

FSP Technology Inc. and Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Review Report
For the Nine Months Ended September 30, 2022 and 2021

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Notice to Reader:

For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail

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Independent Auditors' Report

To the Board of Directors of FSP Technology Inc.:

Preface

We have reviewed the Consolidated Financial Statements of FSP Technology Inc. and its subsidiaries, which comprise the Consolidated Balance Sheets as of September 30, 2022 and 2021, and the Consolidated Statements of Comprehensive Income from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021, and the Consolidated Statements of Changes in Equity, the Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) from January 1 to September 30, 2022 and 2021. The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard (IAS) 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission (FSC) of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope

Except for matters described in the following paragraph titled "Basis for Qualified Conclusion," we conducted our reviews in accordance with the Statement of Auditing Standards 65 "Review of Financial Information Performed by the Independent Auditor of the Entity." The procedures performed to review the consolidated financial statements include inquiry (mainly the inquiry to the persons responsible for financial and accounting affairs), analysis procedure 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 stated in Note IV(II) to the consolidated financial statements, it has included part of its insignificant subsidiaries in the aforesaid consolidated financial statements based on the financial statements of these invested companies not reviewed by the independent auditors for the same period. As of September 30, 2022 and 2021, these subsidiaries had the total assets of NT\$2,372,184 thousand and NT\$2,154,836 thousand, respectively, representing 11.83% and 10.11% of the consolidated total assets, had the total liabilities of NT\$1,002,949 thousand and NT\$992,140 thousand, respectively, representing 14.36% and 13.46% of the consolidated total liabilities, and realized the comprehensive profit (loss) of NT\$88,734 thousand, NT\$36,498 thousand, NT\$200,858 thousand and NT\$77,658 thousand from July 1 to September 30, 2022 and 2021, and from January 1 to September 30, 2022 and 2021, respectively, representing 36.55%, 2.03%, 132.25% and 2.56% of the consolidated comprehensive profit (loss), respectively.

Besides the above-mentioned in the previous paragraph, as stated in Note VI(IX) of the consolidated financial statements, investments accounted for under the equity method of FSP Technology Inc. and subsidiaries amounted to NT\$33,474 thousand and NT\$27,849 thousand as of September 30, 2022 and 2021, respectively. The share of corporate profit recognized under the equity method were NT\$1,052 thousand, NT\$801 thousand, NT\$2,857 thousand and NT\$3,944 thousand from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021, respectively. Those amounts were recognized based on financial statements of the investees for the same period and have not been reviewed by the independent auditors.

Qualified Conclusion

Except for possible effects from financial statements of these investees mentioned in the paragraph titled “Basis for Qualified Conclusion” if they were reviewed by independent auditors, we did not discover matters which would lead us to believe that the aforementioned consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of FSP Technology Inc. and its subsidiaries as of September 30, 2022 and 2021, and their consolidated financial performance from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021, and their consolidated cash flows from January 1 to September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards 34, "Interim Financial Reporting," endorsed and issued into effect by the Financial Supervisory Commission.

The engagement partners on the audit resulting in this independent auditors' report are Chang, Chun-I and Chao, Min-Ju.

KPMG

Taipei, Taiwan (Republic of China)

November 3, 2022

Notice to Readers

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

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

**September 30, 2022 and 2021 Were Reviewed Only, Not Audited in Accordance with the
Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries**

Consolidated Balance Sheets

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

Unit: NT\$ thousands

Assets		2022.9.30		2021.12.31		2021.9.30		Liabilities and Equity		2022.9.30		2021.12.31		2021.9.30	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11xx	Current Assets:							21xx	Current Liabilities:						
1100	Cash and cash equivalents (Note VI(I))	\$ 3,280,125	17	2,794,253	13	2,249,295	11	2100	Short-term borrowings (Notes VI(XI) and (XIV), and VIII)	\$ 10,930	-	16,315	-	21,991	-
1110	Financial assets at fair value through profit or loss - current (Note VI(II))	336,371	2	516,074	3	591,748	3	2150	Notes payable	10,593	-	14,445	-	10,403	-
1136	Financial assets at amortized cost - current (Note VI(IV))	11,700	-	10,800	-	-	-	2170	Accounts payable	4,212,896	21	4,986,689	24	5,133,555	24
1150	Notes receivable, net (Note VI(V) and (XXII))	60,360	-	62,112	-	75,495	-	2180	Accounts payable - related parties (Note VII)	221,701	1	90,024	-	63,864	-
1170	Accounts receivable, net (Note VI(V) and (XXII))	3,610,805	18	3,864,730	19	3,991,812	19	2200	Other payables (Notes VI(XVIII) and (XXIII), and VII)	1,164,869	6	1,151,339	5	1,014,857	5
1180	Accounts receivable - related parties, net (Notes VI(V), (XXII), and VII)	1,058,335	5	801,748	4	894,812	5	2230	Current income tax liabilities	224,479	1	167,169	1	191,103	1
1200	Other receivables (Notes VI(III), (VI) and VII)	100,058	1	73,406	-	49,317	-	2250	Provisions for liabilities - current (Note VI(XVII))	132,267	1	146,223	1	150,474	1
1220	Current income tax assets	66,767	-	5,779	-	41,515	-	2280	Lease liabilities - current (Notes VI(XVI) and VII)	175,503	1	166,758	1	92,488	-
130x	Inventories (Note VI(VII))	2,962,177	15	3,590,546	17	3,380,562	16	2300	Other current liabilities (Notes VI(VIII), (XV) and (XXII))	156,298	1	92,137	1	123,414	1
1410	Prepayments (Note VI(XIII))	67,158	-	77,899	-	89,329	-	2320	Current portion of long-term debt (Notes VI(XI) and (XV), and VIII)	74,760	-	73,014	-	50,241	-
1460	Non-current assets held for sale (Note VI(VIII))	-	-	-	-	13,224	-		Total current liabilities	6,384,296	32	6,904,113	33	6,852,390	32
1470	Other current assets	14,925	-	34,848	-	23,541	-	25xx	Non-current Liabilities:						
	Total current assets	11,568,781	58	11,832,195	56	11,400,650	54	2540	Long-term borrowings (Notes VI(XI) and (XV), and VIII)	143,201	1	199,334	1	155,493	1
15xx	Non-current Assets:							2570	Deferred income tax liabilities	2,919	-	2,919	-	2,039	-
1517	Financial assets at fair value through other comprehensive income - non-current (Note VI(III) and (XX))	6,007,810	30	6,763,138	32	7,589,208	36	2580	Lease liabilities - non-current (Notes VI(XVI) and VII)	411,841	2	474,996	2	304,448	1
1536	Financial assets at amortized cost - non-current (Note VI(IV))	-	-	-	-	10,800	-	2640	Net defined benefit liabilities non-current	39,804	-	44,234	-	52,459	-
1550	Investments Recognized Through the Equity Method (Note VI(IX))	33,474	-	26,947	-	27,849	-	2645	Guarantee deposits received	518	-	500	-	495	-
1600	Property, plant and equipment (Notes VI(XI), (XIV), (XV), VIII and IX)	1,506,478	8	1,544,427	8	1,530,863	7	2670	Other non-current liabilities (Note VI(XV))	3,199	-	3,970	-	3,322	-
1755	Right-of-use assets (Notes VI(XII) and (XVI), and VII)	575,564	3	635,433	3	391,224	2		Total non-current liabilities	601,482	3	725,953	3	518,256	2
1780	Intangible assets (Note VI(XIII))	223,692	1	223,496	1	224,811	1		Total liabilities	6,985,778	35	7,630,066	36	7,370,646	34
1840	Deferred income tax assets	83,247	-	82,240	-	72,176	-	2xxx	Equity Attributable to Owners of the Parent (Note VI(III), (IX) and (XX))						
1900	Other non-current assets (Notes VI(XI), VIII and IX)	49,529	-	69,666	-	73,258	-	31xx	Capital Stock	1,872,620	9	1,872,620	9	1,872,620	9
	Total non-current assets	8,479,794	42	9,345,347	44	9,920,189	46	3100	Capital Surplus	1,011,016	5	1,011,016	5	1,011,016	5
								3200	Retained earnings:						
								3300	Legal reserve	1,175,322	6	1,033,544	5	1,033,544	5
								3310	Unappropriated earnings	3,400,141	17	3,209,195	15	2,725,595	13
								3350	Total retained earnings	4,575,463	23	4,242,739	20	3,759,139	18
								34xx	Other Equity:						
								3410	Exchange differences on translation of financial statements of foreign operations	(41,646)	-	(117,703)	(1)	(123,156)	(1)
								3420	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	5,258,747	26	6,200,289	29	7,106,118	33
									Total other equity	5,217,101	26	6,082,586	28	6,982,962	32
									Total equity attributable to shareholders of the parent	12,676,200	63	13,208,961	62	13,625,737	64
								36xx	Non-controlling Interests	386,597	2	338,515	2	324,456	2
								3xxx	Total equity	13,062,797	65	13,547,476	64	13,950,193	66
1xxx	Total assets	\$ 20,048,575	100	21,177,542	100	21,320,839	100	2-3xxx	Total liabilities and equity	\$ 20,048,575	100	21,177,542	100	21,320,839	100

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

July 1 to September 30, 2022 and 2021 and January 1 to September 30, 2022 and 2021

Unit: NT\$ thousands

	July to September, 2022		July to September, 2021		January to September, 2022		January to September, 2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (Notes VI(XXII) and VII)								
	\$ 4,047,899	100	4,374,467	100	11,531,107	100	12,524,159	100	
5000	Operating costs (Notes VI(VII), (XI), (XII), (XIII), (XVI), (XVII) and (XVIII), VII and XII)								
	3,400,234	84	3,693,332	84	9,770,340	85	10,710,542	85	
5920	Add: Realized (Unrealized) Profit on Sales:								
	314	-	(308)	-	(967)	-	(778)	-	
5900	Gross profit								
	647,979	16	680,827	16	1,759,800	15	1,812,839	15	
6000	Operating expenses (Notes VI(V), (VI), (XI), (XII), (XIII), (XVI), (XVIII) and (XXIII), VII and XII):								
6100	Selling and marketing expenses	161,341	4	160,358	4	483,110	4	433,437	3
6200	General and administrative expenses	211,647	5	183,865	4	524,108	5	472,929	4
6300	Research and development expenses	124,007	3	118,625	3	363,386	3	339,207	3
6450	Expected credit impairment losses (gains)	1,497	-	329	-	(4,530)	-	(970)	-
	Total operating expenses	498,492	12	463,177	11	1,366,074	12	1,244,603	10
6900	Net operating income								
	149,487	4	217,650	5	393,726	3	568,236	5	
7000	Non-operating income and expenses (Notes VI(II), (III), (IX), (X), (XV), (XVI), (XXIV), and VII):								
7100	Interest income	5,550	-	5,064	-	15,733	-	17,880	-
7010	Other income	143,066	3	137,357	3	186,513	2	178,522	1
7020	Other gains and losses	112,522	3	(3,202)	-	229,243	2	(9,302)	-
7050	Finance costs	(3,671)	-	(2,760)	-	(13,533)	-	(8,448)	-
7060	Share of profits (losses) of associates and joint ventures under equity method	1,052	-	801	-	2,857	-	3,944	-
	Total non-operating income and expenses	258,519	6	137,260	3	420,813	4	182,596	1
7900	Income before income tax from continuing operations								
	408,006	10	354,910	8	814,539	7	750,832	6	
7950	Less: Income tax expense (Note VI(XIX))								
	64,990	2	59,978	1	150,297	1	157,010	1	
8200	Net Income								
	343,016	8	294,932	7	664,242	6	593,822	5	
8300	Other comprehensive income:								
8310	Items that will not be reclassified to profit or loss (Note VI(XX))								
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(130,780)	(3)	1,507,793	34	(595,871)	(5)	2,474,399	19
8349	Less: Income tax related to components that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total items that will not be reclassified to profit or loss	(130,780)	(3)	1,507,793	34	(595,871)	(5)	2,474,399	19
8360	Items that may be reclassified subsequently to profit or loss (Note VI(IX) and (XX))								
8361	Exchange differences on translation of financial statements of foreign operations	28,192	1	(1,175)	-	78,868	1	(33,729)	-
8370	Share of other comprehensive income (losses) of associates and joint ventures under equity method	2,371	-	(5)	-	4,637	-	(636)	-
8399	Less: Income tax related to items that may be reclassified subsequently	-	-	-	-	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	30,563	1	(1,180)	-	83,505	1	(34,365)	-
8300	Other Comprehensive Income								
	(100,217)	(2)	1,506,613	34	(512,366)	(4)	2,440,034	19	
8500	Total Comprehensive Income								
	\$ 242,799	6	1,801,545	41	151,876	2	3,033,856	24	
	Net income (losses) attributable to:								
8610	Shareholders of the parent	\$ 319,500	8	280,801	7	605,017	5	561,786	5
8620	Non-controlling Interests	23,516	-	14,131	-	59,225	1	32,036	-
	\$ 343,016	8	294,932	7	664,242	6	593,822	5	
	Total comprehensive income (losses) attributable to:								
8710	Shareholders of the parent	\$ 215,201	5	1,787,372	41	85,203	1	3,002,707	24
8720	Non-controlling Interests	27,598	1	14,173	-	66,673	1	31,149	-
	\$ 242,799	6	1,801,545	41	151,876	2	3,033,856	24	
	Earnings per share (unit: NT\$) (Note VI(XXI))								
9750	Basic earnings per share	\$ 1.71		1.50		3.23		3.00	
9850	Diluted earnings per share	\$ 1.69		1.49		3.19		2.98	

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to September 30, 2022 and 2021

