

English Translation of Consolidated Financial Statements and a Report Originally Issued in Chinese

Ticker: 6251

**DYNAMIC ELECTRONICS CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REVIEW REPORT OF INDEPENDENT AUDITORS
As of June 30, 2022 and 2021
And for the six –month periods then ended**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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English Translation of Consolidated Financial Statements and a Report Originally Issued in Chinese
REVIEW REPORT OF INDEPENDENT AUDITORS

To: The Board of Directors
Dynamic Electronics Co., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of Dynamic Electronics Co., LTD. (the “Company”) and its subsidiaries as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the six-month periods then ended, the related consolidated statements of changes in equity and cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). 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 and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China 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 causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2022 and 2021, and their consolidated financial performance for the three-month and six-month periods then ended and cash flows for the six-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 and became effective by Financial Supervisory Commission of the Republic of China.

Chang, Chi Ming

Chen, Kuo Shuai

**Ernst & Young
August 4th, 2022
Taipei, Taiwan,**

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of June 30,2022, December 31,2021 and June 30, 2021 (June 30, 2022 and 2021 are reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of June 30, 2022		As of December 31,2021		As of June 30,2021	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
11xx	Current Assets							
1100	Cash and cash equivalents	6(1)	\$2,573,787	13	\$2,729,560	15	\$2,526,699	15
1110	Financial assets at fair value through profit or loss	6(2)	401	-	3,130	-	123	-
1136	Financial assets carried at amortized cost	6(3),8	1,009,238	5	1,218	-	1,226	-
1150	Notes receivable, net	6(4)	12,516	-	43,247	-	113,690	1
1170	Accounts receivable, net	6(5)	4,255,016	22	4,624,955	26	4,197,704	26
1200	Other receivables		70,595	1	103,615	1	139,767	1
1310	Inventories, net	6(6)	2,856,908	15	2,953,056	17	2,698,981	16
1410	Prepayments		417,271	2	365,853	2	509,856	3
1470	Other current assets		5,057	-	1,812	-	6,202	-
	Total current assets		<u>11,200,789</u>	<u>58</u>	<u>10,826,446</u>	<u>61</u>	<u>10,194,248</u>	<u>62</u>
15xx	Non-current assets							
1510	Financial assets at fair value through profit or loss	6(2), 6(13)	-	-	800	-	750	-
1600	Property, plant and equipment	6(7), 8, 9	7,405,756	38	6,241,643	36	5,402,230	33
1755	Right-of-use assets	6(21), 8	410,692	2	408,273	2	411,126	3
1780	Intangible assets	6(8)	100,744	1	44,583	-	51,657	-
1840	Deferred tax assets	4	140,233	1	115,358	1	281,928	2
1900	Other non-current assets	6(9)	1,834	-	1,492	-	1,470	-
	Total non-current assets		<u>8,059,259</u>	<u>42</u>	<u>6,812,149</u>	<u>39</u>	<u>6,149,161</u>	<u>38</u>
	Total assets		<u>\$19,260,048</u>	<u>100</u>	<u>\$17,638,595</u>	<u>100</u>	<u>\$16,343,409</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

As of June 30,2022, December 31,2021 and June 30, 2021 (June 30, 2022 and 2021 are reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of June 30, 2022		As of December 31,2021		As of June 30,2021	
Code	Accounts	Notes	Amount	%	Amount	%	Amount	%
21xx	Current liabilities							
2100	Short-term loans	6(10)	\$4,022,153	21	\$4,587,071	26	\$3,580,972	22
2120	Financial liabilities at fair value through profit or loss	6(11)	1,648	-	-	-	-	-
2130	Contract liability	6(19)	3,873	-	4,066	-	14,822	-
2150	Notes Payable		3,726	-	-	-	-	-
2170	Accounts payables		3,278,256	17	3,560,924	20	4,123,865	25
2200	Other payables	6(12)	1,404,608	7	1,313,989	8	1,314,125	9
2230	Current tax liabilities	4	74,491	-	62,732	-	12,764	-
2280	Lease liabilities	6(21)	2,032	-	2,019	-	2,006	-
2300	Other current liabilities		65,947	-	44,925	-	45,527	-
	Current portion of bonds payable(due within one year or a normal operating cycle)	4, 6(13)	487,215	3	-	-	-	-
2322	Current portion of long-term loans payable	6(14), 8	75,945	1	651,224	4	-	-
2365	Refund liability	6(15)	195,820	1	233,162	1	159,339	1
	Total current liabilities		9,615,714	50	10,460,112	59	9,253,420	57
25xx	Non-current liabilities							
2530	Bonds payable	4, 6(13)	-	-	486,152	3	482,567	3
2540	Long-term loans	6(14), 8	2,836,227	15	390,735	2	646,892	4
2570	Deferred tax liabilities	4	346,444	2	266,559	2	359,219	2
2580	Lease liabilities	6(21)	1,026	-	2,045	-	3,057	-
2630	Long-term deferred revenue	6(16)	557,537	3	389,065	2	359,483	2
2640	Net defined benefit liability	4	2,789	-	2,007	-	1,899	-
2645	Guarantee deposits		93,619	-	121,124	1	45,801	-
	Total non-current liabilities		3,837,642	20	1,657,687	10	1,898,918	11
	Total liabilities		13,453,356	70	12,117,799	69	11,152,338	68
31xx	Equity attributable to the parent company							
3100	Capital	6(18)						
3110	Common stock		2,775,184	14	2,775,141	16	2,775,141	17
3140	Capital collected in advance		216	-	43	-	-	-
3200	Capital surplus	6(18)	1,312,299	7	1,314,873	7	1,314,819	8
3300	Retained earnings	6(18)						
3310	Legal reserve		646,336	3	599,291	3	531,385	3
3320	Special reserve		438,825	2	299,666	2	299,666	2
3350	Accumulated profit or loss		929,109	5	970,607	6	737,516	5
3400	Other components of equity		(302,621)	(1)	(438,825)	(3)	(467,456)	(3)
36xx	Non-controlling interests	6(18)	7,344	-	-	-	-	-
	Total equity		5,806,692	30	5,520,796	31	5,191,071	32
	Total liabilities and equity		\$19,260,048	100	\$17,638,595	100	\$16,343,409	100

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three-month and six-month period ended June 30, 2022 and 2021 (Reviewed but unaudited)
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

Code	Accounts	Notes	2022.04.01~2022.06.30		2021.04.01~2021.06.30		2022.01.01~2022.06.30		2021.01.01~2021.06.30	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues	6(19)	\$3,588,499	100	\$3,916,222	100	\$7,680,517	100	\$7,478,128	100
5000	Operating costs	6(6)	(3,142,331)	(88)	(3,423,698)	(87)	(6,717,131)	(88)	(6,680,292)	(89)
5900	Gross profit		446,168	12	492,524	13	963,386	12	797,836	11
6000	Operating expenses									
6100	Sales and marketing expenses		(109,478)	(3)	(150,144)	(4)	(249,365)	(3)	(276,650)	(4)
6200	General and administrative expenses		(172,484)	(5)	(153,680)	(4)	(302,047)	(4)	(295,543)	(4)
6300	Research and development expenses		(1,572)	-	(1,295)	-	(2,483)	-	(2,404)	-
6450	Expected credit gains(losses)	6(20)	(3,138)	-	544	-	(6,703)	-	1,012	-
	Operating expenses total		(286,672)	(8)	(304,575)	(8)	(560,598)	(7)	(573,585)	(8)
6900	Operating income		159,496	4	187,949	5	402,788	5	224,251	3
7000	Non-operating income and expenses	6(23)								
7100	Interest income		4,579	-	2,104	-	7,957	-	4,235	-
7010	Other income		50,976	1	44,382	1	68,805	1	85,314	1
7020	Other gains and losses		95,496	3	(27,054)	-	107,633	2	(39,527)	-
7050	Finance costs		(79,714)	(2)	(31,706)	(1)	(136,701)	(2)	(64,953)	(1)
	Non-operating income and expenses total		71,337	2	(12,274)	-	47,694	1	(14,931)	-
7900	Income from continuing operations before income tax		230,833	6	175,675	5	450,482	6	209,320	3
7950	Income tax expense	4, 6(25)	(57,083)	(1)	(23,491)	(1)	(111,467)	(2)	(39,863)	(1)
8200	Net income		173,750	5	152,184	4	339,015	4	169,457	2
8300	Other comprehensive income (loss)	6(24)								
8360	May be reclassified to profit or loss in subsequent periods									
8361	Exchange differences arising on translation of foreign operations		(71,756)	(2)	(41,350)	(1)	136,204	2	(62,582)	(1)
	Total other comprehensive income(loss), net of tax		(71,756)	(2)	(41,350)	(1)	136,204	2	(62,582)	(1)
8500	Total comprehensive income (loss)		\$101,994	3	\$110,834	3	\$475,219	6	\$106,875	1
8600	Net income attributable to:									
8610	Shareholders of the parent		\$173,704	5	\$152,184	4	\$338,969	4	\$169,457	2
8620	Non-controlling interests		46	-	-	-	46	-	-	-
			\$173,750	5	\$152,184	4	\$339,015	4	\$169,457	2
8700	Total comprehensive income(loss) attributable to:									
8710	Shareholders of the parent		\$101,948	3	\$110,834	3	\$475,173	6	\$106,875	1
8720	Non-controlling interests		46	-	-	-	46	-	-	-
			\$101,994	3	\$110,834	3	\$475,219	6	\$106,875	1
9750	Earnings per share - basic (In NT\$)	6(26)	\$0.63		\$0.55		\$1.22		\$0.61	
9850	Earnings per share - diluted (In NT\$)	6(26)	\$0.58		\$0.51		\$1.13		\$0.57	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

From January 1 to June 30, 2022 and 2021 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Equities belong to the holders of Parent Company								Non- controlling interests	Total equity
		Capital	Capital collected in advance	Capital surplus	Retained earnings			Other components of equity			
					Legal reserve	Special reserve	Accumulated profit or loss	differences arising on translation of foreign operations	Total equity		
3100	3140	3200	3310	3320	3350	3410	31XX	36XX	3XXX		
A1	Balance as of January 1, 2021	\$2,775,141	\$-	\$1,250,883	\$531,385	\$299,666	\$679,065	\$(404,874)	\$5,131,266	\$-	\$5,131,266
	Appropriation and distribution of 2020 earnings										
B5	Cash dividends-common shares						(111,006)		(111,006)		(111,006)
C5	Generated by issuing convertible bonds and recognition of equity components - stock options			63,936					63,936		63,936
D1	Net income of the period Jan.1 to Jun. 30, 2021						169,457		169,457		169,457
D3	Other comprehensive income (loss) of the period Jan.1 to Jun. 30, 2021							(62,582)	(62,582)		(62,582)
D5	Total comprehensive income (loss) of the current period	-	-	-	-	-	169,457	(62,582)	106,875	-	106,875
Z1	Balance as of June 30, 2021	<u>\$2,775,141</u>	<u>\$-</u>	<u>\$1,314,819</u>	<u>\$531,385</u>	<u>\$299,666</u>	<u>\$737,516</u>	<u>\$(467,456)</u>	<u>\$5,191,071</u>	<u>\$-</u>	<u>\$5,191,071</u>
A1	Balance as of January 1, 2022	\$2,775,141	\$43	\$1,314,873	\$599,291	\$299,666	\$970,607	\$(438,825)	\$5,520,796	\$-	\$5,520,796
	Appropriation and distribution of 2021 earnings										
B1	Legal reserve				47,045		(47,045)		-		-
B3	Special reserve					139,159	(139,159)		-		-
B5	Cash dividends-common shares						(194,263)		(194,263)		(194,263)
C5	Generated by issuing convertible bonds and recognition of equity components - stock options			(2,847)					(2,847)		(2,847)
D1	Net income of the period Jan.1 to Jun. 30, 2022						338,969		338,969	46	339,015
D3	Other comprehensive income (loss) of the period Jan.1 to Jun. 30, 2022							136,204	136,204		136,204
D5	Total comprehensive income (loss) of the current period	-	-	-	-	-	338,969	136,204	475,173	46	475,219
I1	Convertible bond	43	173	273					489		489
O1	Non-controlling interests									7,298	7,298
Z1	Balance as of June 30, 2022	<u>\$2,775,184</u>	<u>\$216</u>	<u>\$1,312,299</u>	<u>\$646,336</u>	<u>\$438,825</u>	<u>\$929,109</u>	<u>\$(302,621)</u>	<u>\$5,799,348</u>	<u>\$7,344</u>	<u>\$5,806,692</u>

