

YC Inox Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
YC Inox Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of YC Inox Co., Ltd. and its subsidiaries (collectively, the “Group”) as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. 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.

Conclusion

Based on our reviews, nothing has come to our attention that caused 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 of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Done-Yuin Tseng and Shu-Chin Chiang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 4, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 890,752	5	\$ 1,396,077	7	\$ 817,918	5
Financial assets at fair value through profit or loss - current (Note 7)	221,104	1	267,852	1	229,250	1
Notes receivable (Note 27)	60,607	-	166,220	1	79,552	-
Trade receivables (Notes 9 and 27)	983,895	5	1,241,870	7	1,869,740	11
Other receivables	408,473	2	296,636	2	249,504	1
Inventories (Note 10)	5,854,547	29	6,514,836	34	5,353,578	31
Prepayments	1,077,976	5	574,375	3	603,552	4
Other current assets (Note 28)	<u>2,468</u>	<u>-</u>	<u>3,011</u>	<u>-</u>	<u>2,991</u>	<u>-</u>
Total current assets	<u>9,499,822</u>	<u>47</u>	<u>10,460,877</u>	<u>55</u>	<u>9,206,085</u>	<u>53</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	3,750,189	19	2,666,411	14	2,349,110	13
Property, plant and equipment (Note 12)	5,176,711	25	4,789,937	25	4,835,019	28
Right-of-use assets (Note 13)	14,746	-	3,631	-	4,947	-
Computer software (Note 14)	8,581	-	6,360	-	6,875	-
Deferred tax assets (Notes 4 and 22)	478,465	2	384,474	2	135,501	1
Prepayments for equipment	1,253,339	6	536,002	3	513,794	3
Other non-current assets	<u>204,047</u>	<u>1</u>	<u>231,052</u>	<u>1</u>	<u>321,876</u>	<u>2</u>
Total non-current assets	<u>10,886,078</u>	<u>53</u>	<u>8,617,867</u>	<u>45</u>	<u>8,167,122</u>	<u>47</u>
TOTAL	<u>\$ 20,385,900</u>	<u>100</u>	<u>\$ 19,078,744</u>	<u>100</u>	<u>\$ 17,373,207</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 15)	\$ 5,504,467	27	\$ 5,559,180	29	\$ 4,707,628	27
Contract liabilities - current (Note 20)	408,872	2	518,204	3	338,590	2
Notes payable	268	-	14,557	-	174	-
Trade payables	170,947	1	771,356	4	337,118	2
Other payables (Note 17)	834,322	4	565,116	3	463,837	3
Dividends payable (Notes 19 and 24)	-	-	-	-	655,696	4
Current tax liabilities (Notes 4 and 22)	322,711	1	372,226	2	189,527	1
Lease liabilities - current (Note 13)	5,930	-	2,466	-	3,241	-
Current portion of long-term borrowings (Note 15)	121,429	1	119,643	1	107,143	1
Other current liabilities	<u>43,655</u>	<u>-</u>	<u>32,079</u>	<u>-</u>	<u>43,609</u>	<u>-</u>
Total current liabilities	<u>7,412,601</u>	<u>36</u>	<u>7,954,827</u>	<u>42</u>	<u>6,846,563</u>	<u>40</u>
NON-CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - non-current (Note 16)	865	-	966	-	727	-
Bonds payable (Note 16)	763,365	4	775,775	4	776,563	5
Long-term borrowings (Note 15)	1,521,429	8	780,357	4	492,857	3
Deferred tax liabilities (Notes 4 and 22)	37,730	-	62,053	-	41,582	-
Lease liabilities - non-current (Note 13)	8,443	-	814	-	1,177	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	68,128	-	71,257	1	75,382	-
Guarantee deposits received	<u>42,804</u>	<u>-</u>	<u>30,630</u>	<u>-</u>	<u>23,000</u>	<u>-</u>
Total non-current liabilities	<u>2,442,764</u>	<u>12</u>	<u>1,721,852</u>	<u>9</u>	<u>1,411,288</u>	<u>8</u>
Total liabilities	<u>9,855,365</u>	<u>48</u>	<u>9,676,679</u>	<u>51</u>	<u>8,257,851</u>	<u>48</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital						
Ordinary shares	4,453,545	22	4,445,345	23	4,443,614	26
Registered capital (pending change)	254	-	1,080	-	1,731	-
Capital surplus	2,005,108	10	1,994,700	10	1,993,180	11
Retained earnings						
Legal reserve	1,292,961	6	1,166,385	6	1,166,385	6
Special reserve	-	-	-	-	-	-
Unappropriated earnings	1,550,504	8	1,276,096	7	842,408	5
Other equity	<u>1,228,163</u>	<u>6</u>	<u>518,459</u>	<u>3</u>	<u>668,038</u>	<u>4</u>
Total equity	<u>10,530,535</u>	<u>52</u>	<u>9,402,065</u>	<u>49</u>	<u>9,115,356</u>	<u>52</u>
TOTAL	<u>\$ 20,385,900</u>	<u>100</u>	<u>\$ 19,078,744</u>	<u>100</u>	<u>\$ 17,373,207</u>	<u>100</u>

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

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 27)	\$ 4,354,184	100	\$ 5,305,167	100	\$ 13,403,214	100	\$ 13,127,481	100
OPERATING COSTS (Notes 10 and 21)	<u>3,849,391</u>	<u>88</u>	<u>4,337,168</u>	<u>82</u>	<u>11,261,497</u>	<u>84</u>	<u>11,067,155</u>	<u>85</u>
GROSS PROFIT	<u>504,793</u>	<u>12</u>	<u>967,999</u>	<u>18</u>	<u>2,141,717</u>	<u>16</u>	<u>2,060,326</u>	<u>15</u>
OPERATING EXPENSES (Note 21)								
Selling and marketing expenses	233,537	5	416,854	8	795,258	6	903,197	7
General and administrative expenses	79,275	2	63,364	1	249,455	2	171,080	1
Expect credit loss (Note 9)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>820</u>	<u>-</u>
Total operating expenses	<u>312,812</u>	<u>7</u>	<u>480,218</u>	<u>9</u>	<u>1,044,713</u>	<u>8</u>	<u>1,075,097</u>	<u>8</u>
INCOME FROM OPERATIONS	<u>191,981</u>	<u>5</u>	<u>487,781</u>	<u>9</u>	<u>1,097,004</u>	<u>8</u>	<u>985,229</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	428	-	393	-	1,025	-	516	-
Other gains and losses, net (Note 27)	23,239	-	8,248	-	31,854	-	10,822	-
Gain (loss) on disposal of property, plant and equipment	180	-	(8,168)	-	403	-	(28,016)	-
Foreign exchange gain, net	116,096	3	21,074	-	374,615	3	162,310	1
Finance costs (Note 21)	(22,947)	(1)	(10,106)	-	(55,274)	-	(24,501)	-
Gain (loss) on fair value changes of financial instruments at fair value through profit or loss	<u>25,696</u>	<u>1</u>	<u>(68,477)</u>	<u>(1)</u>	<u>(46,647)</u>	<u>-</u>	<u>(13,514)</u>	<u>-</u>
Total non-operating income and expenses	<u>142,692</u>	<u>3</u>	<u>(57,036)</u>	<u>(1)</u>	<u>305,976</u>	<u>3</u>	<u>107,617</u>	<u>1</u>
INCOME BEFORE INCOME TAX	334,673	8	430,745	8	1,402,980	11	1,092,846	8
INCOME TAX EXPENSE (Notes 4 and 22)	<u>69,095</u>	<u>2</u>	<u>106,874</u>	<u>2</u>	<u>343,639</u>	<u>3</u>	<u>264,032</u>	<u>2</u>
NET INCOME	<u>265,578</u>	<u>6</u>	<u>323,871</u>	<u>6</u>	<u>1,059,341</u>	<u>8</u>	<u>828,814</u>	<u>6</u>