Unit: NT\$ thousands

	Equity Attributable to Owners of the Parent										
	Retained earnings					Other equity items			Total equity attributable to shareholders of the parent	Non-controlling Interests	Total Equity
	Capital stock - common shares	Capital Surplus	Legal reserve	Unappropriated earnings	Total	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total			
Balance as of January 1, 2021	\$ 1,872,620	1,011,016	940,416	2,446,328	3,386,744	(89,678)	5,004,114	4,914,436	11,184,816	307,844	11,492,660
Appropriation and distribution of earnings:											
Legal reserve	-	-	93,128	(93,128)	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(561,786)	(561,786)	-	-	-	(561,786)	-	(561,786)
Net Income	-	-	-	561,786	561,786	-	-	-	561,786	32,036	593,822
Other Comprehensive Income	-	-	-	-	-	(33,478)	2,474,399	2,440,921	2,440,921	(887)	2,440,034
Total Comprehensive Income	-	-	-	561,786	561,786	(33,478)	2,474,399	2,440,921	3,002,707	31,149	3,033,856
Distribution of cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(16,901)	(16,901)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	2,364	2,364
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	372,395	372,395	-	(372,395)	(372,395)	-	-	-
Balance as of September 30, 2021	\$ 1,872,620	1,011,016	1,033,544	2,725,59	3,759,139	(123,156)	7,106,118	6,982,962	13,625,737	324,456	13,950,193
Balance as of January 1, 2022	\$ 1,872,620	1,011,016	1,033,544	3,209,195	4,242,739	(117,703)	6,200,289	6,082,586	13,208,961	338,515	13,547,476
Appropriation and distribution of earnings:											
Legal reserve	-	-	141,778	(141,778)	-	-	-	-	-	-	-
Cash dividends of common stock	-	-	-	(617,964)	(617,964)	-	-	-	(617,964)	-	(617,964)
Net Income	-	-	-	605,017	605,017	-	-	-	605,017	59,225	664,242
Other Comprehensive Income	-	-	-	-	-	76,057	(595,871)	(519,814)	(519,814)	7,448	(512,366)
Total Comprehensive Income	-	-	-	605,017	605,017	76,057	(595,871)	(519,814)	85,203	66,673	151,876
Distribution of cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(18,591)	(18,591)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	345,671	345,671	-	(345,671)	(345,671)	-	-	-
Balance as of September 30, 2022	\$ 1,872,620	1,011,016	1,175,322	3,400,141	4,575,463	(41,646)	5,258,747	5,217,101	12,676,200	386,597	13,062,797

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the Generally Accepted Auditing Standards

FSP Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

January 1 to September 30, 2022 and 2021

Unit: NT\$ thousands

	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Cash flows from operating activities:		
Income before income tax	\$ 814,539	750,832
Adjustments for:		
Adjustments to reconcile profit or loss		
Depreciation expenses	274,623	247,222
Amortization expenses	6,319	2,827
Gain on expected credit loss	(4,530)	(970)
Interest expenses	13,533	8,448
Interest income	(15,733)	(17,880)
Dividend income	(126,383)	(122,513)
Share of profits (losses) of associates and joint ventures under equity method	(2,857)	(3,944)
Loss on disposal of property, plant, and equipment	701	632
Unrealized sales gains (losses)	967	778
Gains on lease modifications	(20)	(87)
Rent concessions reclassified to revenue	(3,866)	-
Gains on bargain purchase	-	(2,523)
Total adjustments for profit or loss	<u>142,754</u>	<u>111,990</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets at fair value through profit or loss	179,703	(26,016)
Notes receivable	1,752	10,452
Accounts receivable	258,455	(376,767)
Accounts receivable - related parties	(256,587)	(278,059)
Other receivables	(15,209)	20,362
Inventories	628,369	(708,703)
Prepayments	10,187	(12,219)
Other current assets	19,923	749
Other Non-Current Assets	(1,293)	1,849
Total changes in operating assets	<u>825,300</u>	<u>(1,368,352)</u>
Changes in operating liabilities:		
Notes payable	(3,852)	(4,598)
Accounts payable	(773,793)	281,892
Accounts payable - related parties	131,677	(16,140)
Other payables	10,056	44,744
Provisions for liabilities	(13,956)	(6,716)
Other current liabilities	63,390	48,125
Net defined benefit liabilities	(4,430)	(4,759)
Other non-current liabilities	-	2,254
Total changes in operating liabilities	<u>(590,908)</u>	<u>344,802</u>
Total changes in operating assets and liabilities	<u>234,392</u>	<u>(1,023,550)</u>
Total adjustments	<u>377,146</u>	<u>(911,560)</u>
Cash provided by operations	1,191,685	(160,728)
Interest received	15,416	18,081
Interest paid	(13,519)	(8,451)
Income tax paid	(154,982)	(106,143)
Net cash provided by operating activities	<u>1,038,600</u>	<u>(257,241)</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(187,323)	(215,453)
Disposal of financial assets at fair value through other comprehensive income	335,654	373,820
Acquisition of financial assets at amortized cost	-	(10,959)
Acquisition of subsidiaries (deducting cash obtained)	-	3,832
Acquisition of property, plant, and equipment	(85,434)	(157,306)
Disposal of property, plant and equipment	453	303
Acquisition of intangible assets	(5,955)	(6,600)
Decrease (increase) in refundable deposits	(1,405)	964
Increase in prepayments for equipment	(273)	(5,915)
Dividends received	126,383	122,485
Reduction in restricted deposits	18,679	-
Net cash flows from investing activities	<u>200,779</u>	<u>105,171</u>
Cash flows from financing activities:		
Decrease in short-term loans	(5,385)	(10,171)
Proceeds from long-term loans	-	103,746
Repayments of long-term loans	(54,387)	(21,255)
Repayment of the principal of lease liabilities	(123,079)	(117,662)
Cash dividends paid	(617,964)	(561,786)
Cash dividends paid to non-controlling interests	(18,591)	(16,901)
Net cash flows used in financing activities	<u>(819,406)</u>	<u>(624,029)</u>
Effects of exchange rate changes on the balance of cash held in foreign currencies	65,899	(25,723)
Net increase (decrease) in cash and cash equivalents	485,872	(801,822)
Cash and cash equivalents at the beginning of the year	2,794,253	3,051,117
Cash and cash equivalents at the end of the year	<u>\$ 3,280,125</u>	<u>2,249,295</u>

(Please see accompanying notes to the Consolidated Financial Statements)

Chairman: Cheng, Ya-Jen

Managerial Officer: Cheng, Ya-Jen

Chief Accounting Officer: Sang, Hsi-Yun

Reviewed Only, Not Audited in Accordance with the
Generally Accepted Auditing Standards
FSP Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Nine Months Ended September 30, 2022 and 2021
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

FSP Technology Inc. (the “Company”) was incorporated on April 15, 1993, and registered under the Ministry of Economic Affairs, R.O.C. The Company is listed on the Taiwan Stock Exchange since October 16, 2002. The Company and its subsidiaries (the “Group”) are primarily engaged in the manufacturing, processing and trading of power supplies and various electronic components.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 3, 2022.

III. Application of New and Amended Standards and Interpretations

(I) Impact of adoption of new or amended standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)

The Group has initially adopted the following new amendments to IFRS since January 1, 2022, and there was no significant impact on its Consolidated Financial Statements.

- Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(II) The impact of IFRS endorsed by the FSC but not yet adopted by the Group

The Group assesses that the adoption of the following new amendments effective from January 1, 2023 will not have a significant impact on the 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”

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

(III) IFRSs issued by the International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the IASB, but not yet endorsed by the FSC:

New or Amended Standards	Content of Amendment	Effective Date per International Accounting Standards Board
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	When the investor sells or contributes its subsidiary to an associate or a joint venture and the asset sold or contributed constitutes a business, full gain or loss should be recognized on the loss of control of a business. If the asset sold or contributed does not constitute a business, unrealized gains and losses should be calculated according to the shareholding percentage and partial gain or loss should be recognized.	To be determined by International Accounting Standards Board
Amendments to IAS 1 “Classification of liabilities as current or non-current”	The amendments are intended to improve consistency in the application of the standard to assist companies in determining whether debts or other liabilities with uncertain maturity dates should be classified as current (or to be due within one year) or non-current on the balance sheets. The amendments also clarify the classification requirements for debts that companies may settle by conversion into equity.	January 1, 2023

The Group is evaluating the impact of the initial adoption of the above-mentioned standards or interpretations on its financial position and operating performance. The results will be disclosed when the Group completes the evaluation.

The Group expects that the following new and amended standards, which have not been endorsed by the FSC, will not have a significant impact on the Consolidated Financial Statements.

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”
- Amendment to IFRS 16 “Requirements on Sales and Leaseback Transactions”

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

IV. Summary of Significant Accounting Policies

Except for the following descriptions, the consolidated financial statements adopt the same significant accounting policies as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note IV of the consolidated financial statements for the year ended December 31, 2021 for details.

(I) Compliance declaration

This consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereafter referred to as the “Preparation Regulations”) and IFRS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. The consolidated financial statements do not include all the necessary information that shall be disclosed in annual consolidated financial statements prepared in accordance with IFRS, IAS, IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC (hereafter referred to as the IFRSs endorsed by the FSC”).

(II) Basis of consolidation

The consolidated financial statements adopt the preparation principles as the ones used in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note IV(III) of the consolidated financial statements for the year ended December 31, 2021 for details.

1. Subsidiaries included in the Consolidated Financial Statements

Subsidiaries included in the Consolidated Financial Statements are as follows:

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2022.9.30	2021.12.31	2021.9.30	
The Company	FSP International Inc. (BVI)	Investment holdings	100.00%	100.00%	100.00%	
"	FSP Group Inc.	Engaged in safety certification	100.00%	100.00%	100.00%	Note 3
"	Amacrox Technology Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	3Y Power Technology (TAIWAN) Inc. (“3Y Power”)	Trading and manufacturing of power supplies and related electronic products	65.87%	65.87%	65.87%	Note 3
"	Harmony Trading (HK) Ltd.	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
"	FSP Technology USA Inc.	Business development and product technical	100.00%	100.00%	100.00%	Note 3

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2022.9.30	2021.12.31	2021.9.30	
"	FSP Turkey Dis Tic.Ltd.Sti. ("FSP Turkey")	service Business development and product technical	91.41%	91.41%	91.41%	Notes 2 and 3
FSP International Inc. (BVI)	Shenzhen Huili Electronic Co., Ltd. ("Huili")	service Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
"	FSP Technology Inc. (BVI)	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	Proteck Electronics (Samoa) Corp.	Investment holdings	100.00%	100.00%	100.00%	Note 3
"	Power Electronics Co., Ltd. (BVI)	Investment holdings	100.00%	100.00%	100.00%	
"	Famous Holding Ltd.	Investment holdings	100.00%	100.00%	100.00%	
"	FSP International (HK) Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 3
FSP Technology Inc. (BVI)	FSP-C R&D Center ("FSP Jiangsu")	Research & development and design of various energy saving technology	100.00%	100.00%	100.00%	Note 3
Protek Electronics (Samoa) Corp.	Protek Electronics (China) Corp. ("Protek Dongguan")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
Power Electronics Co., Ltd. (BVI)	Zhonghan Electronics (Shenzhen) Co., Ltd. ("Zhonghan")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
Famous Holding Ltd.	WUXI SPI Technology Co., Ltd. ("WUXI SPI")	Manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
"	WUXI Zhonghan Technology Co., Ltd. ("WUXI Zhonghan")	Trading and manufacturing of power supplies and related electronic products	100.00%	100.00%	100.00%	
FSP International (HK) Ltd.	Hao Han Electronic Technology (Jian) Co., Ltd. ("Hao Han")	Trading and manufacturing of electronic components	100.00%	100.00%	100.00%	Note 3
WUXI	Shenzhen Zhonghan	Trading and	100.00%	100.00%	100.00%	

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

Name of Investor	Name of Subsidiary	Main Business Activities	Percentage of Ownership			Description
			2022.9.30	2021.12.31	2021.9.30	
Zhonghan	Technology Co., Ltd. (“Zhonghan Tech.”)	manufacturing of power supplies and related electronic products				
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
“	Proteck Power North America, Inc.	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
3Y Power	3Y Power Technology Inc. (“3Y Power USA”)	Trading of power supplies and related electronic products	100.00%	100.00%	100.00%	Note 3
“	Luckyield Co., Ltd.	Investment holdings	100.00%	100.00%	100.00%	Note 3
Luckyield Co., Ltd.	WUXI 3Y Technology Co., Ltd. (“WUXI 3Y”)	Design, manufacturing and trading of power supplies	100.00%	100.00%	100.00%	Notes 1 and 3

Note 1: The Company invested in WUXI 3Y through Luckyield Co., Ltd., and the comprehensive shareholding percentage as of September 30, 2022, December 31, 2021 and September 30, 2021 were all 65.87%.

Note 2: The Company acquired a 91.41% stake in FSP Turkey for NT\$22,640 thousand (US\$800 thousand) on May 31, 2021 and it became a subsidiary of the Company since then.

Note 3: It was a non-significant subsidiary, and its financial statements were not reviewed by the independent auditors.

2. Subsidiaries which are not included in the Consolidated Financial Statements: None.

(III) Employee benefits

The pension cost under defined benefit plan for the interim period is calculated based on actuarial pension cost rate of the preceding ending date of the fiscal year from the start to the end of the year, and adjusted for material market fluctuations, material project modifications, settlements or other material one-time matters for the period.

(IV) Income Tax

The Group measured and disclosed the income tax expenses of the interim period pursuant to Paragraph B12, IAS 34 “Interim Financial Reporting.”

Income tax expenses were accrued by applying management's best estimate of tax rate applicable based on expected total annual earnings to the pre-tax income of the interim period and fully recognized as income tax expense of the current period.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

Income tax expenses recognized directly in equity or other comprehensive income were measured using the applicable tax rates at the time of expected realization or settlement of the temporary differences between the carrying amount of related assets and liabilities for financial reporting purposes and their tax bases.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When preparing the consolidated financial statements according to Preparation Regulations and IAS 34 "Interim Financial Reporting" endorsed by the FSC, the management has to make judgments, estimates and assumptions, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes and expenses. Actual results may differ from the estimates.

When preparing the consolidated financial statements, significant accounting judgments, estimates and key sources of uncertainty made by the management for the adoption of the Group's accounting policies are consistent with Note V of the consolidated financial statements for the year ended December 31, 2021.

VI. Details of Significant Accounts

Except for the following descriptions, the details of significant accounts in the consolidated financial statements are not materially different from the consolidated financial statements for the year ended December 31, 2021. Please refer to Note VI of the consolidated financial statements for the year ended December 31, 2021 for relevant information.

(I) Cash and cash equivalents

	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Cash on hand	\$ 9,408	10,346	8,489
Cash equivalents			
Money market funds	-	21,651	-
Deposits in saving accounts and checking accounts	1,773,745	1,772,124	1,243,125
Time deposits	<u>1,496,972</u>	<u>990,132</u>	<u>997,681</u>
	<u>\$ 3,280,125</u>	<u>2,794,253</u>	<u>2,249,295</u>

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

	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Financial assets mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Beneficiary certificates	\$ 202,439	232,758	230,136
Private equity funds	18,000	12,000	6,000
Foreign unlisted stocks	71,632	71,632	71,632
Structured deposits	<u>44,300</u>	<u>199,684</u>	<u>283,980</u>
Total	<u>\$ 336,371</u>	<u>516,074</u>	<u>591,748</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group held structured deposits and expected yields ranged from 1.35% to 3.25%, 1.40% to 3.30%, and 1.40% to 3.45% with maturity from October 2022 to November 2022, January 2022 to March 2022, and October 2021 to December 2021, respectively.