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

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
From January 1 to June 30, 2022 and 2021 (Reviewed but unaudited)
(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Item	2022.01.01~2022.06.30	2021.01.01~2021.06.30	Code	Item	2022.01.01~2022.06.30	2021.01.01~2021.06.30
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	\$450,482	\$209,320	B00040	Disposal (acquisition) of financial assets at amortised cost	(1,008,020)	200,027
A20000	Adjustments:			B02700	Acquisition of property, plant and equipment	(1,411,910)	(376,097)
A20010	Profit or loss not effecting cash flows:			B02800	disposal of property, plant and equipment	10,026	958
A20100	Depreciation (including right-of-use assets)	330,317	356,133	B03700	Decrease (increase) in refundable deposits	(342)	3,041
A20200	Amortization	10,902	8,510	B04500	Increase in software	(3,802)	(31,551)
A20300	Expected credit losses (gain)	6,703	(1,012)	B05000	Cash received through merger	(67,622)	-
A20400	Net loss (gain) of financial assets at fair value through profit or loss	2,395	(625)	B05350	Acquisition of right-of-use asset	-	(147,424)
A20900	Interest expense	136,701	64,953	B09900	Increase (decrease) in deferred income	177,303	-
A21200	Interest income	(7,957)	(4,235)	BBBB	Net cash provided by (used in) investing activities	(2,304,367)	(351,046)
A22500	Loss (gain) on disposal of property, plant and equipment	(18)	17,300				
A23700	Impairment loss (reveral) on non-financial assets	3,633	(14,690)	CCCC	Cash flows from financing activities:		
A24200	Redemption of convertible bond payable	(2,096)	-				
A29900	Loss (gain) on government grants	(16,452)	(16,755)	C00200	Increase in (repayment of) short-term loans	(564,918)	998,372
A30000	Changes in operating assets and liabilities:			C01200	Convertible bonds issuance	-	545,297
A31130	Notes receivable	54,261	148,373	C01600	Proceeds from long-term debt	2,513,627	301,883
A31150	Accounts receivable	362,467	(479,724)	C01700	Repayment of long-term loans	(664,242)	(301,883)
A31180	Other receivables	35,367	(17,915)	C03000	Increase (decrease) in guarantee deposits	(27,505)	20,638
A31200	Inventories	96,148	(1,100,884)	C04020	Payments of lease liabilities	(1,028)	(1,028)
A31230	Prepayment	(51,244)	(133,211)	CCCC	Net cash provided by (used in) financing activities	1,255,934	1,563,279
A31240	Other current assets	(3,245)	(186)				
A32125	Contract liability	(193)	1,375				
A32130	Notes payable	1,407	-				
A32150	Accounts payable	(284,869)	1,296,505				
A32180	Other payable	(78,972)	(5,252)				
A32230	Other current liabilities	20,728	6,920	DDDD	Effect of exchange rate changes on cash and cash equivalents	27,586	(8,678)
A32240	Net defined benefit liabilities	782	108				
A32990	Refund liability	(37,342)	58,586				
A32000	Cash generated from operations	1,029,905	393,594				
A33100	Interest received	7,957	4,235				
A33300	Interest paid	(126,112)	(63,238)	EEEE	Net increase (decrease) in cash and cash equivalents	(155,773)	1,528,132
A33500	Income tax paid	(46,676)	(10,014)	E00100	Cash and cash equivalents at beginning of period	2,729,560	998,567
AAAA	Net cash provided by (used in) operating activities	865,074	324,577	E00200	Cash and cash equivalents at end of period	\$2,573,787	\$2,526,699

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

1. History and organization

Dynamic Electronics Co., Ltd. (“the Company”) was incorporated in August 18, 1988. The main activities of the Company are mainly engaged in the manufacturing and processing of various electronic components, the design of microcomputers and peripheral equipment, the manufacturing and processing of integrated circuits and substrates, the manufacturing and processing of various circuit boards, the quotation, bidding, and distribution of products from domestic and foreign manufacturers as an agent, and the import and export trade business of the aforementioned products. The Company’ s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in March 18, 2009. The Company’ s registered office and the main business location is at 6F., No. 50, Minquan Rd., Luzhu Dist., Taoyuan City 338, Taiwan (R.O.C.)

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements as of June 30th, 2022 of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on August 4th, 2022.

3. Newly issued or revised standards and interpretations(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2022. The nature and the impact of each new standard and amendment had no material effect on the Company.

(2) Standards or interpretations issued, revised or amended, by IASB which are endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Disclosure Initiative – Accounting Policies – Amendments to IAS 1	January 1, 2023
b	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
c	Deferred Tax related to Assets and Liabilities arising from a	January 1, 2023

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
	Single Transaction – Amendments to IAS 12	

(a) Disclosure Initiative – Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

(b) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

(c) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The abovementioned standards and interpretations issued by IASB are endorsed by the FSC and is applicable to the new issued, revised and amended standards or interpretations for the fiscal year beginning January 1, 2023 The Company assesses all standards and interpretations have no material impact on the Company.

(3) Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate	To be determined by IASB

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
	or Joint Ventures	
b	IFRS 17 “Insurance Contracts”	January 1, 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023

- (a) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of January 1, 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(c) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assesses all standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements for the six-month periods ended June 30, 2022 and 2021 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34, "Interim Financial Reporting," as endorsed and became effective by the FSC.

Except for the following 4(3) to 4(5), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2021. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT\$") unless otherwise

specified.

(3) Basis of consolidation

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2021. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2021.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of Ownership (%)		
			2022.06.30	2021.12.31	2021.06.30
The Company	WINTEK (MAURITIUS) CO., LTD.	Investing activities	100.00%	100.00%	100.00%
The Company	Dynamic PCB Electronics Co., Ltd.	PCB and business which relates to import and export	100.00%	100.00%	100.00%
The Company	Dynamic Electronics Co., Ltd. (Seychelles)	PCB and business which relates to import and export	100.00%	100.00%	100.00%
The Company	Dynamic Electronics Trading Pte. Ltd.	Management and Operation Business	100.00%	100.00%	100.00%
The Company	CHIANAN TECHNOLOGY CO., LTD.	Mockup manufacture	70.00% (Note1)	-%	-%
The Company	CHENG CHONG TECHNOLOGY CO., LTD.	Mockup manufacture	70.00% (Note2)	-%	-%

Investor	Subsidiary	Main businesses	Percentage of Ownership (%)		
			2022.06.30	2021.12.31	2021.06.30
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	Investing activities	100.00%	100.00%	100.00%
Dynamic Electronics Holding Pte. Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	100.00%	100.00%	100.00%
Dynamic Electronics Holding Pte. Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	-% (Note 3)	-% (Note 3)	-% (Note 3)
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	100.00% (Note 3)	100.00% (Note 3)	100.00% (Note 3)

Note 1: Considering the needs of long-term development, the Group acquired 70% shares of CHIANAN TECHNOLOGY CO., LTD. with the resolution of the board of directors on February 23, 2022, and acquired the shares of CHIANAN TECHNOLOGY CO., LTD. on March 17, 2022 for NTD 46,060 thousand. The share acquisition ratio is 70%. The share settlement was completed on March 17, 2022. The Group has obtained the control to include it in the Group's consolidated financial statements preparation.

Note 2: Considering the needs of long-term development, the Group acquired a 70% shares in CHENG CHONG TECHNOLOGY CO., LTD. with the resolution of the board of directors on February 23, 2022, and acquired the shares of CHENG CHONG TECHNOLOGY CO., LTD. on March 17, 2022 for NTD 33,211 thousand. The share acquisition ratio is 70%. The share settlement was completed on March 17, 2022. The Group has obtained the control to include it in the Group's consolidated financial statements preparation.

Note 3: Considering the needs of long-term development, the Group's board of directors resolved on December 17, 2020 to change the investment structure of Dynamic Electronics (Kunshan) Co., Ltd., a previous reinvested business in Mainland China of Singapore Dynamic Electronics Holding Pte. Ltd. to the reinvested business of Dynamic Electronics (Huangshi) Co., Ltd. The aforementioned transaction is an equity adjustment under organizational reorganization.

(4) Income tax

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

(5) Business combinations and goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets transferred and liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in acquiree's host contracts.

Where the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date and the resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with

IFRS 9 either in profit or loss or as a change to other comprehensive income. However, if the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured as the excess amount of the aggregate of the consideration transferred and the non-controlling interests over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash-generating Units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose and is not larger than an operating segment.

Where goodwill forms part of a Cash-generating Unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation. Goodwill disposed of in this circumstance is measured based on the relative recoverable amounts of the operation disposed of and the portion of the Cash-generating Unit retained.

5. Significant accounting judgments, estimates, and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The main sources of significant accounting judgments, estimates and assumptions is consistent with the 2021 consolidated financial report, please refer to Note 5 of the Company's 2021 consolidated financial statements for the information.

6. Contents of significant accounts

(1) Cash and cash equivalents

	2022.06.30	2021.12.31	2021.06.30
Cash on hand	\$754	\$347	\$345
Checking and savings	2,372,647	2,528,853	2,325,992
Fixed-term deposits	200,386	200,360	200,362
Total	<u>\$2,573,787</u>	<u>\$2,729,560</u>	<u>\$2,526,699</u>

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

	2022.06.30	2021.12.31	2021.06.30
Measured at fair value through profit or loss :			
Convertible Bonds	\$-	\$800	\$750
Held for trading - current :			
Forward foreign exchange contract	401	3,130	123
Total	<u>\$401</u>	<u>\$3,930</u>	<u>\$873</u>
Current	\$401	\$3,130	\$123
Non-current	-	800	750
Total	<u>\$401</u>	<u>\$3,930</u>	<u>\$873</u>

The Group's financial assets measured at fair value through profit and loss have no pledged collateral.

(3) Financial assets measured at amortized cost

	2022.06.30	2021.12.31	2021.06.30
Restricted cash-current	\$1,007,930	\$-	\$-
Fixed-term deposits	1,308	1,218	1,226
Total	<u>\$1,009,238</u>	<u>\$1,218</u>	<u>\$1,226</u>
Current	<u>\$1,009,238</u>	<u>\$1,218</u>	<u>\$1,226</u>
Non-current	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

The Group transacts with financial institutions with good credit rating. Consequently, there is no significant credit risk.

Please refer to Note 8 for more details on financial assets measured amortized cost pledged as collaterals.

(4) Notes receivable, net

	2022.06.30	2021.12.31	2021.06.30
Notes receivable arising from operating activities	\$12,516	\$43,247	\$113,690
Less: loss allowance	-	-	-
Total	\$12,516	\$43,247	\$113,690

Notes receivables were not pledged.

The Group follows the requirement of IFRS 9 to assess the impairment. Please refer to Note 6(20) for more details on loss allowance and Note 12 for details on credit risk.

(5) Accounts receivable, net

(A) Accounts receivable, net, consisting of the follows:

	2022.06.30	2021.12.31	2021.06.30
Accounts receivable from operating activities	\$4,278,407	\$4,640,874	\$4,217,150
Less: loss allowance	(23,391)	(15,919)	(19,446)
Total	\$4,255,016	\$4,624,955	\$4,197,704

(B) Accounts receivable were not pledged.

(C) Accounts receivable are generally on 60 to 150 day terms. The total carrying amount as of June 30, 2022, December 31, 2021, and June 30, 2021, are NT\$4,278,407 thousand, NT\$4,640,874 thousand and NT\$4,217,150 thousand, respectively. Please refer to Note 6(20) for more details on loss allowance of accounts receivable for the the six-month periods ended June 30, 2022 and 2021. Please refer to Note 12 for more details on credit

risk management.

(6) Inventories

(A) Details of inventory net amount are as below:

	2022.06.30	2021.12.31	2021.06.30
Raw materials and Supplies	\$350,344	\$304,866	\$508,231
Work in progress	752,185	624,749	677,617
Finished goods	1,754,379	2,023,441	1,513,133
Total	\$2,856,908	\$2,953,056	\$2,698,981

(B) For the three-month periods ended June 30, 2022 and 2021, and the six-month periods ended June 30, 2022 and 2021, the Group recognized NT\$3,142,331 thousand and NT\$3,423,698 thousand, NT\$6,717,131 thousand and NT\$6,680,292 thousand under the costs of inventory including the following losses:

Item	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Inventory valuation losses (gain from price recovery of inventory)	<u>\$(37,377)</u>	<u>\$69,936</u>	<u>\$(32,729)</u>	<u>\$103,849</u>

From January 1st to June 30th, 2022, the Group has disposed of some of the inventories that were originally set aside as allowances for inventory depreciation and sluggish losses, so it is recognized as gain from price recovery of inventory.

(C) Inventories were not pledged.

(7) Property, plant and equipment

	2022.06.30	2021.12.31	2021.06.30
Owner occupied property, plant, and equipment	<u>\$7,405,756</u>	<u>\$6,241,643</u>	<u>\$5,402,230</u>

DYNAMIC ELECTRONICS CO., LTD.

