

HOLY STONE ENTERPRISE CO., LTD. and
Subsidiaries

Consolidated Financial Statements

For the Three Months Ended June 30, 2022 and 2021

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Independent Auditors' Review Report

To the Board of Directors, HOLY STONE ENTERPRISE CO., LTD. Ltd.

Foreword

We have audited the balance sheet of HOLY STONE ENTERPRISE CO., LTD. and its subsidiaries (the "Group") as of June 30, 2022, and 2021, the consolidated statements of comprehensive income for the three months ended June 30, 2022, and 2021, and the consolidated statements of comprehensive income, change in equity and cash flow and the notes (including the summary of significant accounting policies) for the six months ended June 30, 2022 and 2021. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulation Governing the Presentation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

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

Basis for Qualified Conclusion

As disclosed in Note 4(2) to these interim consolidated financial statements, the total assets included in certain non significant subsidiaries in the consolidated financial statements for the six months ended June 30, 2022 and 2021 were NT\$2,438,495 thousand and NT\$2,231,051 thousand, respectively, representing 13.97% and 13.48% of the total consolidated assets; total liabilities were NT\$388,876 thousand and NT\$379,705 thousand, respectively, representing 5.01% and 5.25% of the total consolidated liabilities; the consolidated income or loss for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 were \$(72,937) thousand, \$(6,493) thousand, \$(72,242) thousand and \$(56,836) thousand, representing (22.06)%, (1.19)%, (8.73)% and (5.50)% of the consolidated income or loss, respectively.

In addition to the items stated in the above paragraph, the investment using the equity method in HOLY STONE ENTERPRISE CO., LTD. and its subsidiaries as stated in Note 6(7) to the interim consolidated financial statements were NT\$500,578 thousand and NT\$473,346 thousand for the six months ended June 30, 2022 and 2021, respectively, and the shares of profit or loss recognized using the equity method in affiliated companies were NT\$12,902 thousand, NT\$17,550 thousand, NT\$31,232 thousand and NT\$27,284 thousand for the three months ended June 30, 2022 and 2021, and for the six months ended June 30, 2022 and 2021, respectively, as disclosed in the unaudited financial statements of those investees for the same periods.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of those investees accounted for using the equity method as described in the Basis for Conclusions paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of June 30, 2022 and 2021, its consolidated financial performance for the three months ended June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting”.

KPMG

CPA:

Securities and Futures Bureau Approval Document No. August 3, 2022	:	Jin-Guan-Zheng-Shen-Zi No. 1080303300 Tai-Cai-Zheng-Liu-Zi No. 0920122026
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Notes to Readers

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

The independent auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

**January 1 to June 30, 2022 and 2021 (reviewed only, but not audited in accordance with
generally accepted auditing standards)**

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Consolidated Balance Sheet

June 30, 2022 and December 31 & June 30, 2021

Unit: thousands of New Taiwan Dollars

Asset	June 30, 2022		December 31, 2021		June 30, 2021			Liabilities and shareholders' equity	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%		
Current assets								Current liabilities:						
1100 Cash and cash equivalents (Note 6(1))	\$ 3,924,356	22	3,954,236	24	4,969,098	30	2100	Short-term borrowings (Note 6(12) and 8)	\$ 1,396,215	8	2,003,251	12	2,044,670	11
1110 Current financial assets at fair value through profit or loss (Note 6(2))	410,490	2	453,735	3	383,264	2	2130	Current contract liabilities (Note 6(21))	102,094	1	120,417	1	113,216	1
1150 Notes and accounts receivable, net (Notes 6(4)(21) and 7)	3,591,014	21	3,198,362	19	3,893,700	24	2170	Accounts payable	1,077,426	6	1,232,048	8	1,556,412	9
1200 Other receivables, net (Note 6(5))	74,457	-	157,924	1	86,222	1	2180	Accounts payable to related parties (Note 7)	102,721	1	75,429	-	113,318	1
1220 Current tax assets	1,948	-	101	-	3	-	2200	Other payables (Note 6(13))	1,273,444	7	1,143,644	7	1,115,630	7
130X Inventories (Note 6(6))	3,631,798	21	3,087,397	19	2,308,199	14	2216	Dividends payables	1,421,917	8	-	-	1,263,926	8
1410 Prepayments and other current assets	93,042	1	84,380	1	61,087	-	2230	Current tax liabilities	232,500	1	30,307	-	151,738	1
Total current assets	11,727,105	67	10,936,135	67	11,701,573	71	2280	Current lease liabilities (Note 6(15))	16,365	-	19,957	-	21,181	-
Non-current assets:							2322	Long-term borrowings, current portion (Note 6(14) and 8)	10,667	-	9,941	-	17,754	-
1510 Non-current financial assets at fair value through profit or loss (Note 6(2))	103,512	1	101,093	1	77,628	-		Total current liabilities	5,633,349	32	4,634,994	28	6,397,845	38
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(3))	50,454	-	57,937	-	84,240	1	2540	Non-current liabilities:						
1550 Investments accounted for using the equity method (Note 6(7))	500,578	3	470,390	3	473,346	3	2570	Long-term borrowings (Note 6(14) and 8)	1,953,261	12	1,373,338	10	654,991	4
1600 Property, plant and equipment (Note 6(9) and 8)	4,701,857	28	4,290,690	27	3,799,592	23	2580	Deferred tax liabilities	80,981	-	80,981	-	68,211	-
1755 Right-of-use assets (Note 6(10))	42,065	-	46,393	-	55,723	-	2640	Non-current lease liabilities (Notes 6(15))	26,565	-	27,196	-	35,143	-
1780 Intangible assets (Note 6(11))	8,853	-	10,072	-	11,528	-	2670	Net defined benefit liabilities - non-current (Notes 6(16))	64,983	-	64,983	-	71,841	-
1840 Deferred tax assets	41,257	-	41,244	-	50,929	-		Other non-current liabilities - other	2,702	-	4,315	-	4,348	-
1915 Prepayments for business facilities	229,743	1	264,760	2	271,209	2		Total non-current liabilities	2,128,492	12	1,550,813	10	834,534	4
1990 Other non-current assets- others (Note 8)	53,046	-	51,815	-	30,163	-		Total of liabilities	7,761,841	44	6,185,807	38	7,232,379	42
Total non-current assets	5,731,365	33	5,334,394	33	4,854,358	29		Equity attributable to owners of the parent company (Note 6(18)):						
							3110	Ordinary share	1,579,908	9	1,579,908	10	1,579,908	10
							3200	Capital surplus	3,101,671	18	3,140,525	19	3,119,656	19
								Retained earnings:						
							3310	Legal reserve	1,638,205	9	1,638,205	10	1,638,205	10
							3320	Special reserve	163,854	1	122,384	1	128,821	1
							3350	Unappropriated retained earnings	2,938,444	17	3,546,728	22	2,735,742	17
								Total retained earnings	4,740,503	27	5,307,317	33	4,502,768	28
								Other equities:						
							3410	Exchange differences on translation of foreign financial statements	(63,841)	-	(88,988)	(1)	(84,266)	(1)
							3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(82,859)	-	(74,866)	-	(72,143)	-
								Total other equities	(146,700)	-	(163,854)	(1)	(156,409)	(1)
								Total equity attributable to owners of parent	9,275,382	54	9,863,896	61	9,045,923	56
							36XX	Non-controlling interests	421,247	2	220,826	1	277,629	2
								Total equity	9,696,629	56	10,084,722	62	9,323,552	58
Total assets	\$ 17,458,470	100	16,270,529	100	16,555,931	100		Total liabilities and shareholders' equity	\$ 17,458,470	100	16,270,529	100	16,555,931	100

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

Chairman: Jing-Rong Tang

Manager: Jing-Rong Tang

Accounting Supervisor: Shu-Ying Chang

Reviewed after Restatement, Not Audited
HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the Three Months Ended June 30 and For the Six Months Ended June 30, 2022 and 2021

Unit: thousands of New Taiwan Dollars

	April to June, 2022		April to June, 2021		January to June, 2022		January to June, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6(21) and Note 7)	\$ 3,835,639	100	4,405,780	100	8,151,827	100	8,813,685	100
5000 Operating costs (Note 6(15)(16) and Note 7)	2,972,649	78	3,379,454	77	6,353,245	78	6,787,019	77
Gross profit	862,990	22	1,026,326	23	1,798,582	22	2,026,666	23
Operating expenses:								
6100 Selling and administrative expenses (Notes 6(15)(16)(19)(22))	292,920	8	320,648	7	584,469	7	637,388	7
6300 Research and development expenses (Note 6(15)(16)(22))	93,443	2	78,253	2	173,273	2	188,546	2
6450 Expected credit loss (gain) (Note 6(4))	17,491	-	(508)	-	19,844	-	4,252	-
Total operating expenses	403,854	10	398,393	9	777,586	9	830,186	9
Operating profit	459,136	12	627,933	14	1,020,996	13	1,196,480	14
Non-operating income and expenses:								
7020 Other gains and losses, net (Note 6(23))	(29,712)	(1)	5,494	-	(8,456)	-	3,336	-
7050 Financial costs (Note 6(15))	(7,386)	-	(4,537)	-	(12,529)	-	(8,592)	-
7060 Share of profit (loss) of associates accounted for using the equity method	12,902	-	17,550	-	31,232	-	27,284	-
7100 Interest revenue	4,344	-	3,903	-	7,213	-	6,674	-
Total non-operating income and expenses	(19,852)	(1)	22,410	-	17,460	-	28,702	-
Profit before tax	439,284	11	650,343	14	1,038,456	13	1,225,182	14
7950 Less: Income tax expense (Note 6(17))	99,257	2	82,695	2	229,684	3	153,274	2
Profit	340,027	9	567,648	12	808,772	10	1,071,908	12
8300 Other comprehensive income, net of tax:								
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(5,240)	-	(2,590)	-	(7,993)	-	(833)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	(5,240)	-	(2,590)	-	(7,993)	-	(833)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	(4,083)	-	(17,321)	-	26,858	-	(37,565)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
Total components of other comprehensive income (loss) that will be reclassified to profit or loss	(4,083)	-	(17,321)	-	26,858	-	(37,565)	-
8300 Other comprehensive income, net of tax	(9,323)	-	(19,911)	-	18,865	-	(38,398)	-
8500 Total comprehensive income	\$ 330,704	9	547,737	12	827,637	10	1,033,510	12
Net income attributable to:								
8610 Owners of parent	\$ 362,688	9	581,332	12	855,103	11	1,126,293	13
8620 Non-controlling interests	(22,661)	-	(13,684)	-	(46,331)	(1)	(54,385)	(1)
Profit	\$ 340,027	9	567,648	12	808,772	10	1,071,908	12
Total comprehensive income attributable to:								
8710 Owners of parent	\$ 353,175	9	561,567	12	872,257	11	1,092,268	13
8720 Non-controlling interests	(22,471)	-	(13,830)	-	(44,620)	(1)	(58,758)	(1)
Total comprehensive income	\$ 330,704	9	547,737	12	827,637	10	1,033,510	12
Earnings per share (Unit: NTD) (Note 6(20))								
9750 Earnings per share	\$ 2.29		3.68		5.41		7.13	
9850 Diluted earnings per share	\$ 2.28		3.66		5.34		7.05	

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

Chairman: Jing-Rong Tang

Manager: Jing-Rong Tang

Accounting Supervisor: Shu-Ying Chang

Reviewed after Restatement, Not Audited
HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Consolidated Statement of Changes in Equity
From January 01 to June 30, 2022 and 2021

