# ALL RING TECH CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS AND**

**INDEPENDENT AUDITORS' REVIEW REPORT**

**MARCH 31, 2022 AND 2021**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of All Ring Tech Co., Ltd.

## *Introduction*

We have reviewed the accompanying consolidated balance sheets of All Ring Tech Co., Ltd. and its subsidiaries (the "Group") as at March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

## *Scope of Review*

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Basis for Qualified Conclusion*

As explained in Note 4(3), the financial statements and related information disclosed in Note 13 of insignificant consolidated subsidiaries as of and for the three-month periods ended March 31, 2022 and 2021 were not reviewed by independent auditors. Those statements reflect total assets of NT$543,084 thousand and NT$513,489 thousand, constituting 12% and 16% of the consolidated total assets, and total liabilities of NT$40,452 thousand and NT$74,194 thousand, constituting 2% and 7% of the consolidated total liabilities as at March 31, 2022 and 2021, respectively, and total comprehensive income of NT$2,643 thousand and NT$4,719 thousand, both constituting 2% of the consolidated total comprehensive income for the three-month periods then ended, respectively.

## *Qualified Conclusion*

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of consolidated subsidiaries been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Lin Yung-Chih

Independent Auditors

Lin Tzu-Shu

PricewaterhouseCoopers, Taiwan
Republic of China
April 27, 2022

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ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

| | Assets | Notes | March 31, 2022 AMOUNT | % | December 31, 2021 AMOUNT | % | March 31, 2021 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current assets** | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 1,606,119 | 35 | $ 637,280 | 18 | $ 734,838 | 23 |
| 1136 | Financial assets at amortised cost - current | 6(3) | 30,205 | 1 | 29,043 | 1 | 20,019 | 1 |
| 1150 | Notes receivable, net | 6(4) | 42,294 | 1 | 178,797 | 5 | 155,992 | 5 |
| 1170 | Accounts receivable, net | 6(4) and 12 | 859,515 | 19 | 815,925 | 23 | 614,231 | 19 |
| 1200 | Other receivables | | 17,825 | - | 7,998 | - | 4,652 | - |
| 1220 | Current income tax assets | 6(24) | - | - | - | - | 8,908 | - |
| 130X | Inventories | 5(2), 6(5)(7) | 753,697 | 16 | 722,101 | 20 | 570,648 | 18 |
| 1410 | Prepayments | | 9,823 | - | 16,289 | - | 17,768 | - |
| 11XX | **Total current assets** | | 3,319,478 | 72 | 2,407,433 | 67 | 2,127,056 | 66 |
| | **Non-current assets** | | | | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current | 6(2)(12) | 4,300 | - | - | - | - | - |
| 1517 | Financial assets at fair value through other comprehensive income - non-current | 6(6) | 613,414 | 13 | 490,573 | 14 | 436,421 | 14 |
| 1535 | Financial assets at amortised cost - non-current | 6(1)(3) and 8 | 15,403 | - | 15,403 | 1 | 15,403 | 1 |
| 1600 | Property, plant and equipment | 6(7) and 8 | 526,100 | 11 | 523,982 | 15 | 501,975 | 16 |
| 1755 | Right-of-use assets | 6(8) | 74,554 | 2 | 62,703 | 2 | 67,125 | 2 |
| 1780 | Intangible assets | | 10,466 | - | 5,034 | - | 3,298 | - |
| 1840 | Deferred income tax assets | 6(24) | 37,279 | 1 | 46,934 | 1 | 47,714 | 1 |
| 1915 | Prepayments for business facilities | | 20,666 | 1 | 10,881 | - | - | - |
| 1920 | Guarantee deposits paid | | 4,873 | - | 4,650 | - | 4,699 | - |
| 1990 | Other non-current assets | | 12,366 | - | 10,765 | - | 13,414 | - |
| 15XX | **Total non-current assets** | | 1,319,421 | 28 | 1,170,925 | 33 | 1,090,049 | 34 |
| 1XXX | **Total assets** | | $ 4,638,899 | 100 | $ 3,578,358 | 100 | $ 3,217,105 | 100 |

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ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

| | Liabilities and Equity | Notes | March 31, 2022 AMOUNT | % | December 31, 2021 AMOUNT | % | March 31, 2021 AMOUNT | % |
|---|---|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | | | |
| 2100 | Short-term borrowings | 6(9) and 8 | $ - | - | $ 80,000 | 2 | $ - | - |
| 2130 | Current contract liabilities | 6(17) | 58,847 | 1 | 27,263 | 1 | 31,153 | 1 |
| 2150 | Notes payable | | 9,192 | - | 8,646 | - | 576 | - |
| 2170 | Accounts payable | 7 | 546,931 | 12 | 704,082 | 20 | 682,787 | 21 |
| 2200 | Other payables | 6(10) | 210,547 | 5 | 268,513 | 7 | 143,906 | 5 |
| 2230 | Current income tax liabilities | 6(24) | 95,380 | 2 | 75,227 | 2 | 43,822 | 1 |
| 2250 | Provisions for liabilities - current | 6(11) | 21,267 | - | 23,101 | 1 | 18,463 | 1 |
| 2280 | Lease liabilities - current | | 7,465 | - | 4,965 | - | 4,924 | - |
| 21XX | **Total current liabilities** | | 949,629 | 20 | 1,191,797 | 33 | 925,631 | 29 |
| | **Non-current liabilities** | | | | | | | |
| 2530 | Bonds payable | 6(12) | 964,343 | 21 | - | - | - | - |
| 2570 | Deferred income tax liabilities | 6(24) | 25,707 | - | 25,707 | 1 | 26,373 | - |
| 2580 | Lease liabilities - non-current | | 37,545 | 1 | 28,385 | 1 | 32,114 | 1 |
| 2640 | Net defined benefit liabilities - non-current | 6(13) | 28,007 | 1 | 27,757 | 1 | 27,014 | 1 |
| 2645 | Guarantee deposits received | | 2,503 | - | 2,412 | - | - | - |
| 25XX | **Total non-current liabilities** | | 1,058,105 | 23 | 84,261 | 3 | 85,501 | 2 |
| 2XXX | **Total liabilities** | | 2,007,734 | 43 | 1,276,058 | 36 | 1,011,132 | 31 |
| | **Equity** | | | | | | | |
| | Share capital | | | | | | | |
| 3110 | Common stock | 6(14) | 833,239 | 18 | 833,239 | 23 | 833,239 | 26 |
| 3200 | Capital surplus | 6(12)(15) | 473,211 | 10 | 310,911 | 9 | 327,202 | 10 |
| | Retained earnings | 6(6)(16) | | | | | | |
| 3310 | Legal reserve | | 281,334 | 6 | 281,334 | 8 | 256,539 | 8 |
| 3320 | Special reserve | | 22,737 | - | 22,737 | - | 22,737 | 1 |
| 3350 | Unappropriated retained earnings | | 852,153 | 18 | 682,546 | 19 | 527,926 | 16 |
| 3400 | Other equity interest | 6(6) | 234,940 | 6 | 237,982 | 7 | 304,779 | 10 |
| 3500 | Treasury stocks | 6(14) | ( 66,449) | ( 1) | ( 66,449) | ( 2) | ( 66,449) | ( 2) |
| 3XXX | **Total equity** | | 2,631,165 | 57 | 2,302,300 | 64 | 2,205,973 | 69 |
| | Significant contingent liabilities and unrecognised contract commitments | 9 | | | | | | |
| 3X2X | **Total liabilities and equity** | | $ 4,638,899 | 100 | $ 3,578,358 | 100 | $ 3,217,105 | 100 |

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

| | | | For the three-month periods ended March 31, | | | |
|---|---|---|---|---|---|---|
| | | | 2022 | | 2021 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(17) | $ 629,591 | 100 | $ 574,120 | 100 |
| 5000 | Operating costs | 6(5)(8)(13)(22)(23) and 7 | ( 337,173) | ( 53) | ( 285,779) | ( 50) |
| 5900 | Net operating margin | | 292,418 | 47 | 288,341 | 50 |
| | Operating expenses | 6(8)(13)(22)(23), 7 and 12 | | | | |
| 6100 | Selling expenses | | ( 16,604) | ( 3) | ( 21,113) | ( 3) |
| 6200 | General and administrative expenses | | ( 36,075) | ( 6) | ( 32,771) | ( 6) |
| 6300 | Research and development expenses | | ( 90,810) | ( 14) | ( 75,118) | ( 13) |
| 6450 | Expected credit losses | | ( 5,217) | ( 1) | ( 469) | - |
| 6000 | Total operating expenses | | ( 148,706) | ( 24) | ( 129,471) | ( 22) |
| 6900 | Operating profit | | 143,712 | 23 | 158,870 | 28 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(18) | 341 | - | 336 | - |
| 7010 | Other income | 6(6)(19) | 9,283 | 1 | 3,297 | - |
| 7020 | Other gains and losses | 6(2)(20) and 12 | 27,334 | 4 | ( 1,429) | - |
| 7050 | Finance costs | 6(8)(12)(21) | ( 1,527) | - | ( 111) | - |
| 7000 | Total non-operating income and expenses | | 35,431 | 5 | 2,093 | - |
| 7900 | **Profit (loss) before income tax** | | 179,143 | 28 | 160,963 | 28 |
| 7950 | Income tax expense | 6(24) | ( 30,025) | ( 5) | ( 27,490) | ( 5) |
| 8200 | **Profit for the period** | | $ 149,118 | 23 | $ 133,473 | 23 |
| | **Other comprehensive income (loss)** | | | | | |
| | **Components of other comprehensive income (loss) that will not be reclassified to profit or loss** | | | | | |
| 8316 | Unrealised gains on valuation of financial assets at fair value through other comprehensive income | 6(6) | $ 2,076 | - | $ 171,066 | 30 |
| | **Components of other comprehensive income (loss) that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | 15,371 | 3 | ( 2,305) | - |
| 8300 | **Total other comprehensive income for the period** | | $ 17,447 | 3 | $ 168,761 | 30 |
| 8500 | **Total comprehensive income for the period** | | $ 166,565 | 26 | $ 302,234 | 53 |
| | Profit attributable to: | | | | | |
| 8610 | Owners of the parent | | $ 149,118 | 23 | $ 133,473 | 23 |
| | Comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent | | $ 166,565 | 26 | $ 302,234 | 53 |
| | Earnings per share (in dollars) | 6(25) | | | | |
| 9750 | Basic | | $ | 1.83 | $ | 1.64 |
| 9850 | Diluted | | $ | 1.82 | $ | 1.63 |