Notes to the Consolidated Financial Statements

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Lands and Buildings	Machinery and equipment	Transportatio n equipment	Office equipment	Other equipment	Lease improvement	Construction in progress and equipment to be examined	Total
Cost:								
2022.01.01	\$2,742,170	\$6,902,330	\$30,031	\$344,299	\$1,351,744	\$8,820	\$1,233,152	\$12,612,546
Addition	(612)	-	-	5,539	16,388	-	1,351,493	1,372,808
Acquired through business merger	-	19,727	1,128	-	2,542	-	-	23,397
Disposals	-	(10,836)	-	(754)	(2,226)	-	-	(13,816)
Transfer	1,809	193,568	-	1,019	2,455	-	(198,851)	-
Other changes	-	(5,930)	-	-	-	-	-	(5,930)
Exchange differences	54,813	143,323	586	6,758	26,981	-	24,649	257,110
2022.06.30	<u>\$2,798,180</u>	<u>\$7,242,182</u>	<u>\$31,745</u>	<u>\$356,861</u>	<u>\$1,397,884</u>	<u>\$8,820</u>	<u>\$2,410,443</u>	<u>\$14,246,115</u>
Depreciation and impairment :								
2022.01.01	\$733,505	\$4,390,260	\$22,366	\$201,137	\$1,014,815	\$8,820	\$-	\$6,370,903
Depreciation	60,821	173,129	1,769	27,745	61,186	-	-	324,650
Acquired through business merger	-	16,462	870	-	2,261	-	-	19,593
Impairment loss (gain on reversal)	-	3,633	-	-	-	-	-	3,633
Disposal	-	(1,083)	-	(694)	(2,031)	-	-	(3,808)
Other changes	-	(3,583)	-	-	-	-	-	(3,583)
Exchange differences	14,603	89,856	431	3,878	20,203	-	-	128,971
2022.06.30	<u>\$808,929</u>	<u>\$4,668,674</u>	<u>\$25,436</u>	<u>\$232,066</u>	<u>\$1,096,434</u>	<u>\$8,820</u>	<u>\$-</u>	<u>\$6,840,359</u>
Cost :								
2021.01.01	\$2,498,443	\$6,367,480	\$23,917	\$278,578	\$1,386,919	\$8,820	\$559,797	\$11,123,954
Additions	-	13,037	-	2,464	43,731	-	517,648	576,880
Disposals	-	(18,928)	-	(680)	(63,443)	-	-	(83,051)
Transfer	242,352	346,715	4,917	44,190	32,273	-	(670,447)	-
Exchange differences	(29,880)	(77,151)	(277)	(3,243)	(15,859)	-	(8,666)	(135,076)
2021.06.30	<u>\$2,710,915</u>	<u>\$6,631,153</u>	<u>\$28,557</u>	<u>\$321,309</u>	<u>\$1,383,621</u>	<u>\$8,820</u>	<u>\$398,332</u>	<u>\$11,482,707</u>

Depreciation and

impairment :

2021.01.01	\$621,484	\$4,105,152	\$19,211	\$152,609	\$976,386	\$8,820	\$-	\$5,883,662
Depreciation	56,174	166,887	1,814	24,947	100,592	-	-	350,414
Impairment loss (gain on reversal)	-	(14,690)	-	-	-	-	-	(14,690)
Disposal	-	(1,193)	-	(644)	(62,956)	-	-	(64,793)
Transfer	(8,013)	(51,860)	(240)	(1,996)	(12,007)	-	-	(74,116)
2021.06.30	<u>\$669,645</u>	<u>\$4,204,296</u>	<u>\$20,785</u>	<u>\$174,916</u>	<u>\$1,002,015</u>	<u>\$8,820</u>	<u>\$-</u>	<u>\$6,080,477</u>

Net carrying

amount as at:

2022.06.30	<u>\$1,989,251</u>	<u>\$2,573,508</u>	<u>\$6,309</u>	<u>\$124,795</u>	<u>\$301,450</u>	<u>\$-</u>	<u>\$2,410,443</u>	<u>\$7,405,756</u>
2021.12.31	<u>\$2,008,665</u>	<u>\$2,512,070</u>	<u>\$7,665</u>	<u>\$143,162</u>	<u>\$336,929</u>	<u>\$-</u>	<u>\$1,233,152</u>	<u>\$6,241,643</u>
2021.06.30	<u>\$2,041,270</u>	<u>\$2,426,857</u>	<u>\$7,772</u>	<u>\$146,393</u>	<u>\$381,606</u>	<u>\$-</u>	<u>\$398,332</u>	<u>\$5,402,230</u>

For the six-month periods ended June 30, 2022, the NT\$3,633 thousand impairment loss is recognized due to the idleness of some real property, plant and equipment in the Group. This has been recognized in the statement of comprehensive income.

For the six-month periods ended June 30, 2021 the NT\$14,690 thousand gain on reversal of impairment loss represented the sold of certain property, plant and equipment in the Group. This has been recognized in the statement of comprehensive income.

Significant components of building include main building structure and additional expansion construction, which are depreciated over useful lives of 30~40 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(8) Intangible assets

	Computer Software	Technology Expertise	Goodwill	Total
Cost:				
2022.01.01	\$59,799	\$10,607	\$-	\$70,406
Additional—Acquired	3,802	-	-	3,802

separately				
Acquired through merger	1,151	-	62,244	63,395
Derecognized upon retirement	(7,989)	(36)	-	(8,025)
Effect of exchange rate changes	1,066	212	-	1,278
2022.06.30	<u>\$57,829</u>	<u>\$10,783</u>	<u>\$62,244</u>	<u>\$130,856</u>
2021.01.01	\$38,303	\$10,664	\$-	\$48,967
Additional — Acquired separately	31,551	-	-	31,551
Derecognized upon retirement	(12,670)	-	-	(12,670)
Effect of exchange rate changes	(381)	(128)	-	(509)
2021.06.30	<u>\$56,803</u>	<u>\$10,536</u>	<u>\$-</u>	<u>\$67,339</u>
Amortization and impairment :				
2022.01.01	\$22,618	\$3,205	\$-	\$25,823
Acquired through merger	946	-	-	946
Amortization	9,821	1,081	-	10,902
Derecognized upon retirement	(7,989)	(36)	-	(8,025)
Effect of exchange rate changes	403	63	-	466
2022.06.30	<u>\$25,799</u>	<u>\$4,313</u>	<u>\$-</u>	<u>\$30,112</u>
2021.01.01	\$19,070	\$1,085	\$-	\$20,155
Amortization	7,443	1,067	-	8,510
Derecognized upon retirement	(12,670)	-	-	(12,670)
Effect of exchange rate changes	(289)	(24)	-	(313)
2021.06.30	<u>\$13,554</u>	<u>\$2,128</u>	<u>\$-</u>	<u>\$15,682</u>

Carrying amount, net :

2022.06.30	\$32,030	\$6,470	\$62,244	\$100,744
2021.12.31	\$37,181	\$7,402	\$-	\$44,583
2021.06.30	\$43,249	\$8,408	\$-	\$51,657

Amounts of amortization recognized for intangible assets are as follows:

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Operating cost	\$3,486	\$2,778	\$7,055	\$4,122
Operating expenses	1,895	1,985	3,847	4,388
Total:	\$5,381	\$4,763	\$10,902	\$8,510

(9) Other non-current assets

Other non-current assets as follows:	2022.06.30	2021.12.31	2021.06.30
Refundable deposit	\$1,834	\$1,492	\$1,470

(10) Short-term loans

(A) Short-term loans consist of the following:

	Interest rate (%)	2022.06.30	2021.12.31	2021.06.30
Unsecured bank loan	0.92938%~4.5%	\$4,022,153	\$4,587,071	\$3,580,972

(B) The Group's unused short-term lines of credits amounts to NT\$4,386,409 thousand, NT\$4,856,404 thousand and NT\$1,657,600 thousand as of June 30, 2022, December 31, 2021, and June 30, 2021, respectively.

(11) Financial liability at fair value through profit or loss

	2022.06.30	2021.12.31	2021.06.30
Financial liability at fair value through profit or loss :			
Convertible Bond	\$1,648	\$-	\$-

Current	\$1,648	\$-	\$-
Non-current	-	-	-
Total:	<u>\$1,648</u>	<u>\$-</u>	<u>\$-</u>

(12) Other payables

Other payables consist of the following:	2022.06.30	2021.12.31	2021.06.30
Accrued expenses	\$741,887	\$813,528	\$825,783
Accrued dividend	194,263	-	111,006
Accrued interest	16,430	9,331	5,753
Payable to equipment supplier	452,028	491,130	371,583
Total	<u>\$1,404,608</u>	<u>\$1,313,989</u>	<u>\$1,314,125</u>

(13) Bonds Payable

(A) The details of the bonds payable are as follows:

	2022.06.30	2021.12.31	2021.06.30
Liability component			
Unsecured domestic bonds payable	\$499,400	\$499,900	\$500,000
Less : Discounts on domestic bonds payable	(12,185)	(13,748)	(17,433)
Total	<u>487,215</u>	<u>486,152</u>	<u>482,567</u>
Less : Current portion	<u>(487,215)</u>	<u>-</u>	<u>-</u>
Net	<u>\$-</u>	<u>\$486,152</u>	<u>\$482,567</u>
Embedded derivative - redemption, put options	\$1,648	\$(800)	\$(750)
Equity component - Conversion right	<u>\$58,280</u>	<u>\$63,923</u>	<u>\$63,936</u>

For the details of the gain and loss from valuation through profit and loss on embedded derivative, redemption, put options, and the interest expense on the convertible bonds payable, please refer to Notes 6 (23-4) to the consolidated financial statement.

(B) On May 13, 2021, the Company issued the second unsecured domestic convertible bonds, the terms of the bonds are as follows:

(a) Issue amount: NT \$500,000 thousand

(b) Issue date : May 13, 2021

(c) Issue price : Issued at 110.1% of the par value.

(d) Coupon rate : 0%

(e) Period : May 13, 2021~May 13, 2024

(f) Settlement : The convertible bonds' holder (hereinafter referred to as "bondholders") can convert the bond into the common stock of the Company based on article 10 of the Company's conversion rule. The Company can also recall the bonds before maturity and buy back the cancellation from bonds dealer based on article 18 of the Company's conversion rule. Otherwise, the company will repay the convertible bonds held by the bondholder in cash at 100.7519% of the par value of the bonds (the actual annual yield is 0.25%) upon maturity of the convertible bonds.

(g) Conversion period : The bondholders will have the right to convert their bonds at any time during the conversion period commencing on August 14, 2021 (the 90th day following the closing date) and ending at the close of business on May 13, 2024. (the maturity date), provided, however, the conversion right during any closed period shall be suspended, and the conversion period shall not include any such closed period, which means (i) the period during which the Company may be required to close its stock transfer books under ROC laws and regulations applicable from time to time ; (ii) the period beginning on the 15th trading day prior to the record date for the distribution of stock or cash dividends, or the subscription of new shares due to capital increase to the date on (and including) such record; (iii) the period beginning on the record date of capital reduction to one day prior to the trading day on which the shares of the Company are reissued after such capital reduction; (v) no request

- for conversion other than the starting date of the stop of the conversion for the change of the stock denomination to the day before the trading day before the start of the new stock exchange.
- (h) Conversion price and adjustment : The conversion price was originally at NT\$23.5 per share, the conversion price will be subject to adjustments upon the occurrence of certain events set out in the indenture. Due to the ex-dividend distribution of cash dividends in 2021, the company will adjust the conversion price in accordance with the company's second domestic unsecured convertible bond issuance and conversion regulations. Therefore, starting from August 13, 2021, the conversion price will be NT\$23.5 adjusted to NT\$23.1.
- (i) Redemption clauses :
- (i) Under the following circumstances, from the day (August 14, 2021) following the expiration of three months from the issuance date to the 40th day (April 3, 2024) before maturity, if the closing price of the Company's common stock exceeds the current conversion price by more than 30% (inclusive) for 30 consecutive business days, the company may recall the bonds within 30 business days thereafter by sending a registered mail of the 30-day-expiring "Bond Redemption Notice" (the foregoing period shall be counted from the date the company sends the mail, and the expiry date of the period shall be the base date for bond redemption and the foregoing period shall not be the period of suspension of conversion in Article 9) to the bondholders (referred to the bondholders shown in the register list on the fifth business day before the "bond redemption notice" is sent. For bondholders who subsequently acquire the convertible bonds due to trading or other reasons, they shall be informed by the Company's announcement.) and the redemption price shall be as the par value, all the bonds shall be redeemed by cash. A written notification should be sent to OTC to announce the company will execute the bonds redemption. The outstanding convertible bond shall be redeemed with cash at par value within five business days after the base date of bond redemption.
- (ii) During the period from the day (August 14, 2021) following the expiration of three months from the bond issuance date to the 40th day (April 3, 2024) before maturity, if the balance of the outstanding convertible bond is less than 10% of the beginning total issuance value, the company may at any time thereafter send a notification to

the bondholders by registered mail (as shown in the creditor list five business days before the "Bond Redemption Notice" is sent. For bondholders who subsequently acquire the convertible bonds due to trading or other reasons, they shall be informed by the Company's announcement.) and the redemption price shall be as the par value, all the bonds shall be redeemed by cash. A written notification should be sent to OTC to announce the exercise of the company's redemption right. All the convertible bond of the Company shall be redeemed with cash at par value within five business days after the base date of bond redemption.