Unit: thousands of New Taiwan Dollars

	Equity attributable to owners of the parent company					Other equity			Non-controlling interests	Total equity
	Retained earnings				Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity attributable to owners of the parent company		
	Ordinary share	Capital surplus	Legal reserve	Special reserve						
Balance at January 1, 2021	\$ 1,579,908	3,109,960	1,638,205	128,821	2,873,375	(51,074)	(71,310)	9,207,885	335,921	9,543,806
Profit	-	-	-	-	1,126,293	-	-	1,126,293	(54,385)	1,071,908
Other comprehensive income, net of tax	-	-	-	-	-	(33,192)	(833)	(34,025)	(4,373)	(38,398)
Total comprehensive income	-	-	-	-	1,126,293	(33,192)	(833)	1,092,268	(58,758)	1,033,510
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary shares	-	-	-	-	(1,263,926)	-	-	(1,263,926)	-	(1,263,926)
Change in ownership interests in subsidiaries	-	9,696	-	-	-	-	-	9,696	466	10,162
Balance at June 30, 2021	\$ 1,579,908	3,119,656	1,638,205	128,821	2,735,742	(84,266)	(72,143)	9,045,923	277,629	9,323,552
Balance at January 1, 2022	\$ 1,579,908	3,140,525	1,638,205	122,384	3,546,728	(88,988)	(74,866)	9,863,896	220,826	10,084,722
Profit	-	-	-	-	855,103	-	-	855,103	(46,331)	808,772
Other comprehensive income, net of tax	-	-	-	-	-	25,147	(7,993)	17,154	1,711	18,865
Total comprehensive income	-	-	-	-	855,103	25,147	(7,993)	872,257	(44,620)	827,637
Appropriation and distribution of retained earnings:										
Provision of special reserve	-	-	-	41,470	(41,470)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(1,421,917)	-	-	(1,421,917)	-	(1,421,917)
Change in ownership interests in subsidiaries	-	(38,854)	-	-	-	-	-	(38,854)	41,285	2,431
Changes in non-controlling interests	-	-	-	-	-	-	-	-	203,756	203,756
Balance at June 30, 2022	\$ 1,579,908	3,101,671	1,638,205	163,854	2,938,444	(63,841)	(82,859)	9,275,382	421,247	9,696,629

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

Chairman: Jing-Rong Tang

Manager: Jing-Rong Tang

Accounting Supervisor: Shu-Ying Chang

Reviewed after Restatement, Not Audited
HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows
From January 1 to June 30, 2022 and 2021

Unit: thousands of New Taiwan Dollars

	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Cash flows from operating activities:		
Profit before tax	\$ 1,038,456	1,225,182
Adjustments:		
Adjustments to reconcile profit		
Depreciation expense	285,343	259,640
Amortization expense	1,518	1,529
Expected credit loss (gain)	19,844	4,252
Net loss (gain) on financial assets at fair value through profit or loss	72,559	(27,273)
Interest expense	12,529	8,592
Interest revenue	(7,213)	(6,674)
Dividend revenue	(1,667)	(1,169)
Share-based payment remuneration cost	989	-
Share of profit of associates accounted for using the equity method	(31,232)	(27,284)
Proceeds from disposal and retirement of property, plant and equipment	-	(4)
Others	(61)	(62)
Total adjustments to reconcile profit	<u>352,609</u>	<u>211,547</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Current financial assets at fair value through profit or loss	(22,276)	(42,181)
Notes and accounts receivable	(412,947)	(788,416)
Other receivables, net	84,535	36,610
Inventories	(544,401)	(27,230)
Prepayments and other current assets	(8,662)	36,804
Total changes in operating assets	<u>(903,751)</u>	<u>(784,413)</u>
Changes in operating liabilities:		
Contract liability	(18,323)	32,027
Accounts payable	(154,622)	503,228
Accounts payable to related parties	27,292	65,224
Other payables	129,178	199,279
Total changes in operating liabilities	<u>(16,475)</u>	<u>799,758</u>
Net changes in operating assets and liabilities	<u>(920,226)</u>	<u>15,345</u>
Total adjustments	<u>(567,617)</u>	<u>226,892</u>
Cash inflow from operating activities	470,839	1,452,074
Interest received	6,145	6,552
Dividends received	1,667	1,169
Interest paid	(11,907)	(8,603)
Income taxes paid	(29,338)	(197,643)
Net cash inflow of operating activities	<u>437,406</u>	<u>1,253,549</u>
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(288)
Acquisition of financial assets at fair value through profit or loss	(5,000)	(54,955)
Acquisition of investments accounted for using equity method	-	(69,922)
Proceeds from disposal of investments accounted for using equity method	1,906	-
Acquisition of property, plant and equipment	(696,576)	(448,950)
Proceeds from disposal of property, plant and equipment	-	1,208
Increase in other non-current assets	(1,548)	(715)
Decrease (increase) in prepayments for business facilities	35,017	(258,481)
Net cash flows used in investing activities	<u>(666,201)</u>	<u>(832,103)</u>
Cash flows used in financing activities:		
Decrease in short-term borrowings	(609,850)	(100,856)
Proceeds from long-term borrowings	589,424	224,163
Repayments of long-term borrowings	(8,038)	(8,860)
Payment of lease liabilities	(11,321)	(10,227)
Increase (decrease) in other non-current liabilities	(1,613)	2,072
Changes in non-controlling interests	204,478	10,162
Net cash inflow from financing activities	<u>163,080</u>	<u>116,454</u>
Effect of exchange rate changes on cash and cash equivalents	35,835	(28,584)
Net decrease in cash and cash equivalents	(29,880)	509,316
Cash and cash equivalents at beginning of period	3,954,236	4,459,782
Cash and cash equivalents at end of period	<u>\$ 3,924,356</u>	<u>4,969,098</u>

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

Chairman: Jing-Rong Tang

Manager: Jing-Rong Tang

Accounting Supervisor: Shu-Ying Chang

Reviewed after Restatement, Not Audited
HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements
For the Three Months Ended June 30, 2022 and 2021
(Unless otherwise specified, all balances are expressed in thousands of New Taiwan Dollars)

I. Company History

HOLY STONE ENTERPRISE CO., LTD. (hereinafter referred to as “the Company”) was established and approved by the Ministry of Economic Affairs on June 1, 1981, and its registered address is 1F., No. 62, Sec. 2, Huanshan Rd., Neihu Dist., Taipei City. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are mainly engaged in the production and sale of MLCC, import and export of ICs, modules and other electronic parts and components, and wholesale of drugs and medical goods.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors’ meeting on August 3, 2022.

III. Application of New Standards, Amendments and Interpretations

(I) Impacted from adopting new issued and revised standards and interpretation approved by Financial Supervisory Committee (FSC).

The Group has initially adopted the following new amendments of IFRSs , which do not have a significant impact on its consolidated financial statements, from January 1, 2022.

- Amendments to IAS 16 “Property, Plant and Equipment - Proceeds Before Intended Use”
- Amendments to IAS 37 “Onerous Contract - Costs Incurred in Fulfilling Contracts”
- The annual improvement of IFRS 2018-2020 cycle
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements.

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities Arising from a Single Transaction”

(III) New and amended standards and interpretations not yet endorsed by FSC

The following are the standards and interpretations issued and amended by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC that may be relevant to the Group.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The newly pronounced or revised standards	Major amendments	The effective date pronounced by the IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”

- Amendments to IFRS 17 “Insurance Contracts” and Amendments to IFRS 17

IV. Summary of Significant Accounting Policies

(I) Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“Preparation Standard”) and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. These interim consolidated financial statements do not include all information that is required to be disclosed in an annual consolidated financial report prepared in accordance with International Financial Reporting Standards, International Accounting Standards, Interpretations and Explanatory Notes (“IFRSs”) as endorsed by the FSC and issued in effect.

Except as described below, the significant accounting policies used in these interim consolidated financial statements are the same as those used in the consolidated financial statements as of and for the year ended December 31, 2021; please refer to Note 4 to the consolidated financial statements as of and for the year ended December 31, 2021 for related information.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(II) Basis of consolidation

1. Subsidiaries incorporated in the consolidated financial statements

Subsidiaries incorporated in the consolidated financial statements:

Name of Investors	Name of subsidiaries	Main Business	Shareholding ratio			Explanation
			June 30, 2022	December 31, 2021	June 30, 2021	
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd.	Sale of MLCC and electronic products	100.00%	100.00%	100.00%	Note 2
The Company	Holy Stone Holdings Co., Ltd. (HSHK, Hong Kong)	General investment	100.00%	100.00%	100.00%	-
The Company	UHOLY Investment Co., Ltd. (Uholly, Taiwan)	General investment	100.00%	100.00%	100.00%	Note 2
The Company	Martek Co., Ltd. (Martek, Taiwan)	Wholesale of Household Appliance, Wholesale of Precision Instruments, and Wholesale of Computing and Business Machinery Equipment	100.00%	100.00%	100.00%	Note 2
The Company	Holy Stone Industry India Private Limited (HSI, India)	Electronic parts and components business	100.00%	100.00%	100.00%	Note 2, 3
The Company	Jung Chan Investments Co., Ltd. (JCI, Taiwan)	General investment	100.00%	100.00%	100.00%	Note 2
HSH	Holy Stone Investments Co., Ltd. (HSIC, Hong Kong)	General investment	100.00%	100.00%	100.00%	-
HSH	HolyPAQ Corporation (HC, Cayman)	General investment	100.00%	100.00%	100.00%	-
HSH	Green Glory Holdings Ltd. (GGH, Samoa)	General investment	100.00%	100.00%	100.00%	-
HSH	Mayatek Co., Ltd. (Mayatek, Belize)	Wholesale of Household Appliance, Wholesale of Precision Instruments, and Wholesale of Computing and Business Machinery Equipment	100.00%	100.00%	100.00%	-
HSH	Everplus Material Co., Ltd. (EPM, Japan)	Manufacture and sale of electronic products, electronic machines and instruments, as well as sales of materials of electrical machines and instruments	100.00%	100.00%	100.00%	-
HSH	Holy Stone Holdings (Singapore) Pte. Ltd. (HSHS, Singapore)	Electronic retail business	100.00%	100.00%	100.00%	-
HSIC	Holy Stone International Trading (ShanHai) Co., Ltd. (HSITC, China)	Sales of electronic parts and components	100.00%	100.00%	100.00%	-
HSIC	Infortech (CHINA) Co., Ltd. (He Chi, China)	Sales of electronic parts and components	100.00%	100.00%	100.00%	-
GGH	Milestone Global Technology Ltd. (MGT, USA)	Development and sales of electronic products	100.00%	100.00%	100.00%	-
GGH	Holy Stone (Europe) Ltd. (HSE, UK)	Electronic retail business	100.00%	100.00%	100.00%	-
UHOLY Investment Co., Ltd.	Holy Stone Healthcare Co., Ltd. (HSHC, Taiwan)	Wholesale of drugs and medical goods	34.18%	34.57%	34.57%	Note 1, 2, 5
HSHC	Global Search Holdings Ltd. (GSH, Samoa)	General investment	100.00%	100.00%	100.00%	Note 2
HSHC	MDT INT'L SA (MDT, Switzerland)	Medical equipment development and marketing and biotechnology services	100.00%	100.00%	100.00%	Note 2
GSH	AIHOL Corporation (AIHOL, USA)	Medicine research and development and patent filing	100.00%	100.00%	100.00%	Note 2
GSH	Holy Stone Biotech Co., Ltd. (Biotech, UK)	Medical equipment development and marketing and biotechnology services	100.00%	100.00%	100.00%	Note 2
JCI	OHGA Smartthings Co., Ltd. (OHGA, Taiwan)	Manufacture of electrical and audio-visual products and sale of medical devices	71.06%	71.06%	71.06%	Note 2, 4
JCI	Holy Stone Healthcare Co., Ltd. (HSHC, Taiwan)	Wholesale of drugs and medical goods	3.91%	2.10%	2.98%	Note 1, 2, 5

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Name of Investors	Name of subsidiaries	Main Business	Shareholding ratio			Explanation
			June 30, 2022	December 31, 2021	June 30, 2021	
JCI	Herzteck Incorporation (Herzteck, Taiwan)	Wholesale of electronic materials, and Telecom Instruments	100.00%	100.00%	100.00%	Note 2

Note 1: The Group has the majority voting rights at the board of directors' meetings and therefore considers HSHC to be its subsidiary.

