

HOLY STONE ENTERPRISE CO., LTD.
and Subsidiaries

Consolidated Financial Statements

For the Three Months Ended September 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 September 30, 2022, and 2021, the consolidated statements of comprehensive income for the three months ended September 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 nine months ended September 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 nine months ended September 30, 2022 and 2021 were NT\$2,448,222 thousand and NT\$2,257,701 thousand, respectively, representing 14.96% and 13.73% of the total consolidated assets; total liabilities were NT\$428,286 thousand and NT\$378,809 thousand, respectively, representing 6.59% and 5.70% of the total consolidated liabilities; the consolidated income or loss for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were \$(24,368) thousand, \$(53,521) thousand, \$(96,610) thousand and \$(110,357) thousand, representing (13.95)%, (11.34)%, (9.64)% and (7.33)% 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\$465,790 thousand and NT\$463,077 thousand for the nine months ended September 30, 2022 and 2021, respectively, and the shares of profit or loss recognized using the equity method in affiliated companies were NT\$7,841 thousand, NT\$15,959 thousand, NT\$39,073 thousand and NT\$43,243 thousand for the three months ended September 30, 2022 and 2021, and for the nine months ended September 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 September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting”.

KPMG

Hsu, Ming-Fang

CPA:

Chi-Lung Yu

Securities and Futures Bureau Approval Document No. November 2, 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 September 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**

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

Unit: thousands of New Taiwan Dollars

Asset	September 30, 2022		December 31, 2021		September 30, 2021		Liabilities and shareholders' equity	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets							Current liabilities:						
1100 Cash and cash equivalents (Note 6(1))	\$ 3,362,336	21	3,954,236	24	4,348,128	27	2100 Short-term borrowings (Note 6(12) and 8)	\$ 2,049,945	13	2,003,251	12	2,355,527	14
1110 Current financial assets at fair value through profit or loss (Note 6(2))	224,651	1	453,735	3	392,298	2	2130 Current contract liabilities (Note 6(21))	102,321	1	120,417	1	85,442	1
1150 Notes and accounts receivable, net (Notes 6(4)(21) and 7)	3,306,816	20	3,198,362	19	3,693,346	22	2170 Accounts payable	780,980	5	1,232,048	8	1,640,702	10
1200 Other receivables, net (Note 6(5))	53,928	-	157,924	1	92,848	1	2180 Accounts payable to related parties (Note 7)	38,057	-	75,429	-	83,060	1
1220 Current tax assets	2,619	-	101	-	3	-	2200 Other payables (Note 6(13))	1,171,848	7	1,143,644	7	1,058,318	6
130X Inventories (Note 6(6))	3,693,725	23	3,087,397	19	2,632,893	16	2230 Current tax liabilities	161,010	1	30,307	-	44,003	-
1410 Prepayments and other current assets	96,289	1	84,380	1	110,203	1	2280 Current lease liabilities (Note 6(15))	12,608	-	19,957	-	20,216	-
Total current assets	10,740,364	66	10,936,135	67	11,269,719	69	2322 Long-term borrowings, current portion (Note 6(14) and 8)	44,006	-	9,941	-	13,771	-
Non-current assets:							Total current liabilities	4,360,775	27	4,634,994	28	5,301,039	32
1510 Non-current financial assets at fair value through profit or loss (Note 6(2))	104,397	1	101,093	1	103,568	1	Non-current liabilities:						
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(3))	52,365	-	57,937	-	76,673	-	2540 Long-term borrowings (Note 6(14) and 8)	1,962,310	12	1,373,338	10	1,168,164	7
1550 Investments accounted for using the equity method (Note 6(7))	465,790	3	470,390	3	463,077	3	2570 Deferred tax liabilities	80,981	1	80,981	-	68,211	-
1600 Property, plant and equipment (Note 6(9) and 8)	4,662,867	29	4,290,690	27	4,115,191	25	2580 Non-current lease liabilities (Notes 6(15))	24,769	-	27,196	-	31,322	-
1755 Right-of-use assets (Note 6(10))	36,467	-	46,393	-	50,849	-	2640 Net defined benefit liabilities - non-current (Notes 6(16))	64,983	-	64,983	-	71,841	-
1780 Intangible assets (Note 6(11))	9,013	-	10,072	-	11,040	-	2670 Other non-current liabilities - other	2,864	-	4,315	-	4,342	-
1840 Deferred tax assets	41,270	-	41,244	-	50,928	-	Total non-current liabilities	2,135,907	13	1,550,813	10	1,343,880	7
1915 Prepayments for business facilities	202,354	1	264,760	2	256,182	2	Total of liabilities	6,496,682	40	6,185,807	38	6,644,919	39
1990 Other non-current assets- others (Note 8)	53,551	-	51,815	-	43,086	-	Equity attributable to owners of the parent company (Note 6(18)):						
Total non-current assets	5,628,074	34	5,334,394	33	5,170,594	31	3110 Ordinary share	1,579,908	10	1,579,908	10	1,579,908	10
Total assets	\$ 16,368,438	100	16,270,529	100	16,440,313	100	3200 Capital surplus	3,101,863	19	3,140,525	19	3,119,650	19
							Retained earnings:						
							3310 Legal reserve	1,638,205	10	1,638,205	10	1,638,205	10
							3320 Special reserve	163,854	1	122,384	1	122,384	1
							3350 Unappropriated retained earnings	3,122,203	19	3,546,728	22	3,254,982	20
							Total retained earnings	4,924,262	30	5,307,317	33	5,015,571	31
							Other equities:						
							3410 Exchange differences on translation of foreign financial statements	(41,201)	-	(88,988)	(1)	(87,215)	(1)
							3420 Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(81,456)	(1)	(74,866)	-	(79,710)	-
							Total other equities	(122,657)	(1)	(163,854)	(1)	(166,925)	(1)
							Total equity attributable to owners of parent	9,483,376	58	9,863,896	61	9,548,204	59
							36XX Non-controlling interests	388,380	2	220,826	1	247,190	2
							Total equity	9,871,756	60	10,084,722	62	9,795,394	61
							Total liabilities and shareholders' equity	\$ 16,368,438	100	16,270,529	100	16,440,313	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 September 30 and For the Nine Months Ended September 30, 2022 and 2021
Unit: thousands of New Taiwan Dollars