(iii) If the creditor fails to reply in written form (effective upon mailing day based on the postmark date) to the company's share transfer agent before the base date of bond redemption set forth in the "Bond Redemption Notice", the company will redeem the convertible bonds in cash at par value of the bonds within five business days after the base date of bond redemption.

- (j) Bond holder's sell-back right : During the period from August 26, 2022 to September 24, 2022, creditors can sell the convertible bonds back to the issuing company at the issue price of 110.1 plus interest compensation (0.25% real yield).

(C) As of June 30, 2022, the amount of the second domestic unsecured convertible bonds that has been applied for conversion is NTD600 thousand, and the common share is twenty-six thousand shares. The net amount that should be resold due to the conversion (including the denomination of the converted corporate bonds and the discount, etc.) is higher than the denomination of the shares, which is NTD327 thousand as an addition to the capital reserve.

(D) In accordance with the authorization of Article 13, Paragraph 2 of the Share Swap Resolution passed by the general meeting of shareholders on May 20, 2022, Article 11 (1) of the Share Swap Resolution on the handling principles of Dynamic II CB "After this share swap case has been approved by the competent authority, and before the share swap base date, the creditor may, within the designated period announced by the company, apply for a sell-back or exercise the right of conversion in accordance with the issuance and conversion method of the convertible bonds. The Dynamic II CB applied for sell-back will be redeemed in cash with each "bond face value" plus interest compensation. The interest compensation is calculated by multiplying the actual yield

by 0.25% and the actual number of days of issuance, that is, from the date of issuance until the sell-back base date.” Part of the resolution of the board of directors on May 21, 2022 was adjusted to " After this share swap case has been approved by the competent authority, and before the share swap base date, the creditor may, within the designated period announced by the company, apply for a sell-back or exercise the right of conversion in accordance with the issuance and conversion method of the convertible bonds. The Dynamic II CB applied for sell-back will be redeemed in cash with each “bond issued value” plus interest compensation. The interest compensation is calculated by multiplying the actual yield by 0.25% and the actual number of days of issuance, that is, from the date of issuance until the sell-back base date.” in the second quarter of 2022, the Company recognized the benefits of redemption of convertible bonds of NT\$2,096 thousand in accordance with the revised issuance method, and the benefits of redemption of convertible bonds have been recognized in the consolidated income statement.

(E) As stated in Note 6 (18) to the financial statements, the Company will terminate its listing on August 25, 2022, so the second domestic unsecured convertible bonds issued by the Company on May 13, 2021 will also be terminated from the over-the-counter trading on the same day. Considering the rights and interests of Dynamic II's creditors, according to Article 11 of the share swap resolution passed by the 2022 shareholders meeting, the company will enable the creditors to choose whether to apply to sell the bonds back to the company; or to apply for the right to convert into common shares of Dynamic Holdings Co., Ltd.; or to continue to hold Dynamic II until maturity in accordance with the Dynamic II issuance and conversion method within the period specified by the company from August 26, 2022 to September 24, 2022.

(14) Long-term loans

Details of long term loans as of June 30, 2022, December 31, 2021 and June 30, 2021 are as follows:

Lender	2022.06.30	Interest rate (%) (Note 2)	Maturity and terms of repayments
China Construction Bank Corporation Huangshi Branch — Credit loans	\$132,848	China Construction Bank benchmark interest rate, bargain on a case-by-case basis	The loan is due to be settled

Lender	2022.06.30	Interest rate (%) (Note 2)	Maturity and terms of repayments
China Merchants Bank — Huangshi Branch — Credit loans	132,848	The benchmark interest rate of the People's Bank of China for a period of one year - LPR	The loan is due to be settled
The Shanghai Commercial & Savings Bank — Zhongli Branch-Credit loans	265,697	RMB variable interest rate for three months HIBOR+0.9%	The grace period is 12 months upon first usage. Pay interest quarterly. After the grace period expires, principal is repaid in 8 quarterly payments with monthly interest payments.
Agricultural Bank of China-Kunshan Branch-Credit loans	2,041,304	The benchmark interest rate of the People's Bank of China for a period of over five years - LPR-0.2%	After the grace period expires, the principal will be repaid at least once every six months, and the principal will be amortized over eight years.
Bank of Communications - Huangshi Branch Credit Loan	221,414	The benchmark interest rate of the People's Bank of China for one year period – LPR+0.3%	The loan is due to be settled
EnTie Bank – Offshore Banking Business Credit Loan	118,061	Taipei Foreign Exchange Trading Center Taifx3+2% for three months	The grace period is 12 months upon first usage. Pay interest quarterly. After the grace period expires, principal is repaid in 8 quarterly payments with monthly interest payments.
Less: Current portion of long-term loans	<u>(75,945)</u>		
Non-current portion of long-term loans	<u><u>\$2,836,227</u></u>		

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Lender	2021.12.31	Interest rate (%) (Note 2)	Maturity and terms of repayments
Bank of Communications Co., Ltd. — Huangshi Branch — Secured bank loans	\$651,224	People's Bank of China benchmark interest rate rises by 10%	The loan is due to be settled
China Construction Bank Corporation Huangshi Branch — Credit loans	130,245	China Construction Bank benchmark interest rate, bargain on a case-by-case basis	The loan is due to be settled
The Shanghai Commercial & Savings Bank — Zhongli Branch—Credit loans	260,490	RMB variable interest rate for three months HIBOR+0.9%	The grace period is 12 months upon first usage. Pay interest quarterly. After the grace period expires, principal is repaid in 8 quarterly payments with monthly interest payments.
Less: Current portion of long-term loans	<u>(651,224)</u>		
Non-current portion of long-term loans	<u>\$390,735</u>		

Lender	2021.06.30	Interest rate (%) (Note 2)	Maturity and terms of repayments
Bank of Communications Co., Ltd. — Huangshi Branch — Secured bank loans	\$646,892	People's Bank of China benchmark interest rate rises by 10%	The loan is due to be settled
Less: Current portion of long-term loans	<u>-</u>		
Non-current portion of long-term loans	<u>\$646,892</u>		

Note1: Please refer to Note 8 for more details regarding certain property, plant and equipment pledged for secured bank loans.

Note2: Interest rates of long-term loans are as follows:

	2022.06.30	2021.12.31	2021.06.30
Interest rate (%)	3.652%~4.45%	3.986%~4.35%	4.25%~4.38%

(15) Refund liability

	2022.06.30	2021.12.31	2021.06.30
Refund liability	\$195,820	\$233,162	\$159,339

(16) Long term deferred revenue

Government grants

	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Beginning balance	\$389,065	\$380,616
Government grants	177,303	-
The recognition in profit or loss	(16,452)	(16,755)
Exchange differences	7,621	(4,378)
Ending Balance	\$557,537	\$359,483

	2022.06.30	2021.12.31	2021.06.30
Non-current deferred revenue related to assets	\$557,537	\$389,065	\$359,483

Government grants have been received for purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to the grants.

(17) Post-employment revenue

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended June 30, 2022 and 2021 were NT\$623 thousand and NT\$1,237 thousand, respectively. Expenses under

the defined contribution plan for the six-month periods ended June 30, 2022 and 2021 were NT\$1,036 thousand and NT\$2,430 thousand, respectively.

The additional pension expenses the Group recognized due to the appointment of managers for the three-month periods ended June 30, 2022 and 2021 were NT\$1,096 thousand and NT\$54 thousand, respectively. The additional pension expenses the Group recognized due to the appointment of managers for the six-month periods ended June 30, 2022 and 2021 were NT\$1,150 thousand and NT\$108 thousand, respectively.

(18) Equities

(A) Common stock

As of June 30, 2022, December 31, 2021, and June 30, 2021, the company's authorized share capital was NT\$4,000,000 thousand, and the issued share capital is NT\$2,775,184 thousand, NT\$ 2,775,141 thousand and NT\$2,775,141 thousand, respectively, each share at par value of NT\$10, which are 277,518,361 shares, 277,514,032 shares and 277,514,032 shares, respectively.

The company issued the second domestic unsecured convertible bonds and applied for a conversion amount of NTD100 thousand in 2021, and exchanged 4 thousand common shares. On Dec. 28, 2021, the Board of Directors passed the resolution to set January 1, 2022 as the base date for capital increase.

The company issued the second domestic unsecured convertible bonds and applied for a conversion amount of NT\$500 thousand from January 1 to June 30, 2022, and exchanged 22 thousand common shares until June 30, 2022. The base date for capital increase has not yet been approved by the board of directors, so it is accounted for under the item of share capital received in advance.

On May 20, 2022, the company passed a resolution to become a 100% subsidiary of Dynamic Holdings Co., Ltd. through share swap, and Dynamic Holding Co., Ltd. acquired all the issued shares of the company; the shares of Dynamic Holding Co., Ltd. are listed for trading on the base date of the share swap, and the company's shares are terminated on the same day. The case was approved by the Taiwan Stock Exchange on June 23, 2022 with Taiwan Securities Letter No. 11100106271. According to the shareholder roster of the company on the share swap base date, 1 share of the company's shareholders is exchanged for 1 share of Dynamic Holding Co., Ltd., and the common

shares of Dynamic Holding Co., Ltd. will be listed on the base date of share swap (expected to be August 25, 2022), the company's common shares are terminated from listing on the same day.

(B) Capital surplus

	2022.06.30	2021.12.31	2021.06.30
Additional paid-in capital	\$1,176,745	\$1,176,745	\$1,176,745
Issuing convertible bond at premium	404	67	-
Treasury share transactions	34,946	32,214	32,214
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	15,531	15,531	15,531
Gain on sale of assets	155	155	155
Lapsed employee share option	6,528	6,528	6,528
Share options	77,990	83,633	83,646
Total	\$1,312,299	\$1,314,873	\$1,314,819

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of share dividend to its shareholders in proportion to the number of shares being held by each of them.

(C) Earning distribution and dividend policies

(a) Earning distribution

According to the company's articles of association, when allocating the current year's earnings, if any, after having paid all taxes and dues, shall first set aside ten percent of said profits as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply; the rest shall be set aside to be the special surplus reserval according to laws or the regulations of the competent authority; if there is any remaining portion, the board of directors shall submit a surplus distribution proposal to the shareholders meeting for a resolution to distribute shareholder

dividends. The company may, in accordance with Article 240 and Article 241 of the Company Act, authorize the board of directors to issue cash dividends and bonuses by special resolutions, and distribute in cash the above-mentioned dividends or capital reserve or/and legal reserve in compliance with the Company Act and shall report the distribution in the most recent shareholder' s meeting.

(b) Dividend policy

In order to respond to the changes in the economy and improve the company's financial structure, the company implements a balanced dividend policy. The future dividend policy is set as follows:

Because the company is in the stage of growing, the main consideration of the dividend policy is the company's future investment capital needs, financial structure and earning. The board of directors will draw up a distribution plan based on the current year's earnings and handles it after the resolution of the shareholders meeting.

In consideration of a balanced and stable dividend policy, the distribution of stock dividends or cash dividends will be issued appropriately depending on the investment capital requirements and the degree of dilution of the earnings per share, and the cash dividends will be paid not less than 10% of the total dividend for the year.

- (c) According to the Company Act, the Company shall set aside legal reserve from earnings unless where the amount of legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by shareholders.

(d) Special reserve

The company followed the first-time adoption of the T-IFRS to set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity when distributing distributable earnings. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

Following the adoption of T-IFRS, the FSC on March 31, 2021 issued Letter No. Financial-Supervisory-Securities-Corporate-1090150022; company's first-time

adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve.

As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT\$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT\$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal, or reclassification of related assets. As of June 30, 2021 and 2022, special reserve set aside for the first-time adoption of T-IFRS amounted to NT\$299,666 thousand.

- (e) The appropriations of earnings, distribution, and the dividend per share for the year 2021 and 2020 was approved by the shareholders' meeting held on July 20, 2021 and May 20, 2022, respectively. The details of the distributions are as follows.

	Appropriation of earnings		Dividend per share (in NT\$)	
	2021	2020	2021	2020
Legal reserve	\$47,045	\$67,906		
Special reserve	139,159	-		
Common stock cash dividend (Note)	194,263	111,006	\$0.7	\$0.4
Total:	<u>\$380,467</u>	<u>\$178,912</u>		

Please refer to Note 6(22) for details (basis and amount) on employees' compensation and remuneration to directors and supervisors.

