

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED
AND SUBSIDIARY
Consolidated Financial Statements
With Independent Auditors' Report
For the second quarter of 2022 and 2021**

Address: Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205,
Cayman Islands
Telephone: 02-22688368

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China. The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors of ShunSin Technology Holdings Limited:

Audit Opinion

We have audited the consolidated financial statements of ShunSin Technology Holdings Limited and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of June 30, 2022 and 2021, and the related consolidated statement of comprehensive income for the three months and six months ended June 30, 2022 and 2021, changes in equity and cash flows from January 1 to June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policy.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and 2021, and its consolidated financial performance for the three months and six months ended June 30, 2022 and 2021 and its consolidated cash flows from January 1 to June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and with the International Accounting Standards (“IASs”) 34 “Interim Financial Reporting” by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgements, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

Please refer to note 4 (14) for accounting policy related to revenue recognition, and note 6 (21) for the information related to revenue of the consolidated financial report of 2021.

Description of key audit matter:

Due to sales transactions of the Group are depending on contracts, we need to judge individually to confirm the adequacy of revenue recognition. Additionally, the Group adopts IFRSs 15, which involves complex accounting treatments and policy may result in inappropriate performance obligations and recognition of revenue under IFRSs 15. In addition, it is necessary to evaluate and verify the completeness and accuracy of the relevant materials used, as well as the new disclosure requirements revenue recognition is listed as one of the important items in the audit of the financial statements of this year.

Our audit procedures included:

- Assess the appropriateness of accounting policy in accordance with the requirements of the IFRSs 15 and the understanding of operating and industry characteristics.
- Testing the effectiveness of the design and implementation of internal control over sales and collection cycle, and to examine major contracts to assess revenue recognition.
- Performing comparison analysis on sale of the current period to last period and the latest quarter, and performing trend analysis on sales from each top ten customer to assess the existence of any exceptions, and further identify and analyze the causes if there is any significant exception.
- Performing confirmation procedure of sales revenue and examining significant returns or exchanges after the balance sheet date to assess the assertions of the existence, accuracy, as well as the appropriateness of recognition.
- Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether the sales of goods, sales returns and allowances have been the appropriately recognized.

2. Financial Assets at Fair Value through Profit and Loss

Please refer to note 4 (7) “Financial Instrument” for the accounting policies of financial assets measured at fair value through profit and loss; note 5 for accounting assumptions and estimation uncertainties of impairment of financial assets measured at fair value through profit and loss, and note 6 (2) and (24) “Financial Instrument” for the property and evaluation statements of financial assets measured at fair value through profit and loss of the consolidated financial report of 2021.

Description of key audit matter:

The financial assets measured at fair value through profit and loss of the Group are susceptible to the operating conditions of the companies and the economic environment that the fund invests, resulting in greater changes in the subsequent profits or losses recognized as gains and losses at fair value re-measurement, thus adjusting the value of financial assets. Assessing the fair value of this

financial asset often requires complicated evaluation techniques. Therefore, we listed the evaluation of financial assets measured at fair value of profits and losses as one of the key audit matters in the audit of Financial Statements of this year.

Our audit procedures included:

- Obtain the appraiser's appraisal report of the invested Company entrusted by the Group, and evaluate the appraiser's qualification and independence.
- Evaluate the rationalities of the assumptions used in the appraisal report in estimating the price of an investment.
- Evaluate the rationalities of the recognition of profit and loss of financial assets in the accounts of the Group.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the Guidelines and IAS 34 "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Accountant's Responsibility for Auditing Consolidated Financial Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

From the matters communicated with those charged with governance, we determine those matters significant in our audit of the consolidated financial statements for the second quarter of 2022 and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

June 30 2022, December 31 2021 and June 30 2021

Expressed in Thousands of New Taiwan Dollars

| | | 2022.6.30 | | 2021.12.31 | | 2021.6.30 | | | | 2022.6.30 | | 2021.12.31 | | 2021.6.30 | | | | | | | | |
|--------|--|-----------|------------|------------|------------|-----------|------------|--------------------------|--------|---|----|------------|-----|------------|-----|------------|--|-----------|-----------|----|---|---|
| Assets | | Amount | % | Amount | % | Amount | % | Liabilities and equities | | Amount | % | Amount | % | Amount | % | | | | | | | |
| 11xx | Current assets: | | | | | | | | | | | | | | | | | | | | | |
| 1100 | Cash and cash equivalents (note 6 (1)) | \$ | 8,677,070 | 57 | 9,066,899 | 61 | 8,476,967 | 62 | 21xx | Current liabilities: | | | | | | | | | | | | |
| 1137 | Financial assets at amortized costs- current (note 6 (3) , (13) and 8) | | 61,141 | - | 52,572 | - | 51,752 | - | 2100 | Short-term loans (note 6 (12)) | \$ | 3,187,705 | 21 | 3,142,240 | 21 | | | | | | | |
| 1140 | Current contract assets (note 6 (21) and 7) | | 507,992 | 3 | 329,504 | 2 | 214,172 | 2 | 2120 | Financial liabilities at fair value through profit or loss- current (note 6 (2) and (14)) | | - | - | 962 | - | | | | | | | |
| 1170 | Accounts receivable (note 6 (4) and (21)) | | 819,548 | 6 | 653,771 | 4 | 384,075 | 3 | 2130 | Current contract liabilities (note 6 (21)) | | 34,693 | - | 63,780 | 1 | | | | | | | |
| 1181 | Accounts receivable — related parties (note 6 (4), (21) and 7) | | 61,915 | - | 101,458 | 1 | 393,474 | 3 | 2170 | Accounts payable | | 773,672 | 5 | 619,058 | 4 | | | | | | | |
| 1206 | Other receivables (note 6 (5), (7) and 7) | | 30,926 | - | 24,715 | - | 46,391 | - | 2180 | Accounts payable to related parties (note 7) | | 29,664 | - | 11,485 | - | | | | | | | |
| 1310 | Inventories (note 6 (6)) | | 1,263,770 | 9 | 1,141,455 | 8 | 514,581 | 4 | 2200 | Other payables (note 6 (22)) | | 428,958 | 3 | 551,916 | 4 | | | | | | | |
| 1410 | Prepayments | | 85,483 | 1 | 288,511 | 2 | 209,971 | 2 | 2216 | Dividend payable (note 6 (18)) | | 275,110 | 2 | - | - | | | | | | | |
| 1460 | Non-current assets classified as held for sale (note 6 (7), (9) and 7) | | - | - | 24,532 | - | - | - | 2220 | Other payables to related parties (note 7) | | 19,902 | - | 43,725 | - | | | | | | | |
| 1470 | Other current assets | | 2,995 | - | 3,173 | - | 4,419 | - | 2230 | Current tax liabilities | | 30,547 | - | 87,177 | 1 | | | | | | | |
| | | | 11,510,840 | 76 | 11,686,590 | 78 | 10,295,802 | 76 | 2280 | Current lease liabilities (note 6 (15)) | | 20,123 | - | 35,133 | - | | | | | | | |
| 15xx | Non-current assets: | | | | | | | | | | | | | | | 2321 | Bonds payable, current portion (note 6 (14)) | | 1,490,521 | 10 | - | - |
| 1510 | Financial assets measured at fair value through profit or loss-non-current (note 6 (2) and (14)) | | 372,141 | 2 | 406,002 | 3 | 458,698 | 3 | 2322 | Long-term borrowings, current portion (note 6 (3), (13) and 8) | | 840,000 | 6 | 838,700 | 6 | | | | | | | |
| 1535 | Financial assets at amortized costs- non -current (note 6 (3), (13) and 8) | | - | - | 8,000 | - | 8,000 | - | 2399 | Other current liabilities (note 6 (18)) | | 20,170 | - | 24,801 | - | | | | | | | |
| 1600 | Property, plant and equipment (note 6 (9), 7, 8 and 9) | | 2,717,657 | 18 | 2,283,174 | 16 | 2,232,271 | 17 | 25xx | Non-current liabilities: | | | | | | 7,151,065 | 47 | 5,418,977 | 37 | | | |
| 1755 | Right-of-use assets (note 6 (10)) | | 297,392 | 2 | 307,747 | 2 | 321,506 | 2 | 2530 | Bonds payable (note 6 (14)) | | - | - | 1,474,834 | 10 | 1,459,313 | 11 | | | | | |
| 1780 | Intangible assets (note 6 (11)) | | 1,884 | - | 989 | - | 5,208 | - | 2540 | Long-term loans (note 6 (3), (13) and 8) | | 1,188,800 | 8 | 1,107,200 | 7 | 837,400 | 6 | | | | | |
| 1840 | Deferred tax assets | | 319,653 | 2 | 219,162 | 1 | 205,783 | 2 | 2570 | Deferred tax liabilities | | 296,149 | 2 | 339,045 | 2 | 532,257 | 4 | | | | | |
| 1915 | Prepayments for business facilities (note 9) | | 12,967 | - | 45,148 | - | 1,387 | - | 2580 | Non-current lease liabilities (note 6 (15)) | | 518 | - | 3,976 | - | 18,317 | - | | | | | |
| 1920 | Guarantee deposits paid | | 12,039 | - | 11,426 | - | 12,770 | - | 2630 | Long-term deferred revenue | | 87,107 | - | 91,648 | 1 | 98,052 | 1 | | | | | |
| | | | 3,733,733 | 24 | 3,281,648 | 22 | 3,245,623 | 24 | 2645 | Guarantee deposits received | | 9,809 | - | 4,826 | - | 6,279 | - | | | | | |
| | | | | | | | | | 2xxx | Total liabilities | | 1,582,383 | 10 | 3,021,529 | 20 | 2,951,618 | 22 | | | | | |
| | | | | | | | | | 31xx | Total equity attributable to owners of parent (note 6 (14), (18) and (19)): | | 8,733,448 | 57 | 8,440,506 | 57 | 7,479,821 | 55 | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | 3110 | Ordinary share | | 1,074,648 | 7 | 1,074,648 | 7 | 1,074,648 | 8 | | | | | |
| | | | | | | | | | 3200 | Capital surplus | | 2,963,428 | 19 | 2,963,425 | 20 | 2,860,701 | 21 | | | | | |
| | | | | | | | | | 3300 | Retained earnings: | | | | | | | | | | | | |
| | | | | | | | | | 3310 | Legal reserve | | 513,551 | 4 | 473,243 | 3 | 473,243 | 4 | | | | | |
| | | | | | | | | | 3320 | Special reserve | | 298,036 | 2 | 253,000 | 2 | 253,000 | 2 | | | | | |
| | | | | | | | | | 3350 | Unappropriated retained earnings | | 1,565,109 | 10 | 1,872,686 | 12 | 1,818,857 | 13 | | | | | |
| | | | | | | | | | | | | 2,376,696 | 16 | 2,598,929 | 17 | 2,545,100 | 19 | | | | | |
| | | | | | | | | | 3400 | Other equity interest: | | | | | | | | | | | | |
| | | | | | | | | | 3410 | Exchange differences on translation of foreign financial statements | | (94,365) | - | (298,036) | (2) | (385,441) | (3) | | | | | |
| | | | | | | | | | 3500 | Treasury shares | | - | - | - | - | (74,605) | - | | | | | |
| | | | | | | | | | | Total equity attributable to owners of parent | | 6,320,407 | 42 | 6,338,966 | 42 | 6,020,403 | 45 | | | | | |
| | | | | | | | | | 36xx | Non-controlling interests (note 6 (8)) | | 190,718 | 1 | 188,766 | 1 | 41,201 | - | | | | | |
| | | | | | | | | | 3xxx | Total equity | | 6,511,125 | 43 | 6,527,732 | 43 | 6,061,604 | 45 | | | | | |
| 1xxx | Total assets | \$ | 15,244,573 | 100 | 14,968,238 | 100 | 13,541,425 | 100 | 2-3xxx | Total liabilities and equity | \$ | 15,244,573 | 100 | 14,968,238 | 100 | 13,541,425 | 100 | | | | | |

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES
Consolidated Statements of Profit or Loss and Other Comprehensive Income

From April 1 to June 30, 2022 and 2021 and from January 1 to June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Except for Earning Per Share)

| | From April to June 2022 | | From April to June 2021 | | From January to June 2022 | | From January to June 2021 | |
|---|----------------------------|-------------------|----------------------------|------------------|------------------------------|------------------|------------------------------|------------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 Operating revenue (note 6 (21) and 7): | | | | | | | | |
| 4110 Sales revenue | \$ 1,275,689 | 100 | 1,188,539 | 100 | 2,093,216 | 100 | 2,262,233 | 100 |
| 4190 Loss: Sales discounts and allowances | 870 | - | 4,115 | - | 1,201 | - | 4,964 | - |
| Net operating Revenue | <u>1,274,819</u> | <u>100</u> | <u>1,184,424</u> | <u>100</u> | <u>2,092,015</u> | <u>100</u> | <u>2,257,269</u> | <u>100</u> |
| 5000 Operating costs (note 6 (6), (9), (10), (11), (15), (16) and 7) | <u>1,110,298</u> | <u>87</u> | <u>862,608</u> | <u>73</u> | <u>1,905,201</u> | <u>91</u> | <u>1,548,728</u> | <u>69</u> |
| 5900 Gross profit from operations | <u>164,521</u> | <u>13</u> | <u>321,816</u> | <u>27</u> | <u>186,814</u> | <u>9</u> | <u>708,541</u> | <u>31</u> |
| 6000 Operating expenses (note 6 (4), (9), (10), (11), (15), (16), (19), (22) and 7): | | | | | | | | |
| 6100 Selling expenses | 11,351 | 1 | 8,827 | 1 | 20,940 | 1 | 18,635 | - |
| 6200 Administrative expenses | 85,505 | 7 | 118,632 | 10 | 167,718 | 8 | 217,556 | 10 |
| 6300 Research and development expenses | 76,886 | 6 | 145,882 | 12 | 159,339 | 8 | 226,137 | 10 |
| 6450 Expected credit gain | - | - | (4,772) | - | - | - | (4,772) | - |
| Total operating expenses | <u>173,742</u> | <u>14</u> | <u>268,569</u> | <u>23</u> | <u>347,997</u> | <u>17</u> | <u>457,556</u> | <u>20</u> |
| 6900 Net operating profits (losses) | <u>(9,221)</u> | <u>(1)</u> | <u>53,247</u> | <u>4</u> | <u>(161,183)</u> | <u>(8)</u> | <u>250,985</u> | <u>11</u> |
| 7000 Non-operating income and expenses (note 6 (14), (15), (23) and 7): | | | | | | | | |
| 7100 Interest revenue | 56,251 | 4 | 51,593 | 4 | 110,825 | 5 | 106,184 | 4 |
| 7010 Other income | 13,791 | 1 | 15,596 | 1 | 31,760 | 2 | 35,136 | 2 |
| 7020 Other gains and losses | 38,775 | 3 | 18,049 | 2 | 192 | - | (3,725) | - |
| 7050 Finance costs | (26,712) | (2) | (17,649) | (1) | (48,219) | (2) | (36,486) | (2) |
| Total non-operating income and expenses | <u>82,105</u> | <u>6</u> | <u>67,589</u> | <u>6</u> | <u>94,558</u> | <u>5</u> | <u>101,109</u> | <u>4</u> |
| 7900 Profit (Loss) from continuing operations before tax | <u>72,884</u> | <u>5</u> | <u>120,836</u> | <u>10</u> | <u>(66,625)</u> | <u>(3)</u> | <u>352,094</u> | <u>15</u> |
| 7950 Loss: Tax expense (benefit) (note 6 (17)) | <u>(74,542)</u> | <u>(6)</u> | <u>1,727</u> | <u>-</u> | <u>(111,169)</u> | <u>(5)</u> | <u>4,854</u> | <u>-</u> |
| 8200 Profit | <u>147,426</u> | <u>11</u> | <u>119,109</u> | <u>10</u> | <u>44,544</u> | <u>2</u> | <u>347,240</u> | <u>15</u> |
| 8300 Other comprehensive income: | | | | | | | | |
| 8360 Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | |
| 8361 Exchange differences on translation | (220,087) | (17) | (92,278) | (8) | 207,442 | 10 | (132,925) | (6) |
| 8399 Loss: Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| 8300 Other comprehensive income, net | <u>(220,087)</u> | <u>(17)</u> | <u>(92,278)</u> | <u>(8)</u> | <u>207,442</u> | <u>10</u> | <u>(132,925)</u> | <u>(6)</u> |
| 8500 Total comprehensive income (loss) | <u><u>\$ (72,661)</u></u> | <u><u>(6)</u></u> | <u><u>26,831</u></u> | <u><u>2</u></u> | <u><u>251,986</u></u> | <u><u>12</u></u> | <u><u>214,315</u></u> | <u><u>9</u></u> |
| Profit, attributable to: | | | | | | | | |
| 8610 Owners of parent | \$ 153,604 | 11 | 117,596 | 10 | 52,877 | 2 | 347,938 | 15 |
| 8620 Non-controlling interests | (6,178) | - | 1,513 | - | (8,333) | - | (698) | - |
| | <u><u>\$ 147,426</u></u> | <u><u>11</u></u> | <u><u>119,109</u></u> | <u><u>10</u></u> | <u><u>44,544</u></u> | <u><u>2</u></u> | <u><u>347,240</u></u> | <u><u>15</u></u> |
| Comprehensive income attributable to: | | | | | | | | |
| 8710 Owners of parent | \$ (62,861) | (5) | 26,012 | 2 | 256,548 | 12 | 215,497 | 9 |
| 8720 Non-controlling interests | (9,800) | (1) | 819 | - | (4,562) | - | (1,182) | - |
| | <u><u>\$ (72,661)</u></u> | <u><u>(6)</u></u> | <u><u>26,831</u></u> | <u><u>2</u></u> | <u><u>251,986</u></u> | <u><u>12</u></u> | <u><u>214,315</u></u> | <u><u>9</u></u> |
| Basic earnings per share (expressed in New Taiwan Dollars) (note 6 (20)) | | | | | | | | |
| 9750 Basic earnings per share | <u><u>\$ 1.43</u></u> | | <u><u>1.10</u></u> | | <u><u>0.49</u></u> | | <u><u>3.26</u></u> | |
| 9850 Diluted earnings per share | <u><u>\$ 1.38</u></u> | | <u><u>1.08</u></u> | | <u><u>0.49</u></u> | | <u><u>3.13</u></u> | |