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| | Notes | Share capital - common stock | Capital Surplus: Additional paid-in capital | Capital Surplus: Stock options | Retained Earnings: Legal reserve | Retained Earnings: Special reserve | Retained Earnings: Unappropriated retained earnings | Other Equity Interest: Financial statements translation differences of foreign operations | Other Equity Interest: Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive income | Treasury stocks | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| For the three-month period ended March 31, 2021 | | | | | | | | | | | |
| Balance at January 1, 2021 | | $ 833,239 | $ 327,094 | $ 108 | $ 256,539 | $ 22,737 | $ 394,453 | ($ 32,224 ) | $ 168,242 | ($ 66,449 ) | $1,903,739 |
| Net income for the three-month period ended March 31, 2021 | | - | - | - | - | - | 133,473 | - | - | - | 133,473 |
| Other comprehensive income (loss) for the three-month period ended March 31, 2021 | 6(6) | - | - | - | - | - | - | ( 2,305 ) | 171,066 | - | 168,761 |
| Total comprehensive income (loss) for the period | | - | - | - | - | - | 133,473 | ( 2,305 ) | 171,066 | - | 302,234 |
| Balance at March 31, 2021 | | $ 833,239 | $ 327,094 | $ 108 | $ 256,539 | $ 22,737 | $ 527,926 | ($ 34,529 ) | $ 339,308 | ($ 66,449 ) | $2,205,973 |
| For the three-month period ended March 31, 2022 | | | | | | | | | | | |
| Balance at January 1, 2022 | | $ 833,239 | $ 310,803 | $ 108 | $ 281,334 | $ 22,737 | $ 682,546 | ($ 37,132 ) | $ 275,114 | ($ 66,449 ) | $2,302,300 |
| Net income for the three-month period ended March 31, 2022 | | - | - | - | - | - | 149,118 | - | - | - | 149,118 |
| Other comprehensive income for the three-month period ended March 31, 2022 | 6(6) | - | - | - | - | - | - | 15,371 | 2,076 | - | 17,447 |
| Total comprehensive income for the period | | - | - | - | - | - | 149,118 | 15,371 | 2,076 | - | 166,565 |
| Disposal of financial assets at fair value through other comprehensive income | 6(6) | - | - | - | - | - | 20,489 | - | ( 20,489 ) | - | - |
| Conversion options of convertible bonds | 6(12) | - | - | 162,300 | - | - | - | - | - | - | 162,300 |
| Balance at March 31, 2022 | | $ 833,239 | $ 310,803 | $ 162,408 | $ 281,334 | $ 22,737 | $ 852,153 | ($ 21,761 ) | $ 256,701 | ($ 66,449 ) | $2,631,165 |

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| | Notes | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 179,143 | $ 160,963 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Gain on financial assets at fair value through profit or loss | 6(2)(20) | ( 1,600 ) | - |
| Expected credit losses | 12 | 5,217 | 469 |
| Provision (reversal of allowance) for inventory market price decline | 6(5) | 2,697 | ( 3,169 ) |
| Depreciation | 6(7)(8) | 9,913 | 8,527 |
| Amortisation | 6(22) | 1,293 | 697 |
| Interest income | 6(18) | ( 341 ) | ( 336 ) |
| Dividend income | 6(6)(19) | ( 4,276 ) | ( 1,367 ) |
| Interest expense | 6(21) | 1,527 | 111 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 136,503 | ( 79,543 ) |
| Accounts receivable | | ( 48,844 ) | ( 185,100 ) |
| Other receivables | | ( 9,827 ) | 2,437 |
| Inventories | | ( 34,731 ) | ( 197,814 ) |
| Prepayments | | 6,466 | ( 5,793 ) |
| Changes in operating liabilities | | | |
| Current contract liabilities | | 31,584 | 4,739 |
| Notes payable | | 26 | ( 215 ) |
| Accounts payable | | ( 157,151 ) | 234,006 |
| Other payables | | ( 56,892 ) | ( 32,943 ) |
| Provisions for liabilities - current | | ( 1,834 ) | 2,385 |
| Net defined benefit liabilities - non-current | | 250 | 138 |
| Cash inflow (outflow) generated from operations | | 59,123 | ( 91,808 ) |
| Dividends received | | 4,276 | 1,367 |
| Interest received | | 341 | 336 |
| Interest paid | | ( 327 ) | ( 111 ) |
| Net cash flows from (used in) operating activities | | 63,413 | ( 90,216 ) |

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ALL RING TECH CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| | Notes | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | | ($ 1,162 ) | $ - |
| Proceeds from disposal of financial assets at amortised cost | | - | 9,046 |
| Acquisition of financial assets at fair value through other comprehensive income | | ( 172,896 ) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 6(6) | 52,131 | - |
| Cash paid for acquisition of property, plant and equipment | 6(26) | ( 2,666 ) | ( 22,855 ) |
| Acquisition of intangible assets | | ( 4,833 ) | ( 38 ) |
| Cash paid for prepayments for business facilities | 6(26) | ( 12,771 ) | - |
| (Increase) decrease in guarantee deposits paid | | ( 223 ) | 1,777 |
| (Increase) decrease in other non-current assets | | ( 1,601 ) | 283 |
| Net cash flows used in investing activities | | ( 144,021 ) | ( 11,787 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of short-term borrowings | 6(27) | ( 80,000 ) | - |
| Repayment of lease principal | 6(27) | ( 1,489 ) | ( 1,223 ) |
| Net amount of issuance of convertible bonds | 6(27) | 1,122,743 | - |
| Net cash flows from (used in) financing activities | | 1,041,254 | ( 1,223 ) |
| Effect of foreign exchange rate changes on cash and cash equivalents | | 8,193 | ( 1,443 ) |
| Net increase (decrease) in cash and cash equivalents | | 968,839 | ( 104,669 ) |
| Cash and cash equivalents at beginning of period | 6(1) | 637,280 | 839,507 |
| Cash and cash equivalents at end of period | 6(1) | $ 1,606,119 | $ 734,838 |

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

ALL RING TECH CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

(1) All Ring Tech Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1996. Its primary business includes the design, manufacture, and assembly of automation machines, the research, development, and design of computer software, and the manufacture of optical instruments.

(2) The common shares of the Company have been listed on the Taipei Exchange since September 2002.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on April 27, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board ("IASB") |
|---|---|
| Amendments to IFRS 3, 'References to the Conceptual Framework' | January 1, 2022 |
| Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use' | January 1, 2022 |
| Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract' | January 1, 2022 |
| Annual improvements to IFRS Standards 2018 - 2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| New Standards, Interpretations and Amendments | Effective date by IASB |
|---|---|
| Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’ | To be determined by IASB |
| IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information' | January 1, 2023 |
| Amendments to IAS 1, ‘Classification of liabilities as current or non-current’ | January 1, 2023 |
| Amendments to IAS 1, ‘Disclosure of accounting policies’ | January 1, 2023 |
| Amendments to IAS 8, ‘Definition of accounting estimates’ | January 1, 2023 |
| Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’ | January 1, 2023 |

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, ‘Interim Financial Reporting’ as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of the subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group measures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The consolidated subsidiaries and changes of the current period are as follows:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|---|---|---|---|---|---|---|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| All Ring Tech Co., Ltd. | PAI FU INTERNATIONAL LIMITED | Mechanical engineering automation, and research, development and design of software | 100.00 | 100.00 | 100.00 | Note 3 |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) | | | Description |
|---|---|---|---|---|---|---|
| | | | March 31, 2022 | December 31, 2021 | March 31, 2021 | |
| All Ring Tech Co., Ltd. | Uni-Ring Tech Co., Ltd. | Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry | 100.00 | 100.00 | 100.00 | Note 3 |
| All Ring Tech Co., Ltd. | IMAGINE GROUP LIMITED | Investment business | 71.60 | 71.60 | 72.10 | Note 1<br>Note 2<br>Note 3 |
| PAI FU INTERNATIONAL LIMITED | Kunshan All Ring Tech Co., Ltd. | Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services | 100.00 | 100.00 | 100.00 | Note 3 |
| PAI FU INTERNATIONAL LIMITED | IMAGINE GROUP LIMITED | Investment business | 28.40 | 28.40 | 27.90 | Note 1<br>Note 2<br>Note 3 |
| IMAGINE GROUP LIMITED | All Ring Tech (Kunshan) Co., Ltd. | Research, development, and manufacture of specialized electronic equipment, testing of instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services | 100.00 | 100.00 | 100.00 | Note 3 |

Note 1: The Company and its subsidiaries own, directly or indirectly, more than 50% of the shares of these companies.