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YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 1,014,829	23	\$ 56,116	1	\$ 1,056,540	8	\$ (99,583)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(78,269)	(2)	(42,584)	-	(422,786)	(3)	(290,525)	(2)
Income tax related to items that may be reclassified subsequently to profit or loss	15,654	1	8,517	-	84,557	-	58,105	-
Other comprehensive income (loss) for the period, net of income tax	952,214	22	22,049	1	718,311	5	(332,003)	(2)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 1,217,792</u>	<u>28</u>	<u>\$ 345,920</u>	<u>7</u>	<u>\$ 1,777,652</u>	<u>13</u>	<u>\$ 496,811</u>	<u>4</u>
EARNINGS PER SHARE (Note 23)								
Basic	<u>\$ 0.60</u>		<u>\$ 0.74</u>		<u>\$ 2.38</u>		<u>\$ 1.89</u>	
Diluted	<u>\$ 0.55</u>		<u>\$ 0.69</u>		<u>\$ 2.21</u>		<u>\$ 1.77</u>	

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

(Concluded)

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

							Other Equity		
	Ordinary Shares (Note 19)			Retained Earnings (Note 19)			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Total Equity
	Capital Stock Ordinary Shares	Registered Capital Pending Change	Capital Surplus (Note 19)	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2021	\$ 4,371,307	\$ -	\$ 1,882,352	\$ 1,124,194	\$ 185,661	\$ 522,557	\$ (235,655)	\$ 1,238,959	\$ 9,089,375
Appropriation of 2020 earnings									
Legal reserve	-	-	-	42,191	-	(42,191)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(655,696)	-	-	(655,696)
Reversal of special reserve	-	-	-	-	(185,661)	185,661	-	-	-
Net profit for the nine months ended September 30, 2021	-	-	-	-	-	828,814	-	-	828,814
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	-	-	(232,420)	(99,583)	(332,003)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	828,814	(232,420)	(99,583)	496,811
Convertible bonds converted to ordinary shares	72,307	1,731	110,828	-	-	-	-	-	184,866
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	3,263	-	(3,263)	-
BALANCE AT SEPTEMBER 30, 2021	\$ 4,443,614	\$ 1,731	\$ 1,993,180	\$ 1,166,385	\$ -	\$ 842,408	\$ (468,075)	\$ 1,136,113	\$ 9,115,356
BALANCE AT JANUARY 1, 2022	\$ 4,445,345	\$ 1,080	\$ 1,994,700	\$ 1,166,385	\$ -	\$ 1,276,096	\$ (1,012,464)	\$ 1,530,923	\$ 9,402,065
Appropriation of 2021 earnings									
Legal reserve	-	-	-	126,576	-	(126,576)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(666,964)	-	-	(666,964)
Net profit for the nine months ended September 30, 2022	-	-	-	-	-	1,059,341	-	-	1,059,341
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	-	(338,229)	1,056,540	718,311
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	1,059,341	(338,229)	1,056,540	1,777,652
Convertible bonds converted to ordinary shares	8,200	(826)	10,408	-	-	-	-	-	17,782
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	8,607	-	(8,607)	-
BALANCE AT SEPTEMBER 30, 2022	\$ 4,453,545	\$ 254	\$ 2,005,108	\$ 1,292,961	\$ -	\$ 1,550,504	\$ (1,350,693)	\$ 2,578,856	\$ 10,530,535

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

YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,402,980	\$ 1,092,846
Adjustments for:		
Depreciation expense	222,875	207,164
Amortization expense	2,570	1,575
Expected credit loss	-	820
Loss on financial instruments at fair value through profit or loss, net	46,647	13,514
Interest expense	55,274	24,501
Interest income	(1,025)	(516)
Dividends income	(10,425)	(4,000)
(Gain) loss on disposal of property, plant and equipment	(403)	28,016
Write-down (reversal of write-down) of inventories	328,862	(10,100)
Gain on foreign currency exchange, net	(45,140)	(6,384)
Gain on lease modification	(26)	-
Changes in operating assets and liabilities:		
Notes receivable	105,613	(19,219)
Trade receivables	284,259	(901,467)
Other receivables	(88,090)	1,079
Inventories	268,543	(2,331,246)
Prepayments	(596,141)	(565,401)
Other current assets	515	(3)
Contract liabilities	(107,832)	48,226
Notes payable	(14,289)	(7)
Trade payables	(599,858)	216,034
Other payables	(110,716)	98,937
Other current liabilities	14,887	(165)
Net defined benefit liabilities	(3,129)	(4,553)
Cash generated from (used in) operations	1,155,951	(2,110,349)
Interest received	1,025	516
Dividends received	10,425	4,000
Interest paid	(47,902)	(17,022)
Income tax paid	(417,776)	(83,113)
Net cash generated from (used in) operating activities	701,723	(2,205,968)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(39,770)	(56,970)
Disposal of financial assets at fair value through other comprehensive income	12,532	5,632
Acquisition of financial assets at fair value through profit or loss	-	(290,277)
Disposal of financial assets at fair value through profit or loss	-	46,740
Acquisition of property, plant and equipment	(259,239)	(429,517)
Proceeds from disposal of property, plant and equipment	15,248	38,608

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YC INOX CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
(Increase) loss in refundable deposits	\$ (4,409)	\$ 30
Acquisition of intangible assets	(4,839)	(6,790)
Increase in other non-current assets	-	(297,278)
Increase in prepayments for equipment	<u>(875,322)</u>	<u>(317,416)</u>
Net cash used in investing activities	<u>(1,155,799)</u>	<u>(1,307,238)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	16,153,950	16,534,543
Repayments of short-term borrowings	(16,212,942)	(13,343,465)
Proceeds from long-term borrowings	1,000,000	200,000
Repayments of long-term borrowings	(257,142)	(275,000)
Increase (decrease) in guarantee deposits received	12,174	(20,140)
Repayments of the principal portion of lease liabilities	(5,639)	(3,498)
Dividends paid to owners of the Company	<u>(666,964)</u>	<u>-</u>
Net cash generated from financing activities	<u>23,437</u>	<u>3,092,440</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(74,686)</u>	<u>(115,458)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(505,325)</u>	<u>(536,224)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,396,077</u>	<u>1,354,142</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 890,752</u>	<u>\$ 817,918</u>

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

(Concluded)

YC INOX CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

YC Inox Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in January 1973, and is mainly engaged in the production, processing and sale of stainless steel pipes, stainless steel sheets and coils, agency services and international trading of stainless steel products.