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

January 1 to June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of parent

| | Retained earnings | | | | | | Exchange differences on translation of foreign financial statements | Treasury shares | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
|--|---------------------|------------------|----------------|-----------------|----------------------------------|------------------|---|-----------------|---|---------------------------|------------------|
| | Ordinary share | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | | | | | |
| Balance as of January 1, 2021 | \$ 1,072,558 | 2,816,502 | 403,331 | 345,229 | 1,887,499 | 2,636,059 | (253,000) | (74,605) | 6,197,514 | 40,711 | 6,238,225 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 69,912 | - | (69,912) | - | - | - | - | - | - |
| Special reserve | - | - | - | (92,229) | 92,229 | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (440,212) | (440,212) | - | - | (440,212) | - | (440,212) |
| Profit | - | - | - | - | 347,938 | 347,938 | - | - | 347,938 | (698) | 347,240 |
| Other comprehensive income (loss) | - | - | - | - | - | - | (132,441) | - | (132,441) | (484) | (132,925) |
| Total comprehensive income (loss) | - | - | - | - | 347,938 | 347,938 | (132,441) | - | 215,497 | (1,182) | 214,315 |
| Shares issued due to stock option executed | 2,090 | 17,201 | - | - | - | - | - | - | 19,291 | - | 19,291 |
| Changes in ownership interests in subsidiaries | - | - | - | - | 1,315 | 1,315 | - | - | 1,315 | (1,315) | - |
| Share-based payment transactions | - | 26,998 | - | - | - | - | - | - | 26,998 | - | 26,998 |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | 2,987 | 2,987 |
| Balance as of June 30, 2021 | \$ 1,074,648 | 2,860,701 | 473,243 | 253,000 | 1,818,857 | 2,545,100 | (385,441) | (74,605) | 6,020,403 | 41,201 | 6,061,604 |
| Balance as of January 1, 2022 | \$ 1,074,648 | 2,963,425 | 473,243 | 253,000 | 1,872,686 | 2,598,929 | (298,036) | - | 6,338,966 | 188,766 | 6,527,732 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 40,308 | - | (40,308) | - | - | - | - | - | - |
| Special reserve | - | - | - | 45,036 | (45,036) | - | - | - | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | (275,110) | (275,110) | - | - | (275,110) | - | (275,110) |
| Profit (Loss) | - | - | - | - | 52,877 | 52,877 | - | - | 52,877 | (8,333) | 44,544 |
| Other comprehensive income (loss) | - | - | - | - | - | - | 203,671 | - | 203,671 | 3,771 | 207,442 |
| Total comprehensive income (loss) | - | - | - | - | 52,877 | 52,877 | 203,671 | - | 256,548 | (4,562) | 251,986 |
| Changes in ownership interests in subsidiaries | - | 3 | - | - | - | - | - | - | 3 | (3) | - |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | 6,517 | 6,517 |
| Balance as of June 30, 2022 | \$ 1,074,648 | 2,963,428 | 513,551 | 298,036 | 1,565,109 | 2,376,696 | (94,365) | - | 6,320,407 | 190,718 | 6,511,125 |

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

January 1 to June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | From January to June, 2022 | From January to June, 2021 |
|--|-------------------------------|-------------------------------|
| Cash flows from operating activities: | | |
| Profit (Loss) before tax | \$ (66,625) | 352,094 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 250,589 | 285,575 |
| Amortization expense | 258 | 5,803 |
| Expected credit gain | - | (4,772) |
| Net loss (profit) on financial assets and liabilities at fair value through profit or loss | 41,194 | (14,739) |
| Interest expense | 48,219 | 36,486 |
| Interest income | (110,825) | (106,184) |
| Share-based payments | - | 26,998 |
| Property, plant and equipment transferred to expenses | 205 | 230 |
| Net loss (profit) on disposal and scrapping of property, plant and equipment | 5 | (121) |
| Profit from lease modification | (6) | - |
| Total adjustments to reconcile profit (loss) | 229,639 | 229,276 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Contract assets | (178,488) | (26,101) |
| Accounts receivable | (165,777) | 14,585 |
| Accounts receivable—related parties | 39,543 | 308,277 |
| Other receivables | 36,509 | (39,766) |
| Inventories | (122,315) | (189,385) |
| Prepayments | 223,256 | (173,449) |
| Other current assets | 1,478 | (1,075) |
| Total changes in operating assets | (165,794) | (106,914) |
| Changes in operating liabilities: | | |
| Contract liabilities | (29,087) | - |
| Accounts payable | 154,614 | 177,562 |
| Accounts payable—related parties | 18,179 | 20,531 |
| Other payable | (69,444) | (39,526) |
| Other payable—related parties | (25,038) | (10,728) |
| Other current liabilities | (4,631) | 77,123 |
| Long-term deferred income | (4,541) | (12,494) |
| Total changes in operating liabilities | 40,052 | 212,468 |
| Total changes in operating assets and liabilities | (125,742) | 105,554 |
| Total adjustments | 103,897 | 334,830 |
| Cash inflow generated from operations | 37,272 | 686,924 |
| Interest received | 92,637 | 110,504 |
| Interest paid | (31,394) | (20,939) |
| Income taxes paid | (92,194) | (29,751) |
| Net cash flows from (used in) operating activities | 6,321 | 746,738 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of financial assets at amortized costs | - | (52,530) |
| Acquisition of property, plant and equipment | (639,526) | (359,106) |
| Proceeds from disposal of property, plant and equipment | - | 132 |
| Increase in guarantee deposits paid | (613) | (230) |
| Acquisition of intangible assets | (1,130) | (308) |
| Increase in prepayments for business facilities | (7,796) | (1,028) |
| Net cash flows from (used in) investing activities | (649,065) | (413,070) |
| Cash flows from (used in) financing activities: | | |
| Increase in short-term loans | 4,607,418 | 3,280,558 |
| Decrease in short-term loans | (4,561,953) | (5,008,483) |
| Increase in guarantee deposits received | 4,983 | 5,880 |
| Payments of lease liabilities | (19,031) | (16,817) |
| Shares issued due to stock option executed | - | 19,291 |
| Changes in non-controlling interests | 6,517 | 2,987 |
| Net cash flows from (used in) financing activities | 37,934 | (1,716,584) |
| Effect of exchange rate changes on cash and cash equivalents | 214,981 | (83,497) |
| Net decrease in cash and cash equivalents | (389,829) | (1,466,413) |
| Cash and cash equivalents at beginning of period | 9,066,899 | 9,943,380 |
| Cash and cash equivalents at end of period | <u>\$ 8,677,070</u> | <u>8,476,967</u> |

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History of the Company

ShunSin Technology Holdings Limited (formerly known as Amtec Holdings Limited, hereinafter referred to as “the Company”) was established in the Cayman Islands on January 8, 2008, and set up a branch in Taiwan on July 4, 2013. On Approval dates August 28, 2013, the Company was renamed as ShunSin Technology Holdings Limited and changed the Chinese name of Amtec Holding Limited to ShunSin Technology Holdings Limited through the Board of Directors resolution. The Company’s stock was listed on the Taiwan Stock Exchange on January 26, 2015. The Company and its subsidiaries (hereinafter referred to as “the Group”) are mainly engaged in the assembly, testing and sales of various integrated circuits related to semiconductors.

2. Approval dates and procedures of consolidated financial statements

The consolidated financial statements were authorized for issuance by the Board of Directors on August 26, 2022.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group’s adoption of the newly revised International Financial Reporting Standards from January 1, 2022, and it does not cause significant impact on consolidated financial report.

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- (2) The impact of IFRS issued by the FSC but not yet effective

The impact of the International Financial Reporting Standards (“IFRSs”) which will come into effect on January 1, 2023 is as follows:

A. Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments of IAS 1 “Disclosure of Accounting Policies” are as follows:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2022 and 2021

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or conditions are themselves material to a company's financial statements.

The Group is now continuously evaluating and reviewing the accounting policies that should be disclosed in the consolidated financial report to comply with the amendment.

B. Others

The Group does not expect the following amended standards have a significant impact on its consolidated financial statements.

- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
- Amendments to IAS 8 "Definition of Accounting Estimates"

(3) The impact of IFRS issued by IASB but not yet endorsed by FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| New or Amended Standards | Main revision contents | Effective date per IASB |
|---|---|-------------------------|
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | <p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p> | 2023/1/1 |

The Group is evaluating the impact of its initial adoption of the above mentioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 "sale or contribution of Assets Between an Investor and Associate or Joint Venture"
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17 "Insurance Contracts"
- Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"

4. Summary of Major Accounting Policies

The major accounting policies adopted in this consolidated financial report are the same as those in 2021, except for the following. Please refer to the note 4 in consolidated financial report of 2021 for

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

relative information.

(1) Statement on compliance

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Guidelines” and the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Bulletin (hereinafter referred to as the “International Financial Reporting Standards Accredited by the Financial Supervisory Commission”).

(2) The basis of consolidation

The principles for preparing consolidated financial report are consistent with those in 2021, please refer to note 4 (3) in consolidated financial report of 2021 for relative information.

Subsidiaries included in consolidated financial reports:

| Investor | Name of subsidiary | Primary Business | Shareholding Ratio | | |
|---------------------|--|--|--------------------|--------------------|--------------------|
| | | | 2022.6.30 | 2021.12.31 | 2021.6.30 |
| The Company | ShunSin Technology Holdings (Hong Kong) Limited (hereinafter referred to ShunSin (Hong Kong)) | Holding Company | 91.80% | 91.80% (Note 1) | 91.03% (Note 1) |
| The Company | ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as ShunSin (Samoa)) | Overseas material and equipment purchasing | 100.00% | 100.00% | 100.00% |
| The Company | ShunYun Technology Holdings Limited (hereinafter referred to as ShunYun (Cayman)) | Sales of high-speed optical transceiver module | - % (Note 2) | 100.00% | 100.00% |
| The Company | ShunYun Technology (Ha Noi, Vietnam) Limited (hereinafter referred to as ShunYun (HaNoi)) | Optical transceivers manufacturing | - % | - % (Note 3) | 100.00% |
| The Company | ShunSin Technology (Bac Giang, Vietnam) Limited (hereinafter referred to as ShunSin (Bac Giang)) | Optical transceivers manufacturing | - % | - % (Note 3) | 100.00% |
| ShunSin (Samoa) | ShunSin (Hong Kong) | Holding Company | 8.20% | 8.20% (Note 1) | 8.97% (Note 1) |
| ShunSin (Hong Kong) | ShunSin Technology (Zhongshan) Limited (hereinafter referred to as ShunSin (Zhongshan)) | Assembly, testing and sales of high-speed optical transceiver module, high-frequency wireless communication module and various integrated circuits | 100.00% | 100.00% | 100.00% |
| ShunSin (Hong Kong) | ShunYun Technology | Optical transceivers | 100.00% | 100.00% | 100.00% |

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| | | | | | |
|------------------------|---|---|---------------------|---------------------|--------|
| Kong) | (Zhongshan) Limited (hereinafter referred to as ShunYun (Zhongshan)) | manufacturing | | | |
| ShunSin (Zhongshan) | Talentek Microelectronics (Hefei) Limited (hereinafter referred to as Talentek (Hefei)) | Design, R&D, measurement and sales of electrical equipment, communication equipment and automation equipment | 44.58% (Note 4) | 45.42% | 65.68% |
| ShunYun (Cayman) | ShunYun (HaNoi)) | Optical transceivers manufacturing | 100.00% | 100.00% (Note 3) | - % |
| ShunYun (Cayman) | ShunSin (Bac Giang) | Optical transceivers manufacturing | 100.00% | 100.00% (Note 3) | - % |
| ShunYun (Zhongshan) | ShunYun Technology Holdings (Hong Kong) Limited (hereinafter referred to ShunYun (Hong Kong)) | Holding Company | 100.00% | 100.00% (Note 5) | - % |
| ShunYun (Hong Kong) | ShunYun (Cayman) | Sales of high-speed optical transceiver module | 100.00% (Note 2) | - % | - % |

Note 1: The company increased its capital in ShunSin (Hong Kong) by US\$10,000 thousand on December 7, 2021, resulting in the company's shareholding ratio in ShunSin (Hong Kong) from 91.03% to 91.80%, while the shareholding ratio of ShunSin (Samoa) to ShunSin (Hong Kong) decreased from 8.97% to 8.20%.

Note 2: ShunYun (Hong Kong) purchased 100% equity of the Company's subsidiary, ShunYun (Cayman), on June 28, 2022. It has acquired 100% of ShunYun (Cayman).

Note 3: ShunYun (Cayman) purchased 100% equity of the Company's subsidiary, ShunYun (Ha Noi) and ShunSin (Bac Giang), on December 15, 2021. It has acquired 100% of ShunYun (Ha Noi) and ShunSin (Bac Giang).

Note 4: Talentek (Hefei) was approved by shareholders' meeting on June 25, 2021 to increase its capital by RMB 12,000 thousand. Talentek (Hefei) was approved to implement share incentive plan of by shareholders' meeting on December 31, 2021. ShunSin (Zhongshan) is expected to hold 37.93% of the shares after the increasing capital and share incentive plan are fully completed. As of June 30, 2022, there are still several shareholders whose funds have not been invested and the share incentive plan has not been fully paid according to the payment schedule. Although the shareholding ratio of ShunSin (Zhongshan) in Talentek (Hefei) is less than 50%, the overall shareholding ratio of ShunSin (Zhongshan) and its related parties exceeds 50%, so it is still considered to have control over Talentek (Hefei).

Note 5: ShunYun (Zhongshan) was approved by Board of Directors on July 30, 2021 to set up its subsidiary, ShunYun Technology (Hong Kong) Holdings Limited (hereinafter referred as ShunYun (Hong Kong) in Hong Kong, on July 7, 2021. The authorized capital is US\$ 10,000 thousand. As of August 26, 2022, ShunYun (Zhongshan) has invested US\$25,280 thousand, and the shareholding ratio is 100%.

Subsidiaries not included in the consolidated financial report: None.