Note 2: On December 23, 2021, IMAGINE GROUP LIMITED increased its capital by cash. The

Company and PAI FU INTERNATIONAL LIMITED adjusted the allocation of shareholding within the Group, thus the percentage of shareholding changed.

Note 3: The financial statements and related information disclosed in Note 13 of insignificant consolidated subsidiaries as of and for the three-month periods ended March 31, 2022 and 2021 were not reviewed by independent auditors. Those statements reflect total assets of $543,084 and $513,489, and total liabilities of $40,452 and $74,194 as of March 31, 2022 and 2021, respectively, and total comprehensive income of this subsidiary amounted to $2,643 and $4,719 for the three-month periods ended March 31, 2022 and 2021, respectively.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The financial performance and financial position of all the group entities, and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventories exceeds the net realizable value, the amount of any write-down of inventories recognised as cost of sales during the period; and the amount of any reversal of inventory write-down is recognised as a reduction in cost of sales during the period.

(11) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(12) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(13) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| Asset | Estimated useful lives |
| --- | --- |
| Buildings and structures | 15～35 years |
| Machinery and equipment | 3～10 years |
| Transportation equipment | 3～ 5 years |
| Office equipment | 2～10 years |
| Assets leased to others | 1～ 3 years |
| Other facilities | 1～10 years |

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(16) Leasing arrangements (lessee)－right-of-use assets/lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall remeasure the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Accounts and notes payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group' s common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. Master indenture of corporate bonds: The difference between the fair value of the bonds and the redemption value is recognized as a premium or discount on the bonds payable at the time of initial recognition; subsequently, the effective interest method is used to recognize the difference in profit or loss over the liquidity period as an adjustment to "finance costs" under the amortization procedure. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and for as the premium or discount on bonds payable and period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus－share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus－share options'.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realised the asset and settle the liability simultaneously.

(23) Provisions

Provisions (including warranties) are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plan, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

I. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

II. Remeasurement arising on defined benefit plan is recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

III. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is distributed by shares, the Group calculated the number of shares based on the closing market price at the previous day of the board meeting resolution.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings of the company and domestic subsidiary and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(26) <u>Share capital</u>

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s equity holders.

(27) <u>Dividends</u>

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) <u>Revenue recognition</u>

Sales of goods

(a) Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products.

(b) Revenue from these sales is recognised based on the price specified in the contract, net of the estimated output tax, sales returns, and sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. Collection terms of sale are as follows: the first payment is collected 30 to 130 days after delivering machineries, and the second payment is collected 30 to 190 days after acceptance of machineries.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, and the related information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of March 31, 2022, the carrying amount of inventories was $753,697.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Cash: | | | |
| Cash on hand | $ 4,407 | $ 2,672 | $ 2,732 |
| Checking accounts and demand deposits | 877,263 | 459,086 | 396,517 |
| | 881,670 | 461,758 | 399,249 |
| Cash equivalents: | | | |
| Time deposits | 724,449 | 175,522 | 335,589 |
| | $ 1,606,119 | $ 637,280 | $ 734,838 |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Refer to Note 8 'Pledged Assets' for information on the Group's cash and cash equivalents that were pledged as collateral (shown as 'Financial assets at amortised cost - non-current') as at March 31, 2022, December 31, 2021 and March 31, 2021.

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

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Non-current items: | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Unlisted stocks | $ - | $ 21,184 | $ 21,184 |
| Valuation adjustment | - | ( 21,184) | ( 21,184) |
| | - | - | - |
| Financial assets designated as at fair value through profit or loss | | | |
| Call options of bonds | 2,700 | - | - |
| Valuation adjustment | 1,600 | - | - |
| | 4,300 | - | - |
| | $ 4,300 | $ - | $ - |

A. The Group recognised net gain on financial assets at fair value through profit or loss amounting to $1,600 and $－ (listed as "Other gains and losses") for the three-month periods ended March 31, 2022 and 2021, respectively.

B. The Group has no financial assets at fair value through profit or loss pledged to others as collateral as at March 31, 2022, December 31, 2021 and March 31, 2021.

C. Information relating to financial assets designated as at fair value through profit or loss – call options of bonds is provided in Note 6(12).

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at amortised cost

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Current items: | | | |
| Time deposits maturing over three months | $ 30,205 | $ 29,043 | $ 20,019 |
| Non-current items: | | | |
| Pledged time deposits | $ 15,403 | $ 15,403 | $ 15,403 |

A. As at March 31, 2022, December 31, 2021 and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was the book value.

B. Refer to Note 8 'Pledged Assets' for information on the Group's financial assets at amortised cost that were pledged as collateral as at March 31, 2022, December 31, 2021 and March 31, 2021.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investment in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(4) Notes and accounts receivable

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Notes receivable | $ 42,294 | $ 178,797 | $ 155,992 |
| Accounts receivable | $ 885,896 | $ 837,052 | $ 629,489 |
| Less: Allowance for uncollectible accounts | ( 26,381) | ( 21,127) | ( 15,258) |
| | $ 859,515 | $ 815,925 | $ 614,231 |

A. The ageing analysis of accounts and notes receivable that were past due is as follows:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Less than 30 days | $ 231,069 | $ 1,616 | $ 121,885 | $ 2,124 |
| 31～90 days | 169,576 | 5,724 | 151,553 | 5,760 |
| 91～180 days | 149,042 | 2,066 | 318,814 | 49,722 |
| 181～360 days | 230,431 | 32,888 | 113,557 | 121,191 |
| Over 360 days | 105,778 | - | 131,243 | - |
| | $ 885,896 | $ 42,294 | $ 837,052 | $ 178,797 |

| | March 31, 2021 | |
|---|---|---|
| | Accounts receivable | Notes receivable |
| Less than 30 days | $ 251,798 | $ 47,331 |
| 31～90 days | 106,448 | 84,306 |
| 91～180 days | 95,994 | 6,150 |
| 181～360 days | 114,154 | 18,205 |
| Over 360 days | 61,095 | - |
| | $ 629,489 | $ 155,992 |

The above ageing analysis was based on invoice date.

B. As at March 31, 2022, December 31, 2021 and March 31, 2021, accounts and notes receivable were all from contracts with customers. As at January 1, 2021, the balance of receivables from contracts with customers amounted to $520,838.

C. The Group has no notes and accounts receivable pledged to others as collateral as at March 31, 2022, December 31, 2021 and March 31, 2021.

D. As at March 31, 2022, December 31, 2021 and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable was the book value.

E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(5) Inventories

| | March 31, 2022 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | $ 192,679 | ($ 9,192) | $ 183,487 |
| Work in process | 456,747 | ( 37,174) | 419,573 |
| Finished goods | 186,601 | ( 35,964) | 150,637 |
| | $ 836,027 | ($ 82,330) | $ 753,697 |

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | Cost | | Allowance for valuation loss | | Book value |
| Raw materials | $ | 117,615 | ($ | 8,910) | $ | 108,705 |
| Work in process | | 598,078 | ( | 40,165) | | 557,913 |
| Finished goods | | 87,965 | ( | 32,482) | | 55,483 |
| | $ | 803,658 | ($ | 81,557) | $ | 722,101 |

| | March 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | Cost | | Allowance for valuation loss | | Book value |
| Raw materials | $ | 110,087 | ($ | 10,928) | $ | 99,159 |
| Work in process | | 418,313 | ( | 43,756) | | 374,557 |
| Finished goods | | 115,199 | ( | 18,267) | | 96,932 |
| | $ | 643,599 | ($ | 72,951) | $ | 570,648 |

The cost of inventories recognised as expense for the period:

| | For the three-month periods ended March 31, | | | |
|---|---|---|---|---|
| | | 2022 | | 2021 |
| Cost of goods sold | $ | 334,476 | $ | 288,948 |
| Provision (reversal of allowance) for inventory market price decline (Note) | | 2,697 | ( | 3,169) |
| | $ | 337,173 | $ | 285,779 |

(Note) For the three-month period ended March 31, 2021, the Group sold part of inventories for which a valuation loss was previously recognised, resulting in a gain on the reversal of the loss.

(6) Financial assets at fair value through other comprehensive income - non-current

| Items | | March 31, 2022 | | December 31, 2021 | | March 31, 2021 |
|---|---|---|---|---|---|---|
| Equity instruments | | | | | | |
| Listed stocks | $ | 324,273 | $ | 183,019 | $ | - |
| Emerging stocks | | 3,440 | | 3,440 | | 77,113 |
| Unlisted stocks | | 29,000 | | 29,000 | | 20,000 |
| | | 356,713 | | 215,459 | | 97,113 |
| Valuation adjustment | | 256,701 | | 275,114 | | 339,308 |
| | $ | 613,414 | $ | 490,573 | $ | 436,421 |

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments was the book value as at March 31, 2022, December 31, 2021 and March 31, 2021.

B. The Group sold $52,131 of equity instruments investments at fair value which resulted in cumulative gain of $20,489 on disposal during the three-month period ended March 31, 2022, which was reclassified to retained earnings.

C. Amounts recognised in profit or loss and other comprehensive income in relation to financial assets at fair value through other comprehensive income are listed below:

| | For the three-month periods ended March 31, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Equity instruments at fair value through other comprehensive income | | | | |
| Fair value change recognised in other comprehensive income | $ | 2,076 | $ | 171,066 |
| Cumulative gains reclassified to retained earnings due to derecognition | $ | 20,489 | $ | - |
| Dividend income recognised in profit or loss | $ | 4,276 | $ | 1,367 |

D. As at March 31, 2022, December 31, 2021 and March 31, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was the book value.

E. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

F. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(7) Property, plant and equipment

| | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Assets leased to others | Other facilities | Total |
|---|---|---|---|---|---|---|---|---|
| January 1, 2022 | | | | | | | | |
| Cost | $ 89,805 | $ 550,094 | $ 25,586 | $ 15,065 | $ 22,448 | $ 7,974 | $ 47,043 | $ 758,015 |
| Accumulated depreciation | - | ( 155,172) | ( 13,633) | ( 12,716) | ( 16,214) | ( 3,689) | ( 32,609) | ( 234,033) |
| | $ 89,805 | $ 394,922 | $ 11,953 | $ 2,349 | $ 6,234 | $ 4,285 | $ 14,434 | $ 523,982 |
| For the three-month period ended March 31, 2022 | | | | | | | | |
| At January 1 | $ 89,805 | $ 394,922 | $ 11,953 | $ 2,349 | $ 6,234 | $ 4,285 | $ 14,434 | $ 523,982 |
| Additions | 203 | - | 770 | - | 299 | - | 1,968 | 3,240 |
| Transferred from inventories | - | - | 1,737 | - | - | 625 | - | 2,362 |
| Depreciation | - | ( 4,604) | ( 599) | ( 213) | ( 528) | ( 1,067) | ( 1,167) | ( 8,178) |
| Net currency exchange differences | - | 4,149 | 388 | 37 | 66 | - | 54 | 4,694 |
| At March 31 | $ 90,008 | $ 394,467 | $ 14,249 | $ 2,173 | $ 6,071 | $ 3,843 | $ 15,289 | $ 526,100 |
| March 31, 2022 | | | | | | | | |
| Cost | $ 90,008 | $ 556,298 | $ 28,879 | $ 15,324 | $ 22,981 | $ 8,599 | $ 49,124 | $ 771,213 |
| Accumulated depreciation | - | ( 161,831) | ( 14,630) | ( 13,151) | ( 16,910) | ( 4,756) | ( 33,835) | ( 245,113) |
| | $ 90,008 | $ 394,467 | $ 14,249 | $ 2,173 | $ 6,071 | $ 3,843 | $ 15,289 | $ 526,100 |

| | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Assets leased to others | Other facilities | Construction in progress and equipment under acceptance | Total |
|---|---|---|---|---|---|---|---|---|---|
| January 1, 2021 | | | | | | | | | |
| Cost | $ 61,611 | $ 488,822 | $ 26,703 | $ 15,612 | $ 19,245 | $ 3,043 | $ 43,543 | $ 35,893 | $ 694,472 |
| Accumulated depreciation | - | ( 137,572) | ( 13,784) | ( 12,399) | ( 15,246) | ( 531) | ( 29,596) | - | ( 209,128) |
| | $ 61,611 | $ 351,250 | $ 12,919 | $ 3,213 | $ 3,999 | $ 2,512 | $ 13,947 | $ 35,893 | $ 485,344 |
| For the three-month period ended March 31, 2021 | | | | | | | | | |
| At January 1 | $ 61,611 | $ 351,250 | $ 12,919 | $ 3,213 | $ 3,999 | $ 2,512 | $ 13,947 | $ 35,893 | $ 485,344 |
| Additions | - | 1,641 | - | - | 483 | 107 | 686 | 20,407 | 23,324 |
| Transferred from construction in progress and equipment under acceptance | - | 55,308 | - | - | - | - | - | ( 55,308) | - |
| Transferred from inventories | - | - | - | - | - | 1,226 | - | - | 1,226 |
| Depreciation | - | ( 4,344) | ( 646) | ( 209) | ( 390) | ( 548) | ( 916) | - | ( 7,053) |
| Disposals－Cost | - | - | - | - | ( 25) | - | - | - | ( 25) |
| －Accumulated depreciation | - | - | - | - | 25 | - | - | - | 25 |
| Net currency exchange differences | - | ( 478) | ( 81) | ( 11) | ( 14) | 1 | ( 7) | ( 275) | ( 866) |
| At March 31 | $ 61,611 | $ 403,377 | $ 12,192 | $ 2,993 | $ 4,078 | $ 3,297 | $ 13,710 | $ 717 | $ 501,975 |
| March 31, 2021 | | | | | | | | | |
| Cost | $ 61,611 | $ 544,923 | $ 26,534 | $ 15,555 | $ 19,654 | $ 4,376 | $ 44,205 | $ 717 | $ 717,575 |
| Accumulated depreciation | - | ( 141,546) | ( 14,342) | ( 12,562) | ( 15,576) | ( 1,079) | ( 30,495) | - | ( 215,600) |
| | $ 61,611 | $ 403,377 | $ 12,192 | $ 2,993 | $ 4,078 | $ 3,297 | $ 13,710 | $ 717 | $ 501,975 |

A. Except for the assets classified as 'Assets leased to others', the Group's property, plant and equipment are all occupied by the owner for operating purpose as of March 31, 2022, December 31, 2021 and March 31, 2021.

B. The Group has not capitalised any interest for the three-month periods ended March 31, 2022 and 2021.

C. Refer to Note 8, 'Pledged assets' for information on the Group's property, plant and equipment that were pledged as collateral as of March 31, 2022, December 31, 2021 and March 31, 2021.

(8) Leasing arrangements－lessee

A. The Group leased parcels of land located in the Luzhu Science Park from the Southern Taiwan Science Park Bureau and signed a contract with the government of the People's Republic of China to lease a designated parcel of land in Kunshan City of Jiangsu Province. Rental contracts are typically made for periods of 15 to 45 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| | Carrying amount | Carrying amount | Carrying amount |
| Land | $ 74, 554 | $ 62, 703 | $ 67, 125 |

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | Depreciation charge | Depreciation charge |
| Land | $ 1, 735 | $ 1, 474 |

C. For the three-month periods ended March 31, 2022 and 2021, the Group's additions to right-of-use assets were $11,243 and $－; remeasurements of right-of-use assets were $1,906 and $－, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 106 | $ 104 |
| Expense on short-term lease contracts | 1, 333 | 1, 452 |
| Expense on leases of low-value assets | 60 | 35 |

E. For the three-month periods ended March 31, 2022 and 2021, the Group's total cash outflow for leases was $2,988 and $2,814, respectively.

(9) Short-term borrowings

| Type of borrowings | December 31, 2021 | Interest rate | Collateral |
|---|---|---|---|
| Bank unsecured borrowings | $ 80,000 | 0.90% | Refer to Note 8, 'Pledged assets'. |

The Group has no short-term borrowings at March 31, 2022 and 2021.

(10) Other payables

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Accrued salaries and bonuses | $ 83,428 | $ 145,249 | $ 59,635 |
| Compensation payable to employees, directors and supervisors | 69,581 | 54,815 | 34,825 |
| Provision for employee benefits | 11,188 | 12,913 | 10,418 |
| Others | 46,350 | 55,536 | 39,028 |
| | $ 210,547 | $ 268,513 | $ 143,906 |

(11) Provisions for liabilities

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Balance at beginning of period | $ 23,101 | $ 16,078 |
| Additional provisions | 1,449 | 3,575 |
| Used during the period | ( 3,283) | ( 1,190) |
| Balance at end of period | $ 21,267 | $ 18,463 |

The Group's warranty provision is primarily related to the sales of semiconductor equipment, passive component equipment, and light-emitting diode equipment. The amount of the provision is estimated according to historical warranty data. The Group expects the costs related to the provision to be realised in the next two years.

(12) Bonds payable

| | March 31, 2022 |
|---|---|
| Bonds payable | $ 1,000,000 |
| Less: Discount on bonds payable | ( 35,657) |
| | $ 964,343 |

A. In February 2022, the Company issued the fourth domestic unsecured convertible bonds, which was listed on the Taipei Exchange on February 22, 2022. The terms of the domestic unsecured convertible bonds issuance are as follows:

(a) The Company was approved by the competent authority to raise and issue the fourth domestic unsecured convertible bonds with a total amount of $1,000,000 (related issuance cost was $5,091), with a coupon rate of 0% and a maturity period of 3 years from February 22, 2022 to February 22, 2025. The convertible bonds will be redeemed in cash at the face value of the bonds upon maturity.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue (May 23, 2022) to the maturity date (February 22, 2025), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and the conversion price at the time of issuance is set at $127 per share. The conversion price of the bonds is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.

(d) The Company may repurchase all the bonds outstanding in cash at the bonds face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue (May 23, 2022) to 40 days before the maturity date (January 13, 2025), or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (May 23, 2022) to 40 days before the maturity date (January 13, 2025).

(e) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $162,300 were separated from the liability component and were recognised in ‘capital surplus－stock options’ in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets at fair value through profit or loss’ in the net amount of $2,700 in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts.

C. Refer to Note 6(21), 'Finance costs' for information on the Group's interest expense recognised in profit or loss for the three-month periods ended March 31, 2022 and 2021.

(13) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information on the defined benefit pension plan disclosed above is as follows:

(a) The pension cost under the aforementioned defined benefit pension plan of the Company for the three-month periods ended March 31, 2022 and 2021 were $256 and $144, respectively.

(b) The Company's expected contributions under the defined benefit pension plan for the next year is $24.

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the three-month periods ended March 31, 2022 and 2021 were $2,775 and $2,628, respectively.