The Company’s shares were listed and have been trading on the Taiwan Stock Exchange since September 2001.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on November 4, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

These interim consolidated financial statements 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 and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

See Note 11 and Table 6 for the detailed information on subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty of these interim consolidated financial statements are the same as those applied to the preparation of the consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 1,028	\$ 1,010	\$ 1,029
Checking accounts and demand deposits	604,201	1,395,067	484,406
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	<u>285,523</u>	<u>-</u>	<u>332,483</u>
	<u>\$ 890,752</u>	<u>\$ 1,396,077</u>	<u>\$ 817,918</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	September 30, 2022	December 31, 2021	September 30, 2021
Financial assets mandatorily measured at FVTPL			
Domestic listed shares	<u>\$ 221,104</u>	<u>\$ 267,852</u>	<u>\$ 229,250</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON - CURRENT

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Investments in equity instruments at FVTOCI</u>			
Foreign unlisted shares	\$ 250,311	\$ 250,311	\$ 363,924
Domestic unlisted shares	<u>3,499,878</u>	<u>2,416,100</u>	<u>1,985,186</u>
	<u>\$ 3,750,189</u>	<u>\$ 2,666,411</u>	<u>\$ 2,349,110</u>

These investments in equity instruments are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. TRADE RECEIVABLES

	September 30, 2022	December 31, 2021	September 30, 2021
At amortized cost			
Gross carrying amount	\$ 951,515	\$ 1,195,732	\$ 1,655,666
Less: Allowance for impairment loss	<u>(2,242)</u>	<u>(2,242)</u>	<u>(2,350)</u>
	949,273	1,193,490	1,653,316
At FVTOCI	<u>34,622</u>	<u>48,380</u>	<u>216,424</u>
	<u>\$ 983,895</u>	<u>\$ 1,241,870</u>	<u>\$ 1,869,740</u>

a. At amortized cost

The credit period of sales of goods is 30 to 150 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The loss allowance of trade receivables of the Group was as follows:

	Not Past Due	Past Due 1-60 Days	Past Due 61-120 Days	Past Due 121-180 Days	Past Due More than 180 Days	Total
<u>September 30, 2022</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 857,106	\$ 94,409	\$ -	\$ -	\$ -	\$ 951,515
Loss allowance	-	(2,242)	-	-	-	(2,242)
Amortized cost	<u>\$ 857,106</u>	<u>\$ 92,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 949,273</u>
<u>December 31, 2021</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 1,082,811	\$ 112,921	\$ -	\$ -	\$ -	\$ 1,195,732
Loss allowance	-	(2,242)	-	-	-	(2,242)
Amortized cost	<u>\$ 1,082,811</u>	<u>\$ 110,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,490</u>
<u>September 30, 2021</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 1,473,695	\$ 181,864	\$ -	\$ -	\$ 107	\$ 1,655,666
Loss allowance	-	(2,243)	-	-	(107)	(2,350)
Amortized cost	<u>\$ 1,473,695</u>	<u>\$ 179,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,653,316</u>

The movements of the loss allowance of trade receivables were as follows:

	For the Nine Months Ended September 30	
	2022	2021
Balance at January 1	\$ 2,242	\$ 1,628
Add: Net remeasurement of loss allowance	<u>-</u>	<u>722</u>
Balance at September 30	<u>\$ 2,242</u>	<u>\$ 2,350</u>

b. At FVTOCI

The Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

As of September 30, 2022 and September 30, 2021, all of the Group's accounts receivable were not past due, and no impairment loss was recognized within the respective aging ranges.

Refer to Note 26 for details of the factoring agreements for trade receivables.

10. INVENTORIES

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 2,842,911	\$ 3,028,253	\$ 2,457,332
Work in progress	105,941	89,175	103,580
Semi-finished goods	438,132	489,871	436,684
Finished goods	2,430,222	2,889,264	2,334,198
Merchandise	<u>37,341</u>	<u>18,273</u>	<u>21,784</u>
	<u>\$ 5,854,547</u>	<u>\$ 6,514,836</u>	<u>\$ 5,353,578</u>

Operating costs related to inventory for the three months and nine months ended September 30, 2022 and 2021 were \$3,849,391 thousand, \$4,337,168 thousand, \$11,261,497 thousand and \$11,067,155 thousand, respectively.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Write-down (reversal of write-down) of inventories	<u>\$ (157,909)</u>	<u>\$ 700</u>	<u>\$ (328,862)</u>	<u>\$ 10,100</u>

Inventory write-downs were reversed as a result of increased selling prices of raw materials.

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	% of Ownership		
		September 30, 2022	December 31, 2021	September 30, 2021
The Company	Chi Mao Investment Co., Ltd. (Chi Mao Company)	100	100	100
	YC INOX TR CELIK SANAYI VE TICARET A.S. (YC INOX TR Company)	100	100	100

For the nature of activities of the subsidiaries listed above, refer to Table 6.

The Group invested \$2,645,314 thousand and \$334,236 thousand in YC INOX TR Company, which engaged in seasoned equity offering for the nine months ended September 30, 2022 and 2021, respectively. The aforementioned investments had been approved by the Overseas Chinese and Foreign Investment Commission of the Ministry of Economic Affairs.

12. PROPERTY, PLANT AND EQUIPMENT

	For the Nine Months Ended September 30, 2022					
	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Beginning balance	\$ 2,157,132	\$ 1,482,722	\$ 2,631,388	\$ 950,326	\$ 393,831	\$ 7,615,399
Additions	-	7,335	282,678	69,119	316,671	675,803
Disposals	-	-	(60,148)	(18,607)	-	(78,755)
Reclassifications	-	-	67,390	10,696	-	78,086
Effects of Foreign Currency Exchange Differences	(27,398)	-	(15,300)	(1,357)	(90,498)	(134,553)
Ending balance	<u>\$ 2,129,734</u>	<u>\$ 1,490,057</u>	<u>\$ 2,906,008</u>	<u>\$ 1,010,177</u>	<u>\$ 620,004</u>	<u>\$ 8,155,980</u>
<u>Accumulated depreciation</u>						
Beginning balance	\$ -	\$ 586,798	\$ 1,791,190	\$ 447,474	\$ -	\$ 2,825,462
Additions	-	50,591	104,339	63,735	-	218,665
Disposals	-	-	(57,879)	(6,031)	-	(63,910)
Reclassifications	-	-	-	-	-	-
Effects of Foreign Currency Exchange Differences	-	-	(730)	(218)	-	(948)
Ending balance	<u>\$ -</u>	<u>\$ 637,389</u>	<u>\$ 1,836,920</u>	<u>\$ 504,960</u>	<u>\$ -</u>	<u>\$ 2,979,269</u>
Ending carrying amount	<u>\$ 2,129,734</u>	<u>\$ 852,668</u>	<u>\$ 1,069,088</u>	<u>\$ 505,217</u>	<u>\$ 620,004</u>	<u>\$ 5,176,711</u>

For the Nine Months Ended September 30, 2021						
	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Beginning balance	\$ 2,290,544	\$ 1,485,497	\$ 2,568,928	\$ 887,904	\$ 32,948	\$ 7,265,821
Additions	-	8,135	49,972	97,722	312,474	468,303
Disposals	-	(17,936)	(24,233)	(72,979)	-	(115,148)
Reclassifications	-	-	58,392	22,844	-	81,236
Effects of Foreign Currency						
Exchange Differences	(53,295)	-	-	(40)	(35,848)	(89,183)
Ending balance	<u>\$ 2,237,249</u>	<u>\$ 1,475,696</u>	<u>\$ 2,653,059</u>	<u>\$ 935,451</u>	<u>\$ 309,574</u>	<u>\$ 7,611,029</u>
<u>Accumulated depreciation</u>						
Beginning balance	\$ -	\$ 532,944	\$ 1,698,531	\$ 390,288	\$ -	\$ 2,621,763
Additions	-	49,534	96,139	58,152	-	203,825
Disposals	-	(12,288)	(20,465)	(15,771)	-	(48,524)
Reclassifications	-	-	-	(1,040)	-	(1,040)
Effects of Foreign Currency						
Exchange Differences	-	-	-	(14)	-	(14)
Ending balance	<u>\$ -</u>	<u>\$ 570,190</u>	<u>\$ 1,774,205</u>	<u>\$ 431,615</u>	<u>\$ -</u>	<u>\$ 2,776,010</u>
Ending carrying amount	<u>\$ 2,237,249</u>	<u>\$ 905,506</u>	<u>\$ 878,854</u>	<u>\$ 503,836</u>	<u>\$ 309,574</u>	<u>\$ 4,835,019</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Office buildings	20-35 years
Plants	10-20 years
Machinery and equipment	2-20 years
Other equipment	2-50 years

Farmland held by the Company which is situated in No.75-1 and 75-2 (2,044 square meters) of Jiumei Section, Xizhou Township, Changhua County and No.115 (171 square meters), No.115-1 and 115-2 (3,218 square meters), and No.116(120 square meters) situated in Xinguan Section., Puxin Township, Changhua County were designated as parking lots, finished goods storage and loading areas. As registration for the transfer of ownership rights cannot currently be implemented in accordance with the law, all the farmland was registered under the name of Chairman Chang Chin Yu, and all the 6 lots of land were mortgaged to the Company for a total of \$40,000 thousand.