(3) Income tax

The Group measured and disclose midterm income tax expense in accordance with the Guidelines and section B12 of IAS 34 "Interim Financial Reporting".

Income tax expense are recognized as current tax expense and defer tax expense under the

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

calculation with the interim reported income before tax times the best estimation of effective tax rate from Management.

Income tax which are recognized in equity or other comprehensive income are measured with applicable tax rate base on the temporary difference between booking amount and taxable basis when expected to be realized or paid off.

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

While preparing consolidated financial report based on the Guidelines and IAS 34 “Interim Financial Reporting”, Management has to make judgements, estimations, and assumptions, and those would affect reported assets, liabilities, revenues, and expenses under adopted accounting policy. Actual consequence may differ from those estimated.

Major sources of uncertainty in accounting judgments, estimates and assumptions are consistent with note 5 in the consolidated financial report of 2021 while preparing.

6. Description of important accounting items

There is no material difference the description of material accounting subjects in the consolidated financial report with those in the 2021. Please refer to note 6 of the consolidated financial report in 2021 for relative information.

(1) Cash and cash equivalents

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|--|---------------------|------------------|------------------|
| Cash on hand | \$ 166 | 68 | 33 |
| Current deposit | 1,648,086 | 1,467,975 | 1,130,811 |
| Times deposit | 7,028,818 | 7,598,856 | 7,346,123 |
| Cash and cash equivalents as shown in the consolidated cash flow statement | <u>\$ 8,677,070</u> | <u>9,066,899</u> | <u>8,476,967</u> |

For the disclosure of interest rate risk and sensitivity analysis of the Group’s financial assets, please refer to note 6 (24) for details.

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

A. Current

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|--|-----------|------------|-----------|
| Financial assets (liabilities) held for trading: | | | |
| Non hedging derivatives | | | |
| Forward foreign exchange contract | \$ - | - | (2,200) |
| SWAP contract | - | (962) | - |

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\$ - (962) (2,200)

The Group engages in derivative financial commodity transactions to avoid exchange rate risks exposed by business activities. The details of the Group's derivative instruments reported as financial assets measured at fair value through profit or loss due to the absence of hedge accounting on December 31, 2021 and June 30, 2022 are as follows:

SWAP contract:

| 2021.12.31 | | | |
|-----------------|------------------|-----------|------------------------------|
| Contract amount | Currency | Period | Fair value asset (liability) |
| CNY 407,000 | Sell NTD/Buy RMB | 2022.1.14 | \$ (962) |

Forward foreign exchange contract:

| 2021.6.30 | | | |
|-----------------|------------|--------------------|------------------------------|
| Contract amount | Currency | Period | Fair value asset (liability) |
| USD 12,500 | USD to RMB | 2021.8.25~2021.9.3 | \$ (2,200) |

B. Non-current

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|--|-------------------|----------------|----------------|
| Financial assets designated at fair value through profit and loss: | | | |
| Right to redeem bonds | \$ - | - | 450 |
| Non-derivative financial assets | | | |
| Stocks of domestic unlisted companies | 21,542 | 20,704 | - |
| Stocks of foreign unlisted companies | 95,870 | 113,643 | 110,688 |
| Private Equity | 254,729 | 271,655 | 347,560 |
| | <u>\$ 372,141</u> | <u>406,002</u> | <u>458,698</u> |

Please refer to note 6 (23) for the amount recognized as profit or loss in the fair value re-measurement.

(3) Financial assets at amortized cost

A. Current

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|--------------------------|------------------|---------------|---------------|
| Restricted bank deposits | <u>\$ 61,141</u> | <u>52,572</u> | <u>51,752</u> |

ShunYun (Zhongshan), a subsidiary of the Group, applied to the customs for the qualification of import and export goods, guaranteed with customs deposit amounting to RMB 12,000 thousand (NTD 53,141 thousand) in January, 2022. The Group started to

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2022 and 2021

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use long-term loans in October, 2020. According to the contract, the amount of 8,000 thousand was deposited into the joint loan interest custody account. The Group transferred restricted bank deposits to current assets due to the long-term loans will be due in one year as of June 30, 2022.

ShunYun (Zhongshan), a subsidiary of the Group, applied to the customs for the qualification of import and export goods, guaranteed by ShunSin (Zhongshan) with customs deposit amounting to NTD 51,752 thousand and NTD 52,572 thousand on June 30, 2021 and December 31, 2021, which expired in January 2022.

B. Non-current

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|--------------------------|------------------|-------------------|------------------|
| Restricted bank deposits | <u>\$ -</u> | <u>8,000</u> | <u>8,000</u> |

The Group recognized as financial assets measured at amortized cost, whose intension is to hold the asset to maturity to collect contractual cash flow which is solely payment of principal and interest on the principal amount outstanding.

Please refer to note 8 for the details of customs deposit and collateral for long-term loans as of June 30, 2022, December 31, 2021 and June 30, 2021.

(4) Accounts receivable

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|-----------------------------------|-------------------|-------------------|------------------|
| Accounts receivable | \$ 819,548 | 653,771 | 393,694 |
| Accounts receivable-related party | 61,915 | 101,458 | 393,474 |
| Less: loss allowance | - | - | (9,619) |
| | <u>\$ 881,463</u> | <u>755,229</u> | <u>777,549</u> |

Accounts receivable of the Group is not discounted or provided as collateral.

The Group uses the simplified method of estimating the anticipated credit loss for all accounts receivable, that is to say, the Group estimates anticipated credit losses based on the duration of those. In order to measure the abovementioned, the Group categorized its clients based on common credit risk about the ability to pay off the due amount, considered foresighted information which includes information on the overall economy and related industries.

The anticipated credit loss of notes receivable and accounts receivable of the Group on June 30, 2022, December 31, 2021 and June 30, 2021, are analyzed as follows:

| | 2022.6.30 | |
|--|-------------------------------------|--------------------------------------|
| Book value of accounts receivable | Weighted average anticipated | Provision against anticipated |

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
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(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| | | <u>credit loss rate (%)</u> | <u>credit losses during the continuance of existence</u> |
|-----------------------|--------------------------|---------------------------------|--|
| Not overdue | \$ 846,290 | - | - |
| Past due 1-30 days | 12,053 | - | - |
| Past due 61-90 days | 5,206 | - | - |
| Past due 91-120 days | 16,841 | - | - |
| Past due 121-365 days | <u>1,073</u> | - | <u>-</u> |
| | <u>\$ 881,463</u> | | <u>-</u> |

There is no need to recognize anticipated credit losses during the duration after assessment.

| | | 2021.12.31 | |
|-----------------------|--|--|--|
| | Book value of accounts receivable | Weighted average anticipated credit loss rate (%) | Provision against anticipated credit losses during the continuance of existence |
| Not overdue | \$ 722,333 | - | - |
| Past due 1-30 days | 31,095 | - | - |
| Past due 61-90 days | 252 | - | - |
| Past due 91-120 days | 1,133 | - | - |
| Past due 121-365 days | <u>416</u> | - | <u>-</u> |
| | <u>\$ 755,229</u> | | <u>-</u> |

There is no need to recognize anticipated credit losses during the duration after assessment.

| | | 2021.6.30 | |
|---------------------|--|--|--|
| | Book value of accounts receivable | Weighted average anticipated credit loss rate (%) | Provision against anticipated credit losses during the continuance of existence |
| Not overdue | \$ 737,958 | - | - |
| Past due 1-30 days | 38,916 | - | - |
| Past due 61-90 days | <u>675</u> | - | <u>-</u> |
| | <u>\$ 777,549</u> | | <u>-</u> |

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The Group has recognized whole amount of \$9,619 thousand toward the accounts receivable with evidence showing that it cannot reasonably be expected to be recovered.

The Group's statement of allowance of uncollectible notes receivable and accounts receivable is as follows:

| | From January to June 2021 |
|----------------------------------|--------------------------------------|
| Opening balance | \$ 14,246 |
| Reversal of expected credit loss | (4,772) |
| Exchange gain (loss) | 145 |
| Ending balance | <u>\$ 9,619</u> |

Financial assets aforementioned are not used as guarantees for short-term loans and line of credit.

(5) Other receivables

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|-------------------|-------------------------|----------------------|----------------------|
| Other receivables | <u>\$ 30,926</u> | <u>24,715</u> | <u>46,391</u> |

Other receivables of the Group were not overdue on June 30, 2022, December 31, 2021 and June 30, 2021.

(6) Inventories

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|--|----------------------------|-------------------------|-----------------------|
| Raw materials | \$ 1,245,030 | 1,091,396 | 486,410 |
| Work-in-process | 10,758 | 26,790 | 15,051 |
| Finished products (including semi-finished products) | 7,982 | 23,269 | 13,120 |
| | <u>\$ 1,263,770</u> | <u>1,141,455</u> | <u>514,581</u> |

Operating costs recognized by the Group:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|---|--|--|--|--|
| Cost of selling inventories | \$ 1,120,598 | 864,128 | 1,910,485 | 1,535,663 |
| (Reverse) Loss allowance for inventory valuation losses and slow-moving inventories | (15,390) | (1,520) | (15,090) | 14,959 |
| Inventory Obsolescence | 138 | - | 2,552 | - |

ShunSin Technology Holdings Limited and Its Subsidiaries

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| | | | | |
|------------------------------------|---------------------|----------------|------------------|------------------|
| Unallocated manufacturing overhead | 4,952 | - | 8,631 | - |
| Revenue from sale of scraps | - | - | (1,377) | (1,894) |
| | \$ 1,110,298 | 862,608 | 1,905,201 | 1,548,728 |

From April 1 to June 30, 2022, there are evidences showing that the slow-moving inventory decreased, hence the loss allowance for inventory valuation amounting to 15,390 thousand has been reversed.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the inventory of the Group has not been provided as a pledge guarantee.

(7) Non-current assets classified as held for sale

In order to optimize assets and raise efficiency of operation, after obtaining management's approval on July 30, 2021, Board of Directors approved to sell ShunSin (Zhongshan)'s equipment to Triple Win Technology (Shenzhen) Co., Ltd on October 28, 2021. The book value of the equipment is 507,203 thousand (RMB 118,111 thousand). The Group transferred the equipment to non-current assets classified as held for sale with its book value. Among part of the aforementioned machinery and equipment for sale, 4,110 thousand (RMB 946 thousand) was transferred back to self-use in December 2021, while the remaining machinery and equipment for sale were sold at their book value in March 2022 and in October and December of 2021. The disposal price was 24,532 thousand (RMB 5,651 thousand) and 484,462 thousand (RMB 111,514 thousand), and the gain on the disposal was 0. As of June 30, 2022 and December 31, 2021, the aforementioned remaining amount of 2,302 thousand and 4,546 thousand has not yet been received, which is listed under other receivables.

(8) Subsidiaries with significant non-controlling interests

The non-controlling interests of subsidiaries that are significant to the Group are as follows:

| Name of subsidiary | Main place of business/ Country where the company is registered | Proportion of ownership interests and voting rights of non-controlling interests | | |
|--------------------|---|---|------------|-----------|
| | | 2022.6.30 | 2021.12.31 | 2021.6.30 |
| Talentek (Hefei) | China | 55.42% | 54.08% | 34.32% |

The following information on the aforementioned subsidiaries has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. This information has reflected the fair value adjustments made and the relevant difference in accounting principles on the acquisition date. Intra-group transactions were not eliminated in this information.

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The summary of financial information of Talentek (Hefei) is as follows:

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|---|-------------------|----------------|----------------|
| Current assets | \$ 214,902 | 269,274 | 62,460 |
| Non-current assets | 239,038 | 213,325 | 140,970 |
| Current liabilities | (78,146) | (99,552) | (41,354) |
| Non-current liabilities | (31,660) | (37,195) | (42,027) |
| Net asset | <u>\$ 344,134</u> | <u>345,852</u> | <u>120,049</u> |
| Book value of ending balance on non-controlling interests | <u>\$ 190,718</u> | <u>188,766</u> | <u>41,201</u> |

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|---|-------------------------|-------------------------|---------------------------|---------------------------|
| Operating revenue | <u>\$ 55,959</u> | <u>80,862</u> | <u>123,216</u> | <u>94,601</u> |
| Loss | (11,149) | 4,409 | (15,145) | (2,133) |
| Other comprehensive income (loss) | (6,533) | (880) | 8,996 | (1,129) |
| Total comprehensive income (loss) | <u>\$ (17,682)</u> | <u>3,529</u> | <u>(6,149)</u> | <u>(3,262)</u> |
| Profit (Loss) attributable to non-controlling interests | <u>\$ (6,178)</u> | <u>1,513</u> | <u>(8,333)</u> | <u>(698)</u> |
| Comprehensive income (loss) attributable to non-controlling interests | <u>\$ (3,622)</u> | <u>(694)</u> | <u>3,771</u> | <u>(484)</u> |

(9) Property, plant and equipment

The changes in the costs, depreciation and impairment losses of the real estate, plant and equipment of the Group from January 1 to June 30, 2022 and 2021 are as follows:

| | Housing and building | Machinery and equipment | Office equipment (including computer communication equipment) | Inspection equipment | Other equipment | Lease improvement | Unfinished construction and equipment to be inspected | Total |
|---------------------------------|----------------------|-------------------------|---|----------------------|-----------------|-------------------|---|------------------|
| Cost: | | | | | | | | |
| Balance as of January 1, 2022 | \$ 1,253,510 | 2,471,996 | 75,090 | 668,513 | 374,460 | 46,897 | 213,247 | 5,103,713 |
| Acquisition | - | 148,289 | 108 | 13,916 | 15,371 | 700 | 407,705 | 586,089 |
| Disposal | - | - | (1,066) | (720) | (12,600) | - | - | (14,386) |
| Re-classification(Note 1) | - | 160,039 | - | 1,278 | 7,138 | 5,882 | (154,793) | 19,544 |
| Impact of exchange rate changes | 25,061 | 51,282 | 1,837 | 16,640 | 9,907 | 941 | 9,938 | 115,606 |
| Balance as of June 30, 2022 | <u>\$ 1,278,571</u> | <u>2,831,606</u> | <u>75,969</u> | <u>699,627</u> | <u>394,276</u> | <u>54,420</u> | <u>476,097</u> | <u>5,810,566</u> |
| Balance as of January 1, 2021 | \$ 489,937 | 2,664,726 | 68,702 | 943,932 | 435,249 | 46,989 | 727,759 | 5,377,294 |
| Acquisition | 91,790 | 119,851 | 9,473 | 82,142 | 18,011 | 86 | 84,953 | 406,306 |
| Disposal | - | (17,943) | (300) | (415) | (168) | - | - | (18,826) |
| Re-classification(Note 2) | 684,295 | 40,726 | 7,061 | 325 | 282 | - | (732,919) | (230) |
| Impact of exchange rate changes | (17,365) | (31,879) | (7,854) | (7,936) | (10,476) | (563) | 1,050 | (75,023) |

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| | | | | | | | | | |
|---|----|-----------|-----------|---------|-----------|----------|--------|---------|-----------|
| Balance as of June 30, 2021 | \$ | 1,248,657 | 2,775,481 | 77,082 | 1,018,048 | 442,898 | 46,512 | 80,843 | 5,689,521 |
| Accumulated depreciation and impairment losses: | | | | | | | | | |
| Balance as of January 1, 2022 | \$ | 284,128 | 1,711,308 | 63,395 | 490,519 | 250,334 | 20,855 | - | 2,820,539 |
| Depreciation | | 27,902 | 117,001 | 2,339 | 37,176 | 40,117 | 2,821 | - | 227,356 |
| Disposal | | - | - | (1,066) | (715) | (12,600) | - | - | (14,381) |
| Impact of exchange rate changes | | 5,693 | 34,383 | 1,327 | 10,209 | 7,364 | 419 | - | 59,395 |
| Balance as of June 30, 2022 | \$ | 317,723 | 1,862,692 | 65,995 | 537,189 | 285,215 | 24,095 | - | 3,092,909 |
| Balance as of January 1, 2021 | \$ | 233,636 | 1,987,704 | 62,131 | 674,620 | 283,262 | 15,909 | - | 3,257,262 |
| Depreciation | | 22,337 | 123,279 | 2,940 | 73,455 | 39,624 | 2,518 | - | 264,153 |
| Disposal | | - | (17,943) | (300) | (404) | (168) | - | - | (18,815) |
| Impact of exchange rate changes | | (3,012) | (21,498) | (561) | (12,539) | (7,525) | (215) | - | (45,350) |
| Balance as of June 30, 2021 | \$ | 252,961 | 2,071,542 | 64,210 | 735,132 | 315,193 | 18,212 | - | 3,457,250 |
| Carrying amount: | | | | | | | | | |
| Balance as of January 1, 2022 | | 969,382 | 760,688 | 11,695 | 177,994 | 124,126 | 26,042 | 213,247 | 2,283,174 |
| Balance as of June 30, 2022 | \$ | 960,848 | 968,914 | 9,974 | 162,438 | 109,061 | 30,325 | 476,097 | 2,717,657 |
| Balance as of June 30, 2021 | \$ | 995,696 | 703,939 | 12,872 | 282,916 | 127,705 | 28,300 | 80,843 | 2,232,271 |

Note 1: From January 1 to June 30, 2022, the amounts reclassified from prepayments for business facilities is \$19,749 thousand respectively and the amounts of reclassifying into expenses is \$205 thousand.