C. In accordance with the pension and insurance laws of the People's Republic of China, Kunshan All Ring Tech Co., Ltd. and All Ring Tech (Kunshan) Co., Ltd. contribute 19% of each employee's salary every month to a pension account managed by the government. Aside from the monthly contributions, the companies have no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2022 and 2021 were $562 and $345, respectively.

(14) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Beginning and ending balance | 81,454 | 81,454 |

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (in thousands of shares):

| | For the three-month period ended March 31, 2022 | | |
|---|---|---|---|
| Reason for reacquisition | Opening Balance | Additions | Ending Balance |
| To be reissued to employees | 1,870 | - | 1,870 |

| | For the three-month period ended March 31, 2021 | | |
|---|---|---|---|
| Reason for reacquisition | Opening Balance | Additions | Ending Balance |
| To be reissued to employees | 1,870 | - | 1,870 |

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e) As of March 31, 2022 and 2021, the balance of the Company's treasury shares was $66,449 for both periods.

C. As of March 31, 2022, the Company's authorised capital was $1,500,000 (including $80,000 reserved for employee stock options), and the paid-in capital was $833,239 with a par value of $10 per share. The 83,324 thousand shares were issued over several installments. All proceeds from shares issued have been collected.

(15) Capital surplus

A. Pursuant to the R.O.C Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital reserves should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Information relating to capital surplus - stock options is provided in Note 6(12).

C. On February 24, 2021, the Board of Directors proposed for the distribution of dividends from the capital reserve in the amount of $16,291 ($0.2 (in dollars) per share), and it was approved by the stockholders during their meeting on July 20, 2021.

(16) Retained earnings

A. Pursuant to the R.O.C. Company Act, the Company shall set aside 10% of its after-tax profits as legal reserve until the balance is equal to the paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, considering the Company is operating in a volatile environment and in the stable growth stage of its life cycle, the Board of Directors shall determine earnings appropriation based on the Company's future capital expenditures and demand for capital, as well as the necessity of using retained earnings to meet capital needs, and set the amount of dividends to be distributed to stockholders and the portion of dividends to be paid in cash. The Company's current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Then, either a portion of the remaining amount is set aside as special reserve or an amount is reversed from the special reserve account and added to the remaining amount in accordance with applicable laws and regulations. The final remaining amount of current year earnings is added to the unappropriated earnings from the prior year and the total is the accumulated distributable earnings. At least 30% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of total dividends distributed. The Board of Directors shall propose the earnings appropriation according to future operational and investment needs which shall be submitted to the stockholders during their meeting for approval.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve in the amount of $22,672 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised dividends distributed to owners amounting to $228,071 ($2.8 (in dollars) per share) for the year ended December 31, 2021. On February 21, 2022, the Board of Directors proposed for the distribution of dividends from 2021 earnings in the amount of $366,543 ($4.5 (in dollars) per share). Such dividend payable has not yet been reflected in these consolidated financial statements.

(17) Operating revenue

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Revenue from contracts with customers | $ 629,591 | $ 574,120 |

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time. Revenue is primarily from sales of automation machinery and equipment. Related disclosures on operating revenue are provided in Note 14.

B. Contract liabilities

(a) The Group has recognised revenue-related contract liabilities amounting to $58,847, $27,263 and $31,153 as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

(b) As of January 1, 2022 and 2021, the Group's contract liabilities were $27,263 and $26,414, respectively. Revenue recognised that were included in the contract liability balance at the beginning of 2022 and 2021 for the three-month periods ended March 31, 2022 and 2021 were $12,894 and $8,719, respectively.

(18) Interest income

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Interest income from bank deposits | $ 341 | $ 336 |

(19) Other income

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Rent income | $ 4,454 | $ 1,261 |
| Dividend income | 4,276 | 1,367 |
| Other income | 553 | 669 |
| | $ 9,283 | $ 3,297 |

(20) Other gains and losses

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Net foreign exchange gains (losses) | $ 27,865 | ($ 845) |
| Net gains on financial assets at fair value through profit or loss | 1,600 | - |
| Miscellaneous disbursements | ( 2,131) | ( 584) |
| | $ 27,334 | ($ 1,429) |

(21) Finance costs

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Interest expense: | | |
| Convertible bonds | $ 1,200 | $ - |
| Bank borrowings | 221 | 3 |
| Interest expense on lease liabilities | 106 | 104 |
| Other interest expense | - | 4 |
| | $ 1,527 | $ 111 |

(22) Expenses by nature

| | For the three-month period ended March 31, 2022 | | |
|---|---|---|---|
| | Operating cost | Operating expense | Total |
| Employee benefit expenses | $ 14,683 | $ 105,213 | $ 119,896 |
| Depreciation | 3,269 | 5,511 | 8,780 |
| Amortisation | 239 | 1,054 | 1,293 |
| | $ 18,191 | $ 111,778 | $ 129,969 |

| | For the three-month period ended March 31, 2021 | | |
|---|---|---|---|
| | Operating cost | Operating expense | Total |
| Employee benefit expenses | $ 12,379 | $ 96,642 | $ 109,021 |
| Depreciation | 2,690 | 5,554 | 8,244 |
| Amortisation | 100 | 597 | 697 |
| | $ 15,169 | $ 102,793 | $ 117,962 |

(23) Employee benefit expense

| | For the three-month period ended March 31, 2022 | | |
|---|---|---|---|
| | Operating cost | Operating expense | Total |
| Wages and salaries | $ 12,636 | $ 94,675 | $ 107,311 |
| Labour and health insurance expenses | 755 | 4,368 | 5,123 |
| Pension costs | 607 | 2,986 | 3,593 |
| Other personnel expenses | 685 | 3,184 | 3,869 |
| | $ 14,683 | $ 105,213 | $ 119,896 |

| | For the three-month period ended March 31, 2021 | | |
|---|---|---|---|
| | Operating cost | Operating expense | Total |
| Wages and salaries | $ 10,591 | $ 86,459 | $ 97,050 |
| Labour and health insurance expenses | 739 | 4,438 | 5,177 |
| Pension costs | 435 | 2,682 | 3,117 |
| Other personnel expenses | 614 | 3,063 | 3,677 |
| | $ 12,379 | $ 96,642 | $ 109,021 |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the three-month periods ended March 31, 2022 and 2021, employees' compensation was accrued at $12,748 and $11,592, respectively; while directors' and supervisors' remuneration was accrued at $2,018 and $2,377, respectively. The aforementioned amounts were recognised in salary expenses and estimated and accrued based on the distributable net profit of current year calculated by the percentage prescribed under the Company's Articles of Incorporation. Employees' compensation and directors' and supervisors' remuneration for 2021 amounting to $54,815, as resolved by the Board of Directors was in agreement with the amount recognised in the 2021 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the three-month periods ended March 31, 2022 | | 2021 | |
|---|---|---|---|---|
| Current tax: | | | | |
| Current tax on profits for the period | $ | 20,370 | $ | 20,668 |
| Deferred tax: | | | | |
| Origination and reversal of temporary differences | | 9,655 | | 6,822 |
| Income tax expense | $ | 30,025 | $ | 27,490 |

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. As at April 27, 2022, no administrative relief has occurred.

(25) Earnings per share

| | For the three-month period ended March 31, 2022 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 149,118 | 81,454 | $ 1.83 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 149,118 | 81,454 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 309 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 149,118 | 81,763 | $ 1.82 |

| | For the three-month period ended March 31, 2021 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 133,473 | 81,454 | $ 1.64 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 133,473 | 81,454 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 196 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 133,473 | 81,650 | $ 1.63 |

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

| | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|
| (a) Purchase of property, plant and equipment | $ 3,240 | $ 23,324 |
| Add: Opening balance of payable on equipment (shown as 'other payables') | 383 | 141 |
| Less: Ending balance of payable on equipment (shown as 'other payables') | ( 957) | ( 610) |
| Cash paid for acquisition of property, plant and equipment | $ 2,666 | $ 22,855 |

| | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|
| (b) Increase in prepayments for business facilities | $ 11,643 | $ - |
| Add: Opening balance of notes payable | 7,600 | - |
| Opening balance of payable on equipment (shown as 'other payables') | 1,857 | - |
| Less: Ending balance of notes payable | ( 8,120) | - |
| Ending balance of payable on equipment (shown as 'other payables') | ( 209) | - |
| Cash paid for increasing prepayments for business facilities | $ 12,771 | $ - |

B. Investing activities with no cash flow effects

| | For the three-month periods ended March 31, 2022 | 2021 |
|---|---|---|
| (a) Prepayments for investments transferred to financial assets at fair value through other comprehensive income | $ - | $ 10,000 |
| (b) Inventories transferred to property, plant and equipment | $ 2,362 | $ 1,226 |
| (c) Prepayments for business facilities transferred to intangible assets | $ 1,858 | $ - |

(27) Changes in liabilities from financing activities

| | For the three-month period ended March 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Short-term borrowings | Lease liabilities | Bonds payable | Guarantee deposits received | Liabilities from financing activities-gross |
| At January 1, 2022 | $ 80,000 | $ 33,350 | $ - | $ 2,412 | $ 115,762 |
| Changes in cash flow from financing activities | ( 80,000) | ( 1,489) | 1,122,743 | - | 1,041,254 |
| Changes in other non-cash items | - | 13,149 | ( 158,400) | 91 | ( 145,160) |
| At March 31, 2022 | $ - | $ 45,010 | $ 964,343 | $ 2,503 | $ 1,011,856 |

| | For the three-month period ended March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Short-term borrowings | Lease liabilities | Bonds payable | Guarantee deposits received | Liabilities from financing activities-gross |
| At January 1, 2021 | $ - | $ 38,261 | $ - | $ - | $ 38,261 |
| Changes in cash flow from financing activities | - | ( 1,223) | - | - | ( 1,223) |
| At March 31, 2021 | $ - | $ 37,038 | $ - | $ - | $ 37,038 |

## 7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Group |
|---|---|
| Ding Ji Electrical Engineering Co., Ltd. | Other related party (Note) |

(Note)The company became a related party due to the election of its responsible person as a representative of corporate director of the Company on July 20, 2021. The information disclosed pertains to transactions from the day of election.