	July to September, 2022		July to September, 2021		January to September, 2022		January to September, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (Note 6(21) and Note 7)	\$ 3,626,051	100	4,281,411	100	11,777,878	100	13,095,096	100
5000 Operating costs (Note 6(15)(16) and Note 7)	2,938,337	81	3,305,098	77	9,291,582	79	10,092,117	77
Gross profit	687,714	19	976,313	23	2,486,296	21	3,002,979	23
Operating expenses:								
6100 Selling and administrative expenses (Notes 6(15)(16)(19)(22))	426,229	12	335,650	8	1,010,698	9	973,038	8
6300 Research and development expenses (Note 6(15)(16)(22))	87,835	3	90,002	2	261,108	2	278,548	2
6450 Expected credit loss (gain) (Note 6(4))	16,188	-	1,110	-	36,032	-	5,362	-
Total operating expenses	530,252	15	426,762	10	1,307,838	11	1,256,948	10
Operating profit	157,462	4	549,551	13	1,178,458	10	1,746,031	13
Non-operating income and expenses:								
7020 Other gains and losses, net (Note 6(23))	42,785	1	(18,096)	-	34,329	-	(14,760)	-
7050 Financial costs (Note 6(15))	(12,226)	-	(4,521)	-	(24,755)	-	(13,113)	-
7060 Share of profit (loss) of associates accounted for using the equity method	7,841	-	15,959	-	39,073	-	43,243	1
7100 Interest revenue	3,790	-	2,849	-	11,003	-	9,523	-
Total non-operating income and expenses	42,190	1	(3,809)	-	59,650	-	24,893	1
Profit before tax	199,652	5	545,742	13	1,238,108	10	1,770,924	14
7950 Less: Income tax expense (Note 6(17))	51,659	1	62,680	2	281,343	2	215,954	2
Profit	147,993	4	483,062	11	956,765	8	1,554,970	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	1,403	-	(7,567)	-	(6,590)	-	(8,400)	-
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	1,403	-	(7,567)	-	(6,590)	-	(8,400)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	25,234	1	(3,647)	-	52,092	1	(41,212)	(1)
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	25,234	1	(3,647)	-	52,092	1	(41,212)	(1)
8300 Other comprehensive income, net of tax	26,637	1	(11,214)	-	45,502	1	(49,612)	(1)
8500 Total comprehensive income	\$ 174,630	5	471,848	11	1,002,267	9	1,505,358	11
Net income attributable to:								
8610 Owners of parent	\$ 183,759	5	512,803	12	1,038,862	9	1,639,096	13
8620 Non-controlling interests	(35,766)	(1)	(29,741)	(1)	(82,097)	(1)	(84,126)	(1)
Profit	\$ 147,993	4	483,062	11	956,765	8	1,554,970	12
Total comprehensive income attributable to:								
8710 Owners of parent	\$ 207,802	6	502,287	12	1,080,059	9	1,594,555	12
8720 Non-controlling interests	(33,172)	(1)	(30,439)	(1)	(77,792)	-	(89,197)	(1)
Total comprehensive income	\$ 174,630	5	471,848	11	1,002,267	9	1,505,358	11
Earnings per share (Unit: NTD) (Note 6(20))								
9750 Earnings per share	\$ 1.17		3.24		6.58		10.37	
9850 Diluted earnings per share	\$ 1.15		3.21		6.48		10.22	

(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 1 to September 30, 2022 and 2021

Unit: thousands of New Taiwan Dollars

Equity attributable to owners of the parent company

	Retained earnings					Other equity		Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	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			
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	-	-	-	-	1,639,096	-	-	1,639,096	(84,126)	1,554,970
Other comprehensive income, net of tax	-	-	-	-	-	(36,141)	(8,400)	(44,541)	(5,071)	(49,612)
Total comprehensive income	-	-	-	-	1,639,096	(36,141)	(8,400)	1,594,555	(89,197)	1,505,358
Appropriation and distribution of retained earnings:										
Cash dividends of ordinary shares	-	-	-	-	(1,263,926)	-	-	(1,263,926)	-	(1,263,926)
Reversal of special reserve	-	-	-	(6,437)	6,437	-	-	-	-	-
Change in ownership interests in subsidiaries	-	9,690	-	-	-	-	-	9,690	466	10,156
Balance at September 30, 2021	\$ 1,579,908	3,119,650	1,638,205	122,384	3,254,982	(87,215)	(79,710)	9,548,204	247,190	9,795,394
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	-	-	-	-	1,038,862	-	-	1,038,862	(82,097)	956,765
Other comprehensive income, net of tax	-	-	-	-	-	47,787	(6,590)	41,197	4,305	45,502
Total comprehensive income	-	-	-	-	1,038,862	47,787	(6,590)	1,080,059	(77,792)	1,002,267
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	-	(38,662)	-	-	-	-	-	(38,662)	41,285	2,623
Changes in non-controlling interests	-	-	-	-	-	-	-	-	204,061	204,061
Balance at September 30, 2022	\$ 1,579,908	3,101,863	1,638,205	163,854	3,122,203	(41,201)	(81,456)	9,483,376	388,380	9,871,756

(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 September 30, 2022 and 2021

Unit: thousands of New Taiwan Dollars

	January to September, 2022	January to September, 2021
Cash flows from operating activities:		
Profit before tax	\$ 1,238,108	1,770,924
Adjustments:		
Adjustments to reconcile profit		
Depreciation expense	445,918	396,009
Amortization expense	1,704	1,916
Expected credit loss (gain)	36,032	5,362
Net loss (gain) on financial assets at fair value through profit or loss	119,341	(368)
Interest expense	24,755	13,113
Interest revenue	(11,003)	(9,523)
Dividend revenue	(4,711)	(3,715)
Share-based payment remuneration cost	1,483	-
Share of profit of associates accounted for using the equity method	(39,073)	(43,243)
Proceeds from disposal and retirement of property, plant and equipment	120	126
Others	(61)	(62)
Total adjustments to reconcile profit	574,505	359,615
Changes in operating assets and liabilities:		
Changes in operating assets:		
Current financial assets at fair value through profit or loss	126,278	(76,060)
Notes and accounts receivable	(145,642)	(589,100)
Other receivables, net	104,148	29,506
Inventories	(606,328)	(351,924)
Prepayments and other current assets	(11,909)	(12,312)
Total changes in operating assets	(533,453)	(999,890)
Changes in operating liabilities:		
Contract liability	(18,096)	4,253
Accounts payable	(451,068)	587,518
Accounts payable to related parties	(37,372)	34,966
Other payables	97,026	141,518
Total changes in operating liabilities	(409,510)	768,255
Net changes in operating assets and liabilities	(942,963)	(231,635)
Total adjustments	(368,458)	127,980
Cash inflow from operating activities	869,650	1,898,904
Interest received	10,851	9,879
Dividends received	4,711	3,715
Interest paid	(23,297)	(12,675)
Income taxes paid	(153,158)	(368,058)
Net cash inflow of operating activities	708,757	1,531,765
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	(10,450)	(82,957)
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	(881,005)	(896,463)
Proceeds from disposal of property, plant and equipment	43	1,208
Increase in other non-current assets	(1,770)	(13,669)
Decrease (increase) in prepayments for business facilities	62,406	(243,454)
Dividends received	42,772	26,229
Net cash flows used in investing activities	(786,098)	(1,279,316)
Cash flows used in financing activities:		
Increases in short term borrowings	46,694	210,001
Proceeds from long-term borrowings	632,392	737,918
Repayments of long-term borrowings	(8,684)	(13,160)
Payment of lease liabilities	(17,397)	(15,667)
Increase (decrease) in other non-current liabilities	(1,451)	2,066
Cash dividends paid	(1,421,917)	(1,263,926)
Changes in non-controlling interests	204,478	10,162
Net cash flows used in investing activities	(565,885)	(332,606)
Effect of exchange rate changes on cash and cash equivalents	51,326	(31,497)
Decrease of cash and cash equivalent in the current period	(591,900)	(111,654)
Cash and cash equivalents at beginning of period	3,954,236	4,459,782
Cash and cash equivalents at end of period	\$ 3,362,336	4,348,128

(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 September 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 November 2, 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
- Amendments to IFRS 16, “Sale and Leaseback Transactions”