No impairment assessment was performed for the nine months ended September 30, 2022 and 2021 as there was no indication of impairment.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Land	\$ 2,705	\$ 28	\$ 56
Buildings	900	1,200	1,300
Transportation equipment	5,532	552	1,046
Other equipment	<u>5,609</u>	<u>1,851</u>	<u>2,545</u>
	<u>\$ 14,746</u>	<u>\$ 3,631</u>	<u>\$ 4,947</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Additions to right-of-use assets			\$ 15,906	\$ -
Depreciation of right-of-use assets				
Land	\$ 82	\$ 69	\$ 192	\$ 250
Buildings	100	100	300	300
Transportation equipment	584	221	1,623	707
Other equipment	<u>707</u>	<u>694</u>	<u>2,095</u>	<u>2,082</u>
	<u>\$ 1,473</u>	<u>\$ 1,084</u>	<u>\$ 4,210</u>	<u>\$ 3,339</u>

The Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2022 and 2021.

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Carrying amount</u>			
Current	\$ 5,930	\$ 2,466	\$ 3,241
Non-current	<u>8,443</u>	<u>814</u>	<u>1,177</u>
	<u>\$ 14,373</u>	<u>\$ 3,280</u>	<u>\$ 4,418</u>

Discount rates for lease liabilities were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Land	2.20%	1.20%	1.20%
Buildings	1.15%	1.15%	1.15%
Transportation equipment	16.50%-28.00%	16.50%	16.50%
Other equipment	2.60%	0.88%	0.88%

c. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses relating short-term leases	<u>\$ 115</u>	<u>\$ 91</u>	<u>\$ 383</u>	<u>\$ 279</u>
Expenses relating to low value asset leases	<u>\$ 173</u>	<u>\$ 46</u>	<u>\$ 702</u>	<u>\$ 169</u>
Total cash outflow for leases			<u>\$ 6,724</u>	<u>\$ 3,946</u>

d. Material leasing activities and terms (the Group is lessee)

The Group leases certain land, buildings, transportation equipment and other equipment for operating uses with lease terms of 2 to 12 years. The Group does not have bargain purchase options to acquire the leasehold land, buildings, transportation equipment and other equipment at the end of the lease terms.

14. COMPUTER SOFTWARE

For the Nine Months Ended September 30, 2022						
	Beginning Balance	Additions	Disposals	Reclassifications	Effects of Exchange Rate Changes	Ending Balance
Cost	\$ 9,903	<u>\$ 4,839</u>	<u>\$ (1,266)</u>	<u>\$ -</u>	<u>\$ (69)</u>	\$ 13,407
Accumulated amortization	<u>3,543</u>	<u>\$ 2,570</u>	<u>\$ (1,266)</u>	<u>\$ -</u>	<u>\$ (21)</u>	<u>4,826</u>
	<u>\$ 6,360</u>					<u>\$ 8,581</u>
For the Nine Months Ended September 30, 2021						
	Beginning Balance	Additions	Disposals	Reclassifications	Effects of Exchange Rate Changes	Ending Balance
Cost	\$ 192	<u>\$ 6,790</u>	<u>\$ -</u>	<u>\$ 2,514</u>	<u>\$ -</u>	\$ 9,496
Accumulated amortization	<u>5</u>	<u>\$ 1,575</u>	<u>\$ -</u>	<u>\$ 1,041</u>	<u>\$ -</u>	<u>2,621</u>
	<u>\$ 187</u>					<u>\$ 6,875</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives of 1-5 years.

15. BORROWINGS

a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Letter of credit borrowings and export bills	\$ 2,034,467	\$ 3,789,180	\$ 3,237,628
Line of credit borrowings	<u>3,470,000</u>	<u>1,770,000</u>	<u>1,470,000</u>
	<u>\$ 5,504,467</u>	<u>\$ 5,559,180</u>	<u>\$ 4,707,628</u>
<u>Annual interest rate range (%)</u>			
Letter of credit borrowings and export bills	1.15-4.93	0.32-0.80	0.29-0.80
Line of credit borrowings	0.87-1.79	0.46-1.40	0.45-1.40

b. Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Unsecured borrowings</u>			
Line of credit borrowings	\$ 1,642,858	\$ 900,000	\$ 600,000
Less: Current portion	<u>(121,429)</u>	<u>(119,643)</u>	<u>(107,143)</u>
	<u>\$ 1,521,429</u>	<u>\$ 780,357</u>	<u>\$ 492,857</u>
Annual interest rate range (%)	1.29-1.41	0.88-0.90	0.88-0.90

The line of credit borrowings of the Group will be repaid in New Taiwan dollars. The borrowings are repayable in installment at varying amounts from October 2024 to April 2027.

16. BONDS PAYABLE

	September 30, 2022	December 31, 2021	September 30, 2021
3 rd domestic unsecured convertible bonds	<u>\$ 763,365</u>	<u>\$ 775,775</u>	<u>\$ 776,563</u>

On December 15, 2020, the Company issued 5-year, 0% NTD-denominated unsecured convertible bonds in Taiwan for \$1,000,000 thousand, and the maturity date of the bonds is December 15, 2025. Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$26.5, which shall be later adjusted in accordance with the formula stated in the Anti-dilution provisions of the “Rules and conditions of issuance and conversion of the 3rd domestic unsecured corporate bonds” (as of September 30, 2022, the conversion price has been adjusted to \$23.6). For the period from the day following three months after the date of issuance of the convertible bonds (March 16, 2021) to 40 days before the maturity date (November 5, 2025), if the closing share price of the Company exceeds 30% of the prevailing conversion price for 30 consecutive business days or the outstanding balance falls lower than 10% of the original total issuance amount, the Company may redeem the bonds in cash at face value. In addition, holders may request to sell the bonds they hold back to the Company at any time within 30 days before the expiry of the third year from the date of issuance (December 15, 2023).

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.93% per annum on initial recognition.

As of September 30, 2022, the face value of the bonds payable converted by the holders was \$213,600 thousand.