Please refer to Note VI(XXIV) for the amounts recognized in profit or loss arising from remeasurement at fair value.

Please refer to Note VI(XXV) for the information of market risk.

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

	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Equity instruments at fair value through other comprehensive income			
Domestic listed stock - Voltronic Power Technology Corp.	\$ 5,317,675	6,213,715	7,179,985
Domestic listed stock - JESS-LINK Products Co., Ltd.	377,000	351,144	273,600
Domestic listed stock - WT Microelectronics Co., Ltd.	48,100	48,950	48,050
Domestic listed stock - Taiwan Cement Corp.	1,859	2,400	2,550
Domestic listed stock - Taiwan Semiconductor Manufacturing Co., Ltd.	4,220	6,150	5,800
Domestic over-the-counter (OTC) stock - Coretronic Corporation	55,400	-	-
Foreign listed stocks	14,270	18,118	19,062
Foreign unlisted stocks	26,494	26,494	26,494
Domestic unlisted stocks	162,792	96,167	33,667
Total	<u>\$ 6,007,810</u>	<u>6,763,138</u>	<u>7,589,208</u>

1. Investments in equity instruments 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, so these investments have been designated to be measured at fair value through other comprehensive income.

The Group recognized dividend income of NT\$126,383 thousand and NT\$122,513 thousand for the aforementioned investments in equity instruments designated at fair value through other comprehensive income from January 1 to September 30, 2022 and 2021, respectively.

In order to meet the needs of funding plan, the Group divested the shares of Voltronic Power Technology Corp. designated at fair value through other comprehensive income

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

from January 1 to September 30, 2022 and 2021 and the fair value at the time of disposal was NT\$346,780 thousand and NT\$373,820 thousand with disposal gains of NT\$345,671 thousand and NT\$372,395 thousand, respectively. As of September 30, 2022, the proceeds from disposal amounted to NT\$11,126 thousand was not yet paid and recognized under other receivables.

2. Please refer to Note VI(XXV) for the information of market risk.

(IV) Financial assets at amortized cost

	2022.9.30	2021.12.31	2021.9.30
Corporate bond - Novaland Group (NVL)	\$ 11,700	10,800	10,800
Less: Loss allowances	-	-	-
Total	\$ 11,700	10,800	10,800

The Group assesses that the asset is held to maturity to receive contractual cash flows. The asset is classified as financial assets at amortized cost because the cash flows from the financial asset are solely the payment of principal and interest on the outstanding principal amount.

1. In June 2021, the Group purchased the corporate bond of Novaland Group (NVL) due in 18 months at a face value of NT\$10,959 thousand with a coupon rate of 10.00%.
2. Please refer to Note VI(XXV) for the information of credit risk.

(V) Notes receivable and accounts receivable

	2022.9.30	2021.12.31	2021.9.30
Notes receivable	\$ 60,360	62,112	75,495
Accounts receivable	3,637,212	3,904,501	4,032,811
Accounts receivable - related parties	1,058,335	801,748	894,812
Less: Loss allowances	(26,407)	(39,771)	(40,999)
Total	\$ 4,729,500	4,728,590	4,962,119

Group's notes receivable and accounts receivable were not discounted or provided as collaterals.

The Group applies the simplified approach to estimate expected credit loss for all notes receivable and accounts receivable, i.e. the use of lifetime expected credit loss for all receivables. For the measurement purpose, notes receivable and accounts receivable are grouped according to common credit risk characteristics that represent the customer's ability to pay all amounts due under the terms of the contract. Forward-looking information, including macro economy and related industry information, is taken into consideration as well.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

Analysis of expected credit loss on notes receivable and accounts receivable of the Group's operating entity in Taiwan was as follows:

	2022.9.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,658,162	0~0.45	14,333
Past due within 30 days	65,033	7.98	5,192
Past due 31-60 days	982	25.21	247
Past due 61-90 days	3,425	48.61	1,665
Past due 91-120 days	1,161	56.18	652
	\$ 3,728,763		22,089

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$19,644 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$3,929 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,511,925	0~0.35	10,532
Past due within 30 days	109,271	14.41	15,748
Past due 31-60 days	2,464	40.57	1,000
Past due 61-90 days	2,717	72.80	1,978
Past due 91-120 days	78	82.48	64
Past due over 121 days	2,412	100.00	2,412
	\$ 3,628,867		31,734

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$5,361 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$1,072 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2021.9.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 3,704,319	0~0.24	7,943
Past due within 30 days	88,193	17.23	15,195
Past due 31-60 days	342	32.09	110
Past due 61-90 days	1	61.87	1
Past due 91-120 days	-	71.51	-
Past due over 121 days	<u>5,329</u>	100.00	<u>5,329</u>
	<u>\$ 3,798,184</u>		<u>28,578</u>

The carrying amount of the above notes and accounts receivable did not include the account receivable due from a specific customer, amounting to NT\$25,301 thousand. Due to poor recovery of the account receivable due from this customer, the Group has specifically recorded an allowance for loss of NT\$5,060 thousand for this uncollected payment, net of insurance claims, and therefore the amount was excluded from the above calculation of allowance for expected credit loss.

The analysis of the expected credit loss on notes receivable and accounts receivable for the Group's operating entities in Mainland China is provided below:

	2022.9.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 733,824	0.05	378
Past due within 30 days	11,127	0.05	6
Past due 31-60 days	4,048	0.05	2
Past due 61-90 days	<u>5,172</u>	0.05	<u>3</u>
	<u>\$ 754,171</u>		<u>389</u>

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 939,699	0.04	366
Past due within 30 days	21,821	0.04	8
Past due 31-60 days	5,407	0.04	2
Past due 61-90 days	2,497	0.04	1
Past due over 121 days	<u>13</u>	0.04	<u>-</u>
	<u>\$ 969,437</u>		<u>377</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2021.9.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 987,417	0.04	362
Past due within 30 days	31,491	0.04	11
Past due 61-90 days	1,564	0.04	1
	\$ 1,020,472		374

The analysis of the expected credit loss on notes receivable and accounts receivable for other operating entities of the Group is provided below:

	2022.9.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 237,424	-	-
Past due within 30 days	12,527	-	-
Past due 31-60 days	3,378	-	-
	\$ 253,329		-

	2021.12.31		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 139,257	-	-
Past due within 30 days	17,666	-	-
Past due 31-60 days	1,185	-	-
	\$ 158,108		-

The carrying amount of the above notes and accounts receivable did not include part of account receivable due from a specific customer, amounting to NT\$6,588 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2021.9.30		
	Carrying amount of notes receivable and accounts receivable	Weighted- average expected credit loss rate (%)	Allowance for expected credit loss
Not Past Due	\$ 134,320	-	-
Past due within 30 days	16,173	-	-
Past due 31-60 days	1,361	-	-
Past due 61-90 days	316	-	-
Past due 91-120 days	3	-	-
Past due over 121 days	1	-	-
	\$ 152,174		-

The carrying amount of the above notes and accounts receivable did not include part of account receivable due from a specific customer, amounting to NT\$6,987 thousand. As the accounts receivable due from these customers were unlikely to recover, the Group has recognized allowance for full losses, and therefore they were excluded from the above calculation of allowance for expected credit loss.

Changes in the allowance for notes receivable and accounts receivable were as follows:

	January to September, 2022	January to September, 2021
Beginning balance	\$ 39,771	42,029
Acquired through business combination	-	1,073
Impairment losses recognized (reversed)	(4,530)	3,828
Write-off	(9,623)	(5,781)
Effect of exchange rate changes	789	(150)
Ending balance	\$ 26,407	40,999

(VI) Other receivables

	2022.9.30	2021.12.31	2021.9.30
Other receivables	\$ 100,586	73,866	49,780
Less: Loss allowances	(528)	(460)	(463)
	\$ 100,058	73,406	49,317

Changes in loss allowance for other receivables:

	January to September, 2022	January to September, 2021
Beginning balance	\$ 460	5,348
Reversal of impairment loss	-	(4,798)
Effect of exchange rate changes	68	(87)
Ending balance	\$ 528	463

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

(VII) Inventories

	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Finished goods	\$ 1,612,315	1,844,900	1,532,560
Work in process	547,554	712,743	723,417
Raw materials	<u>802,308</u>	<u>1,032,903</u>	<u>1,124,585</u>
	<u>\$ 2,962,177</u>	<u>3,590,546</u>	<u>3,380,562</u>

Breakdown of cost of goods sold:

	<u>July to September, 2022</u>	<u>July to September, 2021</u>	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Inventories sold	\$ 3,359,432	3,655,802	9,623,514	10,622,232
Loss on inventory write-down	32,754	12,931	84,942	32,645
Loss on inventory	-	-	1	114
Unallocated manufacturing expense	7,882	24,085	55,586	54,859
Loss on inventory obsolescence	<u>166</u>	<u>514</u>	<u>6,297</u>	<u>692</u>
	<u>\$ 3,400,234</u>	<u>3,693,332</u>	<u>9,770,340</u>	<u>10,710,542</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group did not pledge any inventories as collateral.

(VIII) Non-current assets held for sale

To cooperate with the Jian National High-tech Industrial Development Zone Management Committee of Jian County in Jiangxi Province for its Land Acquisition and Reserve plan, the Group's Board of Directors resolved on August 7, 2021 to sell the right-of-use assets - land, buildings and construction of its subsidiary, Hao Han. In August 2021, the Group signed a sales contract with Asap Electronics (Jiangxi) Co., Ltd., and the disposal amount of above-mentioned right-of-use, buildings and construction was NT\$87,067 thousand. In accordance with the contract, the first installment of NT\$34,827 thousand was received in August 2021, which was recorded under other current liabilities as of September 30, 2021. The transfer registration was completed in December 2021 and disposal gain of NT\$72,399 thousand was recognized. The final payment of NT\$52,240 thousand was also received in December 2021.

(IX) Investments Accounted for Using the Equity Method

A summary of the Group's investments accounted for using the equity method at the reporting date is provided below:

	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Associate	<u>\$ 33,474</u>	<u>26,947</u>	<u>27,849</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

1. Associate

Aggregated financial information on associates that were accounted for using the equity method and were not individually material to the Group is summarized below. These financial information was included in the amount of the Consolidated Financial Statements.

	2022.9.30	2021.12.31	2021.9.30
The carrying amount of investments in associates that were not individually material to the Group at the end of the period	<u>\$ 33,474</u>	<u>26,947</u>	<u>27,849</u>

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Attributable to the Group:				
Income from Continuing Operations	\$ 1,052	801	2,857	3,944
Other comprehensive income	<u>2,371</u>	<u>(5)</u>	<u>4,637</u>	<u>(636)</u>
Total comprehensive income	<u>\$ 3,423</u>	<u>796</u>	<u>7,494</u>	<u>3,308</u>

2. Collateral

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group did not pledge any investments accounted for under the equity method as collateral.

3. Unreviewed Investments Recognized Through the Equity Method

The shares of profit or loss and other comprehensive income entitled by Group and investments recognized through the equity method are calculated on the basis of the financial statements which has not been reviewed by the independent auditors.

(X) Acquisition of subsidiaries and non-controlling interests

In order to expand the business in Turkey, the Group acquired 91.41% of the shares of FSP Turkey for NT\$22,640 thousand (US\$800 thousand) on May 31, 2021, and gained control over the company.

For the four-month period from the acquisition date to September 30, 2021, the revenue and net profit contributed by FSP Turkey amounted to NT\$24,587 thousand and NT\$215 thousand, respectively. If the acquisition had occurred on January 1, 2021, management estimates that the Group's revenue from January 1 to September 30, 2021 would have reached NT\$12,568,219 thousand with a net income of NT\$595,068 thousand. When estimating these amounts, management has assumed that the fair value adjustments on the date of acquisition had been the same and the acquisition had occurred on January 1, 2021.

The fair values of the major categories of consideration transferred at the date of acquisition were as follows:

Cash	<u>\$ 22,640</u>
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Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

As of May 31, 2021, the fair value of identifiable assets and liabilities was as follows:

Cash and cash equivalents	\$	26,472
Net notes receivable		494
Net accounts receivable		11,899
Inventories		16,528
Prepayments		6,172
Other current assets		309
Property, Plant, and Equipment		736
Other Non-Current Assets		2
Accounts payable		(8,796)
Other payables		(19,665)
Other current liabilities		(6,624)
	\$	<u>27,527</u>

Gains on bargain purchase arising from acquisition:

Transfer Price	\$	22,640
Add: Non-controlling interests (measured by non-controlling interest's proportionate share of identifiable net assets)		2,364
Less: The fair value of identifiable net assets		(27,527)
Gains on bargain purchase (recognized in other income)	\$	<u>(2,523)</u>

(XI) Property, Plant, and Equipment

The changes in costs, depreciation and impairment loss of property, plant and equipment from January 1 to September 30, 2022 and 2021 were as follows:

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in progress and equipment under installation	Total
Cost or deemed cost:									
Balance as of January 1, 2022	\$ 310,476	1,155,739	27,589	1,177,087	19,031	474,302	74,207	27,875	3,266,306
Addition	-	25,917	432	34,714	564	26,775	420	72	88,894
Disposal and obsolescence	-	(2,076)	-	(4,683)	(1,129)	(9,016)	-	-	(16,904)
Reclassification (Note 1)	-	19,107	-	5,155	-	613	-	(20,446)	4,429
Effect of exchange rate changes	-	7,924	732	26,421	606	3,074	2,058	-	40,815
Balance as of September 30, 2022	<u>\$ 310,476</u>	<u>1,206,611</u>	<u>28,753</u>	<u>1,238,694</u>	<u>19,072</u>	<u>495,748</u>	<u>76,685</u>	<u>7,501</u>	<u>3,383,540</u>
Balance as of January 1, 2021	\$ 310,476	1,098,471	27,416	1,110,067	16,812	435,223	66,062	78,707	3,143,234
Acquired through business combinations (Note VI (X))	-	-	-	222	-	533	-	-	755
Addition	-	53,805	-	57,239	2,370	38,344	2,487	4,730	158,975
Disposal and obsolescence	-	(2,105)	-	(6,216)	-	(1,826)	-	-	(10,147)
Reclassification (Note 1)	-	6,429	-	173	-	1,978	2,112	(74,988)	(64,296)
Effect of exchange rate changes	-	(5,521)	(390)	(14,088)	(253)	(1,682)	(1,086)	-	(23,020)
Balance as of September 30, 2021	<u>\$ 310,476</u>	<u>1,151,079</u>	<u>27,026</u>	<u>1,147,397</u>	<u>18,929</u>	<u>472,570</u>	<u>69,575</u>	<u>8,449</u>	<u>3,205,501</u>
Depreciation and impairment loss:									
Balance as of January 1, 2022	\$ -	469,062	7,387	824,346	13,085	378,664	29,335	-	1,721,879
Recognition in current period	-	36,104	1,600	69,098	847	27,879	6,920	-	142,448
Disposal and obsolescence	-	(1,326)	-	(4,418)	(1,128)	(8,878)	-	-	(15,750)
Effect of exchange rate changes	-	6,367	186	18,534	432	2,058	908	-	28,485
Balance as of September 30, 2022	<u>\$ -</u>	<u>510,207</u>	<u>9,173</u>	<u>907,560</u>	<u>13,236</u>	<u>399,723</u>	<u>37,163</u>	<u>-</u>	<u>1,877,062</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