Note 2: It is a non-significant subsidiary and its financial statements have not been audited by a certified public accountant.

Note 3: HSI was established in January 2021 and has been included in the consolidated financial statements as a subsidiary since January 2021.

Note 4: In May 2021, the Group acquired 228 thousand shares from other shareholders of OHGA for NT\$2,166 thousand, increasing its shareholding from 70% to 71.06%.

Note 5: The Company conducted an issuance of new shares in a cash capital increase in May 2022. The percentage of shares held by UHOLY and JCI decreased from 34.57% to 34.18% and 2.10% to 3.91%, respectively, because these companies did not subscribe in their respective shareholding percentages. Therefore, the Company's change in ownership interest in subsidiary was recognized as a reduction of capital surplus of NT\$38,854 thousand for the six months ended June 30, 2022.

2. Subsidiaries are not incorporated in the consolidated financial statements: None.

(III) Income tax

The Group measures and discloses its income tax expense in accordance with paragraph B12 of IAS 34, "Interim Financial Reporting" for the period.

Current period income tax expense is recognized in full using management's best estimate for the full-year effective tax rate multiplied by the profit before tax for the interim reporting period.

Income tax expense recognized directly in equity or other comprehensive income is measured at the applicable tax rate when the related assets and liabilities are expected to be realized or settled, based on the temporary difference between their carrying amounts for financial reporting purposes and their tax bases.

(IV) Employee benefits

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

V. Significant Accounting Assumptions and Judgments, And Major Sources of Estimation Uncertainty

When the management prepares this interim consolidated financial statement pursuant to the preparation standards and IAS 34, "Interim Financial Reporting" as endorsed by the FSC, it must make judgments, estimates and assumptions. They will create an impact on the adoption of accounting policies and the amounts reported for assets, liabilities, revenue and expenses. The actual result may deviate from estimates.

When preparing these interim consolidated financial statements, the management has made significant judgments in the adoption of the Group's accounting policies and the key sources of estimation uncertainty are consistent with Note 5 to the Consolidated Financial Statements for the year ended December 31, 2021.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

VI. Details of Significant Accounts

Except as described below, there are no material differences between the details of significant accounting in these interim consolidated financial statements and the consolidated financial statements for the year ended December 31, 2021, please refer to Note 6 to the consolidated financial statements as of December 31, 2021 for related information.

(I) Cash and cash equivalent

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand	\$ 2,659	2,808	2,317
Demand deposits	2,136,670	2,133,826	2,945,727
Term deposits	1,785,027	1,817,602	2,021,054
	<u>\$ 3,924,356</u>	<u>3,954,236</u>	<u>4,969,098</u>

(II) Current financial assets at fair value through profit or loss

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current:			
Domestic stock	\$ 151,580	203,115	204,007
Beneficiary certificate	258,910	250,620	179,257
Total	<u>\$ 410,490</u>	<u>453,735</u>	<u>383,264</u>
Non-current:			
Foreign investments in listed shares	\$ 4,819	6,023	7,359
Domestic investments in listed shares	98,693	95,070	70,269
Total	<u>\$ 103,512</u>	<u>101,093</u>	<u>77,628</u>

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Domestic and foreign stock	<u>\$ 50,454</u>	<u>57,937</u>	<u>84,240</u>

1. Investments in equity instruments measured at fair value through other comprehensive income

The Group holds these investments in equity instruments as long-term strategic investments and are not held for trading purposes and therefore they have been measured at fair value through other comprehensive income or loss.

2. Please refer to Note 6(24) for more information on credit risk and market risk.

3. The aforesaid financial assets are not pledged as collateral.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(IV) Notes and accounts receivable

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Receivable notes	\$ 179,110	153,821	127,977
Accounts receivable	3,459,843	3,072,262	3,794,942
Less: loss provision	(47,939)	(27,721)	(29,219)
	<u>\$ 3,591,014</u>	<u>3,198,362</u>	<u>3,893,700</u>

The Group adopts the lifetime expected credit losses approach (ECL), or a simplified method assessing expected credit losses from all note and account receivables. The approach grouped receivables according to the repayment attributes of the owing customer based on the contract terms with reference to forward-looking information. An analysis of the expected credit losses on the Group's notes and accounts receivable is as follows:

	<u>June 30, 2022</u>		
	<u>Carrying amount of notes and accounts receivable</u>	<u>Weighted- average rate of expected credit loss</u>	<u>Allowance for lifetime expected credit loss</u>
Not overdue	\$ 3,555,020	0%~10%	4,571
≤ 30 days	29,096	1%~40%	7,909
31 to 60 days	10,252	1%~100%	701
Overdue for over 61 days	<u>44,585</u>	50%~100%	<u>34,758</u>
	<u>\$ 3,638,953</u>		<u>47,939</u>
	<u>December 31, 2021</u>		
	<u>Book value of accounts receivable</u>	<u>Weighted- average rate of expected credit loss</u>	<u>Allowance for lifetime expected credit loss</u>
Not overdue	\$ 3,180,753	0%~10%	3,190
≤ 30 days	22,833	1%~40%	5,979
31 to 60 days	4,612	1%~100%	903
Overdue for over 61 days	<u>17,885</u>	50%~100%	<u>17,649</u>
	<u>\$ 3,226,083</u>		<u>27,721</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	June 30, 2021		
	Carrying amount of notes and accounts receivable	Weighted- average rate of expected credit loss	Allowance for lifetime expected credit loss
Not overdue	\$ 3,875,776	0%~10%	7,354
≤ 30 days	29,246	1%~40%	6,437
31 to 60 days	3,252	1%~100%	1,563
Overdue for over 61 days	<u>14,645</u>	50%~100%	<u>13,865</u>
	<u>\$ 3,922,919</u>		<u>29,219</u>

The changes in the allowance for losses on notes and accounts receivable of the Group were as follows:

	January to June, 2022	January to June, 2021
Balance, beginning	\$ 27,721	25,307
Impairment loss, recognized	19,844	4,252
Amounts written off as uncollectible for the current year	(77)	-
Foreign currency translation gains and losses	451	(340)
Ending balance	<u>\$ 47,939</u>	<u>29,219</u>

The aforesaid financial assets are not pledged as collateral.

(V) Other receivables, net

	June 30, 2022	December 31, 2021	June 30, 2021
Tax Refund Receivable	\$ 67,085	87,500	83,214
Discount on purchases	-	66,093	-
Interest receivable	2,002	934	1,630
Other	<u>5,370</u>	<u>3,397</u>	<u>1,378</u>
	<u>\$ 74,457</u>	<u>157,924</u>	<u>86,222</u>

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group had no other accounts receivable that were overdue but not impaired.

Please refer to Note 6(24) for more information on credit risk.

(VI) Inventories

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 232,754	295,623	186,183
Materials	26,991	29,553	26,726
Work in progress	204,005	201,293	234,869
Semi-Finished products	40,849	49,614	46,646
Finished good	835,422	832,817	656,084
Goods	<u>2,291,777</u>	<u>1,678,497</u>	<u>1,157,691</u>
	<u>\$ 3,631,798</u>	<u>3,087,397</u>	<u>2,308,199</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

For the three months ended June 30, 2022 and six months ended June 30, 2022, the Group recognized a loss of NT\$12,343 thousand and NT\$10,321 thousand, respectively, on inventory write-downs to net realizable value and recognized cost of goods sold.

From April 1 to June 30, 2021, the factors that caused the net realizable value of inventories was lower than cost, resulting in an increase in net realizable value and a decrease in operating costs of \$4,038 thousand.

From January to June 30, 2021, the Group recognized a loss of \$5,599 thousand on inventory write-downs to net realizable value and recognized cost of goods sold.

The Group's inventories are not pledged as collateral.

(VII) Investments accounted for using the equity method

The investments accounted for with the equity method on the reporting day by the Group are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Associate	\$ 500,578	470,390	473,346

1. The Group's Investment using the equity method are not pledged as collateral.
2. Unaudited investments accounted for using the equity method

The investment accounted for using the equity method and the Group's share of profit or loss therefrom and other comprehensive income or loss are determined on the basis of unaudited financial statements.

(VIII) Change in ownership interests in subsidiaries

1. Acquisitions of NCI

In May 2021, the Group acquired an additional interest in OHGA Smarththings Co., Ltd. for \$2,166 in cash, increasing the shareholding ratio from 70.00% to 71.06%. The Group did not have any transaction of the subsidiary in 2022.

The effect of changes in the Group's ownership interest in the subsidiaries listed above on the equity attributable to the owners of the parent company is as follows:

	January to June, 2021
Carrying amount on acquisition	\$ 2,168
Consideration	(2,166)
Capital surplus - Capital surplus differences between consideration and carrying amounts subsidiaries acquired	\$ 2

2. Changes in parent's ownership interest that do not result in a change in control of the subsidiary

The Group disposed of 0.04% of its ownership interest in HSHC in February 2022, the proceeds of which amounted to NT\$1,341 thousand.

The Group disposed of 0.47% of its ownership interest in HSHC from January to June 2021, the proceeds of which amounted to NT\$12,328 thousand.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The effect of changes in the Group's ownership interest in the subsidiaries listed above on the equity attributable to the owners of the parent company is as follows:

	January to June, 2022	January to June, 2021
Carrying amount of disposal of ownership interest in \$ subsidiaries	(185)	(2,586)
Consideration received from non-controlling interests	1,341	12,328
Other equity - Exchange differences on translation of foreign financial statements	19	(48)
Capital surplus - difference between the market value and the book value of the ownership interest in the subsidiary	\$ 1,175	9,694

(IX) Property, plant and equipment

The following is a schedule of the changes in property, plant and equipment of the Group:

	Land	Buildings	Machinery and equipment	Other equipment	Unfinished project and equipment to be inspected	Total
Cost:						
Balance at January 1, 2022	\$ 924,854	1,624,030	3,593,058	620,095	1,696,202	8,458,239
Addition	-	1,428	-	3,464	691,684	696,576
Re-classifications	-	989,983	380,856	44,310	(1,415,149)	-
Disposal	-	-	(59)	(2,746)	-	(2,805)
The Effects of Changes in Foreign Exchange Rates	(5,151)	(3,714)	(10,523)	1,024	-	(18,364)
Balance at June 30, 2022	\$ 919,703	2,611,727	3,963,332	666,147	972,737	9,133,646
Balance at January 1, 2021	\$ 872,870	1,622,712	3,530,490	577,242	710,419	7,313,733
Addition	54,126	-	5,243	17,323	372,258	448,950
Re-classifications	-	7,444	45,536	17,791	(70,771)	-
Disposal	-	(130)	(21,278)	(5,445)	-	(26,853)
The Effects of Changes in Foreign Exchange Rates	-	(10,034)	(9,968)	(837)	-	(20,839)
Balance at June 30, 2021	\$ 926,996	1,619,992	3,550,023	606,074	1,011,906	7,714,991
Accumulated depreciation:						
Balance at January 1, 2022	\$ -	685,914	2,983,340	498,295	-	4,167,549
Depreciation in the current period	-	45,797	193,131	35,043	-	273,971
Disposal	-	-	(59)	(2,746)	-	(2,805)
The Effects of Changes in Foreign Exchange Rates	-	(1,013)	(6,659)	746	-	(6,926)
Balance at June 30, 2022	\$ -	730,698	3,169,753	531,338	-	4,431,789
Balance at January 1, 2021	\$ -	611,620	2,641,784	449,216	-	3,702,620
Depreciation in the current period	-	41,157	180,590	27,431	-	249,178
Disposal	-	(130)	(21,278)	(4,242)	-	(25,650)
The Effects of Changes in Foreign Exchange Rates	-	(3,838)	(6,263)	(648)	-	(10,749)
Balance at June 30, 2021	\$ -	648,809	2,794,833	471,757	-	3,915,399

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	Land	Buildings	Machinery and equipment	Other equipment	Unfinished project and equipment to be inspected	Total
Book value:						
Balance at January 1, 2022	\$ 924,854	938,116	609,718	121,800	1,696,202	4,290,690
Balance at June 30, 2022	\$ 919,703	1,881,029	793,579	134,809	972,737	4,701,857
Balance at January 1, 2021	\$ 872,870	1,011,092	888,706	128,026	710,419	3,611,113
Balance at June 30, 2021	\$ 926,996	971,183	755,190	134,317	1,011,906	3,799,592

As of June 30, 2022, December 31, 2021 and June 30, 2021, the property, plant and equipment of the Group pledged as collaterals for bank borrowings and financing facilities are shown in Note 8.