Changes in the master contract of the debt and sell-back rights of derivatives (recognized as financial liabilities at FVTPL - non-current) are as follows:

	Debt Instrument for Master Contracts	
	For the Nine Months Ended September 30	
	2022	2021
Balance at January 1	\$ 775,775	\$ 954,978
Amortization of discount this period	5,372	6,451
Converted into ordinary shares this period	<u>(17,782)</u>	<u>(184,866)</u>
Balance at September 30	<u>\$ 763,365</u>	<u>\$ 776,563</u>
	For the Nine Months Ended September 30	
<u>Derivative instrument - put options (financial liabilities)</u>	2022	2021
Balance at January 1	\$ 966	\$ 1,500
Changes in fair value for current period	<u>(101)</u>	<u>(773)</u>
Balance at September 30	<u>\$ 865</u>	<u>\$ 727</u>

17. OTHER PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Payables for salaries and bonuses	\$ 85,524	\$ 164,641	\$ 86,823
Payables for acquisition of equipment	540,194	159,166	93,362
Payables for profit sharing bonus of employees and remuneration of directors	100,390	118,683	79,101
Payables for commission	3,729	3,853	6,137
Others	<u>104,485</u>	<u>118,773</u>	<u>198,414</u>
	<u>\$ 834,322</u>	<u>\$ 565,116</u>	<u>\$ 463,837</u>

18. RETIREMENT BENEFIT PLANS

For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the pension expenses of defined benefit plans were \$192 thousand, \$135 thousand, \$576 thousand and \$405 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2021 and 2020, respectively.

19. EQUITY

a. Capital stock

	September 30, 2022	December 31, 2021	September 30, 2021
Authorized shares (in thousands of shares)	660,000	499,000	499,000
Authorized capital	<u>\$ 6,600,000</u>	<u>\$ 4,990,000</u>	<u>\$ 4,990,000</u>
Issued and paid shares (in thousands of shares)	445,355	444,535	444,362
Issued capital	<u>\$ 4,453,545</u>	<u>\$ 4,445,345</u>	<u>\$ 4,443,614</u>
Registered capital (pending change)	<u>\$ 254</u>	<u>\$ 1,080</u>	<u>\$ 1,731</u>

A holder of issued common share with par value of NT\$10 is entitled to vote and to receive dividends.

b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to capital</u>			
Additional paid-in capital	\$ 1,466,300	\$ 1,466,300	\$ 1,466,300
Conversion of bonds	501,394	490,234	488,604
Interest premium payable on convertible bonds	5,239	5,239	5,239
<u>Not allowed to be used for any purpose</u>			
Share warrants of convertible bonds	<u>32,175</u>	<u>32,927</u>	<u>33,037</u>
	<u>\$ 2,005,108</u>	<u>\$ 1,994,700</u>	<u>\$ 1,993,180</u>

The capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended articles of incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. For the policies on the distribution of profit sharing bonus of employees and compensation of directors, please refer to Note 21.

In line with the current and future development plans, the Company's dividend policy stipulates that at least 50% of the accumulated unappropriated earnings should be distributed as dividends to shareholders, taking into consideration the investment environment, funding needs, and foreign and domestic competition. However, when the dividend is less than 0.5 dollars per share, the Company reserves the right to not distribute any dividends. As the Company belongs to the traditional industry, and current operations have entered into a mature and stable phase, cash dividends should take precedence over share dividends. In the case of distribution of share and cash dividends, the amount of cash dividends distributed should not be lower than 20% of the total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings in June 2022 and August 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Legal reserve appropriated	\$ 126,576	\$ 42,191		
Reversal of special reserve	-	(185,661)		
Cash dividends	666,964	655,696	\$ 1.5	\$ 1.5

20. REVENUE

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2022	2021	2022	2021
Revenue from contracts with customers				
Revenue from the sale of goods	<u>\$ 4,354,184</u>	<u>\$ 5,305,167</u>	<u>\$ 13,403,214</u>	<u>\$ 13,127,481</u>
<u>Contract liabilities</u>				
	September 30, 2022	December 31, 2021	September 30, 2021	January 1, 2021
Contract balance				
Sale of goods	<u>\$ 408,872</u>	<u>\$ 518,204</u>	<u>\$ 338,590</u>	<u>\$ 290,364</u>

21. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest on borrowings	\$ 21,192	\$ 8,086	\$ 48,645	\$ 17,960
Interest on short-term bills payable	-	27	30	53
Interest on lease liabilities	(26)	10	1,227	37
Interest on bonds payable	<u>1,781</u>	<u>1,983</u>	<u>5,372</u>	<u>6,451</u>
	<u>\$ 22,947</u>	<u>\$ 10,106</u>	<u>\$ 55,274</u>	<u>\$ 24,501</u>

b. Employee benefits expense, depreciation expense and amortization expense

For the Three Months Ended September 30						
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries expense	\$ 116,935	\$ 48,274	\$ 165,209	\$ 127,943	\$ 43,607	\$ 171,550
Post-employment benefits						
Defined contribution plans	5,217	1,523	6,740	4,818	1,244	6,062
Defined benefit plans	140	52	192	109	26	135
Remuneration of directors	-	7,329	7,329	-	9,692	9,692
Labor and health insurance expense	12,010	1,516	13,526	11,875	2,992	14,867
Other employee benefits	10,423	2,174	12,597	15,540	2,501	18,041
Depreciation expense	73,067	9,381	82,448	61,170	8,483	69,653
Amortization expense	111	802	913	37	747	784

For the Nine Months Ended September 30						
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries expense	\$ 374,116	\$ 161,124	\$ 535,240	\$ 381,903	\$ 119,750	\$ 501,653
Post-employment benefits						
Defined contribution plans	14,864	4,526	19,390	13,223	3,693	16,916
Defined benefit plans	420	156	576	327	78	405
Remuneration of directors	-	30,091	30,091	-	23,678	23,678
Labor and health insurance expense	37,861	11,906	49,767	33,954	8,635	42,589
Other employee benefits	34,273	6,697	40,970	39,439	6,327	45,766
Depreciation expense	196,046	26,829	222,875	181,270	25,894	207,164
Amortization expense	192	2,378	2,570	77	1,498	1,575

c. Profit sharing bonus of employees and remuneration of directors

The shareholders' meeting resolved to amend the Articles of Incorporation of the Company in June 2022. When the Company has profit in the year, the Company should accrue profit sharing bonus of employees and remuneration of directors at the rates of 6% and no higher than 2%, respectively, of net income before income tax. In the Articles of Incorporation before the amendment, when the Company has profit in the year, the Company should accrue profit sharing bonus of employees and remuneration of directors at the rates of 5% of net income before income tax. Profit sharing bonus of employees and remuneration of directors for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were estimated as follows:

For the Three Months Ended September 30				
2022			2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Profit sharing bonus of employees	5%	\$ 17,397	5%	\$ 23,108
Remuneration of directors	2%	6,959	2%	9,242

For the Nine Months Ended September 30				
2022			2021	
	Accrual Rate	Amount	Accrual Rate	Amount
Profit sharing bonus of employees	5%	\$ 71,709	5%	\$ 56,503
Remuneration of directors	2%	28,681	2%	22,598

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

The appropriations of profit sharing bonus of employees and remuneration of directors for 2021 and 2020 that were resolved by the board of directors in March 2022 and 2021, respectively, are as shown below:

For the Year Ended December 31			
	2021	2020	
Profit sharing bonus of employees	\$ 84,774	\$ 26,873	
Remuneration of directors	33,909	10,749	

There is no difference between the actual amounts of profit sharing bonus of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the profit sharing bonus of employees and remuneration of directors resolved by the board of directors of the Company is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$ 75,854	\$ 104,211	\$ 382,809	\$ 230,980
Adjustments for prior year	<u>177</u>	<u>-</u>	<u>(5,415)</u>	<u>(643)</u>
	76,031	104,211	377,394	230,337
Deferred tax				
In respect of the current period	<u>(6,936)</u>	<u>2,663</u>	<u>(33,755)</u>	<u>33,695</u>
Income tax expense recognized in profit or loss	<u>\$ 69,095</u>	<u>\$ 106,874</u>	<u>\$ 343,639</u>	<u>\$ 264,032</u>