(D) Non-controlling interests

	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Opening balance	\$-	\$-
Net profit for the period attributable to non-controlling interests	46	-
Increase or decrease in non-controlling interests	7,298	-
Closing balance	<u>\$7,344</u>	<u>\$-</u>

(19) Operating revenue

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Revenue from contracts with customers				
Sale of goods	\$3,586,347	\$3,913,248	\$7,678,074	\$7,467,031
Other revenue	2,152	2,974	2,443	11,097
Total	<u>\$3,588,499</u>	<u>\$3,916,222</u>	<u>\$7,680,517</u>	<u>\$7,478,128</u>

Analysis of revenue from contracts with customers during the three-month and six-month periods ended June 30 in 2022 and 2021 are as follows:

(A) Dissaggregation of revenue

April 1, 2022 to June 30, 2022

	PCB Unit	Mockup Unit	Total
Sale of goods	\$3,570,215	\$16,132	\$3,586,347
Other	2,152	-	2,152
Total	<u>\$3,572,367</u>	<u>\$16,132</u>	<u>\$3,588,499</u>

The timing for
revenue

recognition:

at a point in time	<u>\$3,572,367</u>	<u>\$16,132</u>	<u>\$3,588,499</u>
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January 1, 2022 to June 30, 2022

	PCB Unit	Mockup Unit	Total
Sale of goods	\$7,661,942	\$16,132	\$7,678,074
Other	2,443	-	2,443
Total	<u>\$7,664,385</u>	<u>\$16,132</u>	<u>\$7,680,517</u>

The timing for
revenue

recognition:

at a point in time	<u>\$7,664,385</u>	<u>\$16,132</u>	<u>\$7,680,517</u>
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April 1, 2021 to June 30, 2021

	PCB Unit	Mockup Unit	Total	
Sale of goods	\$3,913,248	\$-	\$3,913,248	
Other	2,974	-	2,974	January 1,
Total	<u>\$3,916,222</u>	<u>\$-</u>	<u>\$3,916,222</u>	2021 to June
				30, 2021

The timing for
revenue

recognition:

at a point in time

	\$3,916,222	\$-	\$3,916,222
	PCB Unit	Mockup Unit	Total
Sale of goods	\$7,467,031	\$-	\$7,467,031
Other	11,097	-	11,097
Total	<u>\$7,478,128</u>	<u>\$-</u>	<u>\$7,478,128</u>

The timing for
revenue

recognition:

at a point in time

	\$7,478,128	\$-	\$7,478,128
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(B) Contract balances

(a) Contract liabilities – current

	2022.06.30	2021.12.31	2021.06.30
Sale of goods	<u>\$3,873</u>	<u>\$4,066</u>	<u>\$14,822</u>

The significant changes in the Group's balances of contract liabilities of six-month period as of June 30, 2022 are as follows:

	Sale of goods
The opening balance transferred to revenue	\$(3,969)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to	3,776

revenue during the period)

The significant changes in the Group's balances of contract liabilities of six-month period as of June 30, 2021 are as follows:

	<u>Sale of goods</u>
The opening balance transferred to revenue	\$(52,614)
Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period)	53,989

(20) Expected credit losses (gain)

	<u>2022.04.01~ 2022.06.30</u>	<u>2021.04.01~ 2021.06.30</u>	<u>2022.01.01~ 2022.06.30</u>	<u>2021.01.01~ 2021.06.30</u>
Operating expenses – Expected credit losses (gains)				
Account receivables	<u>\$3,138</u>	<u>\$(544)</u>	<u>\$6,703</u>	<u>\$(1,012)</u>

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of June 30, 2022, December 31, 2021, and June 30, 2021 are as follow:

(A) The Group considers the grouping of trade receivables by counter parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

2022.06.30

	Not yet due	<u>Past due</u>					
	(Note)	<u><=30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-120 days</u>	<u>>=121 days</u>	Total
Gross carrying amount	\$4,132,935	\$134,597	\$13,088	\$2,408	\$238	\$7,657	\$4,290,923

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Loss ratio	-%	-%	100%	100%	100%	100%	
Lifetime expected credit losses	-	-	(13,088)	(2,408)	(238)	(7,657)	(23,391)
Carrying amount of trade receivables	\$4,132,935	\$134,597	\$-	\$-	\$-	\$-	\$4,267,532

2021.12.31

	Not yet due	Past due					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$4,563,835	\$111,594	\$1,519	\$1,720	\$1,650	\$3,803	\$4,684,121
Loss ratio	-%	6.48%	100%	100%	100%	100%	
Lifetime expected credit losses	-	(7,227)	(1,519)	(1,720)	(1,650)	(3,803)	(15,919)
Carrying amount of trade receivables	\$4,563,835	\$104,367	\$-	\$-	\$-	\$-	\$4,668,202

2021.06.30

	Not yet due	Past due					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=121 days	
Gross carrying amount	\$4,235,054	\$90,170	\$1,612	\$202	\$-	\$3,802	\$4,330,840
Loss ratio	-%	15.34%	100%	100%	100%	100%	
Lifetime expected credit losses	-	(13,830)	(1,612)	(202)	-	(3,802)	(19,446)
Carrying amount of trade receivables	\$4,235,054	\$76,340	\$-	\$-	\$-	\$-	\$4,311,394

Note: all the Group's notes receivable were not past due.

(B) The changes in the allowance for loss of notes receivable and accounts receivable for the during the three-month periods ended June 30, 2022 and 2021 are as follows:

	Notes receivable	Accounts receivable
2022.01.01	\$-	\$15,919
Addition/ (reversal) for the current period	-	6,703
Effect of exchange rate changes	-	769
Ending balance as of June 30, 2022	\$-	\$23,391

	Notes receivable	Accounts receivable
2021.01.01	\$-	\$20,671
Addition/ (reversal) for the current period	-	(1,012)
Effect of exchange rate changes	-	(213)
Ending balance as of June 30, 2021	\$-	\$19,446

(21) Leases

(A) Group as a lessee

The Group leases various properties, including real estate such as land and buildings, machinery, and equipment. The lease terms range from 2 to 50 years. The Group is not allowed to loan, sub-lease or sell without obtaining the consent from the lessors.

The Group's leases effect on the financial position, financial performance and cash flows are as follow:

(a) Amounts recognized in the balance sheet

a. Right-of-use assets

Carrying amount of Right-of-use assets

	Land	Buildings	Transport equipment	Total
Cost:				
2022.01.01	\$456,208	\$-	\$6,056	\$462,264
Additions	-	-	-	-
Disaposal	-	-	-	-
Exchange			-	
differences	9,120	-		9,120

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	Land	Buildings	Transport equipment	Total
2022.06.30	\$465,328	\$-	\$6,056	\$471,384
Cost:				
2021.01.01	\$310,993	\$1,047	\$-	\$312,040
Additions	147,424	-	6,056	153,480
Disaposal	-	-	-	-
Exchange			-	
differences	(5,244)	-		(5,244)
2021.06.30	\$453,173	\$1,047	\$6,056	\$460,276
Depreciation and impairment:				
2022.01.01	\$51,972	\$-	\$2,019	\$53,991
Depreciation	4,658	-	1,009	5,667
Disaposal	-	-	-	-
Exchange			-	1,034
differences	1,034	-		
2022.06.30	\$57,664	\$-	\$3,028	\$60,692
Depreciation and impairment:				
2021.01.01	\$43,078	\$916	\$-	\$43,994
Depreciation	4,579	131	1,009	5,719
Disaposal	-	-	-	-
Exchange			-	(563)
differences	(563)	-		
2021.06.30	\$47,094	\$1,047	\$1,009	\$49,150
Net carrying amount:				
2022.06.30	\$407,664	\$-	\$3,028	\$410,692
2021.12.31	\$404,236	\$-	\$4,037	\$408,273
2021.06.30	\$406,079	\$-	\$5,047	\$411,126

Please refer to Note 8 for more details on right-of-use assets under pledge.

b. Lease liability

	2022.06.30	2021.12.31	2021.06.30
Lease liability	\$3,058	\$4,064	\$5,063
Current	\$2,032	\$2,019	\$2,006
Non-current	1,026	2,045	3,057
Total	\$3,058	\$4,064	\$5,063

Please refer to Note 6(23)(4) for the interest on lease liability recognised for the three-month and six-month period ended June 30, 2022 and 2021; and refer to Note 12(5) the Liquidity Risk Management for the maturity analysis for lease liability as of June 30, 2022, December 31, 2021 and June 30, 2021.

(b) Income and costs relating to leasing activities

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Short-term lease expenses	\$10,412	\$6,142	\$21,941	\$9,876

The portfolio of short-term leases of the Group to which it is committed as of June 30, 2022, December 31, 2021 and June 30, 2021 is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT\$0, NT\$0, NT\$0, respectively.

(c) Cash outflow relating to leasing activities

The Group's total cash outflows for leases during the six-month periods ended June 30, 2022 and 2021 amounting to NT\$22,969 thousand and NT\$10,904 thousand, respectively.

(22) Summary of employee benefits, depreciation and amortization expenses by function is as follows:

Function Nature	2022.04.01~2022.06.30			2021.04.01~2021.06.30		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary	\$433,995	\$107,646	\$541,641	\$558,189	\$101,175	\$659,364
Labor and health insurance	726	478	1,204	-	2,212	2,212
Pension	1,356	363	1,719	-	1,291	1,291
Other employee benefits	1	20	21	22	54	76
Depreciation	155,467	11,369	166,836	164,590	11,109	175,699
Amortization	3,486	1,895	5,381	2,778	1,985	4,763

Function Nature	2022.01.01~2022.06.30			2021.01.01~2021.06.30		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary	\$874,037	\$194,048	\$1,068,085	\$1,064,508	\$174,910	\$1,239,418
Labor and health insurance	726	1,113	1,839	-	4,115	4,115
Pension	1,356	830	2,186	-	2,538	2,538
Other employee benefits	3	57	60	45	98	143
Depreciation	307,876	22,441	330,317	333,600	22,533	356,133
Amortization	7,055	3,847	10,902	4,122	4,388	8,510

The company has revised the allocation ratio of employee compensation and remuneration to no less than 0.1% through the resolution of the shareholders' meeting on May 20, 2022. According to the Articles of Incorporation, if there is profit in the year, no less than 0.1% should be allocated as employee compensation and no higher than 3% as director remuneration. However, when there are accumulated losses, the profit should be used to cover the losses first. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit of the year, the company estimates employee compensation and director remuneration to be not less than 0.1% and not higher than 3%, respectively. The amount of employee compensation and director remuneration recognized in Q2 of 2022 is NT\$22,817 thousand and NT\$3,743 thousand respectively; the amount of employee compensation and director remuneration recognized in first half of 2022 were NT\$36,025 thousand and NT\$7,045 thousand respectively, which were recognized as salary expenses.

Based on the profit of the year, the company estimates employee compensation and director remuneration to be not less than 6% and not higher than 3%, respectively. The amount of employee compensation and director remuneration recognized in Q2 of 2021 is NT\$15,251 thousand and NT\$3,148 thousand respectively; the amount of employee compensation and director remuneration recognized in the first half of 2021 were NT\$17,711 thousand and NT\$3,517 thousand respectively, which were recognized as salary expenses.

On February 23, 2022, the board of directors of the company has resolved to issue employees' compensation and directors' remuneration of 2021 in cash, to be NT\$52,386 thousand and NT\$10,483 thousand, respectively. There is no difference in the amount of the expense for 2021.

On February 26, 2021, the board of directors of the company resolved to issue the employees' compensation and directors' remuneration of 2020 in case, to be NT\$47,960 thousand and NT\$11,990 thousand respectively. There is no difference in the amount of the expense for 2020.

(23) Non-operating income and expenses

(A) Interest income

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Interest income				
Financial assets measured at amortized cost	\$4,579	\$2,104	\$7,957	\$4,235

(B) Other income

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Other income — Others	\$50,976	\$44,382	\$68,805	\$85,314

(C) Other gains and losses

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Gain (loss) on disposal of property, plant and equipment	\$-	\$(138)	\$18	\$(17,300)
Foreign exchange gains (losses), net	99,330	(25,226)	116,469	(29,498)
Net gains(losses) on financial assets and liabilities at fair value through profit or loss	(2,863)	2,375	(2,395)	625
Reversal of impairment gains (impairment losses)	(242)	(2,479)	(3,633)	14,690
Bond Redemption	2,096	-	2,096	-
Others losses — others	(2,825)	(1,586)	(4,922)	(8,044)
Total	\$95,496	\$(27,054)	\$107,633	(39,527)

(D) Financial costs

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Interest on borrowings from bank	\$77,866	\$30,733	\$133,031	\$63,961
Interest on lease liability	10	17	22	36
Interest on bonds payable	1,838	956	3,648	956
Total	\$79,714	\$31,706	\$136,701	\$64,953

(24) Components of other comprehensive income (loss)

2022.04.01~2022.06.30

	Arising during the period	Reclassificati on during the period	Subtotal	Income tax benefit (expense)	Net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	<u>\$(71,756)</u>	<u>\$-</u>	<u>\$(71,756)</u>	<u>\$-</u>	<u>\$(71,756)</u>

2021.04.01~2021.06.30

	Arising during the period	Reclassificati on during the period	Subtotal	Income tax benefit (expense)	Net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	<u>\$(41,350)</u>	<u>\$-</u>	<u>\$(41,350)</u>	<u>\$-</u>	<u>\$(41,350)</u>

2022.01.01~2022.06.30

	Arising during the period	Reclassificati on during the period	Subtotal	Income tax benefit (expense)	Net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	<u>\$136,204</u>	<u>\$-</u>	<u>\$136,204</u>	<u>\$-</u>	<u>\$136,204</u>

2021.01.01~2021.06.30

	Arising during the period	Reclassificati on during the period	Subtotal	Income tax benefit (expense)	Net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	<u>\$(62,582)</u>	<u>\$-</u>	<u>\$(62,582)</u>	<u>\$-</u>	<u>\$(62,582)</u>

(25) Income tax

(A) The major components of the income tax expense (income) of three-month and six-month periods as of June 30, 2022 and 2021 are as follows:

Income tax expense (income) recognized in profit or loss.