(X) Right-of-use assets

The changes in the cost and depreciation of the Group's leased premises and building and other equipment are as follows:

	Buildings	Other equipment	Total
Cost of right-to-use assets:			
Balance at January 1, 2022	\$ 93,713	9,079	102,792
Addition	6,698	-	6,698
Reduction	(484)	-	(484)
The Effects of Changes in Foreign Exchange Rates	1,775	38	1,813
Balance at June 30, 2022	<u>\$ 101,702</u>	<u>9,117</u>	<u>110,819</u>
Balance at January 1, 2021	\$ 73,566	5,688	79,254
Addition	24,237	5,245	29,482
Reduction	(4,696)	(1,135)	(5,831)
The Effects of Changes in Foreign Exchange Rates	(799)	(116)	(915)
Balance at June 30, 2021	<u>\$ 92,308</u>	<u>9,682</u>	<u>101,990</u>
Depreciation of right-of-use assets:			
Balance at January 1, 2022	\$ 51,703	4,696	56,399
Depreciation in the current period	10,205	1,167	11,372
Reduction	(373)	-	(373)
The Effects of Changes in Foreign Exchange Rates	1,346	10	1,356
Balance at June 30, 2022	<u>\$ 62,881</u>	<u>5,873</u>	<u>68,754</u>
Balance at January 1, 2021	\$ 33,937	3,708	37,645
Depreciation in the current period	9,405	1,058	10,463
Reduction	(926)	(227)	(1,153)
The Effects of Changes in Foreign Exchange Rates	(662)	(26)	(688)
Balance at June 30, 2021	<u>\$ 41,754</u>	<u>4,513</u>	<u>46,267</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Book value:			
Balance at January 1, 2022	\$ 42,010	4,383	46,393
Balance at June 30, 2022	\$ 38,821	3,244	42,065
Balance at January 1, 2021	\$ 39,629	1,980	41,609
Balance at June 30, 2021	\$ 50,554	5,169	55,723

(XI) Intangible assets

The changes in intangible assets of the Group were as follows:

	<u>Goodwill</u>	<u>Other</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 541,940	52,557	594,497
Effects of changes in foreign exchange rates	-	1,418	1,418
Balance at June 30, 2022	\$ 541,940	53,975	595,915
Balance at January 1, 2021	\$ 541,940	55,658	597,598
Effects of changes in foreign exchange rates	-	(3,102)	(3,102)
Balance at June 30, 2021	\$ 541,940	52,556	594,496
Accumulated amortization and impairment loss:			
Balance at January 1, 2022	\$ 541,940	42,485	584,425
Amortization for current period	-	1,458	1,458
Effects of changes in foreign exchange rates	-	1,179	1,179
Balance at June 30, 2022	\$ 541,940	45,122	587,062
Balance at January 1, 2021	\$ 541,940	41,914	583,854
Amortization for current period	-	1,504	1,504
Effects of changes in foreign exchange rates	-	(2,390)	(2,390)
Balance at June 30, 2021	\$ 541,940	41,028	582,968
Book value:			
Balance at January 1, 2022	\$ -	10,072	10,072
Balance at June 30, 2022	\$ -	8,853	8,853
Balance at January 1, 2021	\$ -	13,744	13,744
Balance at June 30, 2021	\$ -	11,528	11,528

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(XII) Short-term borrowings

	June 30, 2022	December 31, 2021	June 30, 2021
Unsecured bank loan	\$ 1,326,215	1,953,251	1,994,670
Secured bank loan	70,000	50,000	50,000
Total	<u>\$ 1,396,215</u>	<u>2,003,251</u>	<u>2,044,670</u>
Quota not used	<u>\$ 3,777,516</u>	<u>2,944,472</u>	<u>2,865,189</u>
Interest rate range	<u>0.59%~3.38%</u>	<u>0.48%~1.50%</u>	<u>0.52%~1.44%</u>

Please refer to Note 8 for details of the Groups' assets pledged as collaterals for bank loans.

(XIII) Other payables

	June 30, 2022	December 31, 2021	June 30, 2021
Employee bonuses payable	\$ 474,395	346,528	422,757
Remuneration payable to directors and supervisors	73,489	49,133	66,144
Accounts payable, equipment	151,171	155,580	54,019
Accrued wages and bonus	104,432	183,050	121,465
Service payable and litigation expenses	94,048	106,616	99,534
Commission fee payable	921	1,539	1,708
Labor and health insurance expenses	19,086	19,863	18,983
Other	355,902	281,335	331,020
	<u>\$ 1,273,444</u>	<u>1,143,644</u>	<u>1,115,630</u>

(XIV) Long-term borrowings

	June 30, 2022	December 31, 2021	June 30, 2021
Secured bank loan	\$ 6,896	8,249	9,209
Unsecured bank loan	1,957,032	1,375,030	663,536
Less: Current portions	(10,667)	(9,941)	(17,754)
Total	<u>\$ 1,953,261</u>	<u>1,373,338</u>	<u>654,991</u>
Quota not used	<u>\$ 42,968</u>	<u>632,392</u>	<u>1,351,905</u>
Interest rate range	<u>0.4%~1.36%</u>	<u>0.4%~1.11%</u>	<u>0.4%~1.11%</u>

1. Issuance and repayment of loans

The Group's issuance of long-term borrowings from January 1 to June 30, 2022 and 2021 were NT\$589,424 thousand and NT\$224,163 thousand, respectively, and the repayments were NT\$8,038 thousand and NT\$8,860 thousand, respectively.

2. Collateral for bank loans

Please refer to Note 8 for details of the Groups' assets pledged as collaterals for bank loans.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(XV) Lease liabilities

The carrying amounts of the Group's lease liabilities were as follows:

	<u>June 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>June 30,</u> <u>2021</u>
Current	<u>\$ 16,365</u>	<u>19,957</u>	<u>21,181</u>
Non-current	<u>\$ 26,565</u>	<u>27,196</u>	<u>35,143</u>

For maturity analysis, please refer to Note 6(24) Financial Instruments.

The amount of leases recognized in profit or loss was as follows:

	<u>April to June,</u> <u>2022</u>	<u>April to June,</u> <u>2021</u>	<u>January to June,</u> <u>2022</u>	<u>January to June,</u> <u>2021</u>
Interest expense on lease liabilities	<u>\$ 156</u>	<u>216</u>	<u>318</u>	<u>396</u>
Expenses relating to short-term leases	<u>\$ 3,688</u>	<u>3,787</u>	<u>7,657</u>	<u>8,043</u>

The amounts recognized in the statement of cash flows are as follows:

	<u>January to June,</u> <u>2022</u>	<u>January to June,</u> <u>2021</u>
Total cash outflow for leases	<u>\$ 19,296</u>	<u>18,666</u>

(XVI) Employee benefits

1. Defined benefit plans

The Group has measured and disclosed pension costs for the interim periods using the actuarially determined pension costs as of December 31, 2021 and 2020 because there were no significant market fluctuations, and no significant contraction, liquidation or other significant one-time events after the reporting date in the previous year.

The details of the expenses reported by the Group are as follows:

	<u>April to June,</u> <u>2022</u>	<u>April to June,</u> <u>2021</u>	<u>January to June,</u> <u>2022</u>	<u>January to June,</u> <u>2021</u>
Operating cost	\$ 356	366	717	747
Operating expenses	<u>565</u>	<u>616</u>	<u>1,129</u>	<u>1,234</u>
Total	<u>\$ 921</u>	<u>982</u>	<u>1,846</u>	<u>1,981</u>

2. Defined contribution plans

The pension expense under the Group's defined contribution pension plan is as follows:

	<u>April to June,</u> <u>2022</u>	<u>April to June,</u> <u>2021</u>	<u>January to June,</u> <u>2022</u>	<u>January to June,</u> <u>2021</u>
Operating cost	\$ 5,984	5,730	12,045	10,879
Operating expenses	<u>8,640</u>	<u>8,782</u>	<u>18,185</u>	<u>17,757</u>
Total	<u>\$ 14,624</u>	<u>14,512</u>	<u>30,230</u>	<u>28,636</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(XVII) Income tax

1. The following is the detail of income tax expense of the Group:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Current period income tax expense				
Recognized during the period \$	99,257	82,695	229,684	153,274
Deferred income tax expense	-	-	-	-
Income tax expenses	<u>\$ 99,257</u>	<u>82,695</u>	<u>229,684</u>	<u>153,274</u>

2. The Company's income tax returns for all fiscal years up to 2020 have been assessed and approved by the tax authority, except for the year 2019.

(XVIII) Capital and other equity

Except as described below, there were no significant changes in the Group's capital and other equity between January 1 to June 30, 2022 and 2021, as described in Note 6(18) to the Consolidated Financial Statements as of December 31, 2021.

1. Capital surplus

Details of the Company's additional paid-in capital balance are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Premium from the issue of shares	\$ 1,108,172	1,108,172	1,108,172
Conversion premium of corporate bonds to shares	1,500,091	1,500,091	1,500,091
Consolidated	144,225	144,225	144,225
Employee stock options	188,297	188,297	188,297
Premium for capital increase from employee bonus	15,410	15,410	15,410
Recognition of change in ownership interests in subsidiaries	15,330	54,184	33,315
Expired options	130,146	130,146	130,146
	<u>\$ 3,101,671</u>	<u>3,140,525</u>	<u>3,119,656</u>

2. Retained earnings

In accordance with the Company's Articles of Incorporation, if the Company makes a profit for the year (net income for the period plus the amount included in the current year's unappropriated retained earnings in addition to net income for the period), it shall be distributed in the following order.

- (1) Making up for the previous losses accumulated (including adjustments to unappropriated retained earnings)
- (2) Appropriating 10% earnings to legal reserve, unless the legal reserve has reached the total paid-in capital.
- (3) To appropriate or reverse special reserve as required by law or the competent authority.
- (4) After the distribution to the first three priorities, the remaining earnings, together with the undistributed retained earnings at the beginning of the period (including adjustments to unappropriated retained earnings), are available for shareholder appropriation. The Board of Directors shall prepare a proposal for the appropriation of earnings, and if the appropriation is made in the form of new shares, the proposal shall be submitted to the shareholders' meeting for resolution.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

When the Company distributes dividends and bonuses under Article 240, Paragraph 5 of the Company Act or distributes cash from all or part of the legal reserve and capital reserve under Article 241, Paragraph 1 of the Company Act, the Board of Directors is authorized to distribute such dividends with the two-thirds or more of the directors present and the approval of a majority of the directors present, then report the same to the shareholders' meeting.