Note 2: From January 1 to June 30, 2021, the amounts of reclassifying into expenses is \$230 thousand.

(10) Right-of-use asset

The cost and depreciation of the Group's leased land, building and transportation equipment, etc., and its changes are as follows:

| | | Land | Building | Vehicle | Total |
|--|----|---------|----------|---------|---------|
| Cost: | | | | | |
| Balance as of January 1, 2022 | \$ | 280,657 | 98,914 | 7,801 | 387,372 |
| Decrease (contract modified) | | - | (655) | - | (655) |
| Impact of exchange rate changes | | 12,674 | 4,123 | 156 | 16,953 |
| Balance as of June 30, 2022 | \$ | 293,331 | 102,382 | 7,957 | 403,670 |
| Balance as of January 1, 2021 | \$ | 282,271 | 92,396 | 7,049 | 381,716 |
| Acquisition | | - | 3,906 | 2,290 | 6,196 |
| Decrease (contract expired) | | - | - | (1,493) | (1,493) |
| Impact of exchange rate changes | | (5,819) | (2,246) | (97) | (8,162) |
| Balance as of June 30, 2021 | \$ | 276,452 | 94,056 | 7,749 | 378,257 |
| Accumulated depreciation of right-of-use assets: | | | | | |
| Balance as of January 1, 2022 | \$ | 12,193 | 63,091 | 4,341 | 79,625 |
| Depreciation | | 4,279 | 17,531 | 1,423 | 23,233 |
| Impact of exchange rate changes | | 520 | 2,813 | 87 | 3,420 |
| Balance as of June 30, 2022 | \$ | 16,992 | 83,435 | 5,851 | 106,278 |
| Balance as of January 1, 2021 | \$ | 3,942 | 30,694 | 3,046 | 37,682 |
| Depreciation | | 4,118 | 15,904 | 1,400 | 21,422 |

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| | | | | |
|---------------------------------|-------------------|---------------|--------------|----------------|
| Decrease (contract expired) | - | - | (1,493) | (1,493) |
| Impact of exchange rate changes | (102) | (730) | (28) | (860) |
| Balance as of June 30, 2021 | <u>\$ 7,958</u> | <u>45,868</u> | <u>2,925</u> | <u>56,751</u> |
| Carrying amount: | | | | |
| Balance as of January 1, 2022 | <u>\$ 268,464</u> | <u>35,823</u> | <u>3,460</u> | <u>307,747</u> |
| Balance as of June 30, 2022 | <u>\$ 276,339</u> | <u>18,947</u> | <u>2,106</u> | <u>297,392</u> |
| Balance as of June 30, 2021 | <u>\$ 268,494</u> | <u>48,188</u> | <u>4,824</u> | <u>321,506</u> |

(11) Intangible assets

The cost, amortization and impairment losses of the Group' intangible assets from January 1 to June 30, 2022 and 2021 are as follows:

| | Cost of computer software |
|-------------------------------------|---------------------------------|
| Cost: | |
| Balance as of January 1, 2022 | \$ 30,888 |
| Acquisition | 1,130 |
| Impact of exchange rate changes | 621 |
| Balance as of June 30, 2022 | <u>\$ 32,639</u> |
| Balance as of January 1, 2021 | \$ 30,354 |
| Acquisition | 308 |
| Impact of exchange rate changes | (367) |
| Balance as of June 30, 2021 | <u>\$ 30,295</u> |
| Amortization and impairment losses: | |
| Balance as of January 1, 2022 | \$ 29,899 |
| Amortization | 258 |
| Impact of exchange rate changes | 598 |
| Balance as of June 30, 2022 | <u>\$ 30,755</u> |
| Balance as of January 1, 2021 | \$ 19,575 |
| Amortization | 5,803 |
| Impact of exchange rate changes | (291) |
| Balance as of June 30, 2021 | <u>\$ 25,087</u> |
| Carrying amount: | |
| Balance as of January 1, 2022 | <u>\$ 989</u> |
| Balance as of June 30, 2022 | <u>\$ 1,884</u> |

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Balance as of June 30, 2021 \$ 5,208

The amortization expenses of intangible assets are reported under the consolidated income statement as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|--------------------|--|--|--|--|
| Operating costs | \$ 28 | 2,681 | 56 | 5,389 |
| Operating expenses | 116 | 199 | 202 | 414 |
| | <u><u>\$ 144</u></u> | <u><u>2,880</u></u> | <u><u>258</u></u> | <u><u>5,803</u></u> |

(12) Short-term loans

The details of the short-term loans of the Group are as follows:

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|-------------------------|----------------------------|-------------------------|-------------------------|
| Unsecured bank loans | <u><u>\$ 3,187,705</u></u> | <u><u>3,142,240</u></u> | <u><u>2,785,958</u></u> |
| Line of credit | <u><u>\$ 4,256,899</u></u> | <u><u>3,893,962</u></u> | <u><u>4,254,746</u></u> |
| Interest rate range (%) | <u><u>0.89~2.21%</u></u> | <u><u>0.72~0.90</u></u> | <u><u>0.72~0.84</u></u> |

The Group did not set up assets as collateral for bank loan guarantee.

(13) Long-term loans

The details of the long-term loans of the Group are as follows:

| 2022.6.30 | | | |
|---------------------------------------|-----------------|-----------------|----------------------------|
| | Currency | Period | Amount |
| Syndicated loan from China CITIC Bank | NTD | 2020.10~2022.12 | \$ 840,000 |
| Secured loan from MUFG Bank | NTD | 2021.12~2024.12 | 832,160 |
| Secured loan from E.SUN Bank | NTD | 2021.12~2024.12 | 356,640 |
| Subtotal | | | 2,028,800 |
| Less: past due within one year | | | (840,000) |
| Total | | | <u><u>\$ 1,188,800</u></u> |
| Line of credit | | | <u><u>\$ 1,300,000</u></u> |
| Interest rate range (%) | | | <u><u>1.85~3.3</u></u> |

| 2021.12.31 | | | |
|---------------------------------------|-----------------|-----------------|---------------|
| | Currency | Period | Amount |
| Syndicated loan from China CITIC Bank | NTD | 2020.10~2022.12 | \$ 840,000 |
| Less: deferred financing fee | | | (1,300) |

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| | | | |
|--------------------------------|-----|-----------------|----------------------------|
| Secured loan from MUFG Bank | NTD | 2021.12~2024.12 | 775,040 |
| Secured loan from E.SUN Bank | NTD | 2021.12~2024.12 | <u>332,160</u> |
| Subtotal | | | 1,945,900 |
| Less: past due within one year | | | <u>(838,700)</u> |
| Total | | | <u>\$ 1,107,200</u> |
| Line of credit | | | <u>\$ 1,300,000</u> |
| Interest rate range (%) | | | <u>1.11~1.85</u> |

| | 2021.6.30 | | |
|---------------------------------------|------------------|-----------------|----------------------------|
| | Currency | Period | Amount |
| Syndicated loan from China CITIC Bank | NTD | 2020.10~2022.12 | \$ 840,000 |
| Less: deferred financing fee | | | (2,600) |
| Less: past due within one year | | | - |
| Total | | | <u>\$ 837,400</u> |
| Line of credit | | | <u>\$ 3,060,000</u> |
| Interest rate range (%) | | | <u>1.85</u> |

The Group started to use syndicated loan in October 2020. According to the contract, the amount deposited into the joint loan interest custody account is 8,000 thousand. Please refer to note 8 for more information on the collateral loans. And please refer to note 6 (12) in the consolidated financial report of 2021 for relative information.

According to the provisions of the syndicated loan contract from China CITIC Bank, the Group will repay the principal in one lump sum when it expires, and may apply for extension of the credit term before the expiry date. If the banks agree to the extension, the unpaid principal balance shall be repaid in five installments. The first installment is on the date after thirty-six months of the first use, and thereafter every six months shall be an installment for repayment. As of June 30, 2022, the Company has not applied for extension, therefore the non-current portion of non-current borrowings are classified as long-term borrowings, current portion.

According to the stipulations of the contract between the MUFG Bank and E.SUN Bank, the principal will be repaid in one lump sum upon maturity. Therefore, the amount of long-term borrowings - current portion on June 30, 2022 and December 31, 2021 is 0 thousand. According to the description of the above three non-current portion of non-current borrowings, the Group's long-term borrowings - current portion is 840,000 thousand.

Breach of loan contract

According to the loan contract, the Group shall calculate and maintain certain financial index based on the consolidated financial report of each year and the consolidated financial report for

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the second quarter of each year for which the accountant audited. Financial covenants such as debt ratio, interest protection multiples and tangible net worth. And it will be checked every half of the fiscal year.

When the Group performed the semi-annual audit in 2022, it was found that there was a violation of the requirement of interest coverage ratio. According to the loan contract, if the Group fails to meet any of the above financial ratios, it shall apply for a cash capital increase or other means within three months. If the Group fails to improve its financial ratios to meet the above agreed financial ratios during the improvement period, it is deemed a breach of contract. The Group was still within the three-month improvement period as of August 26, 2022, so that it has not been deemed a breach of contract and is not required to repay the bank loan immediately.

(14) Convertible bonds payable

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|---|---------------------|-------------------|------------------|
| The total amount of convertible bonds issued | \$ 1,500,000 | 1,500,000 | 1,500,000 |
| Less: amount of discount on issuing convertible bonds | 142,650 | 142,650 | 142,650 |
| Underwriting expenses | 7,294 | 7,294 | 7,294 |
| Compound present value of bonds converted at issuance | 1,350,056 | 1,350,056 | 1,350,056 |
| Amortization of Company debt payable at discount | 132,965 | 117,278 | 101,757 |
| Cost of convertible bonds issue at premium | 7,500 | 7,500 | 7,500 |
| Ending balance of convertible bonds payable | \$ 1,490,521 | 1,474,834 | 1,459,313 |

During January 1 to June 30, 2022 and 2021, the Group did not issue, repurchase, or pay off the bonds, please refer to note 6 (13) in the consolidated financial report of 2021 for relative information.

A. Financial assets (liabilities) at fair value through profit or loss-non-current, the details are as follows:

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|---|------------------|-------------------|------------------|
| Initial balance of embedded derivative financial commodity (put and call) | \$ - | 2,550 | 2,550 |
| Valuation losses in the current period | - | (2,550) | (2,100) |
| | \$ - | - | 450 |

B. Equity composition item under capital surplus-stock option, the details are as follows:

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| | From January to June 2022 | From January to June 2021 |
|-----------------------------------|------------------------------|------------------------------|
| Closing balance (Initial balance) | <u>\$ 129,000</u> | <u>129,000</u> |

The expiration dates of First unsecured convertible bonds is February 12, 2023, so the Group reclassified the convertible bonds as current liabilities.

(15) Lease Liability

The Group's booking value of lease liabilities are as follows:

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|-------------|------------------|---------------|---------------|
| Current | \$ 20,123 | 35,133 | 35,009 |
| Non-current | 518 | 3,976 | 18,317 |
| Total | <u>\$ 20,641</u> | <u>39,109</u> | <u>53,326</u> |

Please refer to note 6 (24) for analysis of expiration.

Amounts recognized in profit or loss are as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|---|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Interest expense from lease liabilities | \$ 199 | 417 | 469 | 900 |
| Expense of short-term lease | \$ 2,277 | 25,786 | 5,255 | 48,600 |
| Expense of low-value leasing asset (not include low-value short-term lease) | \$ 9 | 9 | 17 | 17 |

Amounts recognized in cash flow statement are as follows:

| | From January to June 2022 | From January to June 2021 |
|---------------------------------------|------------------------------|------------------------------|
| Total cash used in operating activity | \$ 5,741 | 49,517 |
| Total cash used in financing activity | 19,031 | 16,817 |
| Total cash used in lease | <u>\$ 24,772</u> | <u>66,334</u> |

A. Lease of land, buildings and constructions

The Group leases land, houses and buildings as operating site and factory. The leasing periods of land is usually 30 to 50 years, the leasing periods of buildings and constructions are usually 2 to 3 years, and some leases include the option to extend the same period as the original contract when the lease period expires.

B. Other leases

The Group leases transportation equipment for a period of 2 to 4 years.

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Besides, the rental periods of office, parking lot, staff dorm, and machinery are 1 to 3 years, which are short term or low value lease, the Group chose to apply exemption recognition requirements instead of recognizing its relative right-of-use assets and lease liabilities.

(16) Employee benefit

The pension expenses of the Group from January 1 to June 30, 2022 and 2021 have been allocated to the labor insurance bureau and the local competent authority of the consolidated foreign subsidiaries. The details of the expenses reported by the Group are as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|--------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Operating costs | \$ 7,510 | 9,360 | 15,026 | 19,094 |
| Operating expenses | 5,902 | 4,778 | 11,891 | 9,313 |
| | \$ 13,412 | 14,138 | 26,917 | 28,407 |

(17) Income tax

A. The income tax expense (benefit) details of the Group from January 1 to June 30, 2022 and 2021 are as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|--|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Current | | | | |
| Current period | \$ (2,024) | 53,617 | 43,382 | 83,731 |
| Adjustment of previous period | (9,184) | (3,270) | (9,184) | (3,292) |
| | (11,208) | 50,347 | 34,198 | 80,439 |
| Deferred income tax benefit | | | | |
| Occurrence and reversal of temporary differences | (63,334) | (48,620) | (145,367) | (75,585) |
| Income tax expense | \$ (74,542) | 1,727 | (111,169) | 4,854 |

B. Examination and approval of income tax

The Company are exempt from income tax and do not need to declare profit-making enterprise income tax according to the law of the country where the Company is established. The income tax return of the Company's Taiwan Branch and the ShunYun (Cayman)'s Taiwan Branch have been approved by the taxation authorities through 2019 and 2020,

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respectively.

(18) Capital and other equities

The Group has no significant changes in capital and other equity in the period of January 1 to June 30 for 2022 and 2021, except for the following. Please refer to note 6 (17) in the consolidated financial report of 2021 for relative information.

A. Capital surplus

The capital surplus balance of the Company is as follows:

| | <u>2022.6.30</u> | <u>2021.12.31</u> | <u>2021.6.30</u> |
|--|----------------------------|-------------------------|-------------------------|
| Share premium | \$ 2,689,050 | 2,689,050 | 2,689,050 |
| Changes in ownership interests in subsidiaries | 97,124 | 97,121 | - |
| Employee stock option | - | - | 26,998 |
| Employee stock option-expired | 4,841 | 4,841 | 4,841 |
| Treasury share transactions | 37,810 | 37,810 | 10,812 |
| Share payment transactions of its subsidiaries | 5,603 | 5,603 | - |
| Issuance of stock option embedded in convertible bonds | 129,000 | 129,000 | 129,000 |
| | <u><u>\$ 2,963,428</u></u> | <u><u>2,963,425</u></u> | <u><u>2,860,701</u></u> |

B. Retained earnings distribution

According to Charter of the Company, the Company's earnings distribution for 2021 and 2020 were decided by the shareholders' meeting on May 10, 2022 and May 13, 2021 respectively. The dividend distribution are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|---|---|
| | <u>Dividend per share (USD)</u> | <u>Dividend per share (USD)</u> |
| | <u>Amount</u> | <u>Amount</u> |
| Dividend distributed to ordinary shareholders: | | |
| Cash | \$ 2.56 <u><u>275,110</u></u> | 4.10 <u><u>440,212</u></u> |

As of June 30, 2022 and 2021, the cash dividend amounting to \$275,110 thousand and \$440,212 thousands of retained earnings distribution approved by Board of Directors is listed in the account of dividend payable.