	<u>2022.04.01~ 2022.06.30</u>	<u>2021.04.01~ 2021.06.30</u>	<u>2022.01.01~ 2022.06.30</u>	<u>2021.01.01~ 2021.06.30</u>
Current income tax expense (income):				
Current income tax charge	\$22,825	\$12,402	\$56,457	\$22,813
Deferred tax expense (income):				
Deferred tax expense (income) relating to origination and reversal of temporary differences	34,258	35,857	55,010	41,818
Adjustment of current income tax from previous years for the current year	-	(24,768)	-	(24,768)
Total income tax expense	<u>\$57,083</u>	<u>\$23,491</u>	<u>\$111,467</u>	<u>\$39,863</u>

(B) Approval status of income tax declaration

As of June 30, 2022, the company's income tax declaration is up to 2020. °

(26) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to common share holders of the parent company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to common share holders of the parent company (after adjusting any influences) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
(A) Basic earnings per share				
Net income available to common shareholders of the parent	\$173,704	\$152,184	\$338,969	\$169,457
Weighted average number of common stocks by basic EPS (in thousand shares)	277,518	277,514	277,518	277,514
Basic earnings per share (in NT\$)	\$0.63	\$0.55	\$1.22	\$0.61
(B) Diluted earnings per share				
Net income available to common share holders of the parent (in thousand NT\$)	\$173,704	\$152,184	\$338,969	\$169,457
Valuation of gains and losses on convertible bond redemption	(279)	(500)	(319)	(500)
Gains on convertible bond redemption	(1,677)	-	(1,677)	-
Interest expense on convertible bonds	1,470	956	2,918	956
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$173,218	\$152,640	\$339,891	\$169,913

Weighted average number of common stocks by basic EPS (in thousand shares)	277,518	277,514	277,518	277,514
Effect of dilution :				
Employee bonus (compensation) - stock (in thousand shares)	2,091	772	2,091	1,558
Convertible bonds (in thousand shares)	21,632	21,277	21,636	21,277
Weighted average number of common stocks after dilution (in thousand shares)	301,241	299,563	301,245	300,349
Diluted earnings per share (in NT\$)	\$0.58	\$0.51	\$1.13	\$0.57

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

(27) Business combination

Acquisition of subsidiary - CHIANAN TECHNOLOGY CO., LTD.

On February 23, 2022, the board of directors of the Group resolved to acquire 70% of the voting shares of CHIANAN TECHNOLOGY CO., LTD. It is a Taiwan based unlisted Company specializing in mockup manufacturing. The Group's acquisition of CHIANAN TECHNOLOGY CO., LTD. is to achieve the goal of long-term expansion, improve the overall operating performance, and carry out diversified development.

The provisional fair values of the assets acquired and liabilities assumed to be measured on the acquisition date are as follows:

	Provisional fair value on acquisition date
Assets	
Cash and cash equivalents	\$6,114
Notes and Accounts Receivable	10,205
Prepayments	51

Property, Plant and Equipment	927
Intangible assets	101
Subtotal	17,398
Liabilities	
Notes and accounts payable	2,134
Other payables	2,404
Income tax liabilities	1,106
Other current liabilities	38
Subtotal	5,682
Net identifiable assets	\$11,716

The Company's non-controlling interests in CHIANAN TECHNOLOGY CO., LTD. are measured in proportion to the non-controlling interests based on the recognized amount of CHIANAN TECHNOLOGY CO., LTD.'s net identifiable assets.

The operating revenue of CHIANAN TECHNOLOGY CO., LTD. to the Group since the acquisition date is NTD 8,736 thousand and the net income before tax is NTD 756 thousand. If the merger had occurred at the beginning of the year, the Group's operating revenue would have been NTD 7,686,188 thousand and the net income of continuing operating units would have been NTD 342,078 thousand.

The goodwill amount of NTD 37,859 thousand is the expected synergy arising from the acquisition.

The amount of goodwill of CHIANAN TECHNOLOGY CO., LTD. is as follows:

Consideration transferred	\$46,060
Plus: value of non-controlling interests	3,515
Less: fair value of net identifiable assets	(11,716)
Goodwill	\$37,859
Cash flow from acquisition	
Net cash received from subsidiaries	\$6,114
Amount of cash payments	(46,060)
Net cash outflow	\$(39,946)

Acquisition of Subsidiary – Cheng Chong Technology Co., Ltd.

On February 23, 2022, the board of directors of the Group resolved to acquire 70% of the voting shares of Chianan Technology Co., Ltd. It is a Taiwan based unlisted Company specializing in mockup manufacturing. The Group's acquisition of Cheng Chong Technology Co., Ltd. is to achieve the goal of long-term expansion, improve the overall operating performance, and carry out diversified development.

The provisional fair values of the assets acquired and liabilities assumed to be measured on the acquisition date are as follows:

	<u>Provisional fair value on acquisition date</u>
Assets	
Cash and cash equivalents	\$5,535
Notes and Accounts Receivable	13,325
Prepayments	123
Property, Plant and Equipment	2,877
Intangible assets	104
Subtotal	<u>21,964</u>
Liabilities	
Notes and accounts payable	2,386
Other payables	4,927
Income tax liabilities	1,786
Other current liabilities	256
Subtotal	<u>9,355</u>
Net identifiable assets	<u><u>\$12,609</u></u>

The Company's non-controlling interests in Cheng Chong Technology Co., Ltd. are measured in proportion to the non-controlling interests based on the recognized amount of Cheng Chong Technology Co., Ltd.'s net identifiable assets.

The operating revenue of Cheng Chong Technology Co., Ltd. to the Group since the acquisition date is NTD7,397 thousand, and the net income before tax is NTD648 thousand.

If the merger had occurred at the beginning of the year, the Group's operating revenue would have been NTD7,688,904 thousand, and the net income of continuing operating units would have been NTD344,534 thousand.

The goodwill amount of NTD24,385 thousand is the expected synergy arising from the acquisition.

The amount of goodwill of Cheng Chong Technology Co., Ltd. is as follows:

Consideration transferred	\$33,211
Plus: value of non-controlling interests	3,783
Less: fair value of net identifiable assets	(12,609)
Goodwill	<u>\$24,385</u>
Cash flow from acquisition	
Net cash received from subsidiaries	\$5,535
Amount of cash payments	(33,211)
Net cash outflow	<u>\$(27,676)</u>

7. Related party transactions

(1) Significant transactions with related parties

(A) Key management personnel compensation

	2022.04.01~ 2022.06.30	2021.04.01~ 2021.06.30	2022.01.01~ 2022.06.30	2021.01.01~ 2021.06.30
Short-term employee benefits	\$11,626	\$10,956	\$22,551	\$20,295
Post-employment benefits	140	318	277	636
Total	<u>\$11,766</u>	<u>\$11,274</u>	<u>\$22,828</u>	<u>\$20,931</u>

8. Assets pledged as collateral

As of June 30, 2022, December 31, 2021 and June 30, 2021, the assets pledged for the Group's loans consist of the following:

Assets	Book value	Purpose of pledge
<u>2022.06.30</u>		
Property, plant and equipment – buildings	\$1,417,051	Secured loan
Property, plant and equipment – Machineries	1,279,879	Secured loan
Property, plant and equipment – Office supplies	63,431	Secured loan
Property, plant and equipment – Other facilities	22,271	Secured loan
Construction in progress	73,248	Secured loan
Right-of-use Assets	377,543	Secured loan
Financial assets carried at amortized cost	1,007,930	Secured loan
Total	<u>\$4,241,353</u>	
Assets	Book value	Purpose of pledge
<u>2021.12.31</u>		
Property, plant and equipment – buildings	\$1,374,238	Secured loan
Right-of-use assets	230,271	Secured loan
Total	<u>\$1,604,509</u>	
Assets	Book value	Purpose of pledge
<u>2021.06.30</u>		
Property, plant and equipment – buildings	\$1,400,198	Secured loan
Construction in progress	272	Secured loan
Right-of-use assets	231,319	Secured loan
Total	<u>\$1,631,789</u>	

9. Significant contingencies and unrecognized contract commitments

- (1) As of June 30, 2022, the Group's outstanding contracts relating to construction, purchased property, plant and equipment were as follows:

Type of Contract	Total Amount	Amount paid	Amount unpaid
Machinery and construction contracts	<u>\$3,295,304</u>	<u>\$1,640,899</u>	<u>\$1,654,405</u>

Amount paid was recorded under construction in progress and equipment to be examined.

10. Losses due to major disasters

None

11. Significant subsequent events

- (1) Dynamic Electronics Co., Ltd. (Seychelles), a subsidiary of the Company, passed a resolution of the board of directors on July 20, 2022 to distribute a cash dividend of US\$23,263,000 from surplus.
- (2) The board of directors of the company passed a resolution on July 20, 2022 to adjust the investment structure. In order to meet the needs of the group's overall operational planning in the future, it sells its 100% directly owned subsidiary Dynamic Electronics Co., Ltd. (Seychelles) to its 100% indirectly owned subsidiary Dynamic Electronics (Huangshi, China) Co., Ltd. based on the carrying value on July 31, 2022. As of the disclosure date of the financial report, the adjustment of the investment structure has not been completed.

12. Others

(1) Types of financial instrument

Financial assets

	<u>2022.06.30</u>	<u>2021.12.31</u>	<u>2021.06.30</u>
Financial assets measured at amortized cost:			
Cash and cash equivalents (exclude cash on hand)	\$2,573,033	\$2,729,213	\$2,526,354
Financial assets measured at amortized cost	1,009,238	1,218	1,226
Notes receivables	12,516	43,247	113,690
Account receivables	4,255,016	4,624,955	4,197,704
Other receivables	70,595	103,615	139,767
Refundable deposits	1,834	1,492	1,470
Total	<u>7,922,232</u>	<u>7,503,740</u>	<u>6,980,211</u>
Financial assets at fair value through profit or loss:			
Held for trading	401	3,930	873
Total	<u>\$7,922,633</u>	<u>\$7,507,670</u>	<u>\$6,981,084</u>

Financial liabilities

	<u>2022.06.30</u>	<u>2021.12.31</u>	<u>2021.06.30</u>
Financial liabilities measured at amortized cost:			
Short term loan	\$4,022,153	\$4,587,071	\$3,580,972
Payables	4,686,590	4,874,913	5,437,990
Bonds payable	487,215	486,152	482,567
Long term loan (including current portion with maturity less than 1 year)	2,912,172	1,041,959	646,892
Lease liability (including current portion with maturity less than 1 year)	3,058	4,064	5,063
Total	<u>12,111,188</u>	<u>10,994,159</u>	<u>10,153,484</u>
Financial liabilities measured at amortized cost:			
Held for trading	1,648	-	-
Total	<u>\$12,112,836</u>	<u>\$10,994,159</u>	<u>\$10,153,484</u>

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures, and internal controls for financial risk management. Before the Group enters significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Group shall always comply with its financial risk management policies during the transaction activities.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instrument).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take the interdependencies between risk

variables into account.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The sensitivity analysis of the group's exchange rate risk mainly focuses on the major foreign currency monetary items at the end of the financial reporting period, and the impact of the relevant foreign currency appreciation/devaluation on the Group's profit and loss. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for USD and RMB. The information of the sensitivity analyses is as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the six-month periods ended June 30, 2022 and 2021 would increase/decreased by NT\$14,648 thousand and NT\$9,281 thousand, respectively.

If NT dollars appreciates/depreciates against RMB dollars by 1%, net income (loss) for the six-month periods ended June 30, 2022 and 2021 would increase/decreased by NT\$57,508 thousand and NT\$48,371 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of

the end of the reporting period and presumed to be held for one accounting year, including investments and loans with variable interest rates. If interest rate increases/decreases by 0.1%, the net income (loss) for the six-month periods ended June 30, 2022 and 2021 would decrease/decrease by NT\$5,612 thousand and decrease/increase by NT\$2,557 thousand, respectively.