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
			September 30, 2022	December 31, 2021	September 30, 2021	
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd. (HSHK, Hong Kong)	Sale of MLCC and electronic products	100.00%	100.00%	100.00%	Note 2
The Company	Holy Stone Holdings Co., Ltd. (HSH, Samoa)	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

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

Name of Investors	Name of subsidiaries	Main Business	Shareholding ratio			Explanation
			September 30, 2022	December 31, 2021	September 30, 2021	
JCI	OHGA Smarththings 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
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

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 2,309	2,808	2,731
Demand deposits	2,320,930	2,133,826	2,302,391
Term deposits	1,039,097	1,817,602	2,043,006
	<u>\$ 3,362,336</u>	<u>3,954,236</u>	<u>4,348,128</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Current:			
Domestic stock	\$ 144,068	203,115	181,752
Global depositary receipt	3,265	-	-
Beneficiary certificate	77,318	250,620	210,546
Total	<u>\$ 224,651</u>	<u>453,735</u>	<u>392,298</u>
Non-current:			
Foreign investments in listed shares	\$ 4,253	6,023	6,912
Domestic investments in listed shares	100,144	95,070	96,656
Total	<u>\$ 104,397</u>	<u>101,093</u>	<u>103,568</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Domestic and foreign stock	<u>\$ 52,365</u>	<u>57,937</u>	<u>76,673</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

	September 30, 2022	December 31, 2021	September 30, 2021
Receivable notes	\$ 151,878	153,821	144,949
Accounts receivable	3,219,770	3,072,262	3,578,654
Less: loss provision	(64,832)	(27,721)	(30,257)
	\$ 3,306,816	3,198,362	3,693,346

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:

September 30, 2022			
	Carrying amount of notes and accounts receivable	Weighted- average rate of expected credit loss	Allowance for lifetime expected credit loss
Not overdue	\$ 3,282,592	0%~10%	2,195
≤ 30 days	26,596	1%~40%	8,322
31 to 60 days	9,168	1%~100%	2,803
Overdue for over 61 days	53,292	50%~100%	51,512
	\$ 3,371,648		64,832

December 31, 2021			
	Book value of accounts receivable	Weighted- average rate of expected credit loss	Allowance for lifetime expected credit loss
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	17,885	50%~100%	17,649
	\$ 3,226,083		27,721

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

September 30, 2021

	Carrying amount of notes and accounts receivable	Weighted- average rate of expected credit loss	Allowance for lifetime expected credit loss
Not overdue	\$ 3,673,160	0%~10%	7,539
≤ 30 days	27,501	1%~40%	5,958
31 to 60 days	6,370	1%~100%	2,587
Overdue for over 61 days	16,572	50%~100%	14,173
	<u>\$ 3,723,603</u>		<u>30,257</u>

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

	January to September, 2022	January to September, 2021
Balance, beginning	\$ 27,721	25,307
Impairment loss, recognized	36,032	5,362
Amounts written off as uncollectible	(77)	-
Foreign currency translation gains and losses	1,156	(412)
Ending balance	<u>\$ 64,832</u>	<u>30,257</u>

The aforesaid financial assets are not pledged as collateral.

(V) Other receivables, net

	September 30, 2022	December 31, 2021	September 30, 2021
Tax Refund Receivable	\$ 47,680	87,500	90,008
Discount on purchases	-	66,093	-
Interest receivable	1,086	934	1,152
Other	5,162	3,397	1,688
	<u>\$ 53,928</u>	<u>157,924</u>	<u>92,848</u>

As of September 30, 2022, December 31, 2021 and September 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

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 246,938	295,623	219,232
Materials	23,738	29,553	23,812
Work in progress	200,173	201,293	208,501
Semi-Finished products	52,207	49,614	54,374
Finished good	740,078	832,817	709,836
Goods	2,430,591	1,678,497	1,417,138
	<u>\$ 3,693,725</u>	<u>3,087,397</u>	<u>2,632,893</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

For the three months ended July 1, 2022 and nine months ended September 30, 2022, the Group recognized a loss of NT\$19,641 thousand and NT\$29,962 thousand, respectively, on inventory write-downs to net realizable value and recognized cost of goods sold.

For the three months ended July 1, 2022 and nine months ended September 30, 2022, 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 NT\$8,098 thousand and NT\$13,827 thousand, respectively.

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:

	September 30, 2022	December 31, 2021	September 30, 2021
Associate	\$ 465,790	470,390	463,077

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 Smartthings 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 September, 2021
Carrying amount on acquisition	\$ 2,168
Consideration	(2,166)
Capital surplus - Capital surplus differences between consideration and carrying amounts subsidiaries acquired	<u>\$ 2</u>

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 September 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 September, 2022	January to September, 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	-	2,484	2,832	6,110	799,299	810,725
Re-classifications	-	1,013,261	466,615	55,321	(1,535,197)	-
Disposal	-	-	(59)	(8,163)	-	(8,222)
The Effects of Changes in Foreign Exchange Rates	(4,693)	(1,856)	(9,517)	1,863	-	(14,203)
Balance at September 30, 2022	\$ 920,161	2,637,919	4,052,929	675,226	960,304	9,246,539
Balance at January 1, 2021	\$ 872,870	1,686,862	3,530,490	513,092	710,419	7,313,733
Addition	53,506	1,843	13,425	20,712	806,977	896,463
Re-classifications	-	7,444	68,047	20,230	(95,721)	-
Disposal	-	(130)	(23,291)	(8,673)	-	(32,094)
The Effects of Changes in Foreign Exchange Rates	-	(11,049)	(11,085)	(917)	-	(23,051)
Balance at September 30, 2021	\$ 926,376	1,684,970	3,577,586	544,444	1,421,675	8,155,051
Accumulated depreciation:						
Balance at January 1, 2022	\$ -	685,914	2,983,340	498,295	-	4,167,549
Depreciation in the current period	-	70,501	301,309	56,933	-	428,743
Disposal	-	-	(59)	(7,980)	-	(8,039)
The Effects of Changes in Foreign Exchange Rates	-	(17)	(6,008)	1,444	-	(4,581)
Balance at September 30, 2022	\$ -	756,398	3,278,582	548,692	-	4,583,672
Balance at January 1, 2021	\$ -	641,200	2,641,784	419,636	-	3,702,620
Depreciation in the current period	-	64,620	276,114	39,246	-	379,980
Disposal	-	(130)	(23,230)	(7,411)	-	(30,771)
The Effects of Changes in Foreign Exchange Rates	-	(4,239)	(7,020)	(710)	-	(11,969)
Balance at September 30, 2021	\$ -	701,451	2,887,648	450,761	-	4,039,860

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Unfinished project and equipment to be inspected</u>	<u>Total</u>
Book value:						
Balance at January 1, 2022	\$ 924,854	938,116	609,718	121,800	1,696,202	4,290,690
Balance at September 30, 2022	\$ 920,161	1,881,521	774,347	126,534	960,304	4,662,867
Balance at January 1, 2021	\$ 872,870	1,045,662	888,706	93,456	710,419	3,611,113
Balance at September 30, 2021	\$ 926,376	983,519	689,938	93,683	1,421,675	4,115,191

As of September 30, 2022, December 31, 2021 and September 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:

	<u>Buildings</u>	<u>Other equipment</u>	<u>Total</u>
Cost of right-to-use assets:			
Balance at January 1, 2022	\$ 93,713	9,079	102,792
Addition	6,791	-	6,791
Reduction	(535)	-	(535)
The Effects of Changes in Foreign Exchange Rates	3,400	94	3,494
Balance at September 30, 2022	<u>\$ 103,369</u>	<u>9,173</u>	<u>112,542</u>
Balance at January 1, 2021	\$ 73,566	5,688	79,254
Addition	24,534	5,618	30,152
Reduction	(4,691)	(1,123)	(5,814)
The Effects of Changes in Foreign Exchange Rates	(907)	(129)	(1,036)
Balance at September 30, 2021	<u>\$ 92,502</u>	<u>10,054</u>	<u>102,556</u>
Depreciation of right-of-use assets:			
Balance at January 1, 2022	\$ 51,703	4,696	56,399
Depreciation in the current period	15,422	1,753	17,175
Reduction	(390)	-	(390)
The Effects of Changes in Foreign Exchange Rates	2,862	29	2,891
Balance at September 30, 2022	<u>\$ 69,597</u>	<u>6,478</u>	<u>76,075</u>
Balance at January 1, 2021	\$ 33,937	3,708	37,645
Depreciation in the current period	14,386	1,643	16,029
Reduction	(925)	(215)	(1,140)
The Effects of Changes in Foreign Exchange Rates	(795)	(32)	(827)
Balance at September 30, 2021	<u>\$ 46,603</u>	<u>5,104</u>	<u>51,707</u>

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

	Buildings	Other equipment	Total
Book value:			
Balance at January 1, 2022	\$ 42,010	4,383	46,393
Balance at September 30, 2022	\$ 33,772	2,695	36,467
Balance at January 1, 2021	\$ 39,629	1,980	41,609
Balance at September 30, 2021	\$ 45,899	4,950	50,849

(XI) Intangible assets

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

	Goodwill	Other	Total
Cost:			
Balance at January 1, 2022	\$ 541,940	52,557	594,497
Effects of changes in foreign exchange rates	-	3,437	3,437
Balance at September 30, 2022	\$ 541,940	55,994	597,934
Balance at January 1, 2021	\$ 541,940	55,658	597,598
Effects of changes in foreign exchange rates	-	(3,647)	(3,647)
Balance at September 30, 2021	\$ 541,940	52,011	593,951
Accumulated amortization and impairment loss:			
Balance at January 1, 2022	\$ 541,940	42,485	584,425
Amortization for current period	-	1,615	1,615
Effects of changes in foreign exchange rates	-	2,881	2,881
Balance at September 30, 2022	\$ 541,940	46,981	588,921
Balance at January 1, 2021	\$ 541,940	41,914	583,854
Amortization for current period	-	1,879	1,879
Effects of changes in foreign exchange rates	-	(2,822)	(2,822)
Balance at September 30, 2021	\$ 541,940	40,971	582,911
Book value:			
Balance at January 1, 2022	\$ -	10,072	10,072
Balance at September 30, 2022	\$ -	9,013	9,013
Balance at January 1, 2021	\$ -	13,744	13,744
Balance at September 30, 2021	\$ -	11,040	11,040

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

(XII) Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loan	\$ 1,974,945	1,953,251	2,304,527
Secured bank loan	75,000	50,000	51,000
Total	<u>\$ 2,049,945</u>	<u>2,003,251</u>	<u>2,355,527</u>
Quota not used	<u>\$ 3,460,670</u>	<u>2,944,472</u>	<u>2,607,546</u>
Interest rate range	<u>0.59%~3.4%</u>	<u>0.48%~1.50%</u>	<u>0.48%~1.5%</u>

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

(XIII) Other payables

	September 30, 2022	December 31, 2021	September 30, 2021
Employee bonuses payable	\$ 282,551	346,528	307,064
Remuneration payable to directors and supervisors	29,618	49,133	41,616
Accounts payable, equipment	85,300	155,580	113,427
Accrued wages and bonus	118,845	183,050	136,110
Service payable and litigation expenses	255,898	106,616	105,377
Commission fee payable	817	1,539	1,975
Labor and health insurance expenses	20,459	19,863	20,970
Other	378,360	281,335	331,779
	<u>\$ 1,171,848</u>	<u>1,143,644</u>	<u>1,058,318</u>

(XIV) Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Secured bank loan	\$ 6,316	8,249	8,633
Unsecured bank loan	2,000,000	1,375,030	1,173,302
Less: Current portions	(44,006)	(9,941)	(13,771)
Total	<u>\$ 1,962,310</u>	<u>1,373,338</u>	<u>1,168,164</u>
Quota not used	<u>\$ 42,968</u>	<u>632,392</u>	<u>838,150</u>
Interest rate range	<u>0.4%~1.49%</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 September 30, 2022 and 2021 were NT\$632,392 thousand and NT\$737,918 thousand, respectively, and the repayments were NT\$8,684 thousand and NT\$13,160 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:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	<u>\$ 12,608</u>	<u>19,957</u>	<u>20,216</u>
Non-current	<u>\$ 24,769</u>	<u>27,196</u>	<u>31,322</u>

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

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

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Interest expense on lease liabilities	<u>\$ 153</u>	<u>195</u>	<u>471</u>	<u>591</u>
Expenses relating to short-term leases	<u>\$ 3,611</u>	<u>3,622</u>	<u>11,268</u>	<u>11,665</u>

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

	January to September, 2022	January to September, 2021
Total cash outflow for leases	<u>\$ 29,136</u>	<u>27,923</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:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Operating cost	\$ 361	358	1,078	1,105
Operating expenses	571	623	1,700	1,857
Total	<u>\$ 932</u>	<u>981</u>	<u>2,778</u>	<u>2,962</u>

2. Defined contribution plans

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

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Operating cost	\$ 6,134	6,056	18,179	16,935
Operating expenses	8,873	8,846	27,058	26,603
Total	<u>\$ 15,007</u>	<u>14,902</u>	<u>45,237</u>	<u>43,538</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:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Current period income tax expense				
Recognized during the period	\$ 51,659	62,680	281,343	215,954
Deferred income tax expense	-	-	-	-
Income tax expenses	\$ 51,659	62,680	281,343	215,954

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 September 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:

	September 30, 2022	December 31, 2021	September 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	15,522	54,184	33,309
Expired options	130,146	130,146	130,146
	\$ 3,101,863	3,140,525	3,119,650

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:

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

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

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	47,787	-	47,787
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
Subsidiary	-	(6,590)	(6,590)
Balance at September 30, 2022	<u>\$ (41,201)</u>	<u>(81,456)</u>	<u>(122,657)</u>
Balance at January 1, 2021	\$ (51,074)	(71,310)	(122,384)
Exchange differences on translation of net assets of foreign operations:			
The Company	(36,141)	-	(36,141)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:			
Subsidiary	-	(8,400)	(8,400)
Balance at September 30, 2021	<u>\$ (87,215)</u>	<u>(79,710)</u>	<u>(166,925)</u>