	Land	Housing and Construction	Buildings and Building Improvements	Machinery	Transportation Equipment	Other Equipment	Leasehold Improvements	Construction in progress and equipment under installation	Total
Balance as of January 1, 2021	\$ -	479,797	5,371	751,234	13,354	348,326	21,343	-	1,619,425
Acquired through business combinations (Note VI (X))	-	-	-	-	-	19	-	-	19
Recognition in current period	-	34,792	1,528	62,775	675	27,070	6,039	-	132,879
Disposal and obsolescence	-	(1,619)	-	(5,845)	-	(1,748)	-	-	(9,212)
Reclassification (Note 1)	-	(53,038)	-	-	-	-	-	-	(53,038)
Effect of exchange rate changes	-	(4,226)	(75)	(9,421)	(198)	(1,066)	(449)	-	(15,435)
Balance as of September 30, 2021	\$ -	<u>455,706</u>	<u>6,824</u>	<u>798,743</u>	<u>13,831</u>	<u>372,601</u>	<u>26,933</u>	-	<u>1,674,638</u>
Carrying amounts:									
Balance as of January 1, 2022	\$ <u>310,476</u>	<u>686,677</u>	<u>20,202</u>	<u>352,741</u>	<u>5,946</u>	<u>95,638</u>	<u>44,872</u>	<u>27,875</u>	<u>1,544,427</u>
Balance as of September 30, 2022	\$ <u>310,476</u>	<u>696,404</u>	<u>19,580</u>	<u>331,134</u>	<u>5,836</u>	<u>96,025</u>	<u>39,522</u>	<u>7,501</u>	<u>1,506,478</u>
Balance as of September 30, 2021	\$ <u>310,476</u>	<u>695,373</u>	<u>20,202</u>	<u>348,654</u>	<u>5,098</u>	<u>99,969</u>	<u>42,642</u>	<u>8,449</u>	<u>1,530,863</u>

Note 1: From January 1 to September 30, 2022 and 2021, the amount transferred from equipment prepayment was NTS4,429 thousand and NTS1,966 thousand, respectively.

Note 2: From January 1 to September 30, 2021, the cost and depreciation transferred to non-current assets held for sale were NTS66,262 thousand and NTS53,038 thousand, respectively.

Please refer to Note VIII for the details of property, plant and equipment that have been pledged as collaterals for long-term and short-term borrowings and credit facilities as of September 30, 2022, December 31, 2021 and September 30, 2021.

(XII) Right-of-use assets

The changes in the costs and depreciation of land, buildings and construction, transportation equipment and office equipment leased by the Group were as follows:

	Land	Housing and Construction	Transportation Equipment	Total
Costs of right-of-use assets:				
Balance as of January 1, 2022	\$ 27,546	1,046,660	3,451	1,077,657
Addition	-	53,851	-	53,851
Reduction (contract expired and contract modification)	-	(88)	(1,971)	(2,059)
Effect of exchange rate changes	480	33,749	20	34,249
Balance as of September 30, 2022	\$ <u>28,026</u>	<u>1,134,172</u>	<u>1,500</u>	<u>1,163,698</u>
Balance as of January 1, 2021	\$ 29,112	783,629	3,404	816,145
Addition	-	-	716	716
Reduction (contract expired and early termination of contract)	-	(11,452)	(287)	(11,739)
Effect of exchange rate changes	(292)	(11,771)	(17)	(12,080)
Balance as of September 30, 2021	\$ <u>28,820</u>	<u>760,406</u>	<u>3,816</u>	<u>793,042</u>
Depreciation of right-of-use assets:				
Balance as of January 1, 2022	\$ 3,062	437,245	1,917	442,224
Depreciation in current period	769	130,797	609	132,175
Reduction (contract expired and contract modification)	-	-	(1,451)	(1,451)
Effect of exchange rate changes	46	15,131	9	15,186
Balance as of September 30, 2022	\$ <u>3,877</u>	<u>583,173</u>	<u>1,084</u>	<u>588,134</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

	<u>Land</u>	<u>Housing and Construction</u>	<u>Transportation Equipment</u>	<u>Total</u>
Balance as of January 1, 2021	\$ 2,154	299,010	1,561	302,725
Depreciation in current period	800	112,769	774	114,343
Reduction (contract expired and early termination of contract)	-	(8,495)	(287)	(8,782)
Effect of exchange rate changes	(20)	(6,441)	(7)	(6,468)
Balance as of September 30, 2021	<u>\$ 2,934</u>	<u>396,843</u>	<u>2,041</u>	<u>401,818</u>
Carrying amounts:				
Balance as of January 1, 2022	<u>\$ 24,484</u>	<u>609,415</u>	<u>1,534</u>	<u>635,433</u>
Balance as of September 30, 2022	<u>\$ 24,149</u>	<u>550,999</u>	<u>416</u>	<u>575,564</u>
Balance as of September 30, 2021	<u>\$ 25,886</u>	<u>363,563</u>	<u>1,775</u>	<u>391,224</u>

(XIII) Intangible assets

The changes in costs, amortization and impairment loss of intangible assets from January 1 to September 30, 2022 and 2021 were as follows:

	<u>Goodwill</u>	<u>Software cost</u>	<u>Patent</u>	<u>Total</u>
Costs:				
Balance as of January 1, 2022	\$ 218,672	15,603	15,863	250,138
Addition in current period	-	5,955	-	5,955
Reduction in current period	-	(5,496)	-	(5,496)
Reclassification (Note)	-	-	647	647
Effect of exchange rate changes	-	1	7	8
Balance as of September 30, 2022	<u>\$ 218,672</u>	<u>16,063</u>	<u>16,517</u>	<u>251,252</u>
Balance as of January 1, 2021	\$ 218,672	12,851	15,863	247,386
Addition in current period	-	6,600	-	6,600
Reduction in current period	-	(4,437)	-	(4,437)
Effect of exchange rate changes	-	(2)	-	(2)
Balance as of September 30, 2021	<u>\$ 218,672</u>	<u>15,012</u>	<u>15,863</u>	<u>249,547</u>
Amortization and impairment loss:				
Balance as of January 1, 2022	\$ -	10,779	15,863	26,642
Amortization for the period	-	6,267	52	6,319
Reduction in current period	-	(5,496)	-	(5,496)
Reclassification (Note)	-	-	93	93
Effect of exchange rate changes	-	1	1	2
Balance as of September 30, 2022	<u>\$ -</u>	<u>11,551</u>	<u>16,009</u>	<u>27,560</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	Goodwill	Software cost	Patent	Total
Balance as of January 1, 2021	\$ -	10,485	15,863	26,348
Amortization for the period	-	2,827	-	2,827
Reduction in current period	-	(4,437)	-	(4,437)
Effect of exchange rate changes	-	(2)	-	(2)
Balance as of September 30, 2021	<u>\$ -</u>	<u>8,873</u>	<u>15,863</u>	<u>24,736</u>
Carrying amounts:				
Balance as of January 1, 2022	<u>\$ 218,672</u>	<u>4,824</u>	-	<u>223,496</u>
Balance as of September 30, 2022	<u>\$ 218,672</u>	<u>4,512</u>	<u>508</u>	<u>223,692</u>
Balance as of September 30, 2021	<u>\$ 218,672</u>	<u>6,139</u>	-	<u>224,811</u>

Note: It was transferred from prepayments.

(XIV) Short-term loans

The details of the Group's short-term borrowings are provided below:

	2022.9.30	2021.12.31	2021.9.30
Credit loans	<u>\$ 10,930</u>	<u>16,315</u>	<u>21,991</u>
Unused facility	<u>\$ 707,594</u>	<u>803,882</u>	<u>826,328</u>
Interest rate range	<u>1.00~4.02</u>	<u>1.00~2.26</u>	<u>1.00~2.26</u>

Please refer to Note VIII for the details of the Group's assets pledged as collateral for bank borrowings.

(XV) Long-term loans

The details of the Group's long-term borrowings are provided below:

	2022.9.30	2021.12.31	2021.9.30
Secured bank borrowings	\$ 217,961	272,348	205,734
Less: Current portion of long-term debt	74,760	73,014	50,241
Total	<u>\$ 143,201</u>	<u>199,334</u>	<u>155,493</u>
Unused facility	<u>\$ 20,000</u>	<u>20,000</u>	<u>153,930</u>
Interest rate range	<u>1.58</u>	<u>1.41~1.58</u>	<u>1.41~1.58</u>

1. Collateral for bank borrowings
Please refer to Note VIII for the details of the Group's assets pledged as collateral for bank borrowings.
2. Government-subsidized loan with preferential interest rate
In August 2020, the Group obtained a NT\$371,000 thousand low-interest loan from Mega International Commercial Bank under the "Guidelines of Project Loans for

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

Returning Overseas Taiwanese Businesses". Drawdown period was until December 31, 2021 and multiple drawdowns were allowed. As of the expiry date of December 31 and September 30, 2021, the amount of actual utilization of the Group was NT\$296,650 thousand and NT\$217,070 thousand, respectively. Based on market interest rate of 1.58% to recognize and measure the loan, the difference between the actual repayment preferential interest rate of 0.65% and the market interest rate was NT\$6,585 thousand and NT\$5,248 thousand, respectively, which were treated as government subsidies and recognized as deferred income under other current liabilities and other non-current liabilities. Such deferred revenue was transferred to other income amounted to NT\$421 thousand, NT\$233 thousand, NT\$1,055 thousand and NT\$675 thousand, respectively, from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021.

(XVI) Lease liabilities

The carrying amount of lease liabilities were as follows:

	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Current	\$ 175,503	166,758	92,488
Non-current	411,841	474,996	304,448
Total	<u>\$ 587,344</u>	<u>641,754</u>	<u>396,936</u>

Please refer to Note VI(XXV) Financial Instrument for the maturity analysis.

The amounts recognized in profit or loss were as follows:

	<u>July to September, 2022</u>	<u>July to September, 2021</u>	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Interest expense on lease liabilities	<u>\$ 2,552</u>	<u>1,872</u>	<u>7,840</u>	<u>6,128</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 548</u>	<u>385</u>	<u>1,323</u>	<u>1,132</u>
Expenses of short-term leases	<u>\$ 3,334</u>	<u>2,822</u>	<u>8,754</u>	<u>7,971</u>
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	<u>\$ -</u>	<u>52</u>	<u>58</u>	<u>82</u>
Rent concession arising from the COVID-19 pandemic (recognized in other income)	<u>\$ 592</u>	<u>-</u>	<u>3,866</u>	<u>-</u>

Amount recognized in the Statements of Cash Flows was as follows:

	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Total cash outflow in operating activities	\$ 17,975	15,313
Total cash outflow in financing activities	123,079	117,662
Total cash flows on lease	<u>\$ 141,054</u>	<u>132,975</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

1. Lease of land, buildings and construction

The Group leases land, buildings and construction as factories, office premises, staff quarters and warehouses with lease terms ranging from 1 to 10 years. Some of these leases include the option to extend the lease term for the same period as the original contract at the end of the lease term.

The lease payments for some of the warehouses are based on the actual floor area used each month.

For these lease contracts, the variable lease payments paid by the Group from January 1 to September 30, 2022 were as follows:

	Variable payment	Estimated impact on lease payment for each 1% increase in the actual floor area used
Lease contracts with variable payment calculated based on the actual floor area used per month	\$ 1,323	13

2. Other leases

The Group leases machinery and transportation equipment with the lease terms ranging from three months to eight years.

The lease terms of some of Group's leases of buildings, construction, machinery and transportation equipment are within 1 year. These leases are considered as short-term leases or leases of low-value assets and the Group elected to apply exemption and did not recognize related right-of-use assets and lease liabilities.

(XVII) Provisions for liabilities

	January to September, 2022	January to September, 2021
Balance as of January 1	\$ 146,223	157,190
Addition of provision during the year	50,630	90,509
Amount utilized during the year	(64,586)	(97,225)
Balance as of September 30	\$ 132,267	150,474

The provision of the Group is mainly for sales-related maintenance obligation. The provision is estimated based on historical maintenance rates and maintenance cost per unit of specific products.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

(XVIII) Employee benefits

1. Defined benefit plans

Since no major market fluctuations, major reductions, liquidations or other major one-off events occurred after the previous annual reporting date, the Group has measured and disclosed the pension costs for the interim period by the pension costs determined by actuary on December 31, 2021 and 2020.

The details of costs and expenses presented by the Group are as follows:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Operating costs	\$ 91	72	261	207
Selling and marketing expenses	123	103	370	291
General and administrative expenses	330	268	930	752
Research and development expenses	418	334	1,184	940
	<u>\$ 962</u>	<u>777</u>	<u>2,745</u>	<u>2,190</u>

2. Defined contribution plans

The pension expenses of the Company and its domestic consolidated subsidiaries in accordance with the Measures for Determining Pension Appropriation are as follows:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Operating costs	\$ 535	519	1,623	1,563
Selling and marketing expenses	1,537	1,518	4,691	4,499
General and administrative expenses	2,317	2,106	6,670	6,401
Research and development expenses	3,898	3,640	11,531	11,051
	<u>\$ 8,287</u>	<u>7,783</u>	<u>24,515</u>	<u>23,514</u>

Per the above mentioned defined contribution plan, it contributes monthly an amount equal to 6% of each employee's monthly wages to the employee's individual pension fund account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group has no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

In accordance with local regulations, other consolidated subsidiaries recognized pension expenses of NT\$18,563 thousand, NT\$23,757 thousand, NT\$68,747 thousand and NT\$70,922 thousand, respectively, from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021.

From July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021, the Group contributed NT\$3,260 thousand, NT\$3,178 thousand, NT\$9,635 thousand and NT\$9,467 thousand, respectively, to a specific trust account for employee incentives, which were recognized as operating costs and operating expenses.

3. Other short-term employee benefits

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had accrued unused leave bonuses of NT\$48,490 thousand, NT\$44,230 thousand and NT\$46,295 thousand, respectively, which were recorded under other payables.