The Company's dividend policy takes into account the Company's medium- to long-term growth and capital needs for investment activities, as well as its financial structure. The Board of Directors shall prepare a proposal for the distribution of earnings in the range of 10% to 100% from accumulated earnings available for distribution and submit the proposal to the shareholders' meeting. The dividend distribution will be made in the form of stock dividends or cash dividends depending on future capital requirements and the extent of capital dilution. 0% to 50% of the total dividends will be paid in the form of shares and 50% to 100% of the total dividends will be paid in the form of cash.

The Company can choose to make the entire or partial distribution in accordance with laws or regulations when there is no distributable earnings, or the amount is much lower than the actual distribution made in the previous year, or due to the considerations of finance, business and operation needs of the Company.

2.1. Legal reserve

When the company does not have a loss, the company may issue new shares or cash from legal reserve based on the resolution of shareholders' meeting. However, such distribution can only come from the part that is over 25% of paid-in capital.

2.2. Special reserve

The FSC requires that the Company shall, upon making earning distribution, set aside a special reserve that is equal to the net deduction equity items recognized during the year of the current earnings and the previous undistributed retained earnings. For equity deductions accumulated from previous periods, a same amount of special reserve shall be appropriated from the undistributed previous earnings and no distribution shall be made from the reserve. Subsequently, if there are reversals in the contra amount for other shareholders' equity, the company may distribute earnings from the parts that are reversed.

2.3. Earning distribution

The Company's Board of Directors approved the amount of cash dividends to be distributed from the earnings for the years 2021 and 2020 on March 9, 2022 and March 10, 2021, respectively. In addition, the shareholders' meetings held on May 27, 2022 and July 21, 2021 approved other earnings distribution for the years 2021 and 2020:

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	2021		2020	
	Dividend rate	Amount	Dividend rate	Amount
	(NT\$)		(NT\$)	
Provision (reversal) of special reserve		<u>\$ 41,470</u>		<u>(6,437)</u>
Dividends distributed to common stock shareholders:				
Cash dividends	\$ 9.00	<u>1,421,917</u>	8.00	<u>1,263,926</u>

3. Other equity (net after tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total
Balance at January 1, 2022	\$ (88,988)	(74,866)	(163,854)
Exchange differences on translation of net assets of foreign operations:			
The Company	25,147	-	25,147
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
Subsidiary	-	(7,993)	(7,993)
Balance at June 30, 2022	<u>\$ (63,841)</u>	<u>(82,859)</u>	<u>(146,700)</u>
Balance at January 1, 2021	\$ (51,074)	(71,310)	(122,384)
Exchange differences on translation of net assets of foreign operations:			
The Company	(33,192)	-	(33,192)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
Subsidiary	-	(833)	(833)
Balance at June 30, 2021	<u>\$ (84,266)</u>	<u>(72,143)</u>	<u>(156,409)</u>

(XIX) Share-based payment

There were no significant changes in the Group's share-based payment between January 1 to June 30, 2022 and 2021, as described in Note 6(19) to the Consolidated Financial Statements as of December 31, 2021.

(XX) Earnings per share

The calculation of earnings per share and diluted earnings per share is as follows:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Earnings per share				
Net profit attributable to the Company	\$ 362,688	581,332	855,103	1,126,293
Weighted-average number of common shares outstanding (in thousand shares)	157,991	157,991	157,991	157,991
Earnings per share (NT\$)	<u>\$ 2.29</u>	<u>3.68</u>	<u>5.41</u>	<u>7.13</u>
Diluted earnings per share				
Net profit attributable to the Company	\$ 362,688	581,332	855,103	1,126,293
Net income attributable to ordinary equity holders of the Company (after adjustments to the effect of dilutive potential ordinary shares)	<u>\$ 362,688</u>	<u>581,332</u>	<u>855,103</u>	<u>1,126,293</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	<u>April to June, 2022</u>	<u>April to June, 2021</u>	<u>January to June, 2022</u>	<u>January to June, 2021</u>
Weighted-average number of common shares outstanding (in thousand shares)	157,991	157,991	157,991	157,991
Effect of potentially dilutive ordinary shares				
Effect of employee stock bonus (in thousand shares)	1,285	1,035	2,212	1,737
Weighted-average number of common shares outstanding (after adjustments to the effect of dilutive potential ordinary shares) (in thousand shares)	<u>159,276</u>	<u>159,026</u>	<u>160,203</u>	<u>159,728</u>
Diluted earnings per share (NT\$)	<u>\$ 2.28</u>	<u>3.66</u>	<u>5.34</u>	<u>7.05</u>

(XXI) Revenue from contracts with customers

1. Revenue breakdown

	<u>April to June, 2022</u>		
	<u>Electronic Segment</u>	<u>Others</u>	<u>Total</u>
Core products/services:			
Passive Components	\$ 1,341,905	-	1,341,905
Active Components	975,938	-	975,938
System On Module	810,020	-	810,020
Other	292,408	415,368	707,776
	<u>\$ 3,420,271</u>	<u>415,368</u>	<u>3,835,639</u>
	<u>April to June, 2021</u>		
	<u>Electronic Segment</u>	<u>Others</u>	<u>Total</u>
Core products/services:			
Passive Components	\$ 1,619,110	-	1,619,110
Active Components	1,154,463	-	1,154,463
System On Module	1,048,704	-	1,048,704
Other	253,589	329,914	583,503
	<u>\$ 4,075,866</u>	<u>329,914</u>	<u>4,405,780</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	January to June, 2022		
	Electronic Segment	Others	Total
Core products/services:			
Passive Components	\$ 3,105,858	-	3,105,858
Active Components	2,162,014	-	2,162,014
System On Module	1,487,567	-	1,487,567
Other	612,700	783,688	1,396,388
	\$ 7,368,139	783,688	8,151,827

	January to June, 2021		
	Electronic Segment	Others	Total
Core products/services:			
Passive Components	\$ 3,271,790	-	3,271,790
Active Components	2,374,834	-	2,374,834
System On Module	2,047,557	-	2,047,557
Other	498,404	621,100	1,119,504
	\$ 8,192,585	621,100	8,813,685

2. Contract balance

	December 31,		
	June 30, 2022	2021	June 30, 2021
Receivable notes	\$ 179,110	153,821	127,977
Accounts receivable	3,459,843	3,072,262	3,794,942
Less: loss provision	(47,939)	(27,721)	(29,219)
Total	\$ 3,591,014	3,198,362	3,893,700
Contract liability	\$ 102,094	120,417	113,216

For disclosure on notes and account receivables and the impairments, please refer to Note 6(4).

(XXII) Remuneration to employee, directors and supervisors

According to the Articles of Association, the Company shall be appropriated at no less than 7% and no less than 3% of earnings, respectively, as employee compensation and director remunerations after the accumulative losses (including adjustments to unappropriated retained earnings) are completely recovered. Proposals of distribution percentage and types to employees, directors and supervisors shall be taken to the shareholders' meeting for approval after a resolution reached by a majority of the Board with two thirds in attendance. Distribution to the directors mentioned previously shall be in the form of cash. Employee compensation in the form of stock or cash may be granted to the employees of parents or subsidiaries of the company meeting certain specific requirements, as determined by the Board of Directors or its delegated authority.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The estimated amounts of employees' compensation from April 1 to June 30, 2022 and from January 1 to June 30, 2022 were NT\$54,005 thousand and NT\$127,867 thousand, respectively; the estimated amounts of remuneration to directors and supervisors were NT\$10,406 thousand and NT\$24,475 thousand, respectively. These amounts were estimated by multiplying the Company's profit before tax before deducting employees' compensation and directors' and supervisors' remuneration for the period times the distribution percentages of employees' compensation and directors' and supervisors' remuneration as stipulated in the Company's Articles of Incorporation and were recognized as operating costs or operating expenses for the respective periods. If the actual distribution amount differs from the estimated amount in the following year, the difference is adjusted for the change in accounting estimate and recognized as profit or loss in the following year.

The estimated amounts of employees' compensation from April 1 to June 30, 2021 and from January 1 to June 30, 2021 were NT\$77,447 thousand and NT\$150,109 thousand, respectively; the estimated amounts of remuneration to directors and supervisors were NT\$14,752 thousand and NT\$28,592 thousand, respectively. These amounts were estimated by multiplying the Company's profit before tax before deducting employees' compensation and directors' and supervisors' remuneration for the period times the distribution percentages of employees' compensation and directors' and supervisors' remuneration as stipulated in the Company's Articles of Incorporation and were recognized as operating costs or operating expenses for the respective periods. If the actual distribution amount differs from the estimated amount in the following year, the difference is adjusted for the change in accounting estimate and recognized as profit or loss in the following year.

For the years ended December 31, 2021 and 2020, the estimated compensation to employees were NT\$257,947 thousand and NT\$197,148 thousand, respectively, and the estimated compensation to directors and supervisors were NT\$49,133 thousand and NT\$37,552 thousand, respectively, which did not differ from the actual distribution. For related information, please refer to Market Observatory Post System.

(XXIII) Other gains and losses

The following is a schedule of other gains and losses of the Group:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Dividend revenue	\$ 430	569	814	569
Net gain (loss) on financial assets at fair value through profit or loss	(58,559)	16,825	(72,437)	33,869
Net gain (loss) on foreign exchange	21,961	(16,628)	51,889	(38,337)
Other	6,456	4,728	11,278	7,235
	<u>\$ (29,712)</u>	<u>5,494</u>	<u>(8,456)</u>	<u>3,336</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(XXIV) Financial instruments

Except as described below, there were no significant changes in the fair value of the financial instruments and exposure to credit risk, liquidity risk and market risk associated with the financial instruments. For related information, please refer to Note 6(24) to the Consolidated Financial Statements for the year ended December 31, 2021.