(XIX) Share-based payment

There were no significant changes in the Group's share-based payment between January 1 to September 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:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Earnings per share				
Net profit attributable to the Company \$	183,759	512,803	1,038,862	1,639,096
Weighted-average number of common shares outstanding (in thousand shares)	157,991	157,991	157,991	157,991
Earnings per share (NT\$)	<u>\$ 1.17</u>	<u>3.24</u>	<u>6.58</u>	<u>10.37</u>
Diluted earnings per share				
Net profit attributable to the Company \$	183,759	512,803	1,038,862	1,639,096
Net income attributable to ordinary equity holders of the Company (after adjustments to the effect of dilutive potential ordinary shares)	<u>\$ 183,759</u>	<u>512,803</u>	<u>1,038,862</u>	<u>1,639,096</u>

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

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
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)	1,789	1,883	2,404	2,349
Weighted-average number of common shares outstanding (after adjustments to the effect of dilutive potential ordinary shares) (in thousand shares)	<u>159,780</u>	<u>159,874</u>	<u>160,395</u>	<u>160,340</u>
Diluted earnings per share (NTS)	<u>\$ 1.15</u>	<u>3.21</u>	<u>6.48</u>	<u>10.22</u>

(XXI) Revenue from contracts with customers

1. Revenue breakdown

	<u>July to September, 2022</u>		
	<u>Electronic Segment</u>	<u>Others</u>	<u>Total</u>
Core products/services:			
Passive Components	\$ 1,370,552	-	1,370,552
Active Components	843,531	-	843,531
System On Module	705,096	-	705,096
Other	362,624	344,248	706,872
	<u>\$ 3,281,803</u>	<u>344,248</u>	<u>3,626,051</u>
	<u>July to September, 2021</u>		
	<u>Electronic Segment</u>	<u>Others</u>	<u>Total</u>
Core products/services:			
Passive Components	\$ 1,670,270	-	1,670,270
Active Components	1,033,517	-	1,033,517
System On Module	857,215	-	857,215
Other	391,438	328,971	720,409
	<u>\$ 3,952,440</u>	<u>328,971</u>	<u>4,281,411</u>

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

January to September, 2022

	Electronic Segment	Others	Total
Core products/services:			
Passive Components	\$ 4,476,410	-	4,476,410
Active Components	3,005,545	-	3,005,545
System On Module	2,192,663	-	2,192,663
Other	975,324	1,127,936	2,103,260
	\$ 10,649,942	1,127,936	11,777,878

January to September, 2021

	Electronic Segment	Others	Total
Core products/services:			
Passive Components	\$ 4,942,060	-	4,942,060
Active Components	3,408,351	-	3,408,351
System On Module	2,904,772	-	2,904,772
Other	889,842	950,071	1,839,913
	\$ 12,145,025	950,071	13,095,096

2. Contract balance

	September 30, 2022	December 31, 2021	September 30, 2021
Receivable notes	\$ 151,878	153,821	144,949
Accounts receivable	3,219,770	3,072,262	3,578,654
Less: loss provision	(64,832)	(27,721)	(30,257)
Total	\$ 3,306,816	3,198,362	3,693,346
Contract liability	\$ 102,321	120,417	85,442

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 July 1 to September 30, 2022 and from January 1 to September 30, 2022 were NT\$27,628 thousand and NT\$155,495 thousand, respectively; the estimated amounts of remuneration to directors and supervisors were NT\$5,143 thousand and NT\$29,618 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 July 1 to September 30, 2021 and from January 1 to September 30, 2021 were NT\$68,374 thousand and NT\$218,483 thousand, respectively; the estimated amounts of remuneration to directors and supervisors were NT\$13,024 thousand and NT\$41,616 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:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Dividend revenue	\$ 418	680	1,232	1,249
Net gain (loss) on financial assets at fair value through profit or loss	(27,246)	(20,317)	(99,683)	13,552
Net gain (loss) on foreign exchange	63,564	(2,042)	115,453	(40,379)
Other	6,049	3,583	17,327	10,818
	<u>\$ 42,785</u>	<u>(18,096)</u>	<u>34,329</u>	<u>(14,760)</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>
September 30, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,049,945	2,057,468	2,057,468	-	-
Current contract liabilities	102,321	102,321	102,321	-	-
Accounts payable	780,980	780,980	780,980	-	-
Accounts payable to related parties	38,057	38,057	38,057	-	-
Other payables	1,171,848	1,171,848	1,171,848	-	-
Lease liabilities	37,377	38,625	13,039	21,489	4,097
Long-term borrowings	2,006,316	2,058,449	59,525	1,758,149	240,775
	<u>\$ 6,186,844</u>	<u>6,247,748</u>	<u>4,223,238</u>	<u>1,779,638</u>	<u>244,872</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>
September 30, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 2,355,527	2,358,876	2,358,876	-	-
Current contract liabilities	85,442	85,442	85,442	-	-
Accounts payable	1,640,702	1,640,702	1,640,702	-	-
Accounts payable to related parties	83,060	83,060	83,060	-	-
Other payables	1,058,318	1,058,318	1,058,318	-	-
Lease liabilities	51,538	53,762	20,814	25,416	7,532
Long-term borrowings	1,181,935	1,201,341	18,552	834,371	348,418
	<u>\$ 6,456,522</u>	<u>6,481,501</u>	<u>5,265,764</u>	<u>859,787</u>	<u>355,950</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:

	September 30, 2022			December 31, 2021			Unit: NT\$ thousand September 30, 2021		
	Foreign currency	Exchange rate (NT\$)	NTD	Foreign currency	Exchange rate (NT\$)	NTD	Foreign currency	Exchange rate (NT\$)	NTD
<u>Financial Asset</u>									
<u>Monetary items</u>									
USD	\$ 82,074	31.7500	2,605,851	88,372	27.6800	2,446,148	90,776	27.8500	2,528,124
EUR	1,873	31.2600	58,552	1,639	31.3200	51,336	1,666	32.3200	53,849
HKD	15,537	4.0440	62,833	20,356	3.5490	72,244	16,236	3.5760	58,059
GBP	735	35.5300	26,118	309	37.3000	11,517	220	37.4600	8,255
JPY	546,761	0.2201	120,342	426,214	0.2405	102,504	777,585	0.2490	193,619
CNY (RMB)	10,338	4.4730	46,241	24,120	4.3440	104,778	50,080	4.3050	215,593
NTD	6,020	1.0000	6,020	3,974	1.0000	3,974	6,463	1.0000	6,463
SGD	56	22.2100	1,234	-	-	-	60	20.4700	1,219
<u>Non-monetary items</u>									
USD	1,159	31.7500	36,806	1,236	27.6800	34,214	942	27.8500	26,247
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	23,777	31.7500	754,909	76,587	27.6800	2,119,922	107,574	27.8500	2,995,935
EUR	78	31.2600	2,424	202	31.3200	6,323	138	32.3200	4,461
HKD	473	4.0440	1,911	821	3.5490	2,913	741	3.5760	2,650
GBP	107	35.5300	3,808	226	37.3000	8,423	200	37.4600	7,500
JPY	117,317	0.2201	25,821	78,670	0.2405	18,920	68,291	0.2490	17,004
CNY (RMB)	1,312	4.4730	5,869	665	4.3440	2,887	1,692	4.3050	7,282
NTD	-	1.0000	-	2,236	1.0000	2,236	1,601	1.0000	1,601

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 September 30, 2022 and 2021, all else remained intact, the net income would be increased or decreased by \$106,622 thousand and \$1,437 thousand from January 1 to September 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 respective periods.