(XIX) Income Tax

The income tax expense of the Group from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021 were as below:

	<u>July to September, 2022</u>	<u>July to September, 2021</u>	<u>January to September, 2022</u>	<u>January to September, 2021</u>
Income tax expense for the period	<u>\$ 64,990</u>	<u>59,978</u>	<u>150,297</u>	<u>157,010</u>

The Company's profit-seeking enterprise income tax has been approved by the tax authority to the year of 2019.

(XX) Capital and other equity

Except for the following descriptions, there was no significant change in the capital and other equity of the Group from January 1 to September 30, 2022 and 2021. Please refer to Note VI(XX) of the consolidated financial statements for the year ended December 31, 2021 for details.

1. Earning distribution

On March 18, 2022 and March 18, 2021, the Board of Directors resolved on the amount of cash dividends of the distribution of earnings for the years ended December 31, 2021 and 2020, respectively, and the amount of dividends distributed to shareholders was as follows:

	<u>2021</u>	<u>2020</u>
Cash dividend distributed to the shareholders of common stock	<u>\$ 617,964</u>	<u>561,786</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

Information related to earning distribution for the years ended December 31, 2021 and 2020 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

2. Other equity items (net after tax)

	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2022	\$ (117,703)	6,200,289	6,082,586
Exchange differences on translation of financial statements of foreign operations	71,420	-	71,420
Share of other comprehensive income of associates and joint-ventures under the equity method	4,637	-	4,637
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	(595,871)	(595,871)
Disposal of equity instruments at fair value through other comprehensive income	-	(345,671)	(345,671)
Balance as of September 30, 2022	<u>\$ (41,646)</u>	<u>5,258,747</u>	<u>5,217,101</u>

	Exchange differences on translation of financial statements of foreign operations	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2021	\$ (89,678)	5,004,114	4,914,436
Exchange differences on translation of financial statements of foreign operations	(32,842)	-	(32,842)
Share of other comprehensive income of associates and joint-ventures under the equity method	(636)	-	(636)
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	-	2,474,399	2,474,399
Disposal of equity instruments at fair value through other comprehensive income	-	(372,395)	(372,395)
Balance as of September 30, 2021	<u>\$ (123,156)</u>	<u>7,106,118</u>	<u>6,982,962</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

3. Non-controlling interests (net after tax)

	January to September, 2022	January to September, 2021
Beginning balance	\$ 338,515	307,844
Net income for the year attributable to non-controlling interests	59,225	32,036
Exchange differences on translation of financial statements of foreign operations	7,448	(887)
Distribution of cash dividends to non-controlling interests	(18,591)	(16,901)
Increase in non-controlling interests	<u>-</u>	<u>2,364</u>
	<u>\$ 386,597</u>	<u>324,456</u>

(XXI) Earnings per Share

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Basic earnings per share:				
Net income attributable to the ordinary shareholders of the Company	<u>\$ 319,500</u>	<u>280,801</u>	<u>605,017</u>	<u>561,786</u>
Weight-average number of ordinary shares outstanding (Unit : Thousands of shares)	<u>187,262</u>	<u>187,262</u>	<u>187,262</u>	<u>187,262</u>
Basic earnings per share (Unit: In New Taiwan Dollars)	<u>\$ 1.71</u>	<u>1.50</u>	<u>3.23</u>	<u>3.00</u>
Diluted earnings per share:				
Net income attributable to the ordinary shareholders of the Company	<u>\$ 319,500</u>	<u>280,801</u>	<u>605,017</u>	<u>561,786</u>
Weight-average number of ordinary shares outstanding (Unit : Thousands of shares)	187,262	187,262	187,262	187,262
Employee compensation (Unit : Thousands of shares)	<u>1,718</u>	<u>1,152</u>	<u>2,132</u>	<u>1,438</u>
Weight-average number of ordinary shares outstanding (Unit : Thousands of shares)	<u>188,980</u>	<u>188,414</u>	<u>189,394</u>	<u>188,700</u>
Diluted earnings per share (Unit: In New Taiwan Dollars)	<u>\$ 1.69</u>	<u>1.49</u>	<u>3.19</u>	<u>2.98</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

(XXII) Revenue from contracts with customers

1. Breakdown of revenue

		July to September, 2022					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
Taiwan	\$	527,203	158,607	-	-	-	685,810
China		796,117	134,636	481,293	148,660	3,762	1,564,468
U.S.A.		343,459	10,276	-	-	225,858	579,593
Germany		527,579	48,751	-	-	-	576,330
Other countries		620,635	2,240	-	-	18,823	641,698
		\$ 2,814,993	354,510	481,293	148,660	248,443	4,047,899
Major product/service line:							
Sales of power supply		\$ 2,814,993	354,510	481,293	148,660	248,443	4,047,899
		July to September, 2021					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
Taiwan	\$	869,665	143,004	-	-	-	1,012,669
China		780,503	148,579	670,299	177,312	5,443	1,782,136
U.S.A.		322,568	7,443	-	-	171,854	501,865
Germany		500,752	22,754	-	-	-	523,506
Other countries		537,028	1	-	-	17,262	554,291
		\$ 3,010,516	321,781	670,299	177,312	194,559	4,374,467
Major product/service line:							
Sales of power supply		\$ 3,010,516	321,781	670,299	177,312	194,559	4,374,467
		January to September, 2022					
		The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:							
Taiwan	\$	1,558,425	436,537	-	-	-	1,994,962
China		2,247,347	429,161	1,385,955	422,601	13,209	4,498,273
U.S.A.		920,771	20,874	-	-	597,313	1,538,958
Germany		1,453,281	104,165	-	-	-	1,557,446
Other countries		1,872,153	12,374	-	-	56,941	1,941,468
		\$ 8,051,977	1,003,111	1,385,955	422,601	667,463	11,531,107
Major product/service line:							
Sales of power supply		\$ 8,051,977	1,003,111	1,385,955	422,601	667,463	11,531,107

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

January to September, 2021						
	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Total
Primary geographical markets:						
Taiwan	\$ 2,345,054	379,710	-	-	-	2,724,764
China	2,229,149	340,981	1,701,327	573,816	15,985	4,861,258
U.S.A.	969,158	15,278	-	-	435,715	1,420,151
Germany	1,737,705	50,521	-	-	-	1,788,226
Other countries	<u>1,698,354</u>	<u>6,819</u>	<u>-</u>	<u>-</u>	<u>24,587</u>	<u>1,729,760</u>
	<u>\$ 8,979,420</u>	<u>793,309</u>	<u>1,701,327</u>	<u>573,816</u>	<u>476,287</u>	<u>12,524,159</u>
Major product/service line:						
Sales of power supply	<u>\$ 8,979,420</u>	<u>793,309</u>	<u>1,701,327</u>	<u>573,816</u>	<u>476,287</u>	<u>12,524,159</u>

2. Contract balance

	2022.9.30	2021.12.31	2021.9.30
Notes and accounts receivable (including related parties)	\$ 4,755,907	4,768,361	5,003,118
Less: Loss allowances	<u>(26,407)</u>	<u>(39,771)</u>	<u>(40,999)</u>
Total	<u>\$ 4,729,500</u>	<u>4,728,590</u>	<u>4,962,119</u>
Contract liabilities (recognized in other current liabilities)	<u>\$ 112,469</u>	<u>52,856</u>	<u>58,088</u>

Please refer to Note VI(V) for notes receivable, accounts receivable and related impairment.

(XXIII) Remuneration of Employees and Directors

The Company's Articles of Incorporation stipulate that a minimum of 6% of annual profit, if any, shall be allocated to employee remuneration and a maximum of 3% of annual profit shall be allocated to Directors' remuneration. However, if the Company has accumulated losses, the Company shall set aside a part of the surplus profit first for making up the losses. Employees who are entitled to receive the employee remuneration in shares or cash include the employees of subsidiaries of the Company who meet certain specific requirements.

The accrued amounts of the Company's employee remuneration for the three months and nine months ended September 30, 2022 and 2021 were NT\$38,310 thousand, NT\$22,180 thousand, NT\$65,125 thousand, and NT\$45,334 thousand, respectively, and the accrued amounts of directors' remuneration for the periods then ended were NT\$4,509 thousand, NT\$3,697 thousand, NT\$8,076 thousand and NT\$7,556 thousand, respectively. These amounts were calculated using the Company's pre-tax income before deducting for employee compensation and remuneration for Directors multiplied by the percentages which are stated under the Company's Article of Incorporation. The amounts

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

were recognized as operating expenses for the periods. The difference between accrual and actual payment is treated as the change in accounting estimate and recognized in profit or loss in the following year. If employee compensation is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensation by the closing price on the day preceding the Board of Directors' meeting. For the years ended December 31, 2021 and 2020, the Company provided its remuneration to employees amounted to NT\$65,000 thousand and NT\$50,000 thousand, respectively, and the remuneration for Directors of NT\$7,000 thousand and NT\$5,600 thousand, respectively, which was consistent with the actual status of the distribution. The information can be obtained from the open information monitoring website.

(XXIV) Non-operating income and expenses

1. Interest income

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Bank deposits	\$ 5,550	5,064	15,194	17,880
Interest income of financial assets at amortized cost	-	-	539	-
	<u>\$ 5,550</u>	<u>5,064</u>	<u>15,733</u>	<u>17,880</u>

2. Other income

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Gains on bargain purchase	\$ -	-	-	2,523
Dividend income	126,328	122,513	126,383	122,513
Other income				
Government grant	6,040	5,586	27,446	29,856
Rent concessions reclassified to revenue	592	-	3,866	-
Tax refund	5,675	574	13,793	9,574
Gain on write-off of overdue payable	114	-	3,961	-
Others	4,317	8,684	11,064	14,056
	<u>\$ 143,066</u>	<u>137,357</u>	<u>186,513</u>	<u>178,522</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

3. Other gains and losses

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Foreign currency exchange gain (loss), net	\$ 119,863	(3,808)	235,476	(17,954)
Gain on financial assets measured at fair value through profit or loss	383	2,017	2,155	10,288
Loss on disposal of property, plant and equipment	(800)	(559)	(701)	(632)
Gains on lease modifications	20	87	20	87
Others	(6,944)	(939)	(7,707)	(1,091)
	<u>\$ 112,522</u>	<u>(3,202)</u>	<u>229,243</u>	<u>(9,302)</u>

4. Finance costs

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Interest expense:				
Bank borrowings	\$ 1,119	888	5,693	2,320
Lease liabilities	2,552	1,872	7,840	6,128
	<u>\$ 3,671</u>	<u>2,760</u>	<u>13,533</u>	<u>8,448</u>

(XXV) Financial instruments

Except for the following descriptions, there has been no significant changes in the classification and fair value of the Group's financial instruments and the exposure to credit risk, liquidity risk and market risk arising from the financial instruments. Please refer to Note VI(XXV) of consolidated financial statements for the year ended December 31, 2021 for relevant information.

1. Credit risk

(1) Exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of the financial assets.

(2) Concentration of credit risk

As of September 30, 2022, December 31, 2021 and September 30, 2021, top three customers accounted for 24%, 28% and 23%, respectively, of the Group's accounts receivable balance.

(3) Credit risk from receivables and debt securities

Please refer to Note VI(V) for credit risk exposure of notes receivable and accounts receivable. For the details of other receivables, please refer to Note VI(VI). Other financial assets measured at amortized cost include other receivables and corporate bonds. Above-mentioned financial assets are considered low credit risk financial assets, and the loss allowance is measured using 12-month expected credit loss.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

2. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support the Group's operations and mitigate the impact of cash flow fluctuations. The management of the Group supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

The table below shows the contractual maturity dates for financial liabilities, including the effect of estimated interest.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years	Over 5 years
September 30, 2022							
Non-derivative financial liabilities							
Short-term loans	\$ 10,930	11,218	7,979	3,239	-	-	-
Long-term loans	217,961	223,106	38,884	38,769	77,158	68,295	-
Notes payable	10,593	10,593	10,593	-	-	-	-
Accounts payable	4,212,896	4,212,896	4,212,896	-	-	-	-
Accounts payable - related parties	221,701	221,701	221,701	-	-	-	-
Other payables	1,164,869	1,164,869	1,164,869	-	-	-	-
Lease liabilities	587,344	613,255	92,686	91,759	204,295	139,513	85,002
Guarantee deposits received	518	518	-	-	-	-	518
	<u>\$ 6,426,812</u>	<u>6,458,156</u>	<u>5,749,608</u>	<u>133,767</u>	<u>281,453</u>	<u>207,808</u>	<u>85,520</u>
December 31, 2021							
Non-derivative financial liabilities							
Short-term loans	\$ 16,315	23,332	16,406	6,926	-	-	-
Long-term loans	272,348	280,391	37,791	38,953	77,529	126,118	-
Notes payable	14,445	14,445	14,445	-	-	-	-
Accounts payable	4,986,689	4,986,689	4,986,689	-	-	-	-
Accounts payable - related parties	90,024	90,024	90,024	-	-	-	-
Other payables	1,151,339	1,151,339	1,151,339	-	-	-	-
Lease liabilities	641,754	670,148	88,163	88,427	182,148	250,601	60,809
Guarantee deposits received	500	500	-	-	-	-	500
	<u>\$ 7,173,414</u>	<u>7,216,868</u>	<u>6,384,857</u>	<u>134,306</u>	<u>259,677</u>	<u>376,719</u>	<u>61,309</u>
September 30, 2021							
Non-derivative financial liabilities							
Short-term loans	\$ 21,991	29,218	22,207	7,011	-	-	-
Long-term loans	205,734	212,298	25,348	27,778	55,282	103,890	-
Notes payable	10,403	10,403	10,403	-	-	-	-
Accounts payable	5,133,555	5,133,555	5,133,555	-	-	-	-
Accounts payable - related parties	63,864	63,864	63,864	-	-	-	-
Other payables	1,014,857	1,014,857	1,014,857	-	-	-	-
Lease liabilities	396,936	419,169	55,481	43,226	104,770	161,379	54,313
Guarantee deposits received	495	495	-	-	-	-	495
	<u>\$ 6,847,835</u>	<u>6,883,859</u>	<u>6,325,715</u>	<u>78,015</u>	<u>160,052</u>	<u>265,269</u>	<u>54,808</u>

The Group does not expect that the cash flows included in the maturity analysis will occur significantly earlier or at significantly different amounts.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

The Group's financial assets and liabilities exposed to significant foreign currency exchange risk were as follows:

	2022.9.30			2021.12.31			2021.9.30		
	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD	Foreign currencies	Exchange Rate	NTD
<u>Financial assets</u>									
<u>Monetary items</u>									
RMB	\$ 265,495	4.473	1,187,559	263,138	4.344	1,143,071	233,749	4.305	1,006,289
USD	153,654	31.750	4,878,515	161,337	27.680	4,465,808	154,839	27.850	4,312,266
HKD	4,805	4.044	19,431	7,725	3.549	27,416	7,795	3.576	27,875
EUR	132	31.260	4,126	444	31.320	13,906	450	32.320	14,544
<u>Non-monetary items</u>									
USD	2,534	28.268	71,632	2,534	28.268	71,632	2,534	28.268	71,632
USD	1,178	31.750	37,402	1,080	27.680	29,894	1,103	27.850	30,719
RMB	6,322	4.191	26,494	6,322	4.191	26,494	6,322	4.191	26,494
HKD	3,586	3.979	14,270	5,104	3.549	18,118	5,354	3.560	19,062
<u>Financial liabilities</u>									
<u>Monetary items</u>									
RMB	100,118	4.473	447,828	111,426	4.344	484,035	117,574	4.305	506,156
USD	105,531	31.750	3,350,609	138,025	27.680	3,820,532	132,807	27.850	3,698,675
HKD	9,085	4.044	36,740	13,709	3.549	48,653	13,465	3.576	48,151

(2) Sensitivity analysis

The Group's exposure to foreign exchange risk arises from cash and cash equivalents, accounts receivable (including related parties), other receivables, financial assets measured at amortized cost, financial assets measured at fair value through profit or loss, short-term borrowings, accounts payable (including related parties) and other payables that are denominated in foreign currencies and subject to foreign exchange loss in currency translation. As of September 30, 2022 and 2021, if the New Taiwan Dollar had depreciated or appreciated by 5% against the US Dollar, Renminbi, Hong Kong Dollar and Euro with all other factors remaining unchanged, net income would have increased or decreased by NT\$90,178 thousand and NT\$44,320 thousand, respectively, from January 1 to September 30, 2022 and 2021. The analysis of the two periods was conducted on the same basis.