1. Liquidity risk

Financial liability maturities, including estimated impacts of interest expense was as follows:

	<u>Book value</u>	<u>Contract cash flows</u>	<u>Less than 12 months</u>	<u>1~5 years</u>	<u>≥ 5 years</u>
June 30, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 1,396,215	1,402,042	1,402,042	-	-
Current contract liabilities	102,094	102,094	102,094	-	-
Accounts payable	1,077,426	1,077,426	1,077,426	-	-
Accounts payable to related parties	102,721	102,721	102,721	-	-
Other payables	1,273,444	1,273,444	1,273,444	-	-
Dividends payables	1,421,917	1,421,917	1,421,917	-	-
Lease liabilities	42,930	44,310	16,836	22,558	4,916
Long-term borrowings	1,963,928	2,018,546	25,908	1,673,166	319,472
	<u>\$ 7,380,675</u>	<u>7,442,500</u>	<u>5,422,388</u>	<u>1,695,724</u>	<u>324,388</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,003,251	2,005,701	2,005,701	-	-
Current contract liabilities	120,417	120,417	120,417	-	-
Accounts payable	1,232,048	1,232,048	1,232,048	-	-
Accounts payable to related parties	75,429	75,429	75,429	-	-
Other payables	1,143,644	1,143,644	1,143,644	-	-
Lease liabilities	47,153	48,732	20,516	21,948	6,268
Long-term borrowings	1,383,279	1,405,263	15,520	1,038,148	351,595
	<u>\$ 6,005,221</u>	<u>6,031,234</u>	<u>4,613,275</u>	<u>1,060,096</u>	<u>357,863</u>
June 30, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,044,670	2,049,348	2,049,348	-	-
Current contract liabilities	113,216	113,216	113,216	-	-
Accounts payable	1,556,412	1,556,412	1,556,412	-	-
Accounts payable to related parties	113,318	113,318	113,318	-	-
Other payables	1,115,630	1,115,630	1,115,630	-	-
Dividends payables	1,263,926	1,263,926	1,263,926	-	-
Lease liabilities	56,324	58,244	21,844	28,565	7,835
Long-term borrowings	672,745	683,504	20,519	487,549	175,436
	<u>\$ 6,936,241</u>	<u>6,953,598</u>	<u>6,254,213</u>	<u>516,114</u>	<u>183,271</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

2. Foreign exchange rate risk

(1) Exposure to foreign exchange rate risk

The Group's significant exposure to foreign currency risk was as follows:

	Unit: NT\$ thousand									
	June 30, 2022			December 31, 2021			June 30, 2021			
	Foreign currency	Exchange rate (NT\$)	NTD	Foreign currency	Exchange rate (NT\$)	NTD	Foreign currency	Exchange rate (NT\$)	NTD	
Financial Asset										
<u>Monetary items</u>										
USD	\$	97,721	29.7200	2,904,257	88,372	27.6800	2,446,148	100,124	27.8600	2,789,460
EUR		2,598	31.0500	80,682	1,639	31.3200	51,336	2,758	33.1500	91,435
HKD		12,633	3.7880	47,855	20,356	3.5490	72,244	20,159	3.5870	72,309
GBP		923	36.0700	33,290	309	37.3000	11,517	38	38.5400	1,449
JPY		598,613	0.2182	130,617	426,214	0.2405	102,504	529,813	0.2521	133,566
CNY (RMB)		26,175	4.4390	116,191	24,120	4.3440	104,778	52,928	4.3090	228,066
NTD		2,428	1.0000	2,428	3,974	1.0000	3,974	3,166	1.0000	3,166
SGD		49	21.3700	1,049	-	-	-	-	-	-
<u>Non-monetary items</u>										
USD		1,242	29.7200	36,918	1,236	27.6800	34,214	960	27.8600	26,745
Financial liabilities										
<u>Monetary items</u>										
USD		52,156	29.7200	1,550,069	76,587	27.6800	2,119,922	93,613	27.8600	2,608,056
EUR		203	31.0500	6,299	202	31.3200	6,323	150	33.1500	4,972
HKD		545	3.7880	2,064	821	3.5490	2,913	903	3.5870	3,240
GBP		834	36.0700	30,068	226	37.3000	8,423	588	38.5400	22,680
JPY		75,754	0.2182	16,529	78,670	0.2405	18,920	90,859	0.2521	22,906
CNY (RMB)		2,290	4.4390	10,164	665	4.3440	2,887	377	4.3090	1,624
NTD		-	1.0000	-	2,236	1.0000	2,236	1,335	1.0000	1,335

The monetary items of the Group mainly comes from exchange gains and losses due to currency conversion for cash or cash equivalents, accounts receivable and other receivables, loans, accounts payable and other payables. As of June 30, 2022 and 2021, all else remained intact, the net income would be increased or decreased by \$85,059 thousand and \$32,732 thousand from January 1 to June 30, 2022 and 2021, respectively, if the New Taiwan dollar depreciated or appreciated by 5% against the U.S. dollar, Euro, Japanese yen, Hong Kong dollar, British pound and Renminbi. The analysis is performed on the same basis as for the years ended December 31, 2014 and 2013.

Due to the wide selection of functional currencies of the Group, information on exchange gains and losses on monetary items are summarized as a whole. As from January 1 to June 30, 2022 and 2021, foreign currency exchange gains and losses (including realized and unrealized) were NT\$51,889 thousand and NT\$(38,337) thousand, respectively.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

	December 31, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Short-term borrowings	\$ 2,003,251	-	-	-	-
Current contract liabilities	120,417	-	-	-	-
Accounts payable	1,232,048	-	-	-	-
Accounts payable to related parties	75,429	-	-	-	-
Other payables	1,143,644	-	-	-	-
Lease liabilities	47,153	-	-	-	-
Long-term borrowings	1,383,279	-	-	-	-
Sub-total	<u>6,005,221</u>	-	-	-	-
Total	<u>\$ 6,005,221</u>	-	-	-	-
	June 30, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at FVTPL	\$ 460,892	390,623		70,269	460,892
Financial assets at fair value through other comprehensive income or loss at fair value	<u>84,240</u>	-	-	<u>84,240</u>	<u>84,240</u>
Financial assets at amortization					
Cash and cash equivalent	4,969,098	-	-	-	-
Notes and accounts receivable - Net	3,893,700	-	-	-	-
Other receivables, net	86,222	-	-	-	-
Sub-total	<u>8,949,020</u>	-	-	-	-
Total	<u>\$ 9,494,152</u>	<u>390,623</u>	-	<u>154,509</u>	<u>545,132</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 2,044,670	-	-	-	-
Current contract liabilities	113,216	-	-	-	-
Accounts payable	1,556,412	-	-	-	-
Accounts payable to related parties	113,318	-	-	-	-
Other payables	1,115,630	-	-	-	-
Dividends payables	1,263,926	-	-	-	-
Lease liabilities	56,324	-	-	-	-
Long-term borrowings	672,745	-	-	-	-
Sub-total	<u>6,936,241</u>	-	-	-	-
Total	<u>\$ 6,936,241</u>	-	-	-	-

(2) Fair value valuation techniques for financial instruments not measured at fair value

The following are the methods and assumptions used by the Group to measure instruments not at fair value:

(2.1) Financial assets at amortization

If there is a quoted price in an active market, the fair value is based on the market price; if there is no market price available, the fair value is estimated using valuation techniques or using quotes from counterparties.

(2.2) Financial assets and financial liabilities at amortization

If quoted prices or market makers' quotation are available, the most recent closing prices and quotation are used as the basis for determining fair value. If no market value is available, the valuation method is used to estimate the value. The estimates and assumptions used in the valuation method were the estimated fair values of the discounted cash flows.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(3) Fair value valuation techniques for financial instruments measured at fair value

(3.1) Non-derivative financial instruments

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. Quoted prices of major stock exchange and quoted prices of government bonds are the basis for measuring the fair value of stocks listed on an exchange, stocks listed on the OTC, and debt instruments with quoted prices in an active market.

If obtaining frequently and timely transparent offers from stock exchange, brokers, securities underwriter, industrial union and quote service provider or competent authority that means the price is actual and frequent fair market trade. If these conditions are not met, the market is considered inactive. In general, if market price difference is very big, if the price difference is significantly higher or if the trading volume is very low, these are indicators of an inactive market.

Held by the Group that are classified as active market are shown below by category and attribute:

The fair values of the Group's listed securities, and open-end funds which are financial assets and financial liabilities with standard terms and conditions, and traded in active markets, were determined by the quoted market prices.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date. (e.g., over-the-counter (OTC) reference yield curves, Reuters average quoted interest rates for commercial paper).

(3.2) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement.

The Group's financial instruments that use Level 3 inputs to measure fair value include financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income - equity investments.

(XXV) Financial risk management

There were no significant changes in the Group's financial risk management objectives and policies from those disclosed in Note 6(25) to the Consolidated Financial Statements for the year ended December 31, 2021.

(XXVI) Capital management

The objectives, policies and procedures of the Group's capital management are consistent with those disclosed in the consolidated financial statements as of December 31, 2021, and there are no significant changes in the aggregated quantitative information of the items used as capital management from those disclosed in the consolidated financial statements as of December 31, 2021. For related information, please refer to Note 6(26) to the Consolidated Financial Statements for the year ended December 31, 2021.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(XXVII) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities not affecting current cash flow from January 1 to June 30, 2022 and 2021 were as follows:

1. Please refer to Note 6(10) for the right-to-use assets acquired by lease.
2. Reconciliation of liabilities arising from financing activities of the Group were as follows:

	January 1, 2022	Cash flows	Acquisition	Non-cash changes		June 30, 2022
				Changes in foreign exchange rates	Other	
Short-term borrowings	\$ 2,003,251	(609,850)	-	2,814	-	1,396,215
Long-term borrowings (including current portion)	1,383,279	581,386	-	(737)	-	1,963,928
Lease liabilities	47,153	(11,321)	6,698	572	(172)	42,930
Total liabilities arising from financing activities	\$ 3,433,683	(39,785)	6,698	2,649	(172)	3,403,073

	January 1, 2021	Cash flows	Acquisition	Non-cash changes		June 30, 2021
				Changes in foreign exchange rates	Other	
Short-term borrowings	\$ 2,145,526	(100,856)	-	-	-	2,044,670
Long-term borrowings (including current portion)	459,798	215,303	-	(2,356)	-	672,745
Lease liabilities	42,125	(10,227)	29,482	(316)	(4,740)	56,324
Total liabilities arising from financing activities	\$ 2,647,449	104,220	29,482	(2,672)	(4,740)	2,773,739

VII. Related-party Transactions

(I) Related parties

The followings are related parties that have had transactions with the Group during the periods covered in the interim consolidated financial statements:

Name of Related Parties	Relationship with the merged Company
eGalax_eMPIA Technology Inc.	Associate of the Group
Empia Technology Inc.	Associate of the Group

(II) Important transactions with related parties

1. Purchases and payables to related parties

	Purchase				Payables to related parties		
	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021	June 30, 2022	December 31, 2021	June 30, 2021
Associate	\$ 104,148	135,498	223,330	225,038	102,721	75,429	113,318

The Group did not purchase the same type of goods from other suppliers, so it is not comparable. The credit terms for purchases from related parties are not materially different from regular suppliers.

2. As of June 30, 2022, December 31 and June 30, 2021, the Group and its affiliates had other receivables (included in notes and accounts receivable, net) amounting to NT\$494 thousand, NT\$478 thousand and NT\$475 thousand, respectively, for the collection of payments on behalf of the Group, fees and other expenses.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(III) Key managers transaction

Remuneration to key managers include:

	April to June, 2022	April to June, 2021	January to June, 2022	January to June, 2021
Short-term employee benefits	\$ 13,429	16,729	29,973	32,735

VIII. Pledged Assets

Book values for the pledged assets are as follows:

Asset	Object of guarantee	June 30, 2022	December 31, 2021	June 30, 2021
Land	Bank loans	\$ 156,522	156,522	156,522
Buildings	Bank loans	49,618	50,515	51,412
Term deposits	Guarantees for purchase tax and commodity tax	40,888	40,884	18,858
		\$ 247,028	247,921	226,792

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group had unused letters of credit of NT\$300,000 thousand, NT\$135,000 thousand and NT\$143,609 thousand, respectively.

(II) The Group's unrecognized contingencies of contracts for the acquisition of property, plant and equipment were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Acquisition of property, plant and equipment	\$ 256,356	365,899	366,268

(III) The Group has appointed an attorney to handle the antitrust investigation initiated by the U.S. government to our former Japanese subsidiary, HPC, since March 2014. We have cooperated with the investigation. The investigation in some areas is still ongoing and no conclusion has been made as of June 30, 2022.