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 September 30, 2022 and 2021, foreign currency exchange gains and losses (including realized and unrealized) were NT\$115,453 thousand and NT\$(40,379) thousand, respectively.

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

3. Fair value information

(1) Types of financial instruments and associated fair value

The Group has measured financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on a recurring basis. The carrying amount and fair value of financial assets and financial liabilities (including instruments possess fair-value-level information, but carrying at values reasonably close to the fair values, and lease liability that requires no disclosure of fair value necessary) are as follows:

	September 30, 2022				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Current financial assets at fair value through profit or loss	\$ 329,048	228,904	-	100,144	329,048
Financial assets at fair value through other comprehensive income	52,365	-	-	52,365	52,365
Financial assets at amortization					
Cash and cash equivalent	3,362,336	-	-	-	-
Notes and accounts receivable - Net	3,306,816	-	-	-	-
Other receivables, net	53,928	-	-	-	-
Sub-total	6,723,080	-	-	-	-
Total	\$ 7,104,493	228,904	-	152,509	381,413

Financial liabilities at amortized cost

Short-term borrowings	\$ 2,049,945	-	-	-	-
Current contract liabilities	102,321	-	-	-	-
Accounts payable	780,980	-	-	-	-
Accounts payable to related parties	38,057	-	-	-	-
Other payables	1,171,848	-	-	-	-
Lease liabilities	37,377	-	-	-	-
Long-term borrowings	2,006,316	-	-	-	-
Sub-total	6,186,844	-	-	-	-
Total	\$ 6,186,844	-	-	-	-

	December 31, 2021				
	Book value	Fair value			Total
	Level 1	Level 2	Level 3		
Current financial assets at fair value through profit or loss	\$ 554,828	459,758	-	95,070	554,828
Financial assets at fair value through other comprehensive income	57,937	-	-	57,937	57,937
Financial assets at amortization					
Cash and cash equivalent	3,954,236	-	-	-	-
Notes and accounts receivable - Net	3,198,362	-	-	-	-
Other receivables, net	157,924	-	-	-	-
Sub-total	7,310,522	-	-	-	-
Total	\$ 7,923,287	459,758	-	153,007	612,765

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		6,005,221	-	-	-	-
Total	\$	6,005,221	-	-	-	-
		September 30, 2021				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at FVTPL						
	\$	495,866	399,210	-	96,656	495,866
Financial assets at fair value through other comprehensive income or loss at fair value						
		76,673	-	-	76,673	76,673
Financial assets at amortization						
Cash and cash equivalent		4,348,128	-	-	-	-
Notes and accounts receivable - Net		3,693,346	-	-	-	-
Other receivables, net		92,848	-	-	-	-
Sub-total		8,134,322	-	-	-	-
Total	\$	8,706,861	399,210	-	173,329	572,539
Financial liabilities at amortized cost						
Short-term borrowings	\$	2,355,527	-	-	-	-
Current contract liabilities		85,442	-	-	-	-
Accounts payable		1,640,702	-	-	-	-
Accounts payable to related parties		83,060	-	-	-	-
Other payables		1,058,318	-	-	-	-
Lease liabilities		51,538	-	-	-	-
Long-term borrowings		1,181,935	-	-	-	-
Sub-total		6,456,522	-	-	-	-
Total	\$	6,456,522	-	-	-	-

(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.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(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.

(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 September 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		September 30, 2022
				Changes in foreign exchange rates	Other	
Short-term borrowings	\$ 2,003,251	46,694	-	-	-	2,049,945
Long-term borrowings (including current portion)	1,383,279	623,708	-	(671)	-	2,006,316
Lease liabilities	47,153	(17,397)	6,791	1,036	(206)	37,377
Total liabilities arising from financing activities	\$ 3,433,683	653,005	6,791	365	(206)	4,093,638

	January 1, 2021	Cash flows	Acquisition	Non-cash changes		September 30, 2021
				Changes in foreign exchange rates	Other	
Short-term borrowings	\$ 2,145,526	210,001	-	-	-	2,355,527
Long-term borrowings (including current portion)	459,798	724,758	-	(2,621)	-	1,181,935
Lease liabilities	42,125	(15,667)	30,152	(336)	(4,736)	51,538
Total liabilities arising from financing activities	\$ 2,647,449	919,092	30,152	(2,957)	(4,736)	3,589,000

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		
	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021	September 30, 2022	December 31, 2021	September 30, 2021
Associate	\$ 45,913	107,178	269,243	332,216	38,057	75,429	83,060

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 September 30, 2022, December 31 and September 30, 2021, the Group and its affiliates had other receivables (included in notes and accounts receivable, net) amounting to NTS\$630 thousand, NT\$478 thousand and NT\$476 thousand, respectively, for the collection of payments on behalf of the Group, fees and other expenses.

(III) Key managers transaction

Remuneration to key managers include:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Short-term employee benefits	\$ 13,592	17,407	43,565	50,142

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

VIII. Pledged Assets

Book values for the pledged assets are as follows:

Asset	Object of guarantee	September 30, 2022	December 31, 2021	September 30, 2021
Land	Bank loans	\$ 156,522	156,522	156,522
Buildings	Bank loans	49,170	50,515	50,964
Term deposits	Guarantees for purchase tax and commodity tax	40,916	40,884	33,875
		\$ 246,608	247,921	241,361

IX. Significant Contingent Liabilities and Unrecognized Commitments

(I) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had unused letters of credit of NT\$100,000 thousand, NT\$135,000 thousand and NT\$135,000 thousand, respectively.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Acquisition of property, plant and equipment	<u>\$ 244,937</u>	<u>365,899</u>	<u>373,175</u>

(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. In November 2022, after considering various factors and risk assessment, as well as US attorneys' legal analysis and advise on relevant US antitrust laws, legal procedures and situation in real practice, with an overall evaluation and assessment, the board duly resolved that the Company, together with its subsidiaries, HSH and MGT, reached a settlement agreement with Direct Action Plaintiffs of the US antitrust case caused and involved by HPC, the former Japanese subsidiary, in order to protect the Company's best interests. Upon the completion and confirmation of the plaintiff's dismissal proceedings in the U.S. court, the parties will settle the agreement to cease all disputes. The relevant settlement amount has been fully recognized by HSH, a subsidiary of the Company, by September 30, 2022.

X. Losses Due to Major Disasters: None.

XI. Significant post events

In November 2022, the Company, together with its subsidiaries, HSH and MGT, reached a settlement agreement with Direct Action Plaintiffs of the US antitrust case caused and involved by HPC, former Japanese subsidiary. For more information, please refer to Note 9(3).