The Company postponed the shareholders' meeting to August 11, 2021 in response to FSC's announcement: "For pandemic prevention, the FSC demands public companies to postpone their shareholders' meetings". In the appropriation of 2020 earnings, dividend distribution was handled based on the resolution of Board of Directors. The voting result

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by way of electronic transmission regarding recognizing legal reserve and special reserve reached the legal resolution threshold, thus the Company recognized relative amount on June 30, 2021.

Information for retained earnings distribution approved by Board of Directors of 2021 and 2020, respectively could be inquired on Market Observation Post System.

C. Treasury Stock

The Company was approved by Board of Directors on January 8, 2019 to repurchase 2,858 thousand shares as treasury stock in order to transfer them to employee. The aforementioned 2,858 thousand shares had been repurchased with the average price \$85.18 per share, and total repurchasing amount is \$243,432 thousand. As of June 30, 2021, the transferred shares are 1,982 thousand shares and money received amounting to \$ 74,605 is recognized in other current liabilities – other. The Company has completed the transfer of all 2,858 thousand shares in 2021, and all the receipt has been collected. As of June 30, 2022, the Company has not purchased treasury stock to transfer them to employees.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(19) Share-based payment

The share-based payment of the Group from January 1 to June 30, 2022 has no significant changes except for the following mentioned. Please refer to the note 6 (18) in the consolidated financial report of 2021 for relative information.

A. The information about employee stock options is as follows:

Unit: 1,000

| | From January to June 2021 | |
|--|---|-----------------------------|
| | Weighted average performance price | Number of option |
| Outstanding stock as of January 1 | TWD 92.30 | 226 |
| Grant quantity in current period | - | - |
| Quantity lost in current period | - | - |
| Quantity executed in current period | - | (209) |
| Overdue expiration of the current period | - | (17) |
| Outstanding stock as of June 30 | - | - |
| Executable as of June 30 | - | - |

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The stock options for employees have expired on January 17, 2021.

B. Relative information of Policy Governing First Share Repurchased and Transferred to Employees

The share-based payment of the Group from January 1 to June 30, 2021 has no significant changes except for the following mentioned. Please refer to the note 6 (18) in the consolidated financial report of 2021 for relative information.

The Company transferred treasury stock to employees in accordance with the approval by Board of Directors on April 16, 2021, which is based on the Policy Governing First Share Repurchased and Transferred to Employees. The transferring price is actual average repurchased price, amounting to 85.18 per share. The fair value of the subscription is \$30.82 per share while the stock price on April 16, 2021, which are also subscription dates, are \$116 per share. As of June 30, 2021 and December 31, 2021, 1,982 thousand and 2,858 thousand shares respectively were transferred and the Company has collected all the receivables of shares.

(20) Earnings per share

The Company's basic earnings (loss) per share are calculated as follows:

| | Unit: 1,000 | | | |
|--|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
| Basic earnings per share of the Company | | | | |
| Net profit for the current period | \$ 153,604 | 117,596 | 52,877 | 347,938 |
| Weighted average number of outstanding shares | 107,465 | 106,589 | 107,465 | 106,575 |
| Basic earnings per share (NT\$) | \$ 1.43 | 1.10 | 0.49 | 3.26 |
| Diluted earnings per share of the Company | | | | |
| Net profit for the current period | \$ 153,604 | 117,596 | 52,877 | 347,938 |
| The impact of potential common stocks with diluting effect | | | | |
| Fair value assessment of embedded derivatives (such as trading rights) | - | 300 | - | 2,100 |
| Expected reduction in interest expense for convertible bonds conversion | 7,864 | 7,699 | - | 15,357 |
| Net profit for the current period | \$ 161,468 | 125,595 | 52,877 | 365,395 |
| Weighted average number of outstanding | 107,465 | 106,589 | 107,465 | 106,575 |

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shares

The impact of potential common stocks

with diluting effect

| | | | | |
|-------------------------|----|-----|-----|-----|
| Employees' remuneration | 63 | 370 | 290 | 740 |
|-------------------------|----|-----|-----|-----|

| | | | | |
|--------------------------------------|---|---|---|-----|
| The impact of employee stock options | - | - | - | 201 |
|--------------------------------------|---|---|---|-----|

| | | | | |
|---------------------------------|-------|-------|---|-------|
| The impact of convertible bonds | 9,393 | 9,069 | - | 9,069 |
|---------------------------------|-------|-------|---|-------|

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Weighted average number of outstanding | 116,921 | 116,028 | 107,755 | 116,585 |
|--|----------------|----------------|----------------|----------------|

shares

| | | | | |
|-----------------------------------|----------------|-------------|-------------|-------------|
| Diluted earnings per share (NT\$) | \$ 1.38 | 1.08 | 0.49 | 3.13 |
|-----------------------------------|----------------|-------------|-------------|-------------|

The convertible bonds of the Group are potential common stocks from January 1 to June 30, 2022, but due to their anti-dilution effect, they are not included in the calculation of diluted earnings per share from January 1 to June 30, 2022.

(21) Revenues from customers' contract

A. Disaggregation of revenue

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|-------------------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Primary geographical markets: | | | | |
| US | \$ 527,952 | 56,029 | 737,376 | 63,953 |
| Singapore | 480,258 | 416,975 | 716,868 | 760,681 |
| Taiwan | 106,350 | 155,801 | 286,695 | 301,840 |
| China | 112,551 | 511,794 | 254,588 | 1,037,912 |
| Malaysia | 15,655 | 30,835 | 47,212 | 69,505 |
| Ireland | 13,484 | 5,864 | 24,625 | 9,752 |
| Hong Kong | 7,352 | 6,800 | 11,133 | 13,148 |
| Australia | 10,899 | 326 | 13,200 | 478 |
| Other countries | 318 | - | 318 | - |
| | \$ 1,274,819 | 1,184,424 | 2,092,015 | 2,257,269 |

B. Remaining balance of contracts

| | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|---|-------------------|----------------|----------------|
| Accounts receivable (including related party) | \$ 881,463 | 755,229 | 787,168 |
| Less: Loss allowance | - | - | (9,619) |
| Total amount | \$ 881,463 | 755,229 | 777,549 |

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| | | | | |
|----------------------|----|----------------|----------------|----------------|
| Contract assets | \$ | 507,992 | 329,504 | 214,172 |
| Contract liabilities | \$ | 34,693 | 63,780 | 18,009 |

The Group has assessed that there is no need to recognize loss allowance for contract assets as of June 30, 2022, December 31 and June 30, 2021.

The variation of contract liabilities comes from the difference between meeting performance obligations and payment timing of customers.

(22) Profit sharing bonus of employees and directors

The Company shall allocate profit sharing bonus to the employees with no less than 5% of the current year's profits before the payment of employees' and the directors' profit sharing bonus. The Company may allocate no more than 0.1% of the profits of the current year for the profit sharing bonus of directors.

The Company accrued profit sharing bonus to employees from April 1 to June 30, 2022 and 2021, from January 1 to June 30, 2022 and 2021 are \$4,655 thousand, \$3,333 thousand, \$4,655 thousand and \$43,333 thousand respectively, and \$93 thousand, \$124 thousand, \$93 thousand and \$398 thousand for the directors. The bonus of employees and directors are calculated based on income before tax times the certain percentage of employees and directors ruled by the memorandum of association, and recognized operating costs and operating expenses for each period. If there is a difference between the actual allocated amount and the estimated amount in the next year, it will be treated according to the changes in the accounting estimates, and the difference will be classified as the profit and loss of the next year. If Board of Directors decides to pay employee bonus with stocks, the calculating basis of stock is based on the previous day's closing price of Board of Directors meeting.

The Company accrued profit sharing bonus to employees for 2021 and 2020 are \$43,333 thousand and \$100,000 thousand respectively, and \$465 thousand and \$855 thousand for the directors. There is no difference between the estimated amount and the amount of determined by the Board of Directors for the year of 2021 and the year of 2020. Related information is available at the MOPS.

(23) Non-operating gains and losses

A. Interest income

Interest incomes of the Group are as follows:

| From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|--|--|--|--|
|--|--|--|--|

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| | | | | | |
|-----------------------|----|---------------|---------------|----------------|----------------|
| Bank deposit interest | \$ | 56,251 | 51,593 | 110,825 | 106,184 |
|-----------------------|----|---------------|---------------|----------------|----------------|

B. Other incomes

Other incomes of the Group are as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|---------------------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Incomes from government subsidy | \$ 8,951 | 10,764 | 22,817 | 23,491 |
| Other incomes | 4,840 | 4,832 | 8,943 | 11,645 |
| Total amount of other incomes | \$ 13,791 | 15,596 | 31,760 | 35,136 |

C. Other profits and losses

Other profits and losses of Group are as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|--|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Net profits (losses) of foreign currency exchange | \$ 38,753 | (11,804) | 43,483 | (18,162) |
| Profits (Losses) from disposal of property, plant and equipment | (5) | 132 | (5) | 121 |
| Profits (Losses) from financial assets/liabilities at fair value through profit and loss | (5,306) | 30,102 | (41,194) | 14,739 |
| Other profits (losses) | 5,333 | (381) | (2,092) | (423) |
| | \$ 38,775 | 18,049 | 192 | (3,725) |

D. Financial costs

The financial costs of the Group are as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|--|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Interest expenses from bank loans | \$ 18,649 | 9,533 | 32,063 | 20,229 |
| Interest expenses of convertible bonds | 7,864 | 7,699 | 15,687 | 15,357 |
| Interest expenses of lease liabilities | 199 | 417 | 469 | 900 |
| | \$ 26,712 | 17,649 | 48,219 | 36,486 |

(24) Financial instruments

The fair value of financial instrument and the situation of credit risk and market risk resulted from financial instrument have no significant changes compared with the consolidated financial

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report of 2021, except for the following mentioned. Please refer to the note 6 (23) in the consolidated financial report of 2021 for relative information.

A. Credit risks

(a) Credit exposure risk

The book value of financial assets represents the maximum amount of credit exposure risk.

(b) Concentration of credit risk

On June 30, 2022, December 31, 2021 and June 30, 2021, 83% of the accounts receivable balance of the Group were composed of several customers respectively, which made the Group have a significant concentration of credit risk.

(c) Credit risks of receivables

For credit exposure risk information of notes receivable and accounts receivable, please refer to note 6 (4) for details and note 6 (5) for details of other receivables. The other receivables listed above are all financial assets with low credit risk. Therefore, the allowance loss during the period is measured by the amount of anticipated credit loss for 12 months.

B. Liquidity risk

The following table shows the contract maturity date of financial liabilities, which includes estimated interest.

| | Book value | Cash flow of the contract | Within 1 year | 1-2 years | 2-5 years | More than 5 years |
|---|---------------------|---------------------------|------------------|---------------|------------------|-------------------|
| June 30, 2022 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term loans | \$ 3,187,705 | 3,190,045 | 3,190,045 | - | - | - |
| Accounts payable (including related parties) | 803,336 | 803,336 | 803,336 | - | - | - |
| Other payables (including related parties) | 448,860 | 448,860 | 448,860 | - | - | - |
| Dividend payable | 275,110 | 275,110 | 275,110 | - | - | - |
| Convertible bonds payable (including derivative financial assets) | 1,490,521 | 1,500,000 | 1,500,000 | - | - | - |
| Long-term loans | 2,028,800 | 2,129,874 | 885,354 | 37,836 | 1,206,684 | - |
| Lease liabilities | 20,641 | 20,886 | 20,362 | 524 | - | - |
| Guarantee deposits received | 9,809 | 9,809 | 5,311 | 3,834 | 88 | 576 |
| | \$ 8,264,782 | 8,377,920 | 7,128,378 | 42,194 | 1,206,772 | 576 |
| December 31, 2021 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term loans | \$ 3,142,240 | 3,142,240 | 3,142,240 | - | - | - |
| Accounts payable (including related parties) | 630,543 | 630,543 | 630,543 | - | - | - |
| Other payables (including related parties) | 595,641 | 595,640 | 595,640 | - | - | - |
| Convertible bonds payable (including derivative financial assets) | 1,474,834 | 1,500,000 | - | 1,500,000 | - | - |

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| | | | | | | |
|----------------------------------|---------------------|------------------|------------------|------------------|------------------|------------|
| Long-term loans | 1,945,900 | 2,007,619 | 875,652 | 12,556 | 1,119,411 | - |
| Lease liabilities | 39,109 | 39,807 | 35,785 | 4,022 | - | - |
| Guarantee deposits received | 4,826 | 4,826 | 4,175 | - | 87 | 564 |
| | <u>7,833,093</u> | <u>7,920,675</u> | <u>5,284,035</u> | <u>1,516,578</u> | <u>1,119,498</u> | <u>564</u> |
| Derivative financial liabilities | | | | | | |
| SWAP contract: | | | | | | |
| Outflow | - | 1,765,379 | 1,765,379 | - | - | - |
| Inflow | 962 | (1,766,341) | (1,766,341) | - | - | - |
| | <u>962</u> | <u>(962)</u> | <u>(962)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | \$ 7,834,055 | 7,919,713 | 5,283,073 | 1,516,578 | 1,119,498 | 564 |

June 30, 2021

Non-derivative financial liabilities

| | | | | | | |
|---|---------------------|------------------|------------------|------------------|------------|------------|
| Short-term loans | \$ 2,785,958 | 2,785,958 | 2,785,958 | - | - | - |
| Accounts payable (including related parties) | 520,762 | 570,762 | 570,762 | - | - | - |
| Other payables (including related parties) | 569,803 | 569,803 | 569,803 | - | - | - |
| Dividend payable | 440,212 | 440,212 | 440,212 | - | - | - |
| Convertible bonds payable (including derivative financial assets) | 1,458,863 | 1,500,000 | - | 1,500,000 | - | - |
| Long-term loans | 837,400 | 863,202 | 15,539 | 847,663 | - | - |
| Lease liabilities | 53,326 | 54,611 | 36,081 | 18,020 | 510 | - |
| Guarantee deposits received | 6,279 | 6,279 | 5,455 | 328 | - | 496 |
| | \$ 6,672,603 | 6,790,827 | 4,423,810 | 2,366,011 | 510 | 496 |

C. Exchange rate risk

(a) Exchange rate exposure risk

The financial assets and liabilities of the Group exposed to significant foreign currency exchange rate risks are as follows:

| | 2022.6.30 | | | 2021.12.31 | | | 2021.6.30 | | |
|------------------------------|---------------------------------|----------------------|-----------|---------------------------------|----------------------|-----------|---------------------------------|----------------------|-----------|
| | Foreign currency (in thousands) | Exchange rate (NT\$) | NT\$ | Foreign currency (in thousands) | Exchange rate (NT\$) | NT\$ | Foreign currency (in thousands) | Exchange rate (NT\$) | NT\$ |
| <u>Financial assets</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| RMB | 375,597 | 4.4390 | 1,667,277 | 2,197 | 4.3546 | 9,567 | 442,310 | 4.3127 | 1,907,552 |
| USD | 21,343 | 29.7240 | 634,399 | 85,955 | 27.6804 | 2,379,265 | 15,594 | 27.8600 | 434,443 |
| <u>Financial liabilities</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD | 34,334 | 29.7224 | 1,020,489 | 105,500 | 27.6818 | 2,920,432 | 34,124 | 27.8600 | 950,694 |

(b) Sensitivity analysis

The exchange rate risk of the Group mainly comes from the foreign currency-denominated cash and the cash equivalents, accounts receivable and other receivables, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during the conversion. On June 30, 2022 and 2021, when the Taiwan dollar devalues by 0.25% against the US dollar and the Chinese Yuan, while all other factors remain unchanged, the net profit before tax from January 1 to June 30, 2022 and

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2021 will increase by approximately \$3,203 thousand and \$3,478 thousand, respectively.