(2) Significant transactions and balances with related parties

A. Purchases of goods

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Other related parties | $ 17,791 | $ - |

Payment term of purchases from other related parties is 120 days after receipt. Payment terms of purchases from other suppliers are 60 to 180 days. Except for the payment terms mentioned above, other terms of purchases are the same with third parties.

B. Payables to related parties

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Accounts payable: | | | |
| Other related parties | $ 26,405 | $ 19,938 | $ 156 |

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

(3) Key management compensation

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Salaries and other short-term employee benefits | $ 19,803 | $ 17,027 |
| Post-employment benefits | 219 | 205 |
| | $ 20,022 | $ 17,232 |

## 8. PLEDGED ASSETS

The Group's assets pledged as collateral were as follows:

| Pledged asset | March 31, 2022 | December 31, 2021 | March 31, 2021 | Purpose |
|---|---|---|---|---|
| Pledged time deposits (Note 1) | $ 15,403 | $ 15,403 | $ 15,403 | Guarantee for land leases and performance bond |
| Buildings and structures (Note 2) | 250,263 | 252,740 | 260,171 | Guarantee for short-term borrowings |
| | $ 265,666 | $ 268,143 | $ 275,574 | |

Note 1: Shown as 'financial assets at amortised cost - non-current'.

Note 2: Shown as 'property, plant and equipment, net'.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group's guarantees and endorsements were as follows:

| Endorser | Endorsee | March 31, 2022 | December 31, 2021 | March 31, 2021 | Purpose |
|---|---|---|---|---|---|
| All Ring Tech Co., Ltd. | Uni-Ring Tech Co., Ltd. | $ 30,000 | $ 30,000 | $ 30,000 | Pledged for borrowing facilities |

As of March 31, 2022, December 31, 2021 and March 31, 2021, the actual amount of the endorsement used by the subsidiary, Uni-Ring Tech Co., Ltd., was $－.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Group are described in Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.

iv. The Group's businesses involve some non-functional currency operations (The functional currency of the Company and several subsidiaries is the NTD; the functional currency of several subsidiaries is the USD and RMB). Information on assets and liabilities subject to significant foreign exchange risk is as follows:

| | March 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | Foreign currency amount (in thousands) | Exchange rate | | Book value (NTD) |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 26,921 | 28.63 | $ | 770,748 |
| USD:RMB | | 188 | 6.35 | | 5,382 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | | 539 | 28.63 | | 15,432 |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Foreign currency amount (in thousands) | Exchange rate | | Book value (NTD) |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 26,650 | 27.68 | $ | 737,672 |
| USD:RMB | | 328 | 6.37 | | 9,081 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | | 763 | 27.68 | | 21,120 |

| | March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | Foreign currency amount (in thousands) | Exchange rate | | Book value (NTD) |
| (Foreign currency: functional currency) | | | | | |
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 12,475 | 28.54 | $ | 356,037 |
| USD:RMB | | 409 | 6.57 | | 11,672 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | | 703 | 28.54 | | 20,064 |

v. The sensitivity analysis of foreign exchange risk mainly focuses on the foreign currency monetary items at the end of the financial reporting period. If the exchange rate of NTD to all foreign currencies had appreciated/depreciated by 1%, the Group's net income for the three-month periods ended March 31, 2022 and 2021 would have decreased/increased by $6,088 and $2,787, respectively.

vi. The total exchange gain (loss), including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month periods ended March 31, 2022 and 2021, amounted to $27,865 and ($845), respectively.

II. Price risk

i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set various stop loss points, to ensure not to be exposed to significant risk. Accordingly, no material market risk was expected.

ii. The Group's investments in equity securities comprise domestic stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other components of equity for the three-month periods ended March 31, 2022 and 2021 would have increased/decreased by $6,076 and $4,148, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

III. Cash flow and fair value interest rate risk

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no significant effect on after-tax profit for the three-month periods ended March 31, 2022 and 2021.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

III. The Group adopts the historical experience of collection and the level of customers' risk to assess whether there has been a significant increase in credit risk on that instrument since initial recognition. If the payments were past invoice date over 180 days, there has been a significant increase in credit risk on that instrument since initial recognition.

IV. According to the historical experience of collection by the Group and the level of customers' risk, the default occurs when the payments are past invoice date over 270 days.

V. The Group considers the characteristics of credit risk on trade, and applies the modified approach using loss rate methodology to estimate expected credit loss under the loss rate basis. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable.

As at March 31, 2022, December 31, 2021 and March 31, 2021, details of expected credit loss using the loss rate methodology are as follows:

| | Expected loss rate | Book value | Allowance for uncollectible accounts |
|---|---|---|---|
| March 31, 2022 | | | |
| Taiwan | | | |
| Less than 90 days | 0.03% | $ 344,821 | $ - |
| 91～180 days | 0.03%～0.06% | 113,666 | - |
| 181～360 days | 0.05%~1% | 211,573 | 2,221 |
| Over 360 days | 0.63%～100% | 100,710 | 23,112 |
| | | 770,770 | 25,333 |
| Mainland China | | | |
| Less than 90 days | — | 55,824 | - |
| 91～180 days | — | 35,376 | - |
| 181～360 days | 1% | 18,858 | 216 |
| Over 360 days | 2%～100% | 5,068 | 832 |
| | | 115,126 | 1,048 |
| | | $ 885,896 | $ 26,381 |

| | Expected loss rate | Book value | Allowance for uncollectible accounts |
|---|---|---|---|
| December 31, 2021 | | | |
| Taiwan | | | |
| Less than 90 days | 0.03% | $ 224,998 | $ - |
| 91～180 days | 0.03%～0.06% | 272,682 | - |
| 181～360 days | 0.05%～1% | 97,917 | 1,117 |
| Over 360 days | 0.63%～100% | 123,941 | 19,064 |
| | | 719,538 | 20,181 |
| Mainland China | | | |
| Less than 90 days | — | 48,440 | - |
| 91～180 days | — | 46,132 | - |
| 181～360 days | 1% | 15,640 | 160 |
| Over 360 days | 2%～100% | 7,302 | 786 |
| | | 117,514 | 946 |
| | | $ 837,052 | $ 21,127 |

| | Expected loss rate | Book value | Allowance for uncollectible accounts |
|---|---|---|---|
| March 31, 2021 | | | |
| Taiwan | | | |
| Less than 90 days | 0.05% | $ 322,327 | $ - |
| 91～180 days | 0.05%～0.09% | 67,896 | - |
| 181～360 days | 1% | 88,574 | 1,020 |
| Over 360 days | 1.67%～100% | 55,933 | 12,420 |
| | | 534,730 | 13,440 |
| Mainland China | | | |
| Less than 90 days | — | 35,919 | - |
| 91～180 days | — | 28,098 | - |
| 181～360 days | 1% | 25,580 | 308 |
| Over 360 days | 2%～100% | 5,162 | 1,510 |
| | | 94,759 | 1,818 |
| | | $ 629,489 | $ 15,258 |

VI. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| | Accounts receivable | Accounts receivable |
| At January 1 | $ 21,127 | $ 14,803 |
| Provision for impairment | 5,217 | 469 |
| Net exchange differences | 37 | ( 14) |
| At March 31 | $ 26,381 | $ 15,258 |

(c) Liquidity risk

I. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the sufficient financial flexibility of the Group.

II. Group treasury invests surplus cash in interest bearing current accounts, time deposits and beneficiary certificates, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, and readily generate cash flows to manage liquidity risk.

III. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the following table are undiscounted contractual cash flows.

| March 31, 2022 | Within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Notes payable | $ 9,192 | $ - | $ - | $ - |
| Accounts payable | 546,931 | - | - | - |
| Other payables | 210,547 | - | - | - |
| Lease liabilities | 7,922 | 7,125 | 14,002 | 18,348 |
| Guarantee deposits received | 406 | 90 | 430 | 1,577 |

| December 31, 2021 | Within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | $ 80,686 | $ - | $ - | $ - |
| Notes payable | 8,646 | - | - | - |
| Accounts payable | 704,082 | - | - | - |
| Other payables | 268,513 | - | - | - |
| Lease liabilities | 5,307 | 5,307 | 6,866 | 17,929 |
| Guarantee deposits received | 391 | - | 501 | 1,520 |

| March 31, 2021 | Within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities: | | | | |
| Notes payable | $ 576 | $ - | $ - | $ - |
| Accounts payable | 682,787 | - | - | - |
| Other payables | 143,906 | - | - | - |
| Lease liabilities | 5,307 | 5,307 | 9,130 | 19,645 |

IV. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in emerging stocks and listed stocks are included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

Except for bonds payable, which are measured at the present value of the cash flow expected to be paid at the market interest rate on the balance sheet date, the carrying amounts of the Group's financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortised cost - current and non-current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables and guarantee deposits received are approximate to their fair values.