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	July to September, 2022			July to September, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary expense	110,281	181,538	291,819	110,397	205,719	316,116
Labor and health insurance expenses	12,939	13,424	26,363	12,950	13,832	26,782
Pension expense	6,495	9,444	15,939	6,414	9,469	15,883
Remuneration to directors	-	6,105	6,105	-	11,727	11,727
Other employee benefit expenses	4,042	4,753	8,795	4,115	6,061	10,176
Depreciation expense	141,264	19,311	160,575	118,615	17,754	136,369
Amortization expense	-	186	186	-	387	387

Purpose Category	January to September, 2022			January to September, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary expense	316,018	565,968	881,986	314,545	629,211	943,756
Labor and health insurance expenses	38,535	39,239	77,774	36,613	40,025	76,638
Pension expense	19,257	28,758	48,015	18,040	28,460	46,500
Remuneration to directors	-	32,904	32,904	-	37,710	37,710
Other employee benefit expenses	11,857	13,654	25,511	11,003	13,858	24,861
Depreciation expense	390,125	55,793	445,918	344,456	51,553	396,009
Amortization expense	-	1,704	1,704	-	1,916	1,916

(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 September 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 Company Name	Relation ship (Note 2)	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
0	The Company	Holy Stone Holdings Co., Ltd.	2	1,896,675	158,750	158,750	-	-	1.67%	4,741,688	Y	N	N
0	The Company	Jung Chan Investments Co., Ltd.	2	1,896,675	150,000	150,000	-	-	1.58%	4,741,688	Y	N	N
0	The Company	Everplus Material Co., Ltd.	2	1,896,675	97,280	44,020	44,020	-	0.46%	4,741,688	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	September 30, 2022				Note
				Number of shares	Book value	Percent of shareholdings	Fair value	
The Company	JPMorgan (Taiwan) New Technology Fund	-	Current financial assets at fair value through profit or loss - Beneficiary certificate	31	2,269	-	2,269	-
The Company	INVESCO QQQ ETF	-	"	1	5,091	-	5,091	-
The Company	SPDR S&P500 ETF	-	"	1	11,341	-	11,341	-
The Company	MSCI EMERGING MKT ETP	-	"	1	1,107	-	1,107	-
The Company	FIDELITY FNDS-JAPAN	-	"	14	7,203	-	7,203	-
The Company	ALLANZ-EURO EQ USD	-	"	11	4,546	-	4,546	-
The Company	TSMC ADR	-	Current financial assets at fair value through profit or loss - Global depository receipt	2	3,265	-	3,265	-
The Company	Shares of TSMC	-	Current financial assets at fair value through profit or loss - Domestic stock	100	42,200	-	42,200	-
The Company	Shares of Sun Race Sturmev-Archer Inc.	-	"	30	1,506	-	1,506	-

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	September 30, 2022				Note
				Number of shares	Book value	Percent of shareholdings	Fair value	
The Company	Shares of Gloria Material Technology Corp.	-	Current financial assets at fair value through profit or loss - Domestic stock	125	3,694	-	3,694	-
The Company	Shares of GSI TECHNOLOGY INC.	-	Non-current financial assets at fair value through profit or loss	47	4,253	0.20%	4,253	-
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	14	5,908	-	5,908	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	SPDR S&P500 ETF	-	Current financial assets at fair value through profit or loss - Beneficiary certificate	1	6,237	-	6,237	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	INVESCO QQQ ETF	-	"	1	3,394	-	3,394	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	FIDELITY FNDS-JAPAN	-	"	16	8,483	-	8,483	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	ALLANZ-EURO EQ GRS_ATH2USD	-	"	23	9,697	-	9,697	-
Holy Stone Holdings Co., Ltd.	Greenvity 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	1,295	-	1,295	-
Holy Stone Holdings Co., Ltd.	FIDELITY FNDS-JAPAN	-	"	11	5,655	-	5,655	-
Holy Stone Holdings Co., Ltd.	ALLANZ-EURO EQ GRS_ATH2USD	-	"	15	6,464	-	6,464	-
Holy Stone Holdings Co., Ltd.	SPDR S&P500 ETF	-	"	1	4,536	-	4,536	-
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.	-	"	1,570	28,353	3.26%	28,353	-
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	33,760	-	33,760	-
UHOLY Investment Co., Ltd.	Shares of Nan Ya PCB Corporation	-	"	20	3,780	-	3,780	-
UHOLY Investment Co., Ltd.	Shares of Sun Race Sturme-Archer Inc.	-	"	10	502	-	502	-
Jung Chan Investments Co., Ltd.	Shares of JYA-NAY CO., LTD.	-	Non-current financial assets at fair value through other comprehensive income	2,976	20,296	12.40%	20,296	-
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	1,862	0.54%	1,862	-

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	September 30, 2022				Note
				Number of shares	Book value	Percent of shareholdings	Fair value	
Jung Chan Investments Co., Ltd.	Shares of WOM ASIA CO., LTD.	-	Non-current financial assets at fair value through profit or loss	1,145	2,697	4.03%	2,697	-
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	33,760	-	33,760	-
Jung Chan Investments Co., Ltd.	Shares of TONG HSING ELECTRONIC INDUSTRIES, LTD.	-	"	30	4,980	-	4,980	-
Jung Chan Investments Co., Ltd.	Shares of Nan Ya PCB Corporation	-	"	15	2,835	-	2,835	-
Jung Chan Investments Co., Ltd.	Shares of King Yuan ELECTRONICS CO., LTD.	-	"	30	924	-	924	-
Jung Chan Investments Co., Ltd.	Shares of AAEMON Technology Inc.	-	"	6	445	-	445	-
Jung Chan Investments Co., Ltd.	Shares of Gloria Material Technology Corp.	-	"	120	3,546	-	3,546	-
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	1,862	0.54%	1,862	-
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	10	4,220	-	4,220	-
OHGA Smarthings Co., Ltd	Shares of Sun Race SturmeY-Archer Inc.	-	"	40	2,008	-	2,008	-

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	(1,130,754)	(11.71)%	150 days from the following month	-	-	350,293	12.40%	Note
Holy Stone International Trading (ShanHai) Co., Ltd	The Company	The Company is the ultimate parent company	Purchase	1,130,754	84.67%	150 days from the following month	-	-	(350,293)	(80.64)%	Note
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd.	Subsidiary of the Company	Sales	(729,618)	(7.55)%	120 days from the following month	-	-	264,960	9.38%	Note
Holy Stone Enterprise (Hong Kong) Co., Ltd.	The Company	The Company is the ultimate parent company	Purchase	729,618	59.83%	120 days from the following month	-	-	(264,960)	(82.09)%	Note
The Company	Infortech (CHINA) Co., Ltd.	Third-tier subsidiary of the Company	Sales	(440,834)	(4.56)%	120 days from the invoiced month	-	-	51,868	1.84%	Note
Infortech (CHINA) Co., Ltd.	The Company	The Company is the ultimate parent company	Purchase	440,834	98.49%	120 days from the invoiced month	-	-	(51,868)	(99.03)%	Note
EPM	The Company	The Company is the ultimate parent company	Sales	(477,285)	(100.00)%	30 days from the invoiced month	-	-	45,894	100.00%	Note
The Company	EPM	Third-tier subsidiary of the Company	Purchase	171,309	2.42%	30 days from the invoiced month	-	-	(45,894)	(4.16)%	Note