(3) Foreign exchange gain (loss) on monetary items

As the Group has a large variety of functional currencies, the exchange gains and losses of monetary items were disclosed on an aggregated basis. The foreign exchange gains (losses) (including realized and unrealized) from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021 were NT\$119,863 thousand, NT\$(3,808) thousand, NT\$235,476 thousand and NT\$(17,954) thousand, respectively.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

4. Market risk

If the prices of securities with active market quotations at the reporting date had changed (using the same basis for both periods and assuming no change in other variables), the impact on the comprehensive income would have been as follows:

Security price at the reporting date	January to September, 2022		January to September, 2021	
	Other comprehensive income (pre-tax)	Pre-tax income	Other comprehensive income (pre-tax)	Pre-tax income
Increase by 5%	\$ 290,927	10,122	376,452	11,507
Decrease by 5%	\$ (290,927)	(10,122)	(376,452)	(11,507)

Please refer to Note VI(IV) “Measurement of the fair value of Level 3, the sensitivity analysis of the fair value using reasonably possible alternative assumptions” for details of the price changes of the Level 3 equity securities.

5. Interest rate analysis

The Group's demand deposits, time deposits and short-term liabilities are subject to floating interest rates. However, changes in market interest rates are not significant and thus changes in interest rates do not give rise to significant cash flow risk.

6. Fair value information

(1) Category of financial instruments and their fair value

Group's financial instruments measured at fair value on a recurring basis include the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income. Carrying amount and fair value of various financial assets and financial liabilities (including fair value level information, except for financial instruments whose carrying amount is a reasonable approximation of fair value, and lease liabilities which are not required to disclose their fair value information) were as follows:

	2022.9.30				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 202,439	202,439	-	-	202,439
Private equity funds	18,000	-	-	18,000	18,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	44,300	-	-	44,300	44,300
Subtotal	336,371	202,439	-	133,932	336,371

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

Financial assets at fair value through other comprehensive income					
Domestic listed (OTC) stock	5,804,254	5,804,254	-	-	5,804,254
Foreign listed stock	14,270	14,270	-	-	14,270
Non-publicly quoted equity instruments measured at fair value	189,286	-	-	189,286	189,286
Subtotal	<u>6,007,810</u>	<u>5,818,524</u>	<u>-</u>	<u>189,286</u>	<u>6,007,810</u>
Financial assets at amortized cost					
Corporate bond	\$ 11,700	-	-	-	-
Cash and cash equivalents	3,280,125	-	-	-	-
Notes receivable and accounts receivable	4,729,500	-	-	-	-
Other receivables	100,058	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	100	-	-	-	-
Refundable deposits (classified in other non-current assets)	40,695	-	-	-	-
Subtotal	<u>8,162,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,506,359</u>	<u>6,020,963</u>	<u>-</u>	<u>323,218</u>	<u>6,344,181</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 228,891	-	-	-	-
Notes payable and accounts payable	4,445,190	-	-	-	-
Other payables	1,164,869	-	-	-	-
Lease liabilities	587,344	-	-	-	-
Guarantee deposits received	518	-	-	-	-
Total	<u>\$ 6,426,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2021.12.31

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 232,758	232,758	-	-	232,758
Private equity funds	12,000	-	-	12,000	12,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	199,684	-	-	199,684	199,684
Subtotal	<u>516,074</u>	<u>232,758</u>	<u>-</u>	<u>283,316</u>	<u>516,074</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stock	6,622,359	6,622,359	-	-	6,622,359

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

2021.12.31					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Foreign listed stock	18,118	18,118	-	-	18,118
Non-publicly quoted equity instruments measured at fair value	122,661	-	-	122,661	122,661
Subtotal	6,763,138	6,640,477	-	122,661	6,763,138
Financial assets at amortized cost					
Corporate bond	\$ 10,800	-	-	-	-
Cash and cash equivalents	2,794,253	-	-	-	-
Notes receivable and accounts receivable	4,728,590	-	-	-	-
Other receivables	73,406	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	18,779	-	-	-	-
Refundable deposits (classified in other non-current assets)	39,290	-	-	-	-
Subtotal	7,665,118	-	-	-	-
Total	\$ 14,944,330	6,873,235	-	405,977	7,279,212
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 288,663	-	-	-	-
Notes payable and accounts payable	5,091,158	-	-	-	-
Other payables	1,151,339	-	-	-	-
Lease liabilities	641,754	-	-	-	-
Guarantee deposits received	500	-	-	-	-
Total	\$ 7,173,414	-	-	-	-

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2021.9.30				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Beneficiary certificates	\$ 230,136	230,136	-	-	230,136
Private equity funds	6,000	-	-	6,000	6,000
Non-publicly quoted equity instruments measured at fair value	71,632	-	-	71,632	71,632
Structured deposits	283,980	-	-	283,980	283,980
Subtotal	<u>591,748</u>	<u>230,136</u>	<u>-</u>	<u>361,612</u>	<u>591,748</u>
Financial assets at fair value through other comprehensive income					
Domestic listed stock	7,509,985	7,509,985	-	-	7,509,985
Foreign listed stock	19,062	19,062	-	-	19,062
Non-publicly quoted equity instruments measured at fair value	60,161	-	-	60,161	60,161
Subtotal	<u>7,589,208</u>	<u>7,529,047</u>	<u>-</u>	<u>60,161</u>	<u>7,589,208</u>
Financial assets at amortized cost					
Corporate bond	\$ 10,800	-	-	-	-
Cash and cash equivalents	2,249,295	-	-	-	-
Notes receivable and accounts receivable	4,962,119	-	-	-	-
Other receivables	49,317	-	-	-	-
Restricted bank deposits (classified in other non-current assets)	18,612	-	-	-	-
Refundable deposits (classified in other non-current assets)	35,862	-	-	-	-
Subtotal	<u>7,326,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,506,961</u>	<u>7,759,183</u>	<u>-</u>	<u>421,773</u>	<u>8,180,956</u>
Financial liabilities measured at amortized cost					
Bank borrowings	\$ 227,725	-	-	-	-
Notes payable and accounts payable	5,207,822	-	-	-	-
Other payables	1,014,857	-	-	-	-
Lease liabilities	396,936	-	-	-	-
Guarantee deposits received	495	-	-	-	-
Total	<u>\$ 6,847,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

- (2) Valuation techniques for financial instruments measured at fair value - non-derivative financial instruments

If there is an active market for a financial instrument, the fair value is based on the quoted price in the active market. The market prices announced by major exchanges are the basis for the fair value of listed (over-the-counter) equity instruments and debt instruments that are publicly quoted in the active market.

A financial instrument has an active market for public quotations if public quotations can be obtained from an exchange, broker, underwriter, industry association, pricing service agencies or competent authority in a timely manner and on a regular basis, and if the price fairly represents actual and frequent market transactions. If the above conditions are not met, the market is deemed inactive. Generally speaking, a large bid-ask spread, a significant increase in the bid-ask spread, or a low volume of transactions are all indicators of an inactive market.

Among the financial instruments held by the Group, the listed stocks and beneficiary certificates are financial assets with standard terms and conditions that are traded in the active market, and their fair values are determined with reference to quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair values of the remaining financial instruments are obtained using valuation techniques or by referencing to quoted prices from counterparties. The fair value of financial instruments measured by using valuation techniques can refer to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the Consolidated Balance Sheets date.

The fair value of financial instruments held by the Group that are not publicly quoted equity instruments with no active market is estimated using the market comparable company method. The key assumptions of the market comparable company method are based on the earnings or equity net worth multiplier derived from the quoted market prices of comparable listed companies. This estimate of the equity securities has been adjusted for the effect of lack of market liquidity.

- (3) Quantitative information of significant unobservable inputs (Level 3) relating to fair value measurement

The Level 3 of fair value measurements mainly includes financial assets measured at fair value through profit or loss - investments in equity securities, investments in private equity funds and financial assets measured at fair value through other comprehensive income.

The Group's equity instrument investment with no active market has multiple significant unobservable inputs. Significant unobservable inputs for investments in equity instruments with no active market are not correlated with each other because

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

they are independent of each other.

Because the correlation between significant unobservable input value and fair value cannot be fully identified in practice, Group's structured deposits are not included in the disclosure of quantitative information of significant unobservable input values and the sensitivity analysis of fair value for reasonably possible alternative assumptions.

Table of quantitative information of significant unobservable inputs is provided below:

Item	Valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets measured at fair value through profit or loss - Investment in equity instrument without an active market	Comparable company valuation method	<ul style="list-style-type: none"> • Net worth multiple (2.80, 2.59 and 2.26 as of 2022.9.30, 2021.12.31 and 2021.9.30, respectively) • Discount for lack of market liquidity (29.39% as of 2022.9.30, 2021.12.31 and 2021.9.30) 	<ul style="list-style-type: none"> • The higher the multiple, the higher the fair value • The higher the discount for lack of market liquidity, the lower the fair value
Financial assets measured at fair value through profit or loss - private equity fund investment	Net assets value method	<ul style="list-style-type: none"> • Net asset value 	<ul style="list-style-type: none"> • The higher the net assets value, the higher the fair value
Financial assets measured at fair value through other comprehensive income - Investment in equity instrument without an active market	Comparable company valuation method	<ul style="list-style-type: none"> • P/E ratio multiple (9.69, 9.69~29.67 and 10.15 as of 2022.9.30, 2021.12.31, and 2021.9.30, respectively) • Net worth multiple (2.32~4.63, 2.40~5.42 and 6.78 as of 2022.9.30, 2021.12.31 and 2021.9.30, respectively) • Discount for lack of market liquidity (29.39% as of 2022.9.30, 2021.12.31 and 2021.9.30) 	<ul style="list-style-type: none"> • The higher the multiple, the higher the fair value • The higher the discount for lack of market liquidity, the lower the fair value

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

- (4) Fair value measurement in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

The Group's measurement on the fair value of financial instruments is considered reasonable. However, the fair value may change if different valuation models or inputs are used. For financial instruments classified in Level 3, changing the valuation assumptions would have the following effects on other comprehensive income:

	Input	Upward or downward change	Fair value change reflected in current profit or loss		Fair value change reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
September 30, 2022						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	5,407	(5,407)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	569	(569)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	2,802	(2,802)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	298	(298)
December 31, 2021						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	4,363	(4,363)	-	-
Financial assets at fair value through other comprehensive income						
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	475	(475)
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	552	(552)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	3,234	(3,234)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	347	(347)
September 30, 2021						
Financial assets at fair value through profit or loss						
Investment in equity instrument without an active market	Net worth ratio	5%	3,826	(3,826)	-	-
Financial assets at fair value through other comprehensive income						

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	Input	Upward or downward change	Fair value change reflected in current profit or loss		Fair value change reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
Investment in equity instrument without an active market	Price-to-earnings ratio	5%	-	-	1,019	(1,019)
Investment in equity instrument without an active market	Net worth ratio	5%	-	-	1,276	(1,276)

The favorable and unfavorable effects represent the changes in fair value, which is based on a variety of unobservable inputs calculated using the valuation technique. If the fair value of a financial instrument is subject to more than one input, the analysis above reflects only the effect of the change in a single input and does not consider the interrelationship between inputs.

(XXVI) Financial risk management

There were no significant changes in the objectives and policies of the Group's financial risk management comparing to those disclosed in Note VI(XXVI) of the consolidated financial statements for the year ended December 31, 2021.

(XXVII) Capital management

The Group's capital management objectives, policies and procedures were consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2021. In addition, there were no significant changes in the aggregate quantitative information of capital management items comparing to the information disclosed in the consolidated financial statements for the year ended December 31, 2021. Please refer to Note VI(XXVII) of the consolidated financial statements of 2021 for relevant information.