(c) Exchange gains and losses of monetary items

Due to the variety of functional currencies in the Group, the exchange gains and losses of monetary items are disclosed by the method of exchange consolidation. The exchange gains (losses) of foreign currencies from April 1 to June 30, 2022 and 2021, and from January 1 to June 30, 2022 and 2021 including realized and unrealized ones, are \$38,753 thousand, (\$11,804) thousand, \$43,483 thousand and (\$18,162) thousand, respectively.

D. Market risk

The impact on the profit and loss items is as follows if the price of equity securities changes on the reporting date. (The bases of both periods are the same, and assuming there is no change on other factors.)

| | From January to June 2022 | | From January to June 2021 | |
|--|--|-------------------------------|---|-------------------------------|
| | The amount of other comprehen sive income (loss) after tax | income (loss) after tax | The amount of other comprehe nsive income (loss) after tax | income (loss) after tax |
| Securities prices on the reporting date | | | | |
| Up 5% | \$ - | 10,826 | - | 14,771 |
| Down 5% | \$ - | (10,826) | - | (14,771) |

The aforementioned is a description of the price changes of Grade 3 equity securities using the net asset value method. For the price changes of the other Grade 3 equity securities using other evaluation method, please refer to this note 6 (4), "Measurement of the fair value of the Grade 3 equity securities, and sensitivity analysis of the fair value of the Grade 3 equity securities to reasonable alternative assumptions."

E. Interest rate analysis

The time deposits and short-term loans of the Company are fixed interest rates, which have no interest rate fluctuation risk. Therefore, it does not cause significant cash flow risk.

The interest rate of the Group's long-term loans is floating interest rate. The following sensitivity analysis based on the exposure to interest rate risk for long-term loans on reporting date. The analysis of floating interest rate liability is based on the assumption that

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the liability is outstanding for whole year. The rate of change used when reporting interest rates within the Group to key management is an increase or decrease of 0.25% in interest rates, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increases or decreases by 0.25% and all other variables remain unchanged, the Group's net income before tax from January 1 to June 30, 2022 and 2021 will decrease or increase by 1,486 thousand and 1,050 thousand respectively, mainly due to the Group's floating interest rate loans.

F. Information on fair value

(a) Types and fair value of financial instruments

The book amount and fair value (including fair value-grade information, but not a reasonable approximation of fair value to the book value of financial instruments measured by fair value, and investment in equity instruments without quotation and reliable measurement of fair value in the flexible market, there is no need to disclose fair value information according to regulations.) of the financial assets and financial liabilities of the Group are listed as follows:

| | 2022.6.30 | | | | |
|--|----------------------|------------|----------|----------------|----------------|
| | Book value | Fair value | | | Total amount |
| | | Grade 1 | Grade 2 | Grade 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Domestic unlisted stocks | \$ 21,542 | - | - | 21,542 | 21,542 |
| Non-listed foreign shares | 95,870 | - | - | 95,870 | 95,870 |
| Private fund | 254,729 | - | - | 254,729 | 254,729 |
| Subtotal | 372,141 | - | - | 372,141 | 372,141 |
| Financial assets measured at amortized costs | | | | | |
| Cash and cash equivalents | 8,677,070 | - | - | - | - |
| Restricted bank deposit | 61,141 | - | - | - | - |
| Contract assets | 507,992 | - | - | - | - |
| Notes receivable and accounts receivable (including related parties) | 881,463 | - | - | - | - |
| Other receivables | 30,926 | - | - | - | - |
| Guarantee deposits paid | 12,039 | - | - | - | - |
| Subtotal | 10,170,631 | - | - | - | - |
| Total amounts | \$ 10,542,772 | - | - | 372,141 | 372,141 |
| Financial liabilities at amortized costs | | | | | |
| Short-term loans | \$ 3,187,705 | - | - | - | - |
| Accounts payable (including related parties) | 803,336 | - | - | - | - |
| Other payables (including related parties) | 448,860 | - | - | - | - |

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| | | | | | |
|---|----------------------|----------------|----------------|----------------|---------------------|
| Dividend payable | 275,110 | - | - | - | - |
| Convertible bond-liability component | 1,490,521 | - | - | - | - |
| Long-term loans | 2,028,800 | - | - | - | - |
| Lease liabilities | 20,641 | - | - | - | - |
| Guarantee deposits received | 9,809 | - | - | - | - |
| Total amounts | \$ 8,264,782 | - | - | - | - |
| 2021.12.31 | | | | | |
| Fair value | | | | | |
| | Book value | Grade 1 | Grade 2 | Grade 3 | Total amount |
| Financial assets at fair value through profit or loss | | | | | |
| Domestic unlisted stocks | \$ 20,704 | - | - | 20,704 | 20,704 |
| Non-listed foreign shares | 113,643 | - | - | 113,643 | 113,643 |
| Private fund | 271,655 | - | - | 271,655 | 271,655 |
| Subtotal | 406,002 | - | - | 406,002 | 406,002 |
| Financial assets measured at amortized costs | | | | | |
| Cash and cash equivalents | 9,066,899 | - | - | - | - |
| Restricted bank deposit | 60,572 | - | - | - | - |
| Contract assets | 329,504 | - | - | - | - |
| Notes receivable and accounts receivable (including related parties) | 755,229 | - | - | - | - |
| Other receivables | 24,715 | - | - | - | - |
| Guarantee deposits paid | 11,426 | - | - | - | - |
| Subtotal | 10,248,345 | - | - | - | - |
| Total amounts | \$ 10,654,347 | - | - | 406,002 | 406,002 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities -current | \$ 962 | - | 962 | - | 962 |
| Financial liabilities at amortized costs | | | | | |
| Short-term loans | 3,142,240 | - | - | - | - |
| Accounts payable (including related parties) | 630,543 | - | - | - | - |
| Other payables (including related parties) | 595,641 | - | - | - | - |
| Convertible bond-liability component | 1,474,834 | - | - | - | - |
| Long-term loans | 1,945,900 | - | - | - | - |
| Lease liabilities | 39,109 | - | - | - | - |
| Guarantee deposits received | 4,826 | - | - | - | - |
| Subtotal | 7,833,093 | - | - | - | - |
| Total amounts | \$ 7,834,055 | - | 962 | - | 962 |
| 2021.6.30 | | | | | |
| Fair value | | | | | |
| | Book value | Grade 1 | Grade 2 | Grade 3 | Total amount |
| Financial assets at fair value through profit or loss | | | | | |
| Derivative financial assets –non-current | \$ 450 | - | 450 | - | 450 |

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| | | | | | |
|---|----------------------|---|--------------|----------------|----------------|
| Non-listed foreign shares | 110,688 | - | - | 110,688 | 110,688 |
| Private fund | 347,560 | - | - | 347,560 | 347,560 |
| Subtotal | 458,698 | - | 450 | 458,248 | 458,698 |
| Financial assets measured at amortized costs | | | | | |
| Cash and cash equivalents | 8,476,967 | - | - | - | - |
| Restricted bank deposit | 59,751 | - | - | - | - |
| Contract assets | 214,172 | - | - | - | - |
| Notes receivable and accounts receivable (including related parties) | 777,549 | - | - | - | - |
| Other receivables | 46,391 | - | - | - | - |
| Guarantee deposits paid | 12,770 | - | - | - | - |
| Subtotal | 9,587,600 | - | - | - | - |
| Total amounts | \$ 10,046,298 | - | 450 | 458,248 | 458,698 |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities -current | \$ 2,200 | - | 2,200 | - | 2,200 |
| Financial liabilities at amortized costs | | | | | |
| Short-term loans | 2,785,958 | - | - | - | - |
| Accounts payable (including related parties) | 520,762 | - | - | - | - |
| Other payables (including related parties) | 569,803 | - | - | - | - |
| Dividend payable | 440,212 | - | - | - | - |
| Convertible bond-liability component | 1,459,313 | - | - | - | - |
| Long-term loans | 837,400 | - | - | - | - |
| Lease liabilities | 53,326 | - | - | - | - |
| Guarantee deposits received | 6,279 | - | - | - | - |
| Subtotal | 6,673,053 | - | - | - | - |
| Total amounts | \$ 6,675,253 | - | 2,200 | - | 2,200 |

(b) Fair value assessment technique for measuring financial instruments at fair value

(I) Non-derivative financial instruments

The financial instrument held by the Group without an active market is an equity instrument or beneficiary certificate without open price, and its fair value is listed as the following by its kind and attributes:

- (i) Equity instrument without open price: to use comparable company method and comparable transaction method. The main assumption of comparable company method is based on the profit after tax or the enterprise value of the investee and the listed earnings and enterprise value-to-sales multiplier derived from the market prices of comparable companies. This estimate has adjusted for the discounted effect of the lack of marketability of the equity securities.
- (ii) Beneficiary certificate without open price: The fair value is estimated using the

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asset method. Total value of the beneficiary certificate is determined by the value covered by it.

(II) Derivative financial instruments

The right of conversion, redemption and sale of convertible bonds payable is estimated at fair value according to the appraisal report of external experts. The evaluation model is a binary tree convertible bond evaluation model, which uses market basis including stock price volatility, risk-free interest rate, risk discount rate and liquidity risk to observe the input value to reflect the fair value of options.

Forward foreign exchange contract and SWAP contract are usually evaluated based on the bank statement.

(c) Statement of changes of Grade 3

| | From January to June 2022 | | | From January to June 2021 | |
|-----------------------------|--------------------------------|--|---------------------------|--|---------------------------|
| | Domestic unlisted stocks | Non-listed foreign company shares | Private equity fund | Non-listed foreign company shares | Private equity fund |
| Balance on January 1 | \$ 20,704 | 113,643 | 271,655 | 65,472 | 380,528 |
| Gains/ Losses: | | | | | |
| Recognized in gains/ losses | (664) | (20,037) | (22,348) | 46,452 | (28,697) |
| The impact of exchange rate | 1,502 | 2,264 | 5,422 | (1,236) | (4,271) |
| Balance on June 30 | <u>\$ 21,542</u> | <u>95,870</u> | <u>254,729</u> | <u>110,688</u> | <u>347,560</u> |

The above mentioned profits/ losses are recognized in other profits and losses.

(d) Quantified information on significant unobservable inputs (Grade 3) used in fair value measurement

Main composition of fair value classified as Grade 3 of the Group is financial assets at fair value through profit or loss.

Investments in equity instruments classified as the Grade 3 non-active market have significant unobservable input values in the plural. The significant unobservable input values of equity instruments investment in non-active markets are independent of each other, so there is no correlation between them.

The quantitative information of significant unobservable input values is listed as follows:

| Items | Evaluation technologies | Significant unobservable input value | The relationship between significant unobservable |
|-------|-------------------------|--------------------------------------|---|
|-------|-------------------------|--------------------------------------|---|

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| | | | <u>input values and fair value</u> |
|--|---|--|--|
| Financial assets at fair value through profit or loss — equity instrument investment without active market | Refer to Listed (OTC) Company Act and Comparable transaction method | <ul style="list-style-type: none"> • Price-to-Revenue ratio (3.72 on 2022. 06.30) • P/E ratio multiplier (11.71 on 2021. 12.31) • Multiplier of enterprise value-to-sales (1.52 on 2022.06.30, 3.92 on 2021. 12.31 and 3.94 on 2021.06.30) • Lack of market liquidity discounts: Price-to-Revenue ratio (18% on 2022. 06.30) | <ul style="list-style-type: none"> • The higher the multiplier, the higher the fair value • The higher the discount for lack of market liquidity, the lower the fair value |
| | | P/E ratio multiplier: 20% on 2021.12.31 Multiplier of enterprise value-to-sales: 24% on 2022.06.30, 10% on 2021.12.31 and 15% on 2021.06.30 | |
| Financial assets at fair value through profit or loss- Private fund investment consideration | Net asset value method | Net asset value | <ul style="list-style-type: none"> • The higher the net asset value, the higher the fair value |

(e) A sensitivity analysis of the fair value of the Grade 3 to reasonable alternative assumptions

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The fair value measurement of financial instruments by Group is reasonable, but different evaluation models or parameters may lead to different evaluation results. For financial instruments classified as the Grade 3, if the evaluation parameters change, the impact on current profits and losses is as follows:

| | | | Changes in fair value reflecting in current profits and losses | |
|--|---------------------------|--------------------|--|-----------------------|
| | Input value | Move up or down | Favorable change | Unfavorable change |
| June 30, 2022 | | | | |
| Financial assets measured at fair value through profit and loss | | | | |
| Equity instrument investment in non- active market | Price-to-Revenue ratio | 5% | 4,852 | (4,852) |
| Equity instrument investment in non- active market | Enterprise value-to-Sales | 5% | 1,075 | (1,075) |
| December 31, 2021 | | | | |
| Financial assets measured at fair value through profit and loss | | | | |
| Equity instrument investment in non- active market | P/E ratio | 5% | 10,368 | (10,368) |
| Equity instrument investment in non- active market | Enterprise value-to-Sales | 5% | 1,309 | (1,309) |
| June 30, 2021 | | | | |
| Financial assets measured at fair value through profit and loss | | | | |
| Equity instrument investment in non- active market | Enterprise value-to-Sales | 5% | 1,279 | (1,279) |

The favorable and unfavorable changes of the Group refer to the fluctuations of the fair value, which is calculated based on the evaluation technology according to the varying degrees of unobservable input parameters. If the fair value of a financial instrument is affected by more than one input value, the above table only reflects the impact of changes in a single input value and does not take into account the correlation and variability between input values.

(f) Offsetting of financial assets and liabilities

The Group has transactions in financial instruments that are subject to the provisions of paragraph 42 of the IAS 32 endorsed by FSC, and the financial assets and financial liabilities related to such transactions are expressed on the balance sheet as a net amount. The following table lists the relevant information about the offset of the above financial assets and financial liabilities:

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| 2021.12.31 | | | | | |
|---|---|--|---|--------------------------|---------------------------|
| Financial assets subject to offset, offset settlement agreement or similar agreements | | | Relative amount not offset in balance sheet (d) | | |
| Total amount of recognized financial assets (a) | Offset financial liabilities recognized in balance sheet (b) | Net amount of financial assets in balance sheet (c)=(a)-(b) | Financial instrument | Cash collateral received | Net amount (e)=(c)-(d) |
| Other financial assets | 802,720 | 802,720 | - | - | - |

| 2021.12.31 | | | | | |
|---|--|---|---|--------------------------|---------------------------|
| Financial assets subject to offset, offset settlement agreement or similar agreements | | | Relative amount not offset in balance sheet (d) | | |
| Total amount of recognized financial liabilities (a) | Offset financial assets recognized in balance sheet (b) | Net amount of financial liabilities in balance sheet (c)=(a)-(b) | Financial instrument | Cash collateral received | Net amount (e)=(c)-(d) |
| Short-term loans | 802,720 | 802,720 | - | - | - |

| 2021.6.30 | | | | | |
|---|---|--|---|--------------------------|---------------------------|
| Financial assets subject to offset, offset settlement agreement or similar agreements | | | Relative amount not offset in balance sheet (d) | | |
| Total amount of recognized financial assets (a) | Offset financial liabilities recognized in balance sheet (b) | Net amount of financial assets in balance sheet (c)=(a)-(b) | Financial instrument | Cash collateral received | Net amount (e)=(c)-(d) |
| Other financial assets | 1,783,040 | 1,783,040 | - | - | - |

| 2021.6.30 | | | | | |
|---|--|---|---|--------------------------|---------------------------|
| Financial assets subject to offset, offset settlement agreement or similar agreements | | | Relative amount not offset in balance sheet (d) | | |
| Total amount of recognized financial liabilities (a) | Offset financial assets recognized in balance sheet (b) | Net amount of financial liabilities in balance sheet (c)=(a)-(b) | Financial instrument | Cash collateral received | Net amount (e)=(c)-(d) |
| Short-term loans | 1,783,040 | 1,783,040 | - | - | - |

(25) Financial risk management

The target and policy of financial risk management of the Group has no significant changes compared with note 6 (24) in the consolidated financial report of 2021.

(26) Capital management

The target, policy, and procedure of capital management of the Group are consistent with those in the consolidated financial report of 2021, the quantified data summary of capital management has no significant changes compared with the consolidated financial report of 2021. Please refer to the note 6 (25) in the consolidated financial report of 2021 for relate information.