- b. Income tax assessments

The tax returns through 2019 of the Company and through 2020 of Chi Mao Company have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Three Months Ended September 30, 2022</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 265,578	445,126	<u>\$0.60</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	2,627	
Convertible bonds	<u>920</u>	<u>33,322</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 266,498</u>	<u>481,075</u>	<u>\$0.55</u>

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Three Months Ended September 30, 2021</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 323,871	439,181	<u>\$0.74</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	1,515	
Convertible bonds	<u>1,587</u>	<u>31,058</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 325,458</u>	<u>471,754</u>	<u>\$0.69</u>
<u>For the Nine Months Ended September 30, 2022</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 1,059,341	445,126	<u>\$2.38</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	3,315	
Convertible bonds	<u>4,217</u>	<u>33,322</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 1,063,558</u>	<u>481,763</u>	<u>\$2.21</u>
<u>For the Nine Months Ended September 30, 2021</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 828,814	439,181	<u>\$1.89</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	1,826	
Convertible bonds	<u>5,161</u>	<u>31,058</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 833,975</u>	<u>472,065</u>	<u>\$1.77</u>

If the Group offers to settle the compensation or bonuses paid to employees in cash or shares, the Group has to assume that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potentially dilutive shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. CASH FLOW INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the amount of cash paid for the acquisition of property, plant and equipment for the nine months ended September 30, 2022 and 2021 are as follows:

	For the Nine Months Ended September 30	
	2022	2021
Purchase of property, plant and equipment	\$ 675,803	\$ 468,303
Net changes in payables for acquisition of equipment	(381,028)	(32,422)
Foreign exchange movements	<u>(35,536)</u>	<u>(6,364)</u>
Payments for property, plant and equipment	<u>\$ 259,239</u>	<u>\$ 429,517</u>

As of September 30, 2021, the cash dividends approved in the shareholders' meeting for the fiscal year 2020 have not been distributed (refer to Note 19).

b. Changes in liabilities arising from financing activities

For the nine months ended September 30, 2022

	Beginning Balance	Cash Flows	Non-cash Changes					Ending Balance
			Exercise of Conversion Option	Discount Amortization	New Lease	Amortized Finance Costs	Change in Exchange Rate	
Short-term borrowings	\$ 5,559,180	\$ (58,992)	\$ -	\$ -	\$ -	\$ -	\$ 4,279	\$ 5,504,467
Bonds payable	775,775	-	(17,782)	5,372	-	-	-	763,365
Long-term borrowings (including current portion)	900,000	742,858	-	-	-	-	-	1,642,858
Guarantee deposits received	30,630	12,174	-	-	-	-	-	42,804
Lease liabilities	<u>3,280</u>	<u>(5,639)</u>	<u>-</u>	<u>-</u>	<u>15,906</u>	<u>1,227</u>	<u>(401)</u>	<u>14,373</u>
	<u>\$ 7,268,865</u>	<u>\$ 690,401</u>	<u>\$ (17,782)</u>	<u>\$ 5,372</u>	<u>\$ 15,906</u>	<u>\$ 1,227</u>	<u>\$ 3,878</u>	<u>\$ 7,967,867</u>

For the nine months ended September 30, 2021

	Beginning Balance	Cash Flows	Non-cash Changes					Ending Balance
			Exercise of Conversion Option	Discount Amortization	Amortized Finance Costs	Change in Exchange Rate		
Short-term borrowings	\$ 1,516,550	\$ 3,191,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,707,628
Bonds payable	954,978	-	(184,866)	6,451	-	-	-	776,563
Long-term borrowings (including current portion)	675,000	(75,000)	-	-	-	-	-	600,000
Guarantee deposits received	43,140	(20,140)	-	-	-	-	-	23,000
Lease liabilities	<u>8,074</u>	<u>(3,498)</u>	<u>-</u>	<u>-</u>	<u>37</u>	<u>(195)</u>		<u>4,418</u>
	<u>\$ 3,197,742</u>	<u>\$ 3,092,440</u>	<u>\$ (184,866)</u>	<u>\$ 6,451</u>	<u>\$ 37</u>	<u>\$ (195)</u>		<u>\$ 6,111,609</u>

25. CAPITAL MANAGEMENT

The goal, policy and procedures of the capital risk management of the Group and the capital structure of the Group are the same with the consolidated financial statements for the year ended December 31, 2021.

26. FINANCIAL INSTRUMENTS

a. Fair value

1) Fair value of financial instruments not measured at fair value

Management of the Group considers the carrying amounts of the Group's financial instruments that are not measured at fair value as close to their fair values or their fair values could not be reasonably measured.

2) Fair value of financial instruments measured at fair value on a recurring basis

a) Fair value hierarchy

The following analysis details measurement of financial instruments since initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs, are observable are as follows:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2022</u>				
Financial assets at FVTPL				
Listed shares	\$ 221,104	\$ -	\$ -	\$ 221,104
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	3,499,878	-	250,311	3,750,189
Investment in debt instruments				
Trade receivables	-	-	34,622	34,622
	<u>\$ 3,720,982</u>	<u>\$ -</u>	<u>\$ 284,933</u>	<u>\$ 4,005,915</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865</u>	<u>\$ 865</u>
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Listed shares	\$ 267,852	\$ -	\$ -	\$ 267,852
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	2,416,100	-	250,311	2,666,411
Investment in debt instruments				
Trade receivables	-	-	48,380	48,380
	<u>\$ 2,683,952</u>	<u>\$ -</u>	<u>\$ 298,691</u>	<u>\$ 2,982,643</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 966</u>

	Level 1	Level 2	Level 3	Total
<u>September 30, 2021</u>				
Financial assets at FVTPL				
Listed shares	\$ 229,250	\$ -	\$ -	\$ 229,250
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	1,985,186	-	363,924	2,349,110
Investment in debt instrument				
Trade receivables	<u>-</u>	<u>-</u>	<u>216,424</u>	<u>216,424</u>
	<u>\$ 2,214,436</u>	<u>\$ -</u>	<u>\$ 580,348</u>	<u>\$ 2,794,784</u>

There were no transfers between Levels 1 and 2 in the current and prior period.

b) Reconciliation of Level 3 fair value measurements of financial instruments

For the nine months ended September 30, 2022

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instruments	Debt Instruments	
Balance at January 1, 2022	\$ 250,311	\$ 48,380	\$ 298,691
Net increase in trade receivables	-	25,194	25,194
Trade receivables factoring	<u>-</u>	<u>(38,952)</u>	<u>(38,952)</u>
Balance at September 30, 2022	<u>\$ 250,311</u>	<u>\$ 34,622</u>	<u>\$ 284,933</u>

For the nine months ended September 30, 2021

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instruments	Debt Instruments	
Balance at January 1, 2021	\$ 306,954	\$ 103,970	\$ 410,924
Acquisition of financial assets at FVTOCI	56,970	-	56,970
Net increase in trade receivables	-	328,465	328,465
Trade receivables factoring	<u>-</u>	<u>(216,011)</u>	<u>(216,011)</u>
Balance at September 30, 2021	<u>\$ 363,924</u>	<u>\$ 216,424</u>	<u>\$ 580,348</u>

Financial Liabilities at FVTPL	For the Nine Months Ended September 30	
	2022	2021