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

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)	
eGalax_eMPIA	The Company	Affiliated enterprises of the Company	Sales	(267,422)	(25.76)%	30 days from the invoiced month	-	-	37,270	25.50%	-
The Company	eGalax_eMPIA	Affiliated enterprises of the Company	Purchase	267,422	3.78%	30 days from the invoiced month	-	-	(37,270)	(3.38)%	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	The Company	The Company is the ultimate parent company	Sales	(446,600)	(35.94)%	150 days from the following month	-	-	192,666	36.42%	Note
The Company	Holy Stone Enterprise (Hong Kong) Co., Ltd.	Subsidiary of the Company	Purchase	446,600	6.32%	150 days from the following month	-	-	(192,666)	(17.46)%	Note

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

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	264,960 (Note)	4.29	-	-	71,577	-
The Company	Holy Stone International Trading (ShanHai) Co., Ltd	Third-tier subsidiary of the Company	350,293 (Note)	4.28	-	-	113,633	-
Holy Stone Enterprise (Hong Kong) Co., Ltd.	The Company	The Company is the ultimate parent company	192,666 (Note)	4.58	-	-	115,649	-

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	729,618	120 days from the following month	6.19%
0	The Company	HSHK	1	Accounts receivable	264,960	120 days from the following month	1.62%
0	The Company	HSITC	1	Sales	1,130,754	150 days from the following month	9.60%
0	The Company	HSITC	1	Accounts receivable	350,293	150 days from the following month	2.14%
0	The Company	He Chi	1	Sales	440,834	120 days from the invoiced month	3.74%
0	The Company	He Chi	1	Accounts receivable	51,868	120 days from the invoiced month	0.32%
1	EPM	The Company	2	Sales	477,285	Pay cash in the following month	4.05%
1	EPM	The Company	2	Accounts receivable	45,894	Pay cash in the following month	0.28%
2	HSHK	The Company	2	Sales	446,600	120 days from the following month	3.79%
2	HSHK	The Company	2	Accounts receivable	192,666	120 days from the following month	1.18%

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.

HOLY STONE ENTERPRISE CO., LTD. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(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
				September 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%	406,758	483	483	Subsidiary of the Company
The Company	Holy Stone Holdings Co., Ltd.	Samoa	General investment	1,795,317	1,795,317	21,000	100.00%	462,158	(137,788)	(133,095)	Subsidiary of the Company
The Company	UHOLY Investment Co., Ltd.	Taipei City	General investment	622,500	472,500	54,000	100.00%	647,851	(35,295)	(36,922)	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%	55,245	(2,520)	(2,520)	Subsidiary of the Company
The Company	Jung Chan Investments Co., Ltd.	Taipei City	General investment	340,000	340,000	42,100	100.00%	316,468	(47,263)	(47,291)	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%	28,447	(196)	(196)	Subsidiary of the Company
The Company	eGalax eMPIA Technology Inc.	Taipei City	Product Designing, Wholesale of Electronic Materials and Retail Sale of Electronic Materials	122,683	122,683	2,252	3.53%	126,277	283,008	9,424	The investee accounted for under the equity method
Holy Stone Holdings Co., Ltd.	Holy Stone Investments Co., Ltd.	Hong Kong	General investment	219,075	190,992	6,900	100.00%	497,716	7,126	7,126	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holypaq Corporation	British Cayman Islands	General investment	38,100	33,216	1,200	100.00%	850	-	-	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Green Glory Holdings Ltd.	Samoa	General investment	39,390	34,340	1,310	100.00%	52,530	2,861	2,861	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	443,738	386,856	2,500	100.00%	90,091	9,408	9,408	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	107,849	117,845	5	100.00%	123,129	(195)	(195)	Subsidiary of Holy Stone Holdings Co., Ltd.
Holy Stone Holdings Co., Ltd.	Holy Stone Holdings (Singapore) Pte. Ltd.	Singapore	Electronic retail business	3,175	2,768	100	100.00%	7,211	(501)	(501)	Subsidiary of Holy Stone Holdings Co., Ltd.
Green Glory Holdings Ltd.	Milestone Global Technology Ltd.	USA	Development and sales of electronic products	15,875	13,840	500	100.00%	31,701	(2,345)	(2,345)	Subsidiary of Green Glory Holdings
Green Glory Holdings Ltd.	Holystone (Europe) Ltd.	England	Electronic retail business	21,808	19,013	350	100.00%	20,603	5,235	5,235	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%	188,046	(122,292)	(41,936)	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	6,458	10.14%	329,433	283,008	28,697	The investee accounted for using the equity method by UHOLY Investment Co., Ltd.
Holy Stone Healthcare Co., Ltd.	MDT INT'L SA	Switzerland	Medical equipment development and marketing and biotechnology services	78,768	78,768	2,550	100.00%	101,861	14,002	14,002	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%	9,369	(7,829)	(7,829)	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	83,804	66,539	1,770	100.00%	4,200	(3,769)	(3,769)	Second-tier subsidiary of Holy Stone Healthcare Co., Ltd.
Global Search Holdings Ltd.	AIHOL Corporation	USA	Medicine research and development and patent filing	30,798	21,314	10,950	100.00%	4,619	(3,997)	(3,997)	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%	125,432	(20,318)	(14,438)	Subsidiary of Jung Chan Investments Co., Ltd.

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
				September 30, 2022	End of the previous period	Number of shares	Ratio	Book value			
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%	24,821	(122,292)	(4,139)	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%	99,103	4,179	4,179	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	187	0.29%	8,976	283,008	841	The investee accounted for using the equity method by Jung Chan Investments Co., Ltd.
OHGA Smartthings Co., Ltd	YUASA J-WAN CO., LTD.	New Taipei City	Retail and wholesale of batteries	1,000	1,000	100	31.50%	1,104	352	111	The investee accounted for using the equity method by OHGA Smartthings Co., Ltd

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

(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 (ShanHai) Co., Ltd	Sales of electronic parts and components	127,318	(2)	114,618	-	-	114,618	48,208	100.00%	48,208	351,978	-
TOP LI QI INTERNATIONAL (Shanghai) TRADE CO., LTD.	Development and sales of electronic parts and components	31,750	(2)	31,750	-	-	31,750 (Note 4)	-	100.00%	-	-	-
Infortech (CHINA) Co., Ltd.	Sales of electronic parts and components	66,675	(2)	66,675	-	-	66,675	(40,999)	100.00%	(40,999)	145,613	-

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
213,043	225,743	5,690,025

3. Significant transactions:

For the significant transactions between the Group and its investees in China from January 1 to September 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:

July to September, 2022				
	Electronic Segment	Others	Reconciliation and eliminations	Total
Income:				
Income from external customers	\$ 3,281,803	344,248	-	3,626,051
Reportable segment profit or loss	\$ 269,756	(70,104)	-	199,652

July to September, 2021				
	Electronic Segment	Others	Reconciliation and eliminations	Total
Income:				
Income from external customers	\$ 3,952,440	328,971	-	4,281,411
Reportable segment profit or loss	\$ 593,330	(47,588)	-	545,742

January to September, 2022				
	Electronic Segment	Others	Reconciliation and eliminations	Total
Income:				
Income from external customers	\$ 10,649,942	1,127,936	-	11,777,878
Reportable segment profit or loss	\$ 1,397,011	(158,903)	-	1,238,108

January to September, 2021				
	Electronic Segment	Others	Reconciliation and eliminations	Total
Income:				
Income from external customers	\$ 12,145,025	950,071	-	13,095,096
Reportable segment profit or loss	\$ 1,852,709	(81,785)	-	1,770,924