(XXVIII) Investing and financing activities not affecting cash flows

The reconciliation of liabilities arising from financing activities from January 1 to September 30, 2022 and 2021 was as follows:

	2022.1.1		Non-cash changes					2022.9.30
	Cash flows from:	from:	Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	Others	
Long-term loans	\$ 272,348	(54,387)	-	-	-	-	-	217,961
Short-term loans	16,315	(5,385)	-	-	-	-	-	10,930
Lease liabilities	641,754	(123,079)	53,851	-	19,312	(4,494)	-	587,344
Total liabilities from financing activities	<u>\$ 930,417</u>	<u>(182,851)</u>	<u>53,851</u>	<u>-</u>	<u>19,312</u>	<u>(4,494)</u>	<u>-</u>	<u>816,235</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	2021.1.1	Cash flows from:	Non-cash changes				2021.9.30
			Addition	Disposal and obsolescence	Changes in foreign exchange rate	Changes in lease payment	
Long-term loans	\$ 123,243	82,491	-	-	-	-	205,734
Short-term loans	32,162	(10,171)	-	-	-	-	21,991
Lease liabilities	522,577	(117,662)	716	-	(5,651)	(3,044)	396,936
Total liabilities from financing activities	<u>\$ 677,982</u>	<u>(45,342)</u>	<u>716</u>	<u>-</u>	<u>(5,651)</u>	<u>(3,044)</u>	<u>624,661</u>

VII. Related Party Transactions

(I) Related party name and relationship

Related parties that had transactions with the Group during the reporting periods were listed below:

Related Party	Relationship with the Group
FSP Group USA Corp.	Group's associate
Sparkle Power Inc.	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Amacrox Technology Inc. (“Amacrox”)	The entity's Chairman is the second-degree relatives of the Chairman of the Company
Voltronic Power Technology Corp. (“Voltronic”)	Substantive related party
Fortron/Source (Europa) GmbH	Substantive related party
FSP(GB) Ltd.	Substantive related party
FSP North America	Substantive related party
FSP Power Solution GmbH	Substantive related party
3Y Power Exchange	Substantive related party
Cheng, Ya-Jen	Chairman of the Company

(II) Significant related party transactions

1. Operating revenue

The amounts of significant sales to related parties were as follows:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Associate	\$ 11,333	11,774	46,875	41,194
Other related party	663,997	616,167	1,855,482	1,695,217
	<u>\$ 675,330</u>	<u>627,941</u>	<u>1,902,357</u>	<u>1,736,411</u>

The prices and credit terms of the Group's sales to the above related parties were not significantly different from those of its regular customers.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

2. Purchases

The amounts of purchases from related parties were as follows:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Other related party	<u>\$ 142,290</u>	<u>50,011</u>	<u>278,640</u>	<u>151,681</u>

The Group purchased goods from the above-mentioned related parties, and did not purchase similar products from other manufacturers, so there was no transaction price from regular manufacturers for comparison. The payment terms were not significantly different from those of regular manufacturers.

3. Receivables from related parties

The details of the receivables of the Group arising from sales transactions, business needs and disbursement fee were as follows:

Accounting Subject	Related party category/name	2022.9.30	2021.12.31	2021.9.30
Accounts receivable	Associate	\$ 15,256	15,710	17,296
	Other related party	<u>1,043,079</u>	<u>786,038</u>	<u>877,516</u>
		<u>1,058,335</u>	<u>801,748</u>	<u>894,812</u>
Other receivables	Associate	123	680	239
	Other related party			
	FSP Power Solution GmbH	14,982	7,297	11,328
	Others	<u>7,888</u>	<u>13,673</u>	<u>8,989</u>
		<u>22,993</u>	<u>21,650</u>	<u>20,556</u>
		<u>\$ 1,081,328</u>	<u>823,398</u>	<u>915,368</u>

For the details of the loss allowance for accounts receivable -related party as of September 30, 2022, December 31, 2021 and September 30, 2021, please refer to Note VI(V). Please refer to Note VI(VI) for the details of the loss allowance for other receivables - other related party, 3Y Power Exchange.

4. Payables to related parties

The details of the payables arising from the purchase of goods and the purchase via related parties were as follows:

Accounting Subject	Related party category/name	2022.9.30	2021.12.31	2021.9.30
Accounts payable	Other related party	<u>\$ 221,701</u>	<u>90,024</u>	<u>63,864</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

5. Purchase of services from related parties

The details of the technical service fee, labor fee and commission paid by the Group to the related parties were as follows:

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Associate				
FSP Group USA Corp.	\$ 2,002	2,247	6,580	6,937
Other related party				
Amacrox	2,596	2,779	5,890	6,749
Sparkle Power Inc.	26	26	77	4,648
Others	2,343	2,014	3,996	5,158
	<u>\$ 6,967</u>	<u>7,066</u>	<u>16,543</u>	<u>23,492</u>

The details of the Group's recognized payable amounts due to related parties as a result of the above transactions and payments/collections on behalf of related parties were as follows:

Accounting Subject	Related party category/name	2022.9.30	2021.12.31	2021.9.30
Other payables	Associate	\$ -	574	625
	Other related party	4,452	6,924	9,908
		<u>\$ 4,452</u>	<u>7,498</u>	<u>10,533</u>

6. Leases

In January 2019, the Group leased an office to the Chairman of the Company, and this lease transaction was recognized as a right-of-use asset and lease liability of NT\$9,487 thousand on January 1, 2020, in accordance with IFRS 16. The recognized interest expense from July 1 to September 30, 2022 and 2021 and from January 1 to September 30, 2022 and 2021 was NT\$31 thousand, NT\$35 thousand, NT\$98 thousand and NT\$110 thousand, respectively. The balance of lease liabilities as of September 30, 2022, December 31, 2021 and September 30, 2021 were NT\$7,033 thousand, NT\$7,710 thousand and NT\$7,934 thousand, respectively.

(III) Compensation for key management personnel

	July to September, 2022	July to September, 2021	January to September, 2022	January to September, 2021
Short-term employee benefits	\$ 33,987	30,152	50,983	47,618
Post-employment benefits	155	177	496	525
	<u>\$ 34,142</u>	<u>30,329</u>	<u>51,479</u>	<u>48,143</u>

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

VIII. Pledged Assets

The carrying amount of pledged assets for custom duty performance guarantee, litigation guarantee and borrowings was as follows:

<u>Assets</u>	<u>Pledged to secure</u>	<u>2022.9.30</u>	<u>2021.12.31</u>	<u>2021.9.30</u>
Restricted time deposits (recognized in other non-current assets)	Custom duty performance guarantee	\$ 100	100	100
Restricted demand deposits (recognized in other non-current assets)	Litigation guarantee	-	18,679	18,512
Land	Long-term and short-term borrowings	161,077	161,077	161,077
Housing and Construction	Long-term and short-term borrowings	<u>180,449</u>	<u>186,447</u>	<u>188,446</u>
Total		<u>\$ 341,626</u>	<u>366,303</u>	<u>368,135</u>

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) As of September 30, 2022, December 31, 2021 and September 30, 2021, the guarantee facilities extended by banks for customs and excise duties were NT\$215,000 thousand, and utilized facilities were NT\$33,000 thousand, NT\$63,000 thousand and NT\$33,000 thousand, respectively.

(II) The Group purchased products of Beyond Innovation Technology Co., Ltd. (hereinafter referred to as Beyond Innovation) through a distributor in Taiwan. O2 Micro International Limited (hereinafter referred to as O2), a competitor of Beyond Innovation, states that such products infringe upon its patent rights in the United States, and therefore filed a civil lawsuit against three companies including the Group in the Marshall Division, United States District Court for the Eastern District of Texas (hereinafter referred to as the United States District Court).

O2 withdrew all claims for monetary compensation against all defendants in the preceding civil lawsuit on April 24, 2006. The United States District Court subsequently rendered a first-instance judgment and injunction prohibiting the sale of the products to the United States on March 21, 2007. It also ruled that the attorneys' fees and litigation costs incurred in this lawsuit, totaling US\$2,268,402.22, should be borne jointly by the Group, Beyond Innovation, and Lien Chang Electronic Enterprise Co., Ltd. After the defendants filed an appeal to the United States Court of Appeals for the Federal Circuit, the Federal Circuit issued a decision on April 3, 2008. It found the lower court's ruling, in which the defendants were found to be in violation of patent rights, did not meet requirements for legal proceedings and therefore reversed and

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

remanded to the original court for retrial. As for the ruling regarding the litigation expenses, although it was not reviewed by the court of appeals, the reversal of the first-instance judgment means that the ruling has lost its basis and is therefore nullified.

After the case was remanded to the United States District Court, the Court only reviewed the lawsuit between O2 and Beyond Innovation, and rendered a judgment on September 27, 2010, which found that although Beyond Innovation had infringed upon O2's patent rights, the infringement was not based on malicious intent. Beyond Innovation later filed an appeal and the United States Court of Appeals for the Federal Circuit (CAFC) rejected Beyond Innovation's appeal and affirmed the decision of the lower court.

The litigation between the Group and O2 was separated from the aforementioned litigation between O2 and Beyond Innovation on July 21, 2009. However, the Group has not yet received a notice of hearing from the US Court.

The Group was implicated by the use of Beyond Innovation's products, and after learning that Beyond Innovation's products involved in such disputes, we have switched to alternative materials that do not involve infringement disputes. According to the intellectual property right guarantee signed by the Group and Beyond Innovation, Beyond Innovation shall bear all liabilities, losses, damages, costs, or other expenses incurred by the Group as a result of the use of its products. As a result, Beyond Innovation shall bear the adjudication costs borne by the Group. Therefore, the attorneys' fees and litigation costs incurred in the above patent litigation do not have a significant impact on the Group's financial statements. The Group recognized the aforementioned expenses in as expenses for the year in which they occurred based on fiscal conservatism.

- (III) The Group believes that since a ruling was rendered in the litigation between O2 and Beyond Innovation in the United States, we filed a civil lawsuit against Beyond Innovation based on the intellectual property rights guarantee provided by Beyond Innovation. We first requested the partial payment of the litigation costs and related expenses incurred by the O2 lawsuit in the United States in connection with the use of Beyond Innovation's products. However, on December 26, 2008, the Taiwan Taipei District Court rejected the claim for damages, and Group did not approve the rejection. On January 16, 2019, the Group filed an appeal to Taiwan High Court and obtained a judgment in its favor on November 27, 2019. However, Beyond Innovation filed an appeal to the Supreme Court on December 30, 2019. After mediation by the Taiwan High Court, both parties reached a settlement of the dispute on October 5, 2022, whereby Beyond Innovation was required to pay a total of 1,000 thousand shares of its stock to the Group. As of September 30, 2022, the shares as mentioned above had not yet been registered.
- (IV) The Group received a court notice on July 20, 2020 regarding a lawsuit filed by the Group's customer Jiangsu Lemote Tech Co., Ltd. (hereinafter referred to as Lemote) for transaction contract disputes. Lemote claimed that there were anomalies in the Group's products and requested the refund of payments already made and payment for related damages with a total amount of RMB4,266,789.46. It also filed for a property preservation ruling with Changshu

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)

People's Court for freezing bank deposits equivalent to the aforementioned value totaling RMB4,300,000. The Court rendered a ruling on August 27, 2021 that required Lemote to return the products of the Group and required the Group to refund payments totaling RMB2,822,600 paid by Lemote, pay a compensation of RMB900,000, and pay RMB litigation expenses of 374,581, totaling more than RMB4.09 million. The Group rejected the product anomaly stated by Lemote and the court ruling and filed an appeal to the Suzhou Intermediate People's Court in September 2021. After mediation by the Suzhou Intermediate People's Court, both parties reached a settlement of the dispute on August 18, 2022, whereby the Group was required to refund payments totaling RMB2,034,383 paid by Lemote, and pay RMB litigation expenses of 380,093, while Lemote was required to return the products of the Group. As of September 30, 2022, all payments have been made. The total settlement amount, after deducting the value of the products returned by Lemote, was RMB1,524,860.

- (V) As of September 30, 2022, December 31, 2021, and September 30, 2021, the Group had entered into purchase agreements for property, plant and equipment amounting to NT\$13,000 thousand, NT\$53,386 thousand and NT\$26,081 thousand, respectively, and had paid NT\$7,429 thousand, NT\$30,759 thousand and NT\$16,107 thousand, respectively, which were recorded as construction in progress of property, plant and equipment as well as other non-current assets.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

XII. Others

(I) A summary of employee benefits, depreciation, and amortization by function is provided below:

By function By nature	July to September, 2022			July to September, 2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	353,577	289,086	642,663	450,639	243,868	694,507
Insurance expense	1,424	19,151	20,575	1,719	16,777	18,496
Pension expense	18,975	8,837	27,812	22,058	10,259	32,317
Other employee benefit expense	9,884	9,126	19,010	13,629	10,150	23,779
Depreciation expenses	69,668	22,762	92,430	60,682	22,215	82,897
Amortization expenses	86	1,512	1,598	144	1,550	1,694

By function By nature	January to September, 2022			January to September, 2021		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expense	1,109,318	743,459	1,852,777	1,277,078	687,473	1,964,551
Insurance expense	4,802	53,058	57,860	4,900	50,140	55,040
Pension expense	65,350	30,657	96,007	66,106	30,520	96,626
Other employee benefit expense	33,464	28,012	61,476	37,518	28,392	65,910
Depreciation expenses	207,018	67,605	274,623	181,775	65,447	247,222
Amortization expenses	434	5,885	6,319	211	2,616	2,827

(II) Seasonality in Operation

The operation of the Group is not subject to impacts from seasonal or cyclical factors.

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, information on significant transactions from January 1 to September 30, 2022 is disclosed as follows:

1. Financing provided to other parties: None.
2. Guarantees and endorsements provided to other parties: None.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures):

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Shares/Units	Carrying amount	Percentage of shareholding	Fair value	
The Company	Stock:							
	Mekong Resort Development Construction Co., Ltd.	—	Financial assets at fair value through profit or loss	1,905,750	71,632	8.25	71,632	
	Fuh Hwa Money Market Fund			7,038,414	102,745	-	102,745	
	Fuh Hwa Guardian Fund	—	"	3,504,199	66,689	-	66,689	
	Fuh Hwa Ruei Hua Fund	—	"	1,961,169	21,837	-	21,837	
	Yuanta FTSE4Good TIP Taiwan ESG ETF Securities Investment Trust Fund	—	"	400,000	11,168	-	11,168	
	Private equity fund:							
	Mesh Cooperative Ventures Fund	—	"	18,000,000	18,000	3.69	18,000	
					292,071		292,071	
	Stock:							
	Voltronic Power Technology Corp.	Other related party	Financial assets at fair value through other comprehensive income	3,784,822	5,317,675	4.31	5,317,675	
	JESS-LINK Products Co., Ltd.	—	"	10,000,000	377,000	8.19	377,000	
	WT Microelectronics Co., Ltd.	—	"	1,000,000	48,100	0.74	48,100	
	Taiwan Cement Corp.	—	"	54,996	1,859	-	1,859	
	Taiwan Semiconductor Manufacturing Co., Ltd.	—	"	10,000	4,220	-	4,220	
	Coretronic Corporation	—	"	1,000,000	55,400	0.26	55,400	
	TOT BIOPHARM International Co., Ltd.	—	"	1,195,200	14,270	0.16	14,270	
	Eastern Union Interactive Corp.	—	"	880,000	58,667	4.43	58,667	
	Guoyu Global Co., Ltd.	—	"	500,000	5,000	16.67	5,000	
	Taiwan Truewin Technology Co., Ltd.	—	"	1,225,000	89,125	4.89	89,125	
Liwatt X Inc.	—	"	1,000,000	10,000	14.29	10,000		
				5,981,316		5,981,316		
WUXI Zhonghan	Wuxi Lead Solar Energy Co., Ltd.	—	"	-	-	12.04	-	
FSP Jiangsu	Powerland Technology Inc.	—	"	-	26,494	3.54	26,494	
					6,007,810		6,007,810	
The Company	Bond:							
	Novaland Group (NYL)	—	Financial assets at amortized cost	9,000	11,700	-	11,700	

4. Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT\$300,000 thousand or 20% of the paid-in capital:

Company Name	Type and Name of Securities	Ledger Account	Counterparty	Relationship	Beginning of Period		Purchase		Sale			Gains (Losses) on Disposal	Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Carrying Cost		Shares	Amount
The Company	Stock: Voltronic Power Technology Corp.	Financial assets at fair value through other comprehensive income			4,021,822	6,213,715	-	-	237,000	346,780	1,109	345,671	3,784,822	5,317,675 (Note)

Note: Ending balance includes unrealized valuation gain (loss) of financial assets.