C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

| March 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Call options of bonds | $ - | $ 4, 300 | $ - | $ 4, 300 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ 581, 313 | $ - | $ 32, 101 | $ 613, 414 |

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ 458, 472 | $ - | $ 32, 101 | $ 490, 573 |

| March 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ 413, 932 | $ - | $ 22, 489 | $ 436, 421 |

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The following financial assets use quoted market prices as inputs for fair value measurement (level 1): for emerging stocks, the average trading price at the balance sheet date is used; for listed stocks, the closing price at the balance sheet date is used.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

E. For the three-month periods ended March 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the three-month periods ended March 31, 2022 and 2021:

| | Equity instruments |
|---|---|
| Beginning and ending balance, 2022 | $ 32, 101 |

| | Equity instruments |
|---|---|
| At January 1, 2021 | $ 12,489 |
| Prepayments for investments transferred | 10,000 |
| At March 31, 2021 | $ 22,489 |

G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | Fair value at March 31, 2022 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted stocks | $ 6,027 | Discounted cash flow | Weighted average cost of capital | 10.18% | The higher the weighted average cost of capital, the lower the fair value. |
| | | | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value. |
| Venture capital stocks | 26,074 | Net asset value | Not applicable | — | Not applicable |

| | Fair value at December 31, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted stocks | $ 6,027 | Discounted cash flow | Weighted average cost of capital | 10.23% | The higher the weighted average cost of capital, the lower the fair value. |
| | | | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value. |
| Venture capital stocks | 26,074 | Net asset value | Not applicable | — | Not applicable |

| | Fair value at Marchr 31, 2021 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Venture capital stocks | $ 22,489 | Net asset value | Not applicable | — | Not applicable |

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect on profit or loss or on other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

| | Input | Change | March 31, 2022 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instruments | Weighted average cost of capital | ± 10% | $ - | $ - | $ 1,183 | ($ 903) |
| | Discount for lack of marketability | ± 10% | - | - | 1,484 | ( 1,115) |
| | | | $ - | $ - | $ 2,667 | ($ 2,018) |

| | Input | Change | December 31, 2021 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | | | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instruments | Weighted average cost of capital | ± 10% | $ - | $ - | $ 1,080 | ($ 842) |
| | Discount for lack of marketability | ± 10% | - | - | 1,385 | ( 1,065) |
| | | | $ - | $ - | $ 2,465 | ($ 1,907) |

There was no such situation as of March 31, 2021.

(4) Other events

In response to the COVID-19 pandemic, the Group complied with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019 (COVID-19)" issued by the government and has adopted related measures for hygiene and health management in the workplace. All companies in the Group are operating normally, except for the subsidiaries in Mainland China, which are limited by epidemic prevention requirements which affected its production capacity and operations. As the main production is still concentrated in Taiwan, there is no significant impact in all aspects. The Group will continue to monitor the developments of the pandemic situation and market changes and respond in a timely manner.

## 13. SUPPLEMENTARY DISCLOSURES

(According to the current regulatory requirements, the Group is only required to disclose the information for the three-month period ended March 31, 2022.)

(1) Significant transactions information

A. Loans to others: Refer to Table 1.

B. Provision of endorsements and guarantees to others: Refer to Table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to Table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: Refer to Table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to Table 5.

(3) Information on investments in Mainland China

A. Basic information: Refer to Table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to Table 7.

(4) Major shareholders information

Major shareholders information: Refer to Table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Group's chief operating decision-maker that are used to make strategic decisions. The Group's chief operating decision-maker manages each entity in the organisation according to its role. There is no material change in the basis for information of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

| | For the three-month period ended March 31, 2022 | | | | |
|---|---|---|---|---|---|
| | All Ring Tech Co., Ltd. | Kunshan All Ring Tech Co., Ltd. | All Ring Tech (Kunshan) Co., Ltd. | Others | Total |
| Total segment revenue | $ 606,575 | $ – | $ 31,653 | $ 3,869 | $ 642,097 |
| Inter-segment revenue | 4,831 | – | 7,586 | 89 | 12,506 |
| Revenue from external customers | 601,744 | – | 24,067 | 3,780 | 629,591 |
| Interest income | 221 | 95 | 25 | – | 341 |
| Depreciation and amortisation | 7,142 | 36 | 2,870 | 1,158 | 11,206 |
| Interest expense | 1,527 | – | – | – | 1,527 |
| Segment income (loss) before tax | 179,143 | ( 86) | 2,595 | ( 575) | 181,077 |
| Segment assets | 4,607,397 | 43,780 | 356,329 | 62,861 | 5,070,367 |
| Segment liabilities | 1,976,232 | 1,241 | 54,573 | 4,076 | 2,036,122 |

| | For the three-month period ended March 31, 2021 | | | | |
|---|---|---|---|---|---|
| | All Ring Tech Co., Ltd. | Kunshan All Ring Tech Co., Ltd. | All Ring Tech (Kunshan) Co., Ltd. | Others | Total |
| Total segment revenue | $ 533,801 | $ - | $ 57,141 | $ 9,944 | $ 600,886 |
| Inter-segment revenue | 1,742 | - | 15,765 | 9,259 | 26,766 |
| Revenue from external customers | 532,059 | - | 41,376 | 685 | 574,120 |
| Interest income | 236 | 75 | 24 | 1 | 336 |
| Depreciation and amortisation | 5,866 | 18 | 2,635 | 705 | 9,224 |
| Interest expense | 111 | - | - | - | 111 |
| Segment income (loss) before tax | 160,963 | ( 87) | 1,447 | 2,980 | 165,303 |
| Segment assets | 3,154,610 | 42,125 | 359,100 | 38,519 | 3,594,354 |
| Segment liabilities | 948,637 | 1,559 | 78,718 | 8,034 | 1,036,948 |

(3) Reconciliation about segment profit or loss, assets and liabilities

A. Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations is provided as follows:

| | For the three-month periods ended March 31, | |
|---|---|---|
| | 2022 | 2021 |
| Reportable segments income before tax | $ 181,652 | $ 162,323 |
| Other segments (loss) income before tax | ( 575) | 2,980 |
| Less: Inter-segment loss | ( 1,934) | ( 4,340) |
| Profit from continuing operations before tax | $ 179,143 | $ 160,963 |

B. The amounts provided to the chief operating decision-maker with respect to total assets are measured in a manner consistent with that of the financial statements. A reconciliation of assets of reportable segment and total assets is as follows:

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Assets of reportable segments | $ 5,007,506 | $ 3,555,835 |
| Assets of other operating segments | 62,861 | 38,519 |
| Less: Inter-segment transaction | ( 431,468) | ( 377,249) |
| Total assets | $ 4,638,899 | $ 3,217,105 |

C. The amounts provided to the chief operating decision-maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. A reconciliation of liabilities of reportable segment and total liabilities is as follows:

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Liabilities of reportable segments | $ 2,032,046 | $ 1,028,914 |
| Liabilities of other operating segments | 4,076 | 8,034 |
| Less: Inter-segment transaction | ( 28,388) | ( 25,816) |
| Total liabilities | $ 2,007,734 | $ 1,011,132 |

All Ring Tech Co., Ltd. and Subsidiaries

Loans to others

For the three-month period ended March 31, 2022

Table 1

Expressed in thousands of NTD

| No. | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance | Ending balance | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 1) | Ceiling on total loans granted (Note 1) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Kunshan All Ring Tech Co., Ltd. | All Ring Tech (Kunshan) Co., Ltd. | Other receivables | Y | $ 36,048 | $ 36,048 | $ - | 2% | Short-term financing | $ - | Repayment of borrowings and operations | $ - | — | $ - | $ 85,244 | $ 85,244 | — |

(Note 1) Calculation of limit on loans granted to a single party and ceiling on total loans granted:The total loan amount cannot exceed 40% of the company's net worth. There are three possible circumstances:

1. Loan is made to company with which the Company has a business relationship. The total loan amount cannot exceed 20% of the company's net worth.
   The individual loan amount cannot exceed the total amount of business transactions between the two parties in the past year.
2. Loan is made to companies who need short-term financing. The total loan amount cannot exceed 20% of the company's net worth. The individual loan amount cannot exceed 10% of the net worth of the company.
3. The aforementioned limit does not apply if the loan is made to a company of which the parent company owns, directly or indirectly, 100% of the voting equity.
   Both the total and individual loan amounts do not exceed 200% of the net worth of the creditor based on the most recent financial statements.

(Note 2) Foreign currency amounts in the table are converted into NTD according to the exchange rates on the financial reporting date (RMB:NTD = 1:4.506).

All Ring Tech Co., Ltd. and Subsidiaries

Provision of endorsements and guarantees to others

For the three-month period ended March 31, 2022

Table 2

Expressed in thousands of NTD

| Number | Endorser/ guarantor | Party being endorsed/guaranteed: Company name | Party being endorsed/guaranteed: Relationship with the endorser/ guarantor | Limit on endorsements/ guarantees provided for a single party （Note 2） | Maximum outstanding endorsement/ guarantee amount | Outstanding endorsement/ guarantee amount | Actual amount drawn down | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided （Note 2） | Provision of endorsements/ guarantees by parent company to subsidiary | Provision of endorsements/ guarantees by subsidiary to parent company | Provision of endorsements /guarantees to the party in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | All Ring Tech Co., Ltd. | Uni-Ring Tech Co., Ltd. | (Note 1) | $ 526,233 | $ 60,000 | $ 30,000 | $ - | $ - | 1.14% | $ 1,052,466 | Y | N | N | — |

(Note 1) Companies where the Company owns more than 50% of voting shares (direct or indirect).