Equity price risk

As of June 30, 2022 and 2021, the Group does not hold equity securities at fair value; therefore the Group is not subject to equity price risk.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of June 30, 2022 and December 31, 2021 and June 30, 2021 the accounts receivable from top ten customers accounts for 62.34%、60.28% and 62.32% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies, and government entities with good credit rating. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit

risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories. Evaluate on each balance sheet date whether the credit risk has increased significantly since the initial recognition to determine the method of measuring the allowance for loss and its loss rate.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the using of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	<u>< 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
<u>2022.06.30</u>					
Loans	\$4,292,680	\$1,089,891	\$546,123	\$1,710,700	\$7,639,394
Payables	4,686,590	-	-	-	4,686,590
Bonds payable	499,400	-	-	-	499,400
Lease liability	2,057	1,029	-	-	3,086

	<u>< 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
<u>2021.12.31</u>					
Loans	\$5,390,717	\$455,076	\$-	\$-	\$5,845,793
Payables	4,874,913	-	-	-	4,874,913
Bonds payable	-	499,900	-	-	499,900
Lease liability	2,057	2,057	-	-	4,114

<u>2021.06.30</u>					
Loans	\$3,628,275	\$656,627	\$-	\$-	\$4,284,902
Payables	5,437,990	-	-	-	5,437,990
Bonds payable	-	500,000	-	-	500,000

Lease liability	2,006	3,057	-	-	5,063
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(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities from January 1, 2022 to June 30, 2022

	Short-term loans	Bonds payable	Long-term loans	Refundable deposits	Lease liability	Total liabilities from financing activities
2022.01.01	\$4,587,071	\$486,152	\$1,041,959	\$121,124	\$4,064	\$6,240,370
Cash flow	(564,918)	-	1,849,385	(27,505)	(1,028)	1,255,934
Non-cash changes						
Lease						
modification	-	-	-	-	-	-
Others	-	(2,585)	-	-	-	(2,585)
Interest expense	-	3,648	-	-	22	3,670
Foreign						
exchange						
movement	-	-	20,828	-	-	20,828
2022.06.30	<u>\$4,022,153</u>	<u>\$487,215</u>	<u>\$2,912,172</u>	<u>\$93,619</u>	<u>\$3,058</u>	<u>\$7,518,217</u>

Reconciliation of liabilities from January 1, 2021 to June 30, 2021

	Short-term loans	Bonds payable	Long-term loans	Refundable deposits	Lease liability	Total liabilities from financing activities
2021.01.01	\$2,582,600	\$-	\$654,722	\$25,163	\$444	\$3,262,929
Cash flow	998,372	545,297	-	20,638	(1,028)	1,563,279
Non-cash changes						
Lease						
modification	-	-	-	-	5,611	5,611
Others	-	(63,686)	-	-	-	(63,686)
Interest expense	-	956	-	-	36	992
Foreign						
exchange						
movement	-	-	(7,830)	-	-	(7,830)

2021.06.30	\$3,580,972	\$482,567	\$646,892	\$45,801	\$5,063	\$4,761,295
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(7) Fair values of financial instruments

(A) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- (a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- (b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- (c) Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- (d) Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

- (e) The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(B) Fair value of financial instruments measured at amortized cost

Except for the liabilities mention in the table below, the carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

	Carrying amount		
	2022.06.30	2021.12.31	2021.06.30
Financial liability :			
Bonds payable	\$487,215	\$486,152	\$482,567
	Fair value		
	2022.06.30	2021.12.31	2021.06.30
Financial liability :			
Bonds payable	\$488,363	\$486,753	\$486,850

(C) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivatives

The related information for the Group's derivative financial instruments not qualified for hedge accounting and not yet settled is as follows:

Embedded Derivative Financial Instruments

The embedded derivative financial instruments identified by the Company due to the issuance of convertible bonds which have been separated from the main contract and handled at fair value through profit or loss. Please refer to Note 6 for the contract information of this transaction.

Forward currency contract

The Group entered into forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The forward currency contracts held as of June 30, 2022, December 31, 2021 and June 30, 2021 are as follows:

Items (by contract)	Notional Amount (in thousand dollars)	Contract Period
2022.06.30		
Forward currency contract	Sold USD 3,000	2022.05.24~2022.07.26
Forward currency contract	Sold USD 3,000	2022.05.26~2022.07.26
2021.12.31		
Forward currency contract	Sold USD 3,000	2021.11.02~2022.01.26
Forward currency contract	Sold USD 3,500	2021.11.02~2022.01.26
Forward currency contract	Sold USD 3,500	2021.12.29~2022.03.28
2021.06.30		
Forward currency contract	Sold USD 3,500	2021.04.28~2021.07.27
Forward currency contract	Sold USD 3,000	2021.05.17~2021.07.27
Forward currency contract	Sold USD 5,000	2021.05.28~2021.08.26
Forward currency contract	Sold USD 5,000	2021.05.31~2021.08.26
Forward currency contract	Sold USD 3,500	2021.06.29~2021.09.27

The aforementioned derivative financial instrument trading parties are well-known banks, domestic and abroad, with trustworthy credit, so the credit risk is not high.

Forward currency contract transactions are mainly to avoid the risk of exchange rate changes in net assets or net liabilities. There will be relative cash inflows or outflows at maturity, and the company's working capital is sufficient to cover it, so there is no significant cash flow risk.

(9) Fair value measurement hierarchy

(A) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input

that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(B) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of June 30, 2022:

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$401	\$-	\$401

Financial assets:

Financial assets at fair value through profit or loss

Convertible bonds	\$-	\$-	\$1,648	\$1,648
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As of December 31, 2021:

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				

Forward foreign exchange contracts	\$-	\$3,130	\$-	\$3,130
Convertible bonds	-	-	800	800
Total	\$-	\$3,130	\$800	\$3,930

As of June 30, 2021:

	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	\$-	\$123	\$-	\$123
Convertible bonds	-	-	750	750
Total	\$-	\$123	\$750	\$873

Transfers between Level 1 and Level 2 during the period

For the six-month periods ended March 30, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value hierarchy.

Reconciliation for fair value measurements in level 3 of the fair value hierarchy for the movements during the period is as follows:

The recurring assets and liabilities measured at fair value that fall into level 3 of the fair value hierarchy as of June 30 in 2022 and 2021, the reconciliation of the balance from the beginning to the end of the period is as follows:

	Assets
	Derivatives measured at fair value through profit and loss
Beginning balance as of January 1, 2022	\$800
Acquisition/issues for the six-month period ended 06/30/2022	-
Total gains/losses recognized for the six-month period ended 06/30/2022	(500)
Amount recognized in gains or losses for the six-month period ended 06/30/2022(Report on	(300)

other gains and losses)

Ending balance as of June 30, 2022

\$-

Assets

Derivatives measured
at fair value through
profit and loss

Beginning balance as of January 1, 2021

\$-

Acquisition/issues for the six-month period ended
06/30/2021

250

Total gains/losses recognized for the six-month
period ended 06/30/2021Amount recognized in gains or losses for the
six-month period ended 06/30/2021 (Report on
other gains and losses)

500

Ending balance as of June 30, 2021

\$750

Liabilities

Derivatives measured
at fair value through
profit and loss

Beginning balance as of January 1, 2021

\$-

Acquisition/issues for the six-month period ended
06/30/2021

2,347

Total gains/losses recognized for the six-month
period ended 06/30/2021Amount recognized in gains or losses for the
six-month period ended 06/30/2021 (Report on
other gains and losses)

(699)

Ending balance as of June 30, 2021

\$1,648

Total gains and losses recognized in profit or loss for the ended June 30, 2022 and 2021 in the table above contain gains and losses related to assets or liabilities on hand in the amount of NT\$399 thousand and NT\$500 thousand, respectively.

Information on significant unobservable inputs in Level 3 hierarchy of fair value

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of June 30, 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities: At fair value through profit or loss					
Embedded derivatives	Binary tree-based model for valuation of convertible bonds	Volatility	39.44%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$110 thousand

As of December 31, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities: At fair value through profit or loss					
Embedded derivatives	Binary tree-based model for valuation of convertible bonds	Volatility	46.12%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$60 thousand

As of June 30, 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial liabilities: At fair value through profit or loss					
Embedded derivatives	Binary tree-based model for valuation of convertible bonds	Volatility	44.65%	The higher the volatility, the higher the fair value of the embedded derivatives	5% increase (decrease) in the volatility would result in increase (decrease) in the Group's profit or loss by NT\$55 thousand

(C) Fair value measurement hierarchy of the Group's assets and liabilities not measured at fair value but for which the fair value is disclosed

As of June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables (Please refer to the Note6(13))	\$-	\$-	\$488,363	\$488,363

As of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables (Please refer to the Note6(13))	\$-	\$-	\$486,753	\$486,753

As of June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value but for which the fair value is disclosed:				
Bonds payables (Please refer to the Note6(13))	\$-	\$-	\$486,850	\$486,850

(10) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	2022.06.30			2021.06.30		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$139,141	29.72	\$4,135,270	\$144,097	27.86	\$4,014,539
RMB	\$699,348	4.4282	\$3,096,909	\$495,781	4.3126	\$2,138,112
<u>Financial liabilities</u>						
Monetary items:						
USD	\$82,770	29.71	\$2,459,112	\$87,712	27.86	\$2,443,656
RMB	\$1,998,000	4.4282	\$8,847,706	\$1,617,395	4.3126	\$6,975,206

	2021.12.31		
	Foreign	Foreign	
	currencies	exchange	NTD
		rate	
<u>Financial assets</u>			
Monetary			
items:			
USD	<u>\$145,278</u>	27.68	<u>\$4,021,308</u>
RMB	<u>\$643,751</u>	4.3415	<u>\$2,794,841</u>
<u>Financial assets</u>			
Monetary			
items:			
USD	<u>\$98,910</u>	27.68	<u>\$2,737,827</u>
RMB	<u>\$1,758,039</u>	4.3415	<u>\$7,632,523</u>

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were varieties of foreign currency transactions of the Group, the Group was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Group recognized exchange gain (loss) amounted to NT\$116,469 thousand and NT\$(29,498) thousand for the years ended June 30, 2022 and 2021, respectively.

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

(A) Financing provided to others for the year ended June 30, 2022: None.

(B) Endorsement/Guarantee provided to others for the year ended June 30, 2022: Please refer to Attachment 1.

(C) Securities held as of June 30, 2022 (excluding subsidiaries, associates and joint ventures): None.

(D) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended June 30, 2022: None.

(E) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended June 30, 2022: None.

▶

(F) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended June 30, 2022: None.

(G) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended June 30, 2022: Please refer to Attachment 2.

(H) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of June 30, 2022: None.

(I) Financial instruments and derivative transactions: None.

(J) Significant intercompany transactions between the parent with subsidiaries or among subsidiaries: Please refer to Attachment 8.

(2) Information on investees :

(A) If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise significant influence over

operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 3.

(B) An investor controls operating; investing and financial decisions of an investee, the related information Note 13(1) for the investee shall be disclosed as below:

(a) Financing provided to others for the six-month period ended June 30, 2022: Please refer to Attachment 4.

(b) Endorsement/Guarantee provided to others for the six-month period ended June 30, 2022: None.

(c) Securities held as of June 30, 2022 (excluding subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the six-month period ended June 30, 2022: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the six-month period ended June 30, 2022: Please refer to Attachment 5.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the six-month period ended June 30, 2022: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the six-month period ended June 30, 2022: Please refer to Attachment 6.

(h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of June 30, 2022: Please refer to Attachment 7.

(i) Financial instruments and derivative transactions: Please refer to Note 12(8).

(3) Information on investments in Mainland China:

(A) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

(In Thousand New Taiwan Dollars)

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of June 30, 2022	Accumulated Inward Remittance of Earnings as of June 30, 20212	Accumulated Outflow of Investment from Taiwan as of June 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment by MOEA
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	\$2,377,600 (Note 2、3、6)	(Note 11)	\$2,260,265	\$-	\$-	\$2,260,265	\$(28,622) (Note 2)	100%	\$(28,622) (Note 2、4、5、10)	\$2,926,822 (Note 2、4、5、10)	\$1,792,294 (Note 2)	\$2,260,265	\$- (Note 11)	No upper limit (Note 9)

DYNAMIC ELECTRONICS CO., LTD.

Notes to the Consolidated Financial Statements

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	\$3,863,600 (Note 2、7、8)	(Note 1)	\$504,167	\$-	\$-	\$504,167	\$118,555 (Note 2)	100%	\$147,177 (Note 2、4、5、10)	\$5,187,915 (Note 2、4、5、10)	\$-	\$504,167	\$3,397,582	
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Note 1: Investment in Mainland China through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd., companies established in the third area.

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD 80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: WINTEK (MAURITIUS) CO., LTD. recognized investment income (loss) and book value by Dynamic Electronics (Kunshan) Co. Ltd. and Dynamic Electronics (Huangshi) Co., Ltd., through Dynamic Electronics Holding Pte. Ltd.

Note 6: The difference between investments remitted from Taiwan in amount of USD 69,500 thousand and the received paid-in capital of USD 80,000 thousand was cash capital increase of USD 10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between investments remitted from Taiwan in amount of USD 16,060 thousand and the paid-in capital of USD50,000 thousand is an indirect investment of USD33,940 thousand made by WINTEK (MAURITIUS) CO., LTD. by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD130,000 thousand.

Note 9: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 10: Transactions between consolidated entities are eliminated in the consolidated financial statements.

Note 11: The Company previously indirectly invested in its China subsidiary, Dynamic Electronics (Kunshan) Co. Ltd., through Dynamic Electronics Holding Pte. Ltd. The Company now indirectly invests in Dynamic Electronics (Kunshan) Co. Ltd., through Dynamic Electronics (Huangshi) Co., Lt

(B) Purchases and accounts payable with the related parties: Please refer to Attachment 8.