(27) Investment and financing activities in non-cash transactions

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For the year ended June 30, 2022 and 2021, the Group's non-cash investing and financing activities were derived from acquisition right-of-use asset through finance leasing and the amortization of convertible bonds discount. Please refer to notes 6(10), (14) and (15) for related information.

The adjustment of liabilities from financing activities are as follows:

| | | | Non-cash changes | | | | | | |
|---|--------------|-----------|---------------------------|-----------------------|--------------------|---------|--------|--------|-----------|
| | 2022.1.1 | Cash flow | Discount and amortization | Exchange rate changes | Fair value changes | Acquire | Reduce | Others | 2022.6.30 |
| Short-term loans | \$ 3,142,240 | 45,465 | - | - | - | - | - | - | 3,187,705 |
| Long-term loans | 1,945,900 | - | - | 81,600 | - | - | - | 1,300 | 2,028,800 |
| Convertible bonds payable | 1,474,834 | - | 15,687 | - | - | - | - | - | 1,490,521 |
| Lease liabilities | 39,109 | (19,031) | - | 1,224 | - | - | (661) | - | 20,641 |
| Total liabilities from financing activities | \$ 6,602,083 | 26,434 | 15,687 | 82,824 | - | - | (661) | 1,300 | 6,727,667 |

| | | | Non-cash changes | | | | | |
|---|--------------|-------------|---------------------------|-----------------------|--------------------|---------|--------|-----------|
| | 2021.1.1 | Cash flow | Discount and amortization | Exchange rate changes | Fair value changes | Acquire | Others | 2021.6.30 |
| Short-term loans | \$ 4,513,883 | (1,727,925) | - | - | - | - | - | 2,785,958 |
| Long-term loans | 836,100 | - | - | - | - | - | 1,300 | 837,400 |
| Convertible bonds payable | 1,443,956 | - | 15,357 | - | - | - | - | 1,459,313 |
| Lease liabilities | 65,785 | (16,817) | - | (1,838) | - | 6,196 | - | 53,326 |
| Total liabilities from financing activities | \$ 6,859,724 | (1,744,742) | 15,357 | (1,838) | - | 6,196 | 1,300 | 5,135,997 |

7. Related party transactions

(1) Parent company and ultimate controller

Foxconn (Far East) Limited is the parent company of the Group, holding 59.52% of the outstanding common shares of the Group as of June 30, 2022, December 31, 2021 and June 30, 2021. Hon Hai Precision Industry Co., Ltd. is the ultimate controller of the Group to which the Group belongs. Hon Hai Precision Industry Co., Ltd. has prepared a consolidated financial report for public use.

(2) Name and relations of related parties

During the period covered by this consolidated financial report, the following persons have business relations with the Group:

| Name of related parties | Relation with Group |
|--|--|
| Hon Hai Precision Industry Co., Ltd. | Ultimate controller |
| Foxconn OE Technologies Singapore Pte. Ltd. | Its ultimate controller is the same as that of Group |
| Foxconn Interconnect Technology Limited | Its ultimate controller is the same as that of Group |
| Fortunebay Technology Pte. Ltd. | Its ultimate controller is the same as that of Group |
| Hong Fujin Precision Industry (Shenzhen) Limited Company | Its ultimate controller is the same as that of Group |

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| | |
|---|--|
| Foxconn (Nanjing) Software Company | Its ultimate controller is the same as that of Group |
| Shenzhen Fu Neng New Energy Technology Co., Ltd. | Its ultimate controller is the same as that of Group |
| Futaihua Industry (Shenzhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Zhengyi longhua Special Material (ShenZhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Triple Win Technology (ShenZhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Foxcavity Precision Industry (ShenZhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Shenzhen Fertile Plan International Logistics Co., Ltd. | Its ultimate controller is the same as that of Group |
| Shenzhen Fulian Fugui Precision Industry Co., Ltd. | Its ultimate controller is the same as that of Group |
| Fulian Yuzhan Technology (ShenZhen) Co., Ltd. | Its ultimate controller is the same as that of Group |
| Champ Tech Optical (Foshan) Corporation | Other related parties |

(3) Major transactions with related parties

A. Sales

The significant sales amount of the Group to the related parties is as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|--|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Other related parties | | | | |
| Foxconn Interconnect Technology Limited | \$ 59,086 | 112,647 | 201,520 | 200,986 |
| Triple Win Technology (Shenzhen) Co., Ltd. | - | 340,629 | - | 798,042 |
| Others | 252 | 245 | 501 | 493 |
| | <u>\$ 59,338</u> | <u>453,521</u> | <u>202,021</u> | <u>999,521</u> |

There is no significant difference between the above price terms of sales revenue and that of general customers. The collection conditions are within four months, no significant difference with the general customer.

B. Purchase

The purchase amount of the Group from the related parties is as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|-----------------------|-------------------------------|-------------------------------|------------------------------------|------------------------------------|
| Other related parties | <u>\$ 36,770</u> | <u>40,573</u> | <u>49,987</u> | <u>58,249</u> |

There is no significant difference between the purchase price of the Group and that of the general manufacturer. Payment terms are all within four months, and there is no significant

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difference with the general manufacturers.

C. Expenses for professional services

The details of management service fees and legal fees paid by the Group to the related parties are as follows:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|---------------------|--|--|--|--|
| Ultimate controller | \$ 522 | 201 | 791 | 491 |

D. Accounts receivable from related parties

Details of the receivables of the related parties of the Group are as follows:

| Account items | Related-party categories | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|----------------------|--|------------------|-------------------|------------------|
| Accounts receivable | Other related parties | | | |
| | Foxconn Interconnect Technology Limited | \$ 59,758 | 99,344 | 111,335 |
| | Triple Win Technology (Shenzhen) Co., Ltd. | 2,068 | 2,027 | 282,053 |
| | Others | 89 | 87 | 86 |
| Subtotal | | 61,915 | 101,458 | 393,474 |
| Other receivables | Triple Win Technology (Shenzhen) Co., Ltd. | 2,302 | 4,546 | - |
| | | \$ 64,217 | 106,004 | 393,474 |

As of June 30, 2022, December 31, 2021 and June 30, 2021, no allowance for loss is required for the above-mentioned related parties.

E. Contract assets

The details of the contract assets of the Group to related parties are as follows:

| Account items | Types of related parties | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|----------------------|--|------------------|-------------------|------------------|
| Contract assets | Other related parties | | | |
| | Triple Win Technology (Shenzhen) Co., Ltd. | \$ - | - | 14,838 |

F. Property trading - property, plant and equipment disposed

Details of the Group's disposal of property, plant and equipment are as follows:

| Related-party categories | From April to June 2022 | | From April to June 2021 | |
|-------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------------------------|
| | Proceeds | Gain (loss) on disposal | Proceeds | Gain (loss) on disposal |
| Other related parties | \$ - | - | - | - |

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| | From January to June 2022 | | From January to June 2021 | |
|--|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | Proceeds | Gain (loss) on disposal | Proceeds | Gain (loss) on disposal |
| Related-party categories | | | | |
| Triple Win Technology (Shenzhen) Co., Ltd. | \$ 24,532 | - | - | - |

As of June 30, 2022, the remaining sale price of RMB 2,302 thousand (including taxes) has not been received, and it is recognized as other receivables.

G. Payables to related parties

The details of the amount payable by the Group to its related parties are as follows:

| Account | Related-party categories | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|-------------------------------------|---|------------------|---------------|---------------|
| Accounts payable to related parties | Other related parties | \$ 29,664 | 11,485 | 23,706 |
| Other payables to related parties | Ultimate controller | 63 | 3,063 | 6,151 |
| | Other related parties | | | |
| | Foxcavity Precision Industry (ShenZhen) Co., Ltd. | 10,508 | 10,302 | 10,234 |
| | Futaihua Industry (Shenzhen) Co., Ltd. | - | 21,151 | - |
| | Others | 9,331 | 9,209 | 9,688 |
| | | 19,902 | 43,725 | 26,073 |
| | | \$ 49,566 | 55,210 | 49,779 |

(4) Remuneration of major management personnel

Key management personnel compensation comprised:

| | From April to June 2022 | From April to June 2021 | From January to June 2022 | From January to June 2021 |
|------------------------------|----------------------------|----------------------------|------------------------------|------------------------------|
| Short-term employee benefits | \$ 6,362 | 6,044 | 10,463 | 31,077 |
| Post-employment benefits | 117 | 88 | 230 | 175 |
| | \$ 6,479 | 6,132 | 10,693 | 31,252 |

8. Pledged assets

Book value list of pledged assets of the Group is as follows:

| Pledged asset | Object | 2022.6.30 | 2021.12.31 | 2021.6.30 |
|--|------------------------|-----------|------------|-----------|
| Restricted bank deposit (recognized as | Customs deposit and \$ | 61,141 | 52,572 | 51,752 |

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| | | | | |
|---|----------------|------------------|---------------|---------------|
| financial assets measured at amortized cost-current) | Long-term loan | | | |
| Restricted bank deposit (recognized as financial assets measured at amortized cost-non-current) | Long-term loan | - | 8,000 | 8,000 |
| Total | | <u>\$ 61,141</u> | <u>60,572</u> | <u>59,752</u> |

9. Material contingent liabilities and unrecognized contractual commitments

As of June 30, 2022 and 2021, the Group has signed contracts for the purchase of property, plant and equipment with a price of 2,855,109 thousand and 855,386 thousand, respectively, and the paid amounts are 1,220,665 thousand and 780,540 thousand respectively, which are recognized as unfinished construction of property, plant and equipment and prepayments for business facilities.

10. Major disaster losses: None.

11. Major subsequent events: None.

12. Others

(1) The functions of employee welfare, depreciation, depletion and amortization are summarized as follows:

| Functions Items | From April to June 2022 | | | From April to June 2021 | | |
|---------------------------------|-------------------------|--------------------|--------------|-------------------------|--------------------|--------------|
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefit expenses | | | | | | |
| Salary expenses | 101,809 | 85,615 | 187,424 | 141,398 | 97,152 | 238,550 |
| Health insurance expenses | 3,987 | 3,483 | 7,470 | 2,042 | 1,781 | 3,823 |
| Pension expenses | 7,510 | 5,902 | 13,412 | 9,360 | 4,778 | 14,138 |
| Other employee benefit expenses | 19,190 | 12,034 | 31,224 | 17,317 | 8,108 | 25,425 |
| Depreciation expenses | 110,556 | 17,995 | 128,551 | 122,771 | 27,224 | 149,995 |
| Amortization expenses | 28 | 116 | 144 | 2,681 | 199 | 2,880 |

| Functions Items | From January to June 2022 | | | From January to June 2021 | | |
|---------------------------|---------------------------|--------------------|--------------|---------------------------|--------------------|--------------|
| | Operating costs | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefit expenses | | | | | | |

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| | | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|---------|
| Salary expenses | 190,474 | 157,759 | 348,233 | 297,645 | 179,832 | 477,477 |
| Health insurance expenses | 8,267 | 6,778 | 15,045 | 3,866 | 4,083 | 7,949 |
| Pension expenses | 15,026 | 11,891 | 26,917 | 19,094 | 9,313 | 28,407 |
| Other employee benefit expenses | 30,456 | 24,466 | 54,922 | 39,634 | 16,251 | 55,885 |
| Depreciation expenses | 215,119 | 35,470 | 250,589 | 233,021 | 52,554 | 285,575 |
| Amortization expenses | 56 | 202 | 258 | 5,389 | 414 | 5,803 |

(2) Seasonal characteristic:

The operation of the Group is not affected by seasonal or cyclical factors.

13. Disclosure of Note

(1) Information on major transactions

From January 1 to June 30, 2022, the Group shall disclose the information on the major transactions subject to the Guidelines:

A. Loan to other parties:

Unit: NT\$1,000

| No | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the year ended June 30, 2022 | Balance at June 30, 2022 | Actual amount drawn down (Note 2) | Interest rate (%) | Nature of loan (Note 1) | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party | Ceiling on total loans |
|----|------------------|------------------|------------------------|--------------------|---|--------------------------|-----------------------------------|-------------------|-------------------------|--|---------------------------------|---------------------------------|------------|-------|--|------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | The Company | ShunYun (Cayman) | Other receivables | Y | 452,157 (RMB 101,860) | 452,157 (RMB 101,860) | 452,157 (RMB 101,860) | - | 2 | - | Business operation | - | - | - | 632,041 (Note 2) | 2,528,163 (Note 2) |
| 2 | ShunSin (Samoa) | The Company | Other receivables | Y | 429,647 (RMB 95,350) | - | - | - | 2 | - | Business operation | - | - | - | 2,635,504 (Note 3) | 2,635,504 (Note 3) |
| 3 | ShunYun (Cayman) | ShunYun (Ha Noi) | Other receivables | Y | 103,180 (USD 3,500) | - | - | - | 2 | - | Business operation | - | - | - | 1,734,342 (Note 4) | 3,464,684 (Note 4) |

Note 1: The method of filling in the nature of capital loan is as follows:

- (1) For business trading, please fill in 1.
- (2) If short-term financing is necessary, please fill in 2.

Note 2: When the company has the need for short-term financing to lend others, the total amount of loan shall not exceed 40% of the Company's net value, and the loan to individual entity shall not exceed 10% of the Company's net value.

Note 3: The policy for loans granted by subsidiaries to the Company whose voting shares are not directly or indirectly wholly-owned, the loan shall not be restricted to the regulation of individual subsidiary, though total loans shall not exceed 400% of the Company's net value.

Note 4: The policy for loans granted by overseas subsidiaries of which parent company directly or indirectly holds 100% of their voting shares is as follows: ceiling on total loans granted by overseas subsidiaries is not limited to its regulations, however, ceiling of total loans is 400% of the net assets value of lender; limit on loans granted by a subsidiary to a single party is 200% of the net assets value of lender.

Note 5: The aforementioned transactions between consolidated entities have been offset at the time of preparing consolidated financial statements.

B. Loan to other parties:

| No | Guarantor/Endorser | Party being guaranteed/endorsed | | Limited on guarantees/endorsements provided for a single party (Note 2) | Maximum outstanding guarantee/endorsement amount as of June 30, 2022 | Outstanding guarantee/endorsement amount as of June 30, 2022 | Amount of guarantees/endorsements secured with collateral | Ratio of accumulated guarantee/endorsement amount to net asset value of the guarantor/endorser company (%) | Limit on total amount of guarantees/endorsements period | Provision of guarantees/endorsements by parent company to subsidiary (Note 2) | Provision of guarantees/endorsements by subsidiary to parent company | Provision of guarantees/endorsements to the party in Mainland China | Amount of guarantees/endorsements secured with collateral |
|----|--------------------|---------------------------------|---|---|--|--|---|--|---|---|--|---|---|
| | | Company name | Relationship with the guarantor/endorser (Note 1) | | | | | | | | | | |
| 2 | The Company | ShunYun (Cayman) | 2 | 3,160,204 | 1,783,200 (USD 60,000) | 1,783,200 (USD 60,000) | 1,188,800 (USD 40,000) | - | 28.21% | 6,320,407 | Y | N | N |

Note 1: Relationship between guarantor and guarantee:
1. Business transaction

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2. The Company directly or indirectly holds more than 50% of their voting shares.
3. The party directly or indirectly holds more than 50% of the Company's voting shares.

Note 2: The total guarantees and endorsements of the Company to others should not be in excess of the Company's net value, and for a single party should not be in excess of 50% of the Company's net value.

C. Marketable securities held as of June 30, 2022 (excluding investment in subsidiaries, associates and joint ventures):

| Holding company | Types and names of marketable securities | Relations with securities issuers | Account subjects | Closing period | | | | Remarks |
|---------------------|--|-----------------------------------|--|-----------------|------------|--------------------|------------|---------|
| | | | | Number of share | Book value | Shareholding ratio | Fair value | |
| ShunSin (Samoa) | Stocks: Dyna Image Corp | — | Financial assets measured at fair value through profit or loss-non-current | 540,000 | 21,542 | 5.56% | 21,542 | |
| ShunSin (Zhongshan) | Stocks: Lansus Technologies Corporation Limited | — | " | 3,044,625 | 95,870 | 0.76% (Note) | 95,870 | |
| ShunSin (Zhongshan) | Private Fund: Ji Nan Fu Jie industrial investing joint venture | — | " | - | 254,729 | 6.67% | 254,729 | |

Note: Lansus Technologies Corporation Limited increased its capital in March, 2022, and its shares increased from 397,090 thousand shares to 402,528 thousand shares. Share ratio of ShunSin (Zhongshan) decreased from 0.77% to 0.76% since it did not attend the capital increasing.