(Note 2) The total endorsements and guarantees of external parties by the Company cannot exceed 40% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. The total endorsements and guarantees of external parties by the Group cannot exceed 50% of the net worth as measured in the current period. The endorsement and guarantee of an individual business cannot exceed 20% of the net worth as measured in the current period. If the endorsement and guarantee are made for the purpose of conducting business, then the amount of endorsement and guarantee cannot exceed the total amount of business transactions between the guaranteed party and the Company for the period.

All Ring Tech Co., Ltd. and Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

March 31, 2022

Table 3

Expressed in thousands of NTD

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of March 31, 2022 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| All Ring Tech Co., Ltd. | Stocks: | | | | | | | |
| | Egiga Source Technology Co., Ltd. | — | Financial assets at fair value through profit or loss - non -current | 1,298 | $ - | 14.86% | $ - | — |
| | Tai-Tech Advanced Electronics Co., Ltd. | — | Financial asset measured at fair value through other comprehensive income - non -current | 2,710 | 325,252 | 2.63% | 325,252 | — |
| | Utechzone Co., Ltd. | — | Financial asset measured at fair value through other comprehensive income - non -current | 850 | 84,320 | 1.42% | 84,320 | — |
| | Favite Inc. | — | Financial asset measured at fair value through other comprehensive income - non -current | 7,550 | 168,743 | 9.55% | 168,743 | — |
| | Magnate Technology Co., Ltd | — | Financial asset measured at fair value through other comprehensive income - non -current | 70 | 1,593 | 0.10% | 1,593 | — |
| | Phoenix Innovation Investment Co., Ltd. | — | Financial asset measured at fair value through other comprehensive income - non -current | 1,000 | 13,949 | 3.13% | 13,949 | — |
| | Phoenix II Innovation Investment Co., Ltd. | — | Financial asset measured at fair value through other comprehensive income - non -current | 1,000 | 12,125 | 2.34% | 12,125 | — |
| | Hallmark Technology Co., Ltd. | — | Financial asset measured at fair value through other comprehensive income - non -current | 450 | 6,027 | 19.57% | 6,027 | — |
| | Tecstar Technology Co., Ltd. | — | Financial asset measured at fair value through other comprehensive income - non -current | 165 | 1,405 | 0.72% | 1,405 | — |

All Ring Tech Co., Ltd. and Subsidiaries

Significant inter-company transactions during the reporting period

For the three-month period ended March 31, 2022

Table 4

Expressed in thousands of NTD

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | All Ring Tech Co., Ltd. | All Ring Tech (Kunshan) Co., Ltd. | 1 | Sales of goods | $ 4,831 | Receipt within 120 days | 1% |
| | | | | Purchases of goods | 7,586 | Payment within 90 days | 1% |
| | | | | Accounts receivable | 19,350 | — | — |
| | | | | Accounts payable | 2,059 | — | — |
| | | Uni-Ring Tech Co., Ltd. | 1 | Endorsements and guarantees | 30,000 | — | 1% |

(Note 1) Business and other transactions between the parent company and its subsidiaries or between subsidiaries are not separately disclosed since the circumstances and amounts of each transaction is the same on each side. In addition, the disclosure threshold for significant transactions is set at 1 million dollars.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

(Note 3) The ratio of a transaction amount to total revenue or total assets is calculated as follows: balance sheet items are calculated by dividing the ending balance by total consolidated assets; profit or loss items are calculated by dividing the accumulated ending balance by total consolidated revenue.

(Note 4) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD =1 ：28.63; RMB:USD =1 ：0.1574); profit or loss items are converted using the average exchange rate for the three-month period ended March 31, 2022 (USD:NTD =1 ：27.99; RMB:USD = 1 ：0.1574).

All Ring Tech Co., Ltd. and Subsidiaries

Information on investees

For the three-month period ended March 31, 2022

Table 5

Expressed in thousands of NTD

| Investor | Investee | Location | Main business activities | Initial investment amount: Balance as at March 31, 2022 | Initial investment amount: Balance as at December 31, 2021 (Note 1) | Shares held as at March 31, 2022: Number of shares | Shares held as at March 31, 2022: Ownership (%) | Shares held as at March 31, 2022: Book value | Net profit (loss) of the investee for the three-month period ended March 31, 2022 | Investment income (loss) recognised by the Company for the three-month period ended March 31, 2022 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| All Ring Tech Co., Ltd. | PAI FU INTERNATIONAL LIMITED | British Virgin Islands | Mechanical engineering automation, and research, development and design of software | $ 65,263 | $ 65,263 | 1,930,000 | 100.00 | $ 129,558 | $ 621 | $ 621 | Subsidiary |
| All Ring Tech Co., Ltd. | Uni-Ring Tech Co., Ltd. | Taiwan | Other machine manufacture industry, electrical appliances, audio visual electronics and international trading industry | 230,000 | 200,000 | 10,855,947 | 100.00 | 53,804 | ( 480) | ( 469) | Subsidiary |
| All Ring Tech Co., Ltd. | IMAGINE GROUP LIMITED | Mauritius | Investment business | 182,840 | 182,840 | 5,220,000 | 71.60 | 243,977 | 2,502 | 835 | Subsidiary |
| PAI FU INTERNATIONAL LIMITED | IMAGINE GROUP LIMITED | Mauritius | Investment business | 59,624 | 59,624 | 2,070,000 | 28.40 | 83,062 | 2,502 | - | Subsidiary (Note 2) |

(Note 1) This was the balance on December 31, 2021.

(Note 2) The investment income (loss) does not need to be disclosed per the rules.

(Note 3) Foreign currency amounts in the table are converted into NTD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:NTD = 1 ：28.63); profit or loss items are converted using the average exchange rate for the three-month period ended March 31, 2022 (USD:NTD =1 ：27.99).

All Ring Tech Co., Ltd. and Subsidiaries

Information on investments in Mainland China

For the three-month period ended March 31, 2022

Table 6 | Expressed in thousands of NTD

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three-month period ended March 31, 2022 | | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022 | Net income of investee for the three-month period ended March 31, 2022 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the three-month period ended March 31, 2022 (Note 4) | Book value of investments in Mainland China as of March 31, 2022 | Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Kunshan All Ring Tech Co., Ltd. | Research, development, and manufacture of specialized electronic equipment used for cutting capacitance and inductance; sales of self-manufactured products and provision of corresponding technology testing services | $ 42,945 | (Note 1) | $ 42,945 | $ - | $ - | $ 42,945 | ($ 86) | 100.00 | ($ 86) | $ 42,538 | $ - | — |
| All Ring Tech (Kunshan) Co., Ltd. | Research, development, design, and manufacture of specialized electronic equipment, testing instruments and accessories; sales of self-manufactured products and provision of corresponding technology testing services | 206,136 | (Note 2) (Note 3) | 173,232 | - | - | 173,232 | 2,595 | 100.00 | 2,595 | 301,757 | - | — |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5) |
|---|---|---|---|
| All Ring Tech Co., Ltd. | $ 216,177 | $ 535,494 | $ 1,578,700 |

(Note 1) Indirect investment in PRC through the existing company (PAI FU INTERNATIONAL LIMITED) located in the third aera.

(Note 2) Indirect investment in PRC through the existing company (IMAGINE GROUP LIMITED) located in the third aera.

(Note 3) $57,260 (USD $2,000 thousand) was indirectly invested in PRC through the existing company (PAI FU INTERNATIONAL LIMITED) located in a third aera.

(Note 4) Recognised according to the audited financial statements of the investee.

(Note 5) The limit is the net worth or 60% of the consolidated net worth, whichever is greater.

(Note 6) Foreign currency amounts in the table are converted into TWD as follows: ending balances and carrying amounts are converted using the exchange rate on the financial reporting date (USD:TWD = 1 ：28.63; RMB:USD =1：0.1574); profit or loss items are converted using the average exchange rate for the three-month period ended March 31, 2022 (USD:TWD = 1 ：27.99 ; RMB:USD =1：0.1574).

All Ring Tech Co., Ltd. and Subsidiaries

Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

For the three-month period ended March 31, 2022

Table 7

Expressed in thousands of NTD

| | Sale (purchase) | | Property transaction | | Accounts receivable (payable) | | Provision of endorsements/guarantees or collaterals | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee in Mainland China | Amount | % | Amount | % | Balance at March 31, 2022 | % | Balance at March 31, 2022 | Purpose | Maximum balance during the three-month period ended March 31, 2022 | Balance at March 31, 2022 | Interest rate | Interest during the three-month period ended March 31, 2022 | Others |
| All Ring Tech (Kunshan) Co., Ltd. | $ 4,831 | 1% | $ - | — | $ 19,350 | — | $ - | - | $ - | $ - | — | $ - | — |
| | ( 7,586) | 1% | | | ( 2,059) | — | | | | | | | |

All Ring Tech Co., Ltd. and Subsidiaries

Major shareholders information

March 31, 2022

Table 8

Expressed in thousands of shares

| Name of major shareholders | Number of shares held | | | Note |
| --- | --- | --- | --- | --- |
| | Common share | Preferred share | Ownership | |
| Fengqiao Investment Co., Ltd. | 7,355,625 | — | 8.82% | — |

(Note) The major shareholders information was derived from the Taiwan Depository & Clearing Corporation in accordance with the common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter.

The share capital which was recorded in the financial statements might be different from the number of shares held in dematerialised form because of a different calculation basis.