Derivatives

Balance at January 1	\$ 966	\$ 1,500
Recognized in profit or loss (included in other gains and losses)	<u>(101)</u>	<u>(773)</u>
Balance at September 30	<u>\$ 865</u>	<u>\$ 727</u>

c) Valuation techniques and inputs applied for Level 3 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Foreign unlisted equity instruments	<p>Discounted cash flow:</p> <p>Future cash flows are discounted at a rate that reflects current borrowing interest rates of bond issuers at the end of the reporting period.</p> <p>Market approach:</p> <p>In the market approach, the selling price of comparable companies was used to estimate the fair value of the target asset through comparison, analysis and adjustments.</p>
Factored trade receivables	As the effect of discounting is not significant, the fair value is measured based on the original invoice amount.
Financial liabilities at FVTPL	<p>The binomial tree evaluation model of convertible bonds:</p> <p>Consideration of the duration, the share price and volatility of the convertible bond object, conversion price, risk-free interest rate, discount rate, liquidity risk of the convertible bonds and other factors</p>

b. Categories of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 221,104	\$ 267,852	\$ 229,250
Amortized cost	2,315,546	3,055,665	2,803,447
FVTOCI			
Equity instruments	3,750,189	2,666,411	2,349,110
Trade receivables	34,622	48,380	216,424
<u>Financial liabilities</u>			
Amortized cost	8,959,031	8,616,614	6,908,320
FVTPL			
Derivatives	865	966	727

The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, other current assets and refundable deposits.

The balances include financial liabilities at amortized cost, which comprise short-term and long-term borrowings (including current portion of long-term borrowings), notes payable, trade payables, other payables, bonds payable and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity, trade receivables, trade payables, borrowings, and lease liabilities. The Group's finance department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The finance department reports quarterly to the management, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There is no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group enters into foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the period are set out in Note 30.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the NTD against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in income before income tax associated with the NTD strengthening 1% against the relevant currency. For a 1% weakening of the NTD against the relevant currency, there would be an equal and opposite impact on income before income tax, and the balances below would be negative.

	For the Nine Months Ended September 30	
	2022	2021
Sell NTD/Buy USD	\$ 9,057	\$ 13,429
Sell TRY/Buy USD	2,284	4,503

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring that most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the period were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Fair value interest rate risk			
Financial assets	\$ 287,623	\$ 2,985	\$ 335,468
Financial liabilities	777,738	779,055	780,981
Cash flow interest rate risk			
Financial assets	304,139	713,781	356,840
Financial liabilities	7,147,325	6,459,180	5,307,628

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the period was outstanding for the whole year. A 0.1% increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.1% higher or lower and all other variables were held constant, the Group's income before income tax for the nine months ended September 30, 2022 and 2021 would have changed by \$5,132 thousand and \$3,713 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group manages this exposure by maintaining a portfolio of investments with different risk levels.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the period.

Had equity prices been 1% higher or lower, pre-tax profit for the nine months ended September 30, 2022 and 2021 would have changed by \$2,211 thousand and \$2,293 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group continuously monitors its exposure to credit risk and the credit ratings of its counterparties, and allocates the total transaction amount among the creditworthy customers. The management also controls credit risk by reviewing the credit limits of its counterparties on an annual basis.

The Group also continuously evaluates the financial status of the customers of the trade receivables, and purchases credit guarantee insurance contracts when necessary.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of September 30, 2022, December 31, 2021 and September 30, 2021, the amount of unused financing facilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Amount unused	<u>\$ 14,721,926</u>	<u>\$ 11,874,500</u>	<u>\$ 10,558,922</u>

Liquidity and interest rate risk tables for non-derivative financial liabilities

As the Group has sufficient operating capital, there is no liquidity risk from inability to raise funds to satisfy performance obligations.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods.

	Less than 1 Year	1-5 Years	Total
<u>September 30, 2022</u>			
Non-interest bearing liabilities	\$ 1,414,409	\$ -	\$ 1,414,409
Lease liabilities	6,711	8,670	15,381
Floating interest rate liabilities	5,625,896	1,521,429	7,147,325
Fixed interest rate liabilities	<u>-</u>	<u>786,400</u>	<u>786,400</u>
	<u>\$ 7,047,016</u>	<u>\$ 2,316,499</u>	<u>\$ 9,363,515</u>
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 1,869,233	\$ -	\$ 1,869,233
Lease liabilities	2,482	823	3,305
Floating interest rate liabilities	5,678,823	780,357	6,459,180
Fixed interest rate liabilities	<u>-</u>	<u>804,800</u>	<u>804,800</u>
	<u>\$ 7,550,538</u>	<u>\$ 1,585,980</u>	<u>\$ 9,136,518</u>
<u>September 30, 2021</u>			
Non-interest bearing liabilities	\$ 1,795,415	\$ -	\$ 1,795,415
Lease liabilities	3,300	1,188	4,488
Floating interest rate liabilities	4,814,771	492,857	5,307,628
Fixed interest rate liabilities	<u>-</u>	<u>807,500</u>	<u>807,500</u>
	<u>\$ 6,613,486</u>	<u>\$ 1,301,545</u>	<u>\$ 7,915,031</u>

d. Transfers of financial assets

Factored trade receivables that are not yet overdue at the end of the period were as follows:

Counterparty	Receivables Factoring Proceeds	Amount Reclassified to Other Receivables	Advances Received Unused	Advances Received Used	Annual Interest Rates on Advances Received
<u>September 30, 2022</u>					
Fubon Bank	\$ 673,126 (USD 21,201)	\$ 379,762 (USD 11,961)	\$ 281,909 (USD 8,879)	\$ 293,364 (USD 9,240)	2M TAIFX3 +0.25%
<u>December 31, 2021</u>					
Fubon Bank	\$ 737,877 (USD 26,657)	\$ 206,800 (USD 7,471)	\$ 98,130 (USD 3,545)	\$ 531,077 (USD 19,186)	2M TAIFX3 +0.25%
<u>September 30, 2021</u>					
Fubon Bank	\$ 576,894 (USD 20,714)	\$ 165,572 (USD 5,945)	\$ 86,060 (USD 3,090)	\$ 411,322 (USD 14,769)	2M TAIFX3 +0.25%

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks (receivables factoring proceeds are classified as other receivables).

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Categories of related parties categories

Related Party	Relationship with the Company
Tai Chyang Investment Co. Ltd.	Other related party
Chin Ying Fa Mechanical Ind. Co., Ltd.	Other related party

b. Sales of goods

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Other related parties	\$ 684	\$ 545	\$ 2,187	\$ 2,048

The Group's transactions with the related parties were conducted under normal terms.

c. Receivables from related parties

Line Item	Related Party Category	September 30, 2022	December 31, 2021	September 30, 2021
Notes receivable	Other related parties	\$ -	\$ 238	\$ -
Trade receivables	Other related parties	<u>632</u>	<u>1,252</u>	<u>325</u>
		<u>\$ 632</u>	<u>\$ 1,490</u>	<u>\$ 325</u>

d. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Other related parties	\$ 7	\$ 7	\$ 22	\$ 22

e. Remuneration of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 22,244	\$ 16,034	\$ 62,812	\$ 49,349
Post-employment benefits	<u>95</u>	<u>128</u>	<u>289</u>	<u>385</u>
	<u>\$ 22,339</u>	<u>\$ 16,162</u>	<u>\$ 63,101</u>	<u>\$ 49,734</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for usage of gas and construction:

	September 30, 2022	December 31, 2021	September 30, 2021
Pledged time deposits (classified as other current assets)	<u>\$ 2,100</u>	<u>\$ 2,985</u>	<u>\$ 2,985</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Group as of September 30, 2022 and 2021 were as follows:

- As of September 30, 2022, December 31, 2021 and September 30, 2021, unused letters of credit for purchases of raw materials amounted to \$133,879 thousand, \$879,998 thousand and \$776,344 thousand, respectively.
- As of September 30, 2022, December 31, 2021 and September 30, 2021, unpaid contracts for purchases of raw materials and equipment amounted to \$1,077,516 thousand, \$2,664,920 thousand and \$1,358,817 thousand, respectively.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the entities in the Group and the exchange rates between the foreign currencies and respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

September 30, 2022			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 33,303	31.75(USD/NTD)	\$ 1,057,382
USD	16,914	18.50(USD/TRY)	536,599
Financial liabilities			
USD	4,777	31.75(USD/NTD)	151,683
USD	9,715	18.50(USD/TRY)	308,209
December 31, 2021			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 41,044	27.68(USD/NTD)	\$ 1,136,088
USD	23,278	12.98(USD/TRY)	627,136
Financial liabilities			
USD	416	27.68(USD/NTD)	11,520
September 30, 2021			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 48,218	27.85(USD/NTD)	\$ 1,342,884
USD	16,254	8.84(USD/TRY)	450,338
Financial liabilities			
USD	1,137	27.85(USD/NTD)	31,664

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Three Months Ended September 30, 2022		For the Three Months Ended September 30, 2021	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.0000 (NTD/NTD)	\$ 77,990	1.0000 (NTD/NTD)	\$ 13,807
TRY	1.6935 (TRY/NTD)	<u>38,106</u>	1.0865 (TRY/NTD)	<u>7,267</u>
		<u>\$ 116,096</u>		<u>\$ 21,074</u>
Foreign Currency	For the Nine Months Ended September 30, 2022		For the Nine Months Ended September 30, 2021	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.0000 (NTD/NTD)	\$ 165,350	1.0000 (NTD/NTD)	\$ (21,583)
TRY	1.8420 (TRY/NTD)	<u>209,265</u>	3.4635 (TRY/NTD)	<u>183,893</u>
		<u>\$ 374,615</u>		<u>\$ 162,310</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 5)
- 11) Information on investees (Table 6)

- b. Information on investments in mainland China (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as stainless steel sheets/coils, stainless steel tubes/pipes, and others.

Segment revenue and operating results

	For the Nine Months Ended September 30			
	Segment Revenue		Segment Profit or Loss	
	2022	2021	2022	2021
Stainless steel tubes/pipes	\$ 7,544,105	\$ 7,265,932	\$ 847,129	\$ 717,344
Stainless steel sheets/coils	5,629,460	5,696,424	230,892	261,071
Others	<u>229,649</u>	<u>165,125</u>	<u>18,983</u>	<u>6,814</u>
Generated from continuing operating segment	<u>\$ 13,403,214</u>	<u>\$ 13,127,481</u>	1,097,004	985,229
Interest income			1,025	516
Other gains and losses, net			31,854	10,822
Gain (loss) on disposal of property, plant and equipment			403	(28,016)
Net foreign exchange gain			374,615	162,310
Finance costs			(55,274)	(24,501)
Loss on financial instruments at FVTPL			<u>(46,647)</u>	<u>(13,514)</u>
Income before income tax			<u>\$ 1,402,980</u>	<u>\$ 1,092,846</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for nine months ended September 30, 2022 and 2021.

Segment profit represents the gains and losses earned by each segment excluding interest income, net other gains and losses, gain (loss) on disposal of property, plant and equipment, net foreign exchange gain, finance costs, loss on financial instruments at FVTPL and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

TABLE 1

YC INOX CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 3)	Ending Balance (Note 3)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	The Company	YC INOX TR Company	Other receivables-related party	Yes	\$ 1,587,500 (USD 50,000)	\$ 1,587,500 (USD 50,000)	\$ -	6.12%	Short-term financing	\$ -	Operation	\$ -	-	\$ -	\$ 2,106,107	\$ 4,212,214	

Note 1: 0 represents the parent company.

Note 2: The financing limit for each borrower and aggregate financing limit are 20% and 40%, respectively, of the net assets of the Company.

Note 3: If the relevant figures in this table involve foreign currencies, they shall be converted into the New Taiwan dollar at the exchange rate on the balance sheet date.

YC INOX CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Company	YC INOX TR Company	Subsidiary	\$ 2,106,107	\$ 317,500 (USD 10,000)	\$ 317,500 (USD 10,000)	\$ -	\$ -	3.02	\$ 4,212,214	Y	-	-	-

Note 1: 0 represents the parent company.

Note 2: The endorsement/guarantee limit for each entity and aggregate endorsement/guarantee limit are 20% and 40%, respectively, of the net assets of the Company.

Note 3: Figures in foreign currency in the table above were converted into New Taiwan dollars at the exchange rate on the balance sheet date.

TABLE 3

YC INOX CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2022			
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	<u>Ordinary Shares</u>						
	Ta Chen Stainless Pipe Co., Ltd.	None	Financial assets at FVTPL - current	5,849	\$ 221,104	0.29	\$ 221,104
	AltruBio Inc.	None	Financial assets at FVTOCI - non-current	11,051	57,688	9.33	57,688
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at FVTOCI - non-current	7,910	3,152,749	7.00	3,152,749
	<u>Preference Shares</u>						
	AltruBio Inc. - Series A-2	None	Financial assets at FVTOCI - non-current	20,426	106,623	23.00	106,623
Chi Mao Company	<u>Ordinary Shares</u>						
	AltruBio Inc.	None	Financial assets at FVTOCI - non-current	560	2,923	0.47	2,923
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at FVTOCI - non-current	871	347,129	0.77	347,129
	<u>Preference Shares</u>						
	AltruBio Inc. - Series A-1	None	Financial assets at FVTOCI - non-current	15,915	83,077	4.74	83,077

TABLE 4

YC INOX CO., LTD AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 2)		Acquisition (Note 3)		Disposal				Ending Balance (Note 2)	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	Ordinary Shares YC INOX TR Company (Note 1)	Investment accounted for using the equity method	YC INOX TR Company	Subsidiary	720	\$ 1,678,553	1,460	\$ 2,645,314	-	\$ -	\$ -	\$ -	2,180	\$ 3,718,980

Note 1: YC INOX TR Company’s ordinary shares have a par value of TRY1,000 thousand.

Note 2: The balance included the share of profit or loss from investments in subsidiaries accounted for using the equity method and exchange differences on translating foreign operations.

Note 3: Refer to Note 11.

Note 4: Eliminated.

YC INOX CO., LTD AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Relationship	Transaction Details			
				Financial Statements Accounts	Amount (Note)	Payment Terms	Percentage of Consolidated Net Revenue or Total Assets (%)
0	The Company	YC INOX TR Company	Subsidiary	Sales revenue	\$ 92,827	O/A 120 days	0.69

Note: Eliminated.

TABLE 6

YC INOX CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company (Note)	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net Income (Loss) of the Investee	Share of Profit (Loss)
				September 30, 2022	December 31, 2021	Number of Shares	%	Carrying Amount		
The Company	Chi Mao Company	Xizhou Township, Changhua County, Taiwan	Investment	\$ 100,120	\$ 100,120	10,000,000	100	\$ 375,105	\$ (883)	\$ (883)
	YC INOX TR Company	Turkey	Manufacturing and distribution of stainless steel tubes/pipes and sheets/coils	5,292,394	2,647,080	2,180	100	3,718,980	(168,285)	(168,285)

Note: Eliminated.

TABLE 7**YC INOX CO., LTD****INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares Held	Percentage of Ownership (%)
Tai Chyang Investment Co. Ltd.	59,909,508	13.45%
Shun Chyang Investment Co. Ltd.	25,317,298	5.68%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.