X. Losses Due to Major Disasters: None.

XI. Material Subsequent Events: N/A.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

XII. Others

(I) Summary for expense natures of employee benefits, depreciation, depletion, and amortization:

Purpose Category	April to June, 2022			April to June, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary expense	101,516	188,465	289,981	102,422	217,433	319,855
Labor and health insurance expenses	12,436	12,588	25,024	12,068	12,577	24,645
Pension expense	6,340	9,205	15,545	6,096	9,398	15,494
Remuneration to directors	-	11,825	11,825	-	13,690	13,690
Other employee benefit expenses	3,910	3,985	7,895	3,687	4,021	7,708
Depreciation expense	131,461	18,656	150,117	114,659	17,793	132,452
Amortization expense	-	1,285	1,285	-	717	717

Purpose Category	January to June, 2022			January to June, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary expense	205,737	384,430	590,167	204,148	423,492	627,640
Labor and health insurance expenses	25,596	25,815	51,411	23,663	26,193	49,856
Pension expense	12,762	19,314	32,076	11,626	18,991	30,617
Remuneration to directors	-	26,799	26,799	-	25,983	25,983
Other employee benefit expenses	7,815	8,901	16,716	6,888	7,797	14,685
Depreciation expense	248,861	36,482	285,343	225,841	33,799	259,640
Amortization expense	-	1,518	1,518	-	1,529	1,529

(II) Seasonality in operations:

The seasonality factor does not affect the Group's operations.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

XIII. Note Disclosure Items

(I) Information on significant transactions

Extra information on significant transactions from January 1 to June 30, 2022, as required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers, is as follows:

1. Funds granted to others: N/A.
2. Endorsements/guarantees provided:

No.	Endorsement/ guarantee provider	Guaranteed party		Limits on endorsement/ guarantee amount provided to each guaranteed party (Note 1)	Maximum balance for the current period	Ending balance	Amount actually drawn (Note 3)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Maximum amount/ of endorsement/ guarantee allowance (Note 1)	Guarantee provided by parent company	Guarantee provided by subsidiary	Guarantee provided to subsidiaries in China
		Company Name	Relationship (Note 2)										
0	The Company	Holy Stone Holdings Co., Ltd.	2	1,855,076	148,600	148,600	-	-	1.60%	4,637,691	Y	N	N
0	The Company	Jung Chan Investments Co., Ltd.	2	1,855,076	150,000	150,000	-	-	1.62%	4,637,691	Y	N	N
0	The Company	Everplus Material Co., Ltd.	2	1,855,076	97,280	43,640	43,640	-	0.47%	4,637,691	Y	N	N

Note 1: The maximum endorsement/guarantee provided to a single enterprise is 20% of the Company's net worth; the aggregate endorsement/guarantee Limit is 50% of the Company's net worth.

Note 2: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as the following 7 types:

- (1) Having a business relationship.
- (2) The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
- (3) The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- (4) Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- (5) Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for the purposes of undertaking a construction project.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.
- (7) Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The transaction was eliminated in the preparation of the consolidated financial statements.

3. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an affiliate, and the portion held due to an interest in a joint venture):

Unit: thousand shares

Holding company name	Marketable securities types and name	Relationship with the issuers	Financial statement account	June 30, 2022				Note
				Number of shares	Book value	Percent of shareholdings	Fair value	
The Company	Fu Hua Jui Neng Fund No. 1	-	Current financial assets at fair value through profit or loss - Beneficiary certificate	2,997	33,887	-	33,887	-
The Company	Fu Hua Jui Neng Fund No. 2	-	"	12,660	145,200	-	145,200	-
The Company	JPMorgan (Taiwan) New Technology Fund	-	"	31	2,441	-	2,441	-
The Company	INVESCO QQQ ETF	-	"	1	4,998	-	4,998	-
The Company	SPDR S&P500 ETF	-	"	1	11,212	-	11,212	-
The Company	MSCI EMERGING MKT ETP	-	"	1	1,192	-	1,192	-
The Company	FIDELITY FNDS-JAPAN	-	"	14	6,590	-	6,590	-
The Company	ALLANZ-EURO EQ USD	-	"	11	4,463	-	4,463	-
The Company	TSMC ADR	-	"	2	3,644	-	3,644	-
The Company	Shares of TSMC	-	Current financial assets at fair value through profit or loss - Domestic stock	100	47,600	-	47,600	-
The Company	Shares of GSI TECHNOLOGY INC.	-	Non-current financial assets at fair value through profit or loss	47	4,819	0.20%	4,819	-

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Holding company name	Marketable securities types and name	Relationship with the issuers	Financial statement account	June 30, 2022				Note
				Number of shares	Book value	Percent of shareholdings	Fair value	
The Company	Shares of CNO Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,400	-	12.28%	-	-
Martek Co., Ltd.	Shares of TSMC	-	Current financial assets at fair value through profit or loss - Domestic stock	12	5,712	-	5,712	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	SPDR S&P500 ETF	-	Current financial assets at fair value through profit or loss - Beneficiary certificate	1	6,167	-	6,167	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	INVESCO QQQ ETF	-	"	1	3,332	-	3,332	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	FIDELITY FNDS-JAPAN	-	"	16	7,761	-	7,761	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	ALLANZ-EURO EQ GRS_ATH2USD	-	"	23	9,519	-	9,519	-
Holy Stone Holdings Co., Ltd.	Greenity Communications, Inc	-	Non-current financial assets at fair value through other comprehensive income	220	-	0.76%	-	-
Holy Stone Holdings Co., Ltd.	ISHARES RUSSEL 1000 VALUE ETF	-	Current financial assets at fair value through profit or loss - Beneficiary certificate	1	2,499	-	2,499	-
Holy Stone Holdings Co., Ltd.	FIDELITY FNDS-JAPAN	-	"	11	5,174	-	5,174	-
Holy Stone Holdings Co., Ltd.	ALLANZ-EURO EQ GRS_ATH2USD	-	"	15	6,346	-	6,346	-
Holy Stone Holdings Co., Ltd.	SPDR S&P500 ETF	-	"	1	4,485	-	4,485	-
UHOLY Investment Co., Ltd.	Shares of Metanoia Communications, Inc.	-	Non-current financial assets at fair value through other comprehensive income	155	-	0.18%	-	-
UHOLY Investment Co., Ltd.	Shares of IFIT LTD.	-	"	269	-	-	-	-
UHOLY Investment Co., Ltd.	Shares of SENYUN PRECISION OPTICAL CORPORATION	-	"	140	-	-	-	-
UHOLY Investment Co., Ltd.	C2 MICROSYSTEMS INC.	-	Non-current financial assets at fair value through profit or loss	1,200	-	3.20%	-	-
UHOLY Investment Co., Ltd.	Shares of Win Win Precision Technology Co., Ltd.	-	"	1,388	22,903	3.05%	22,903	-
UHOLY Investment Co., Ltd.	Shares of AZOTEK CO., LTD.	-	"	981	31,377	1.63%	31,377	-
UHOLY Investment Co., Ltd.	Shares of TSMC	-	Current financial assets at fair value through profit or loss - Domestic stock	80	38,080	-	38,080	-
UHOLY Investment Co., Ltd.	Shares of Nan Ya PCB Corporation	-	"	20	5,210	-	5,210	-
Jung Chan Investments Co., Ltd.	Shares of JYA-NAY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	2,976	18,385	12.40%	18,385	-
Jung Chan Investments Co., Ltd.	Shares of eMPIA Technology Inc.	-	"	1,846	24,874	11.99%	24,874	-
Jung Chan Investments Co., Ltd.	Shares of CNO Co., Ltd.	-	"	494	-	4.33%	-	-
Jung Chan Investments Co., Ltd.	Shares of Metanoia Communications, Inc.	-	"	27	-	0.04%	-	-
Jung Chan Investments Co., Ltd.	Shares of ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	140	1,988	0.54%	1,988	-
Jung Chan Investments Co., Ltd.	Shares of WOM ASIA CO., LTD.	-	"	1,145	6,444	4.03%	6,444	-
Jung Chan Investments Co., Ltd.	Shares of Genovior Biotech Corporation	-	"	3,590	28,002	2.28%	28,002	-
Jung Chan Investments Co., Ltd.	Shares of TSMC	-	Current financial assets at fair value through profit or loss - Domestic stock	80	38,080	-	38,080	-

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Notes to Consolidated Financial Statements (continued)

Holding company name	Marketable securities types and name	Relationship with the issuers	Financial statement account	June 30, 2022				Note
				Number of shares	Book value	Percent of shareholdings	Fair value	
Jung Chan Investments Co., Ltd.	Shares of TONG HSING ELECTRONIC INDUSTRIES, LTD.	-	Current financial assets at fair value through profit or loss - Domestic stock	30	6,030	-	6,030	-
Jung Chan Investments Co., Ltd.	Shares of Nan Ya PCB Corporation	-	"	15	3,907	-	3,907	-
Jung Chan Investments Co., Ltd.	Shares of MediaTek Inc.	-	"	3	1,953	-	1,953	-
Jung Chan Investments Co., Ltd.	Shares of King Yuan ELECTRONICS CO., LTD.	-	"	30	1,200	-	1,200	-
OHGA Smarthings Co., Ltd.	Shares of eMPIA Technology Inc.	-	Non-current financial assets at fair value through other comprehensive income	540	7,195	3.51%	7,195	-
OHGA Smarthings Co., Ltd.	Shares of ThroughTek Co., Ltd.	-	Non-current financial assets at fair value through profit or loss	140	1,988	0.54%	1,988	-
OHGA Smarthings Co., Ltd.	Shares of NFORE TECHNOLOGY CO., LTD.	-	"	261	5,991	1.52%	5,991	-
OHGA Smarthings Co., Ltd.	Shares of TSMC	-	Current financial assets at fair value through profit or loss - Domestic stock	8	3,808	-	3,808	-

4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: N/A.
5. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: N/A.
6. Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: N/A.
7. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more:

Buyer/Seller	Related Party	Relationship	Transaction Details				The status and reasons of the transaction terms different from common transactions		Note/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	Percentage to total purchase (sales)	Payment Terms	Unit Price	Payment Terms	Balance	Percentage to total notes and accounts receivable (payable)	
The Company	Holy Stone International Trading (ShanHai) Co., Ltd	Third-tier subsidiary of the Company	Sales	(801,797)	11.94%	150 days from the following month	-	-	360,880	11.68%	Note
Holy Stone International Trading (ShanHai) Co., Ltd	The Company	The Company is the ultimate parent company	Purchase	801,797	85.64%	150 days from the following month	-	-	(360,880)	(84.30)%	Note
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd.	Subsidiary of the Company	Sales	(458,213)	6.82%	120 days from the following month	-	-	147,760	4.78%	Note
Holy Stone Enterprise (Hong Kong) Co., Ltd.	The Company	The Company is the ultimate parent company	Purchase	458,213	61.74%	120 days from the following month	-	-	(147,760)	(97.15)%	Note
The Company	Infotech (CHINA) Co., Ltd.	Third-tier subsidiary of the Company	Sales	(288,280)	4.29%	120 days from the invoiced month	-	-	85,872	2.78%	Note
Infotech (CHINA) Co., Ltd.	The Company	The Company is the ultimate parent company	Purchase	288,280	98.42%	120 days from the invoiced month	-	-	(85,872)	(99.60)%	Note
EPM	The Company	The Company is the ultimate parent company	Sales	(378,566)	100.00%	30 days from the invoiced month	-	-	45,894	100.00%	Note
eGalax_eMPIA	The Company	Affiliated enterprises of the Company	Sales	(222,618)	28.11%	30 days from the invoiced month	-	-	101,972	41.01%	-
The Company	eGalax_eMPIA	Affiliated enterprises of the Company	Purchase	222,618	4.40%	30 days from the invoiced month	-	-	(101,972)	(9.24)%	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	The Company	Subsidiary of the Company	Sales	(198,058)	(28.24)%	150 days from the following month	-	-	86,751	26.94%	Note
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd.	The Company is the ultimate parent company	Purchase	198,058	3.91%	150 days from the following month	-	-	(86,751)	(7.86)%	Note

Note: The transaction was eliminated in the preparation of the consolidated financial statements.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

8. Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more:

Company Name	Related Party	Relationship	Balance of receivables from related parties	Turnover Rate	Overdue		Amounts Received from related parties in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd.	Subsidiary of the Company	147,760 (Note)	5.46	-	-	39,095	-
The Company	Holy Stone International Trading (ShanHai) Co., Ltd	Third-tier subsidiary of the Company	360,880 (Note)	4.48	-	-	120,067	-
eGalax_eMPIA	The Company	Affiliated enterprises of the Company	101,972	5.02	-	-	48,157	-

Note: The transaction was eliminated in the preparation of the consolidated financial statements.