D. Accumulative purchase or sale of the same securities amounted to NT\$300 million or more than 20% of the paid-in capital: none.

E. The amount for acquiring real estate is \$300 million or more than 20% of the paid-in capital:

| Companies acquiring fixed assets | Name of assets | Happen date | Amount | Payment situation | Transaction object | relation | Related party's previous transaction data | | | | Reference basis for price determination | Purpose of acquisition | Other agreement |
|----------------------------------|----------------------|-------------|---------|-------------------|---|----------|---|----------|---------------|--------|---|------------------------|-----------------|
| | | | | | | | Parties | relation | Transfer date | Amount | | | |
| ShunSin (Bac Giang) | Houses and buildings | 2022.6.23 | 685,100 | - | Rui Yang Electrical and Mechanical Engineering Co., Ltd | None | | | | - | Building on self-owned land | Constructing factory | None |

F. The amount for disposing of real estate amounted to \$300 million or more than 20% of the paid-in capital: none.

G. The amount of goods purchased and sold reaches \$100 million or more than 20% of the paid-in capital with the related parties:

| Companies purchasing and selling goods | Counter party | relation | Transaction situation | | | | Reason of trading terms differs from normal transaction | | Notes receivable (payable), accounts receivable (payable) | | Remarks |
|--|---|---------------------|-----------------------|---------|---------------------------------|---------------|---|---------------|---|--|---------|
| | | | Purchase/sale | Amount | Ratio of total purchase (sales) | Credit period | Unit price | Credit period | Balance | Ratio to total notes receivable, accounts receivable (payable) | |
| The Company | Foxconn Interconnect Technology Limited | Other related party | Sale | 201,520 | 32.08% | 4 months | - | | 59,758 | 20.11% | |

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| | | | | | | | | | | | |
|---------------------|------------------|----------------|------|---------|---------|----------|---|---|---------|--------|--------|
| The Company | ShunYun (Cayman) | Subsidiary | Sale | 102,874 | 16.38% | 4 months | - | - | 15,888 | 5.35% | Note 2 |
| ShunSin (Zhongshan) | The Company | Parent company | Sale | 225,969 | 60.24% | 4 months | - | - | 229,768 | 79.16% | Note 2 |
| ShunYun (Zhongshan) | ShunYun (Cayman) | Parent company | Sale | 198,357 | 96.65% | 4 months | - | - | - | - % | Note 2 |
| ShunYun (Ha Noi) | ShunYun (Cayman) | Parent company | Sale | 114,028 | 100.00% | 4 months | - | - | - | - % | Note 2 |

Note 1: The price is calculated at the agreed price.

Note 2: The above transactions with the consolidated entities have been written off at the time of preparing the consolidated financial statements.

H. Receivables of related parties amounted to \$100 million or more than 20% of the capital receivable:

| Companies that account for receivables | Companies that account for receivables | Relation | Related parties of receivables Balance of amounts | Turnover rate % | Overdue receivables of Related parties | | Related parties of receivables Amount recovered after the period (Note 2) | setting aside for allowance for bad debt |
|--|--|----------------|---|-----------------|--|-----------|---|--|
| | | | | | Amount | Treatment | | |
| ShunSin (Zhongshan) | The Company | Parent company | Accounts receivable (Note 1): 229,768 | 1.76 | - | | - | - |
| The Company | ShunYun (Hong Kong) | Parent company | Other receivable (Note 1): 824,252 | - | - | | - | - |
| The Company | ShunYun (Cayman) | Parent company | Other receivable (Note 1): 680,400 | - | - | | - | - |
| ShunSin (Hong Kong) | ShunSin (Zhongshan) | Parent company | Other receivable (Note 1): 738,498 | - | - | | - | - |
| ShunSin (Zhongshan) | The Company | Parent company | Other receivable (Note 1): 1,074,182 | - | - | | 335,188 | - |
| ShunSin (Zhongshan) | ShunYun (Zhongshan) | Affiliate | Other receivable (Note 1): 327,305 | - | - | | - | - |
| ShunYun (Zhongshan) | ShunSin (Samoa) | Affiliate | Other receivable (Note 1): 196,183 | - | - | | - | - |
| ShunYun (Zhongshan) | ShunYun (Cayman) | Parent company | Other receivable (Note 1): 152,411 | - | - | | - | - |
| ShunYun (Cayman) | ShunYun (Ha Noi) | Parent company | Other receivable (Note 1): 1,392,830 | - | - | | 564,673 | - |

Note 1: The aforementioned transactions between consolidated entities have been written off in the preparation of consolidated financial statements.

Note 2: As of August 15, 2022.

I. Engaging in derivatives trading: Please refer to note 6 (13) for details.

J. Business relations and important transactions between parent and subsidiary companies:

| No. (Note 1) | Trader's name | Business trading objects | Relation between trader (Note 2) | Transaction situation | | | Ratio to consolidated total operating income or total assets (Note 3) |
|--------------|-----------------|--------------------------|----------------------------------|-----------------------|-----------|--|---|
| | | | | Subject | Amount | Transaction conditions | |
| 0 | The Company | ShunSin (Zhongshan) | 1 | Purchases | 225,969 | The price is based on the price agreed by both | 10.80 |
| 0 | " | " | 1 | Accounts payable | 229,768 | Within 4 months | 1.51 |
| 0 | " | " | 1 | Other payables | 1,074,182 | Pay/receive on behalf, no general customers for comparison | 7.05 |
| 1 | ShunSin (Samoa) | ShunYun (Zhongshan) | 3 | Other payables | 196,183 | Pay/receive on behalf, | 1.29 |

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| | | | | | | | |
|---|---------------------|---------------------|---|----------------|-----------|--|------|
| 2 | ShunSin (Zhongshan) | ShunSin (Hong Kong) | 3 | Other payables | 738,498 | no general customers for comparison | 4.84 |
| 3 | ShunYun (Cayman) | The Company | 2 | Purchases | 102,874 | Retained earnings distribution | 4.91 |
| 3 | " | " | 2 | Other payables | 452,157 | The price is based on the price agreed by both | 2.97 |
| 3 | " | " | 2 | Other payables | 228,243 | Capital Loan, no general customers for comparison | 1.50 |
| 3 | " | ShunYun (Zhongshan) | 3 | Purchases | 198,357 | Pay/receive on behalf, no general customers for comparison | 9.48 |
| 3 | " | " | 3 | Other payables | 152,411 | The price is based on the price agreed by both | 1.00 |
| 3 | " | ShunYun (Ha Noi) | 3 | Purchases | 114,028 | Pay/receive on behalf, no general customers for comparison | 5.45 |
| 4 | ShunYun (Zhongshan) | ShunSin (Zhongshan) | 3 | Other payables | 327,305 | The price is based on the price agreed by both | 2.15 |
| 5 | ShunYun (Ha Noi) | ShunYun (Cayman) | 3 | Other payables | 1,392,830 | Pay/receive on behalf, no general customers for comparison | 9.14 |
| 6 | ShunYun (Hong Kong) | The Company | 2 | Other payables | 824,252 | Pay/receive on behalf, no general customers for comparison | 5.41 |

Note 1: The information of business transactions between the parent company and the subsidiary company shall be indicated in the No. column respectively. The No. shall be entered as follows:

1. Fill in 0 for parent company.
2. Subsidiaries are numbered in sequence starting with 1.

Note 2: There are three types of relationships with a trader, which can be labeled as follows:

1. Parent company to subsidiary company.
2. Subsidiary company to parent company.
3. Subsidiary company to subsidiary company.

Note 3: The calculation of the transaction amount to the consolidated total revenue or the ratio of total assets shall be carried out in the form of the closing balance to the consolidated total assets if it belongs to the subject of assets and liabilities. In the case of subject of profit and loss, the cumulative amount at closing period shall be calculated on the basis of the consolidated total revenue.

Note 4: It is hereby disclosed that the balance sheet accounts for more than 1% of the consolidated total assets and the subject of profit and loss accounts for more than 10% of the total revenue.

Note 5: The aforementioned transactions between consolidated entities have been written off in the preparation of consolidated financial statements.

(2) Information on investees:

The information of the reinvested business of the Group from January 1 to June 30, 2022, is as follows (excluding the invested company in mainland China):

| Name of investment company | Name of invested company | Location | Main business contents | Original investment amounts (Note3) | | Shareholding at the closing period | | | Net income (losses) of investee (Note 1) | Share of profits/ losses of investee (Note 1 and 2) | Note |
|----------------------------|--------------------------|-----------|---|-------------------------------------|-------------------|------------------------------------|-------------------------|-------------------------------|--|---|------------|
| | | | | June 30, 2022 | December 31, 2021 | Shares | Percentage of ownership | Carrying value (Note 1 and 2) | | | |
| The Company | ShunSin (Hong Kong) | Hong Kong | Holding Company | 3,134,106 | 3,134,106 | 830,455,240 | 91.80% | 9,348,779 | 49,357 | 45,310 | subsidiary |
| The Company | ShunSin (Samoa) | Samoa | Overseas material and equipment procurement | 287,928 | 287,928 | 9,510,000 | 100.00% | 658,876 | 5,644 | 5,644 | subsidiary |
| The Company | ShunYun (Cayman) | Cayman | Holding Company | (Note 4) | 702,682 | (Note 4) | (Note 4) | (Note 4) | 107,571 | 107,571 | subsidiary |
| ShunSin (Samoa) | ShunSin (Hong Kong) | Hong Kong | Holding Company | 287,622 | 287,622 | 74,183,976 | 8.20% | 835,076 | 49,357 | 4,047 | affiliate |
| ShunYun | ShunYun (Ha Noi) | Vietnam | Produce high speed | 180,234 | 180,234 | (Note 6) | 100.00% | 107,355 | 93,372 | 93,372 | affiliate |

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| | | | | | | | | | | | | |
|---------------------|---------------------|-----------|--|-----------|-----------|------------|---------|-----------|----------|----------|-----------|--|
| (Cayman) | | | optical transceiver | | (Note 5) | | | | | | | |
| ShunYun (Cayman) | ShunSin (Bac Giang) | Vietnam | Produce high speed optical transceiver | 1,188,020 | 1,188,020 | (Note 6) | 100.00% | 1,215,587 | 2,797 | 2,797 | affiliate | |
| ShunYun (Zhongshan) | ShunYun (Hong Kong) | Hong Kong | Holding Company | (Note 7) | (Note 7) | (Note 7) | 100.00% | 41,919 | - | - | affiliate | |
| ShunYun (Hong Kong) | ShunYun (Cayman) | Cayman | Holding Company | 813,358 | (Note 4) | 29,279,661 | 100.00% | 866,171 | (Note 4) | (Note 4) | affiliate | |

Note 1: According to the financial statements audited by CPA of the parent company, the invested company shall be appraised and recognized at equity.

Note 2: Long-term and current investment gains and losses at the closing period have been written off in the preparation of consolidated financial statements.

Note 3: The above original investment amount is calculated at historical exchange rate.

Note 4: ShunYun (Hong Kong) purchased 100% equity of the Company's subsidiary, ShunYun (Cayman), on 2022/6/28, so it has acquired 100% equity of ShunYun (Cayman).

Note 5: ShunYun (Cayman) purchased 100% equity of the Company's subsidiary, ShunYun (Ha Noi) and ShunSin (Bac Giang), on 2021/12/25, so it has acquired 100% equity of ShunYun (Ha Noi) and ShunSin (Bac Giang).

Note 6: ShunYun (Ha Noi) and ShunSin (Bac Giang) does not issue shares due to it is limited corporation thus it has no shares.

Note 7: ShunYun (Zhongshan) has invested total US\$ 10,000 thousand as of August 26, 2022, and the shareholding ratio is 100%. Due to the registration of the stock issuing application has not been completed, there is no information on the number of shares.

(3) Information on investment in Mainland China:

A. Name of mainland invested company, main business contents and other related information:

Unit: NTS 1,000

| Name of investee | Main business and products | Paid-in capital | Method of investment (Note1) | Accumulated outflow of investment from Taiwan as of January 1, 2022 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2022 | Net income (losses) of investee | Percentage of ownership | Share of profits/ losses of investee (Note 2 and 3) | Carrying value as of June 30, 2022 (Note 2 and 3) | Accumulated inward remittance of earnings as of June 30, 2022 |
|---------------------|--|-------------------------|------------------------------|---|------------------|--------|---|---------------------------------|-------------------------|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| ShunSin (Zhongshan) | Assembly, testing and sales of SiP products and other types of integrated circuits | 3,030,692 (RMB 722,637) | (2) | Note 4 | Note 4 | Note 4 | Note 4 | (37,528) (RMB (8,478)) | 100.00% | (37,528) (RMB (8,478)) | 8,896,129 (RMB 2,010,480) (Note 5) | Note 4 |
| ShunYun (Zhongshan) | Produce high speed optical transceiver | 544,081 (RMB 125,085) | (2) | Note 4 | Note 4 | Note 4 | Note 4 | 21,408 (RMB 4,836) | 100.00% | 21,408 (RMB 4,836) | 681,208 (RMB 153,831) (Note 5) | Note 4 |
| Talentek | Design, R&D, testing and sales of electrical equipment, communication equipment and automation equipment | 174,728 (RMB 39,634) | (3) | Note 4 | Note 4 | Note 4 | Note 4 | (15,145) (RMB (3,421)) | 44.58% | (6,812) (RMB (1,539)) | 153,415 (RMB 34,644) | Note 4 |

Note 1: The investment modes can be divided into the following three categories, which can be labeled as categories.

- (1) Direct investment in mainland China.
- (2) Indirect investment in mainland China through investment in ShunSin (Hong Kong).
- (3) Indirect investment in mainland China through investment in ShunSin (Zhongshan).

Note 2: According to the financial statements audited by CPA of the parent company, the invested company is evaluated and listed at equity.

Note 3: Long-term and current investment gains and losses at closing period have been written off at the time of compiling the consolidated financial statements.

Note 4: The Company is not a Taiwan company, so there is no such amount.

Note 5: The book value of the investment at the end of the period of 8,903,007 thousand has deducted the unrealized benefits of the fixed assets sold to affiliated companies which amounting to 6,878 thousand. This unrealized benefit has been recognized in the book value of the investment at the end of the period and the investment profit or loss recognized in the current period.

Note 6: The above paid-in capital is calculated at historical exchange rate, the book value held at the closing period is calculated at the exchange rate of June 30, 2022 (exchange rate at closing period RMB: NTD = 1: 4.4283), and the remainder is calculated at the average exchange rate (RMB: NTD = 1: 4.4265).

B. Investment limits in mainland China: Not applicable.

C. Major transactions with mainland invested companies:

For the major direct or indirect transactions between the Group and the mainland invested company from January 1 to June 30, 2022 (which were written off at the time of compiling the consolidated financial report), please refer to "Information on Major Transactions".

(4) Information of major shareholders:

Unit: Share

| Name of major shareholder | Shares | Number of shares held | Shareholding ratio |
|---------------------------|--------|-----------------------|--------------------|
|---------------------------|--------|-----------------------|--------------------|

ShunSin Technology Holdings Limited and Its Subsidiaries

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(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| | | |
|----------------------------|------------|--------|
| Foxconn (Far East) Limited | 63,964,800 | 59.52% |
|----------------------------|------------|--------|

- (a) The main shareholder information in this table is calculated by Taiwan Depository and Clearing Company on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the company without physical registration (including treasury shares) is more than 5%.
- (b) The information aforementioned if shareholders deliver their shares to the trust was disclosed by the individual trustee who opened the trust account. As for shareholders who handle the declaration of insider shareholdings that hold more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their shareholdings plus their delivery to the trust and the use of decision making shares in the trust property, please refer to the Market Observation Post System for information on insider equity declaration.

14. Information on Departments

There is only one reporting department in the Group, so please refer to the consolidated balance sheet and consolidated income statement for the information on operating department.