------------------------|--|---|--------------------------------|--------------------------------|-------------------------------|-----------|-----------------|---|--|-------------------|
|                            |                                     |  |   | End of current period          | At the End of the Last Period  | Shares (Thousand Shares)      | Ratio (%) | Carrying amount |   |  |                   |
| TSEC Corporation           | TSEC AMERICA, INC.                  | 1235 N Harbor Blvd Ste 240, Fullerton, CA 92832, U.S.A.                            | Sale of power generation equipment and solar energy related products      | \$ 31,129<br>( USD 1,000,000 ) | \$ 31,129<br>( USD 1,000,000 ) | 100                           | 100       | \$ 8,464        | ( \$ 17 )   | ( \$ 17 )  | Notes 1, 4, and 6 |
|                            | Hou Chang Energy Co., Ltd.          | No. 335-12, Daxi Rd., Chien-Jin Village, Pingtung City, Pingtung County            | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 120,500                        | 120,500                        | 12,050                        | 100       | 116,738         | ( 2,117 )   | ( 2,117 )  | Notes 1 and 6     |
|                            | Changyang Optoelectronics Co., Ltd. | No. 335-12, Daxi Rd., Chien-Jin Village, Pingtung City, Pingtung County            | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 400                            | 400                            | 40                            | 80        | 384             | 1   | 1  | Notes 1 and 6     |
|                            | Yunsheng Optoelectronics Co., Ltd.  | No. 335-12, Daxi Rd., Chien-Jin Village, Pingtung City, Pingtung County            | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 500                            | 500                            | 50                            | 100       | 479             | 1   | 1  | Notes 1 and 6     |
|                            | Yunxing Optoelectronics Co., Ltd.   | No. 335-12, Daxi Rd., Chien-Jin Village, Pingtung City, Pingtung County            | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 500                            | 500                            | 50                            | 100       | 479             | 1   | 1  | Notes 1 and 6     |
|                            | TSECPV(HK) LIMITED                  | 806-807, 8/F, One Pacific Place, 88 Queensway, Hong Kong                           | Sale of power generation equipment and solar energy related products      | 200<br>( USD 6,500 )           | 200<br>( USD 6,500 )           | -                             | 100       | 61              | ( 30 )  | ( 30 )   | Notes 1 and 6     |
|                            | Heng Li Energy Co., Ltd.            | No. 335-12, Daxi Rd., Chien-Jin Village, Pingtung City, Pingtung County            | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 89                             | 89                             | 10                            | 100       | 80              | -   | -  | Notes 1 and 6     |
|                            | Holdgood Energy Co., Ltd.           | 8F, No. 225, Beixin Rd., Sec. 3, Fuxing Village, Xindian District, New Taipei City | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 213,804                        | 213,804                        | 21,380                        | 45.49     | 234,342         | 22,105  | 10,054   | Notes 2 and 5     |
|                            | Yuan-Yu Solar Energy Co., Ltd.      | No. 335-12, Daxi Rd., Chien-Jin Village, Pingtung City, Pingtung County            | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 120,000                        | 120,000                        | 12,000                        | 20        | 143,722         | 238,764   | 49,395   | Notes 3, 5, and 7 |
|                            | Yuan-Jin Energy Co., Ltd.           | 8F, No. 225, Beixin Rd., Sec. 3, Fuxing Village, Xindian District, New Taipei City | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 26,100                         | -                              | 2,610                         | 90        | 26,109          | 10  | 9  | Notes 1 and 6     |
|                            | NFC III Renewable Power Co., Ltd.   | 12F-4, No. 89, Songren Road, Xinyi District, Taipei City                           | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 432,000                        | -                              | 43,200                        | 24        | 429,208         | ( 11,600 )  | ( 2,792 )  | Note 2            |
| Hou Chang Energy Co., Ltd. | Hengyoung Energy Co., Ltd.          | No. 335-12, Daxi Rd., Chien-Jin Village, Pingtung City, Pingtung County            | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 100                            | 100                            | 10                            | 100       | 89              | -   | -  | Notes 1 and 6     |
|                            | Youngli Energy Co., Ltd.            | No. 335-12, Daxi Rd., Chien-Jin Village, Pingtung City, Pingtung County            | Self-Usage Power Generation Equipment Utilizing Renewable Energy Industry | 100                            | 100                            | 10                            | 100       | 89              | -   | -  | Notes 1 and 6     |

Note 1: The gains or losses on investment in subsidiaries under the equity method were calculated based on the financial statements reviewed by the CPAs.

Note 2: The gains or losses on investment in associates under the equity method were calculated based on the financial statements reviewed by the CPAs.

Note 3: The gains or losses on investment in associates under the equity method were calculated based on the financial statements reviewed by the other CPAs.

Note 4: The Company's board of directors resolved to liquidate and dissolve the subsidiary, TSEC AMERICA, INC. on September 11, 2018. As of November 13, 2023, TSEC AMERICA, INC. had not completed the liquidation process.

Note 5: The carrying amount includes unrealized gross profit.

Note 6: It has been eliminated upon consolidation of the financial statements.

Note 7: The Company issued the equity of Yuan-Yu to the financial bank as the financing collateral of the Yuan-Yu. Please refer to Note 33 for the collateral information.

TSEC Corporation and Subsidiaries  
Information of Major Shareholders  
September 30, 2023

Table 5

| Name of Major Shareholder | Shares      |                    |
|---------------------------|-------------|--------------------|
|                           | Shares Held | Shareholding ratio |
| None                      |             |                    |

Note: The information on major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation on the last business day of the quarter. Shareholders holding more than 5% of the Company's ordinary shares, which have been completed without physical registration.