9. Trading in derivative instruments: N/A.

10. Significant intercompany transactions:

No.	Name	Transaction party	Flow of Transactions	Transaction status			
				Item	Amount	Transaction condition	Percentage of total operating revenue or total assets
0	The Company	HSHK	1	Sales	458,213	120 days from the following month	5.62%
0	The Company	HSHK	1	Accounts receivable	147,760	120 days from the following month	0.85%
0	The Company	HSITC	1	Sales	801,797	150 days from the following month	9.84%
0	The Company	HSITC	1	Accounts receivable	360,880	150 days from the following month	2.07%
0	The Company	He Chi	1	Sales	288,280	120 days from the invoiced month	3.54%
0	The Company	He Chi	1	Accounts receivable	85,872	120 days from the invoiced month	0.49%
1	EPM	The Company	2	Sales	378,566	Pay cash in the following month	4.64%
1	EPM	The Company	2	Accounts receivable	45,894	Pay cash in the following month	0.26%
2	HSHK	The Company	2	Sales	198,058	120 days from the following month	2.43%
2	HSHK	The Company	2	Accounts receivable	86,751	120 days from the following month	0.50%

Note 1: The number is filled in as follows:

1. 0 represents the parent company.
2. Subsidiaries are numbered according to the category starting with the Arabic number 1.

Note 2: The directional flow of the investment relationship is represented by the following numerals:

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

Note 3: Only the information on sales, revenues and receivables are disclosed; the corresponding information on imports, expenses and payables are not included.

(II) Information on Investees (excluding investee in China):

Information on the Group's reinvestment business is as follows:

Unit: thousand shares

Name of Investors	Names of the investees	Location	Major business	Initial investment		Holding at end of period			Net income of the investees in current period	Investment income recognized in current period	Note
				June 30, 2022	End of the previous period	Number of shares	Ratio	Book value			
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd.	Hong Kong	Sale of MLCC and electronic products	49,046	49,046	11,500	100.00%	374,034	(4,313)	(4,313)	Subsidiary of the Company
The Company	Holy Stone Holdings Co., Ltd.	Samoa	General investment	1,795,317	1,795,317	21,000	100.00%	636,911	28,041	32,824	Subsidiary of the Company
The Company	UHOLY Investment Co., Ltd.	Taipei City	General investment	622,500	472,500	54,000	100.00%	662,345	(20,732)	(3,366)	Subsidiary of the Company
The Company	Martek Co., Ltd.	Taipei City	Wholesale of Household Appliance, Wholesale of Precision Instruments, and Wholesale of Computing and Business Machinery Equipment	20,000	20,000	5,100	100.00%	56,511	(1,255)	(1,255)	Subsidiary of the Company
The Company	Jung Chan Investments Co., Ltd.	Taipei City	General investment	340,000	340,000	42,100	100.00%	331,280	(30,324)	(30,372)	Subsidiary of the Company
The Company	Holy Stone Industry India Private Limited	India	Electronic parts and components business	29,260	29,260	7,400	100.00%	27,502	(188)	(188)	Subsidiary of the Company

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Name of Investors	Names of the investees	Location	Major business	Initial investment		Holding at end of period			Net income of the investees in current period	Investment income recognized in current period	Note
				June 30, 2022	End of the previous period	Number of shares	Ratio	Book value			
The Company	eGalax_eMPIA Technology Inc.	Taipei City	Product Designing, Wholesale of Electronic Materials and Retail Sale of Electronic Materials	122,683	122,683	2,165	3.53%	134,943	229,362	7,300	The investee accounted for under the equity method
Holy Stone Holdings Co., Ltd.	Holy Stone Investments Co., Ltd	Hong Kong	General investment	205,068	190,992	6,900	100.00%	511,285	24,363	24,363	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holypaq Corporation	British Cayman Islands	General investment	35,664	33,216	1,200	100.00%	795	-	-	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Green Glory Holdings Ltd.	Samoa	General investment	36,871	34,340	1,310	100.00%	49,764	1,922	1,922	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Mayatek Co., Ltd.	Belize	Wholesale of Household Appliance, Wholesale of Precision Instruments, and Wholesale of Computing and Business Machinery Equipment	415,367	386,856	2,500	100.00%	95,071	5,246	5,246	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Everplus Material Co.,Ltd.	Japan	Manufacture and sale of electronic products, electronic machines and instruments, as well as sales of materials of electrical machines and instruments	106,918	117,845	5	100.00%	125,797	3,940	3,940	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holy Stone Holdings (Singapore) Pte. Ltd	Singapore	Electronic retail business	2,972	2,768	100	100.00%	7,217	(40)	(40)	Subsidiary of Holy Stone Holdings Co., Ltd.
Green Glory Holdings Ltd.	Milestone Global Technology Ltd.	USA	Development and sales of electronic products	14,860	13,840	500	100.00%	29,392	(2,572)	(2,572)	Subsidiary of Green Glory Holdings
Green Glory Holdings Ltd.	Holystone (Europe) Ltd.	England	Electronic retail business	20,414	19,013	350	100.00%	20,129	4,494	4,494	Subsidiary of Green Glory Holdings
UHOLY Investment Co., Ltd.	Holy Stone Healthcare Co., Ltd.	Taipei City	Wholesale of drugs and medical goods	808,303	683,837	47,414	34.18%	204,929	(68,215)	(23,453)	The investee accounted for using the equity method by UHOLY Investment Co., Ltd.
UHOLY Investment Co., Ltd.	eGalax_eMPIA Technology Inc.	Taipei City	Product Designing, Wholesale of Electronic Materials and Retail Sale of Electronic Materials	26,705	26,705	6,210	10.14%	354,946	229,362	23,257	The investee accounted for using the equity method by UHOLY Investment Co., Ltd.
Holy Stone Healthcare Co., Ltd.	MDT INTL SA	Switzerland	Medical equipment development and marketing and biotechnology services	78,768	78,768	2,550	100.00%	101,792	21,884	21,884	Subsidiary of Holy Stone Healthcare Co., Ltd.
Holy Stone Healthcare Co., Ltd.	Global Search Holdings Ltd.	Samoa	General investment	109,168	96,316	3,650	100.00%	11,799	(5,107)	(5,107)	Subsidiary of Holy Stone Healthcare Co., Ltd.
Global Search Holdings Ltd.	Holy Stone Biotech Co., Ltd.	England	Medical equipment development and marketing and biotechnology services	78,446	66,539	1,770	100.00%	5,591	(2,449)	(2,449)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.
Global Search Holdings Ltd.	AIHOL Corporation	USA	Medicine research and development and patent filing	28,828	21,314	10,950	100.00%	5,654	(2,636)	(2,636)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.
Jung Chan Investments Co., Ltd.	OHGA Smarthings Co., Ltd	New Taipei City	Manufacture of electrical and audio-visual products and sale of medical devices	334,806	334,806	15,348	71.06%	131,048	(12,415)	(8,822)	Subsidiary of Jung Chan Investments Co., Ltd.
Jung Chan Investments Co., Ltd.	Holy Stone Healthcare Co., Ltd.	Taipei City	Wholesale of drugs and medical goods	117,000	44,603	5,426	3.91%	26,753	(68,215)	(2,024)	The investee accounted for using the equity method by Jung Chan Investments Co., Ltd.
Jung Chan Investments Co., Ltd.	Herztek Incorporation	Hsinchu County	Wholesale of electronic materials, and Telecom Instruments	100,000	100,000	10,000	100.00%	98,030	3,106	3,106	Subsidiary of Jung Chan Investments Co., Ltd.
Jung Chan Investments Co., Ltd.	eGalax_eMPIA Technology Inc.	Taipei City	Product Designing, Wholesale of Electronic Materials and Retail Sale of Electronic Materials	8,289	9,475	180	0.29%	9,706	229,362	685	The investee accounted for using the equity method by Jung Chan Investments Co., Ltd.
OHGA Smarthings Co., Ltd	YUASA J-WAN CO., LTD.	New Taipei City	Retail and wholesale of batteries	1,000	1,000	100	31.50%	983	14	(10)	The investee accounted for using the equity method by OHGA Smarthings Co., Ltd

Note: Except for investments accounted for using the equity method, the transaction was eliminated in the preparation of the consolidated financial statements.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(III) Information about investment in China:

1. Information on investments in China:

Name of Investee in China	Major business	Paid-in capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of the beginning of the period	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of the end of period	Net income of the investees in current period (Note 2)	Ownership percentage of direct or indirect investment	Investment income recognized in current period (Notes 2 and 3)	Book value of investment at the end of period (Note 3)	Accumulated Repatriation of Investment Income as of the current period
					Outward remittance	Repatriation						
Holy Stone International Trading (Shanghai) Co., Ltd.	Sales of electronic parts and components	119,177	(2)	107,289	-	-	107,289	39,477	100.00%	39,477	340,607	-
TOP LI QI INTERNATIONAL (Shanghai) TRADE CO., LTD.	Development and sales of electronic parts and components	29,720	(2)	29,720	-	-	29,720 (註4)	-	100.00%	-	-	-
Infotech (CHINA) Co., Ltd.	Sales of electronic parts and components	62,412	(2)	62,412	-	-	62,412	(15,093)	100.00%	(15,093)	170,499	-

Note 1: The following are the three types of investment methods:

- (1) Direct investment in China companies.
- (2) Investments in China companies were through a company invested and established in a third region.
- (3) Other method.

Note 2: Profit or loss from investments is determined on the financial statements audited by the parent company's certified public accountants in Taiwan.

Note 3: The transaction was eliminated in the preparation of the consolidated financial statements.

Note 4: The liquidation of TOP LI QI was completed in April 2015 and was submitted to the Investment Commission to cancel the registration on July 29, 2015.

2. Upper Limit on Investment in China:

Accumulated investment amount of outflow in China from Taiwan at the end of the period	Investment amount approved by Investment Commission, MOEA	Upper Limit on Investment in China by Investment Commission, MOEA
199,421	211,309	5,565,229

3. Significant transactions:

For the significant transactions between the Group and its investees in China from January 1 to June 30, 2022 (which were eliminated in the preparation of the consolidated financial statements), please refer to the "Information on Significant Transactions".

(IV) Information on major shareholders: There are no shareholders holding more than 5% of the shares.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

XIV. Segment Information

The Group's operating segment information and reconciliation are as follows:

April to June, 2022				
	Electronic Segment	Others	Reconciliation and eliminations	Total
Income:				
Income from external customers	\$ 3,420,271	415,368	-	3,835,639
Reportable segment profit or loss	\$ 495,455	(56,171)	-	439,284
April to June, 2021				
	Electronic Segment	Others	Reconciliation and eliminations	Total
Income:				
Income from external customers	\$ 4,075,866	329,914	-	4,405,780
Reportable segment profit or loss	\$ 644,035	6,308	-	650,343
January to June, 2022				
	Electronic Segment	Others	Reconciliation and eliminations	Total
Income:				
Income from external customers	\$ 7,368,139	783,688	-	8,151,827
Reportable segment profit or loss	\$ 1,127,255	(88,799)	-	1,038,456
January to June, 2021				
	Electronic Segment	Others	Reconciliation and eliminations	Total
Income:				
Income from external customers	\$ 8,192,585	621,100	-	8,813,685
Reportable segment profit or loss	\$ 1,259,379	(34,197)	-	1,225,182