(C) Sales and accounts receivable with the related parties: None.

(D) The profit and loss produced by transaction of the property:

As of June 30, 2022, the Company wrote off the profit of property, plant and equipment amounted to NT\$ 143,712 thousand, because of unrealized under the investment balance using the equity method.

(E) The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 1.

(F) The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 4.

(G) The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service: Please refer to Attachment 8.

(H) The aforementioned transaction had been eliminated in the consolidated financial statements. Please refer to Attachment 8.

(4) Information on major shareholders:

None.

14. Segment information

(1) For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

PCB segment: The segment is primarily responsible for the manufacturing of PCBs and sales to electronic product manufacturers.

Mock-up segment: This segment is responsible for mock-up manufacturing and sales to electronic product manufacturers.

No operating segments have been aggregated to form the above reportable operating segments.

The accounting policies of the operating segments of the Group are the same as the important accounting policies described in Note 4. The management individually monitors the operating results of its business units to make decisions on resource allocation and performance evaluation. The performance of the department is evaluated based on the operating profit and loss, and measured in a manner consistent with the operating profit and loss in the consolidated financial statements.

The transfer pricing between operating segments is based on conventional transactions similar to external third parties.

	PCB Segment	Mock-up Segment	Sub-total	Adjustments and eliminations (Note 1)	Consolidated
<u>2022.04.01~2022.06.30</u>					
Revenues					
External customers	\$3,572,367	\$16,132	\$3,588,499	\$-	\$3,588,499
Inter-segment	8,442,603	-	8,442,603	(8,442,603)	-
Interest revenue	14,843	2	14,845	(10,266)	4,579
Total	<u>\$12,030,813</u>	<u>\$16,134</u>	<u>\$12,045,947</u>	<u>\$(8,452,869)</u>	<u>\$3,593,078</u>
Segment income (loss)	<u>\$173,595</u>	<u>\$155</u>	<u>\$173,750</u>	<u>\$-</u>	<u>\$173,750</u>
<u>2021.04.01~2021.06.30</u>					
Revenues					
External customers	\$3,916,222	\$-	\$3,916,222	\$-	\$3,916,222
Inter-segment	3,809,017	-	3,809,017	(3,809,017)	-
Interest revenue	8,081	-	8,081	(5,977)	2,104
Total	<u>\$7,733,320</u>	<u>\$-</u>	<u>\$7,733,320</u>	<u>\$(3,814,994)</u>	<u>\$3,918,326</u>
Segment income (loss)	<u>\$152,184</u>	<u>\$-</u>	<u>\$152,184</u>	<u>\$-</u>	<u>\$152,184</u>

2022.01.01~2022.06.30

Revenues

External customers	\$7,664,385	\$16,132	\$7,680,517	\$-	\$7,680,517
Inter-segment	12,180,373	-	12,180,373	(12,180,373)	-
Interest revenue	29,240	2	29,242	(21,285)	7,957
Total	<u>\$19,873,998</u>	<u>\$16,134</u>	<u>\$19,890,132</u>	<u>\$(12,201,658)</u>	<u>\$7,688,474</u>
Segment income (loss)	<u>\$338,860</u>	<u>\$155</u>	<u>\$339,015</u>	<u>\$-</u>	<u>\$339,015</u>

2021.01.01~2021.06.30

Revenues

External customers	\$7,478,128	\$-	\$7,478,128	\$-	\$7,478,128
Inter-segment	7,167,032	-	7,167,032	(7,167,032)	-
Interest revenue	17,899	-	17,899	(13,664)	4,235
Total	<u>\$14,663,059</u>	<u>\$-</u>	<u>\$14,663,059</u>	<u>\$(7,180,696)</u>	<u>\$7,482,363</u>
Segment income (loss)	<u>\$169,457</u>	<u>\$-</u>	<u>\$169,457</u>	<u>\$-</u>	<u>\$169,457</u>

Note 1: Inter-segment revenues are eliminated upon consolidation.

Details of operational asset-related information as of June 30, 2022, December 31, 2021 and June 30, 2021 are as follows:

Segment assets	PCB	Mock-up	Adjustments		
	Segment	Segment	Sub-total	and eliminations	Consolidated
As of 2022.06.30	<u>\$28,314,888</u>	<u>\$40,333</u>	<u>\$28,355,221</u>	<u>\$(9,095,173)</u>	<u>\$19,260,048</u>
As of 2021.12.31	<u>\$26,261,914</u>	<u>\$-</u>	<u>\$26,261,914</u>	<u>\$(8,623,319)</u>	<u>\$17,638,595</u>
As of 2021.06.30	<u>\$23,725,561</u>	<u>\$-</u>	<u>\$23,725,561</u>	<u>\$(7,382,152)</u>	<u>\$16,343,409</u>

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Endorsement/Guarantee Provided to Others

For the Six-Month Period Ended June 30, 2022

Endorsement/ Guarantee Provider		Guaranteed Party		Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Accumulated Endorsement/ Guarantee to Net Worth per Latest	Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Relationship (Note2)										
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Huangshi) Co., Ltd.	2	\$5,799,348	\$2,620,126	\$2,459,690	\$2,000,535	\$-	42.41%	\$5,799,348	Y	N	Y
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	2	\$5,799,348	\$296,700	\$296,700	\$148,350	\$-	5.12%	\$5,799,348	Y	N	Y
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	2	\$5,799,348	\$148,350	\$148,350	\$-	\$-	2.56%	\$5,799,348	Y	N	N

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note2 : The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- 1.The company with business contacts.
- 2.The company directly and indirectly holds more than 50% of the shares with voting rights.
- 3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.
- 4.The company directly and indirectly holds more than 90% of the shares with voting rights.
- 5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
- 6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.
- 7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Six-Month Period Ended June 30, 2022

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	<u>\$206,717</u>	99.98%	90 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable \$12,013	99.90%	Note 1

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of June 30, 2022

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of June 30, 2022			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of June 30, 2022	As of December 31,	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Investing activities	\$2,783,433	\$2,783,433	8,581,000	100.00%	\$5,148,397	\$97,801	\$64,698 (註1)	註2
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	\$1,555	\$1,555	50,000	100.00%	\$1,943	\$(8)	\$(8)	註2
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	\$1,556	\$1,556	50,000	100.00%	\$721,468	\$327,946	\$327,946	註2
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	\$1,541	\$1,541	50,000	100.00%	\$2,853	\$59	\$59	註2
Dynamic Electronics Co., Ltd.	CHIANAN TECHNOLOGY CO. LTD.	24257 2F, No. 649, Zhongzheng Road, Xinzhuang District, New Taipei City	Mockup manufacture	\$46,060	\$-	7	70.00%	\$46,816	\$4,143	\$756	註2
Dynamic Electronics Co., Ltd.	CHENG CHONG TECHNOLOGY CO., LTD.	24260 17F, No. 545, Longan Road, Xinzhuang District, New Taipei City	Mockup manufacture	\$33,211	\$-	7	70.00%	\$32,564	\$4,594	\$(648)	註2
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	\$1,559,261	\$1,559,261	141,917,000	100.00%	USD 174,596	USD 3,406	USD 3,406	註2

Note 1: Including investment loss recognized under equity method amounted to \$97,801 thousand, realized profit on transaction between subsidiaries amounted to 9,776 thousand and unrealized profit on the upstream transaction of the current period between subsidiaries amounted to \$42,879 thousand.

Note 2: Transactions are eliminated when preparing the consolidated financial statements.

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DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Financing provided to others

For the six-month period ended June 30, 2022

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to (purchases from) counter-party	Reason for financing	Loss Allowance	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables - related party	Yes	\$1,433,920	\$1,412,480	\$1,147,640	4.35%	2	\$-	Business turnover	\$-	-	\$-	\$1,756,093 (Note 3)	\$1,756,093 (Note 3)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1. Need for operating is coded "1".
2. Need for short term financing is coded "2".

Note 3: Limit of total financing amount of Dynamic Electronics Kunshan shall not exceed 60% of the lender's net assets of value

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Acquired of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital

For the Six-Month Period Ended June 30, 2022

(In Thousands of Foreign Currency)

Acquired Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Dynamic Electronics (Huangshi) Co., Ltd.	<u>Buildings</u> Huangshi plant land	2021.07.02	RMB 253,980	As of 2022.06.30 Collected RMB 149,578	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	By bidding	For production capacity expansion and company operation plan.	None
Dynamic Electronics (Huangshi) Co., Ltd.	<u>Buildings</u> Huangshi plant land	2021.09.01	RMB 126,350	As of 2022.06.30 Collected RMB 46,334	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	By bidding	For production capacity expansion and company operation plan.	None
Dynamic Electronics (Huangshi) Co., Ltd.	<u>Buildings</u> Huangshi plant land	2022.01.28	RMB 120,200	As of 2022.06.30 Collected RMB 36,060	Suchou Yankey Engineering Co. Ltd.	None	None	None	None	None	By bidding	For production capacity expansion and company operation plan.	None

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DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock
For the Six-Month Period Ended June 30, 2022

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Sub-subsidiary	Sales	RMB 802,396	71.33%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 532,235	71.39%	Note 1
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Sub-subsidiary	Purchases	RMB 446,366	52.03%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 311,830	48.56%	Note 1
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Sub-subsidiary	Sales	RMB 56,615	5.03%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 41,154	5.52%	Note 1
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Sub-subsidiary	Purchases	RMB 56,615	8.68%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 41,154	9.17%	Note 1
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Sub-subsidiary	Sales	RMB 446,366	47.82%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 311,830	53.01%	Note 1
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Sub-subsidiary	Sales	RMB 313,783	33.61%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 161,870	27.52%	Note 1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	USD 48,775	28.20%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 24,403	23.53%	Note 1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	Sales	USD 165,572	95.72%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 103,317	99.61%	Note 1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 7,410	4.28%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 404	0.39%	Note 1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	USD 124,207	71.80%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 79,318	76.47%	Note 1
Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 165,572	99.96%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 103,317	98.90%	Note 1

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Six-Month Period Ended June 30, 2022

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Sub-subsidiary	<u>RMB 532,235</u> (Note 1 and Note 2)	<u>2.85</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	<u>USD 103,317</u> (Note 1 and Note 2)	<u>3.20</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Sub-subsidiary	<u>RMB 161,870</u> (Note 1 and Note 2)	<u>4.30</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Sub-subsidiary	<u>RMB 311,830</u> (Note 1 and Note 2)	<u>3.93</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Sub-subsidiary	<u>RMB 41,154</u> (Note 1 and Note 2)	<u>1.81</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>

Note 1 : Accounts receivable

Note 2 : Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Intercompany relationships and significant intercompany transactions

For the Six-Month period ended June 30, 2022

(In Thousands of Foreign Currency / New Taiwan Dollars)

NO. (Note 1)	Company name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1	Purchases	\$206,717	90 days after monthly closing	2.69%
0	Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1	Accounts payable	\$12,013	90 days after monthly closing	0.06%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1	Accounts receivable	USD 1,082	-	0.17%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Purchases	USD 124,207	90 days after monthly closing	48.06%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Accounts payable	USD 79,318	90 days after monthly closing	12.24%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Purchases	USD 48,775	90 days after monthly closing	18.87%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Accounts payable	USD 24,403	90 days after monthly closing	3.77%
2	Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Purchases	USD 165,572	90 days after monthly closing	64.07%
2	Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Accounts payable	USD 103,317	90 days after monthly closing	15.94%
2	Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic Electronics Trading Pte. Ltd.	3	Other managing expenses	USD 22	-	0.01%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Purchases	RMB 446,366	90 days after monthly closing	25.74%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Accounts payable	RMB 311,830	90 days after monthly closing	7.17%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivable	RMB 6,501	-	0.15%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables (Financing)	RMB 260,000	-	5.98%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other interest income	RMB 4,802	-	0.28%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other operating revenue	RMB 2,940	-	0.17%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Outsourced manufacturing expenses	RMB 50	-	-%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Accounts payable	RMB 41,154	90 days after monthly closing	0.95%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Sales	RMB 56,615	90 days after monthly closing	3.26%

Note 1 : The transaction information between the parent company and its subsidiaries should be coded in serial number column respectively as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".

2. The subsidiaries are coded sequentially starting from Arabic numeral 1 according to the company type.

Note 2 : There are three types of relationship with the transaction parties, it's only necessary to indicate the type ((The same corresponding transaction between parent and subsidiary companies or between subsidiaries only needs to be disclosed by one party. For example: if the parent company has disclosed the transaction between the parent company and the subsidiary company, the subsidiary does not need to be disclosed repeatedly; the same applies to the transaction between the subsidiaries):

1. Parent company to subsidiary.

2. Subsidiary to parent company.

3. Subsidiary to subsidiary.

Note 3 : Calculation of the ratio of transaction amount to total consolidated revenue or assets: If it is an asset-liability account, it is calculated by the closing balance accounts for the

Note 4 : Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.