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

5. Acquisition of real estate at costs which exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
6. Disposal of real estate at prices which exceed NT\$300,000 thousand or 20% of the paid-in capital: None.
7. Total purchases from and sales to related parties which exceed NT\$100,000 thousand or 20% of the paid-in capital:

Company	Related Party	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales) (%)	Credit Period	Unit Price	Credit Period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	(Sales)	(413,931)	(4.89)	Note 1			189,688	5.41	
The Company	FSP North America	Substantive related party of the Company	(Sales)	(322,851)	(3.81)	Note 1			197,220	5.63	
The Company	FSP Power Solution GmbH	Substantive related party of the Company	(Sales)	(612,268)	(7.23)	Note 1			386,647	11.03	
The Company	Fortron/Source (Europa) GmbH	Substantive related party of the Company	(Sales)	(253,935)	(3.00)	Note 1			99,003	2.83	
The Company	WUXI Zhonghan	100% owned investment via indirect shareholding	(Sales)	(175,831)	(2.08)	Note 1			89,515	2.55	Note 6
The Company	FSP Technology USA Inc.	100% owned investment via direct shareholding	(Sales)	(120,045)	(1.42)	Note 1			120,845	3.45	Note 6
The Company	Huili	100% owned investment via indirect shareholding	Purchases (Note 2)	517,900	9.78	Note 4		Note 4	(46,633) (Note 3)	(1.36)	Note 6
The Company	Zhonghan	100% owned investment via indirect shareholding	Purchases (Note 2)	288,423	5.45	Note 4		Note 4	(34,662) (Note 3)	(1.01)	Note 6
The Company	WUXI SPI	100% owned investment via indirect shareholding	Purchases (Note 2)	157,831	2.98	Note 4		Note 4	(18,763) (Note 3)	(0.55)	Note 6
The Company	Voltronic	The Company is the Director of this company	Purchases	278,640	5.26	Note 5			(221,701)	(6.47)	
The Company	3Y Power	65.87% owned investment via direct shareholding	Purchases	342,318	6.46	Note 1			(222,683)	(6.50)	Note 6
3Y Power	3Y Power Technologh Inc.	100% owned investment via direct shareholding	(Sales)	(264,600)	(15.48)	Note 1			66,008	8.42	Note 6
3Y Power	Huili	Affiliate	Purchases (Note 2)	222,952	17.52	Note 4		Note 4	(28,015) (Note 3)	(4.02)	Note 6

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

Note 1: The Company's trading terms for this related party are not significantly different from those of other customers.

Note 2: Including purchases of products, purchases of raw materials and processing.

Note 3: Including accounts payable arising from purchases of products and raw materials and processing fee.

Note 4: The transaction price is not available for regular customers for comparison, and the credit term is 5 days after the monthly settlement.

Note 5: The Group does not purchase similar products from other manufacturers, so there is no transaction price from regular manufacturers for comparison.
The payment terms were not significantly different from those of regular manufacturers.

Note 6: Eliminated under consolidation.

8. Receivables from related parties which exceed NT\$100,000 thousand or 20% of the paid-in capital:

Company with accounts receivable	Related Party	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Recovery from overdue receivables from related parties (Note 1)	Loss allowance
					Amount	Action taken		
The Company	Sparkle Power Inc.	The Chairman of the Company is the second-degree relatives of the entity's Chairman	189,688	3.02	-		45,373	-
The Company	FSP Power Solution GmbH	Substantive related party of the Company	386,647	2.36	-		41,445	-
The Company	FSP North America	Substantive related party of the Company	197,220	2.50	-		28,775	-
The Company	FSP Technology USA Inc.	100% owned investment via indirect shareholding	120,845 (Note 2)	1.80	-		-	-
BY Power	The Company	65.87% owned reinvestment via indirect shareholding	222,683 (Note 2)	3.18	-		56,750	-

Note 1: As of October 25, 2022.

Note 2: Eliminated under consolidation.

9. Derivative instruments transactions: None.

10. Business relationship and significant intercompany transactions:

Number (Note 1)	Company	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of total consolidated operating revenue or total assets (Note 3)
				Ledge Account	Amount	Transaction Term	
0	The Company	BY Power	1	Cost of goods sold	342,318	No significant difference from other suppliers	2.97%
0	The Company	BY Power	1	Accounts payable	222,683	No significant difference from other suppliers	1.11%
0	The Company	Huili	1	Cost of goods sold	517,900	No comparison is available	4.49%
0	The Company	Zhonghan	1	Cost of goods sold	288,423	No comparison is available	2.50%
0	The Company	WUXI SPI	1	Cost of goods sold	157,831	No comparison is available	1.37%
0	The Company	WUXI Zhonghan	1	Operating revenue	175,831	No significant difference from other customers	1.52%
0	The Company	FSP Technology USA Inc.	1	Operating revenue	120,045	No significant difference from other customers	1.04%
1	BY Power	BY Power Technology Inc.	3	Operating revenue	264,600	No significant difference from other customers	2.29%
1	BY Power	Huili	3	Cost of goods sold	222,952	No comparison is available	1.93%

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

Note 1: Fill in the number per below:

- 1.0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: The relationships with counterparty are as follows:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: Information is disclosed only for the amounts that exceed 1% of total consolidated assets (balance sheet items) and 1% of total revenue (income statement items).

(II) Information on Invested Companies:

Reinvestment information from January 1 to September 30, 2022 is as follows:

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment gain (loss) recognized for the period	Remark
				Ending Balance for the Current Period	At the end of last year	Shares	Shareholding (%)	Carrying amount			
The Company	FSP International Inc. (BVI)	British Virgin Islands	Investment holdings	1,241,751	1,241,751	32,202,500	100.00	2,179,578	(82,259) (Note 1)	(82,259) (Note 1)	Subsidiary
	FSP Group Inc.	British Cayman Islands	Engaged in safety certification	1,752	1,752	50,000	100.00	295	(77) (Note 2)	(77) (Note 2)	Subsidiary
	Amacrox Technology Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	40,925	40,925	1,109,355	100.00	69,671	3,665 (Note 2)	3,665 (Note 2)	Subsidiary
	3Y Power	Taiwan	Manufacturing and trading of power supply	304,406	304,406	16,309,484	65.87	758,591	173,075 (Note 2)	114,043 (Note 2)	Subsidiary
	Harmony Trading (HK) Ltd.	Hong Kong	Investment holdings	45	45	10,000	100.00	2,025	238 (Note 2)	238 (Note 2)	Subsidiary
	FSP Technology USA Inc.	U.S.A.	Business development and product technical service	3,143	3,143	100,000	100.00	3,022	827 (Note 2)	827 (Note 2)	Subsidiary
	FSP Turkey	Turkey	Business development and product technical service	22,640	22,640	6,673,000	91.41	12,664	6,785 (Note 2)	6,202 (Note 2)	Subsidiary
FSP International Inc. (BVI)	FSP Technology Inc. (BVI)	British Virgin Islands	Investment holdings	62,883	62,883	2,100,000	100.00	114,347	(6,681) (Note 2)	-	Sub-subsidiary
	Power Electronics Co., Ltd. (BVI)	British Virgin Islands	Investment holdings	217,707	217,707	7,000,000	100.00	211,505	(6,568) (Note 1)	-	Sub-subsidiary
	Famous Holding Ltd.	Samoa	Investment holdings	807,483	807,483	27,000,000	100.00	1,389,433	(9,667) (Note 1)	-	Sub-subsidiary
	Proteck Electronics (Samoa) Corp.	Samoa	Investment holdings	32,984	32,984	1,100,000	100.00	25,154	8,527 (Note 2)	-	Sub-subsidiary
	FSP International (HK) Ltd.	Hong Kong	Investment holdings	141,042	141,042	4,770,000	100.00	63,746	(10,296) (Note 2)	-	Sub-subsidiary
Amacrox Technology Co., Ltd. (BVI)	Amacrox GmbH	Germany	Trading of power supply	18,181	18,181	25,000	100.00	2,876	11 (Note 2)	-	Sub-subsidiary
	FSP Group USA Corp.	U.S.A.	Trading of power supply	14,903	14,903	247,500	45.00	33,474	6,349 (Note 2)	2,857 (Note 2)	Associate
	Proteck Power North America Inc.	U.S.A.	Investment holdings	3,279	3,279	1,000	100.00	16,951	- (Note 2)	-	Sub-subsidiary
3Y Power	3Y Power Technology Inc.	U.S.A.	Trading of power supply	233,850	233,850	600,000	100.00	275,942	32,489 (Note 2)	-	Sub-subsidiary
	Luckyield Co., Ltd.	Samoa	Investment holdings	4,500	4,500	45,000	100.00	4,007	126 (Note 2)	-	Sub-subsidiary

Note 1: The investment profit or loss of the company was recognized based on the financial statements of the investee company for the same period audited by the independent auditors of Taiwan's parent company, accounted for and valued by the equity method.

Note 2: The investment profit or loss of the company was recognized based on the financial statements of the investee company for the same period without being reviewed by the independent auditors, accounted for and valued by the equity method.

Note 3: The profit and loss of the sub-subsidiary has been consolidated into the profit and loss of the subsidiary. The transactions between the Company and each subsidiary of the Group including sales transaction amount, accounts receivable and payable, carrying amount of long-term equity investment, except for the associates) and investment profit and loss recognized in the current period, have been eliminated in preparing the consolidated financial statements.

Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries (Continued)

(III) Information on Investment in Mainland China:

1. Information on the name of investee company in Mainland China and their main businesses and products

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Investee	Percentage of ownership of direct or indirect investment	Share of profits/losses for the period	Carrying amount of investment at the end of the period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Huili	Processing of power supply	149,398	(II),1	176,873	-	-	176,873	(62,367)	100.00	(62,367)	281,141	197,299
Zhonghan	Processing of power supply	230,762 (Note 2)	(II),1	104,342	-	-	104,342	(6,666)	100.00	(6,666)	209,616	75,044
WUXI SPI	Processing of power supply	743,815 (Note 2)	(II),1	508,326	-	-	508,326	(31,195)	100.00	(31,195)	96,230	-
WUXI Zhonghan	Manufacturing and trading of power supply	428,455	(II),1	380,595	-	-	380,595	17,844	100.00	17,844	1,295,443	-
Zhong Han	Manufacturing and trading of power supply	134,190	(II),1	20,196	-	-	20,196	23,194	100.00	23,194	792,751	-
FSP Jiangsu	Research & development and design of various energy saving technology	69,009 (Note 2)	(II),1	13,380	-	-	13,380	(6,681)	100.00	(6,681)	116,034	-
Protek Dongguan	Processing of power supply	40,561	(II),1	38,038	-	-	38,038	8,501	100.00	8,501	24,950	-
Hao Han	Transformer processing	168,534 (Note 2)	(II),1	-	-	-	-	(10,296)	100.00	(10,296)	63,746	-
WUXI 3Y	Design, manufacturing and trading of power supplies	4,245	(II),2	-	-	-	-	126	65.87	83	4,007	-

Note 1: Method of investment can be divided into the following 3 categories:

- (I) Direct investment in mainland China.
- (II) Indirect investment in mainland China through a holding company established in other countries
 - 1. Through FSP International Inc. to invest in mainland China.
 - 2. Through 3Y Power to invest in mainland China.
- (III) Others.

Note 2: This includes the amount of capital contributed by a foreign subsidiary from its earnings or dividends from an investee company in China.

Note 3: The investment profit or loss of the company and the carrying amount of the investment at the end of the period were recognized based on the financial statements of the investee company audited by the independent auditors of Taiwan's parent company, accounted for and valued by the equity method.

Note 4: The investment profit or loss of the company and the carrying amount of the investment at the end of the period were recognized based on the financial statements of the investee company for the same period without being reviewed by the independent auditors, accounted for and valued by the equity method.

Note 5: Eliminated under consolidation.

2. The limit of investment in mainland China:

Accumulated investment in mainland China at the end of period	Investment amounts approved by Investment Commission, MOEA	Limit of investment in mainland China approved by Investment Commission, MOEA
1,241,750 (Note 2) (HK\$12,500 thousand and US\$35,640 thousand)	1,705,043 (Note 2) (HK\$12,500 thousand and US\$52,110 thousand)	7,605,720 (Note 1)

Note 1: 60% of net worth.

Note 2: For the amounts of the above investment in mainland China, except that the accumulated investment amount remitted from Taiwan to the mainland China at the end of the current period is based on the historical exchange rate, the investment profit and loss recognized in the current period is based on the weighted average exchange rate (USD/TWD: 1:29.2845, CNY/TWD: 1:4.4280, HKD/TWD: 1:3.7377). Paid-in capital, investment amount approved by the Investment Commission of MOEA, and the carrying amount at the end of the period is based on the exchange rates on September 30, 2022 (USD/TWD: 1:31.7500, CNY/TWD: 1:4.4730, HKD/TWD: 1:4.0440).

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

3. Significant transactions with the investee company in mainland China:

Please refer to the “Information on Significant Transactions” for direct or indirect material transactions between the Group and investees in China (which have been eliminated during the preparation of consolidated financial statements) from January 1 to September 30, 2022.

(IV) Information on Major Shareholders:

Name of Major Shareholders	Shareholding	Shares	Percentage of Ownership
Chuan Han Investment Co., Ltd.		15,091,766	8.05%
Cheng, Ya-Jen		12,167,477	6.49%
Yang, Fu-An		11,792,834	6.29%
Wang, Tsung-Shun		11,605,794	6.19%

- The information of major shareholders in this table was calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, and the shareholders who held more than 5% of the common shares and preferred shares of the Company that have been delivered (including treasury shares) were disclosed. The number of shares recorded in the Company's financial statements and the number of shares actually delivered by the Company without physical registration may differ due to different basis of preparation of the calculations.
- If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. As for the insider declaration for shareholding more than 10% of total shares in accordance with the Securities and Exchange Act, their shareholding shall include the shares held by themselves plus the shares that they have delivered to the trust and have the right to exercise decision-making power over the trust property. For more information, please refer to Market Observation Post System website.
- The percentage of shareholding is calculated by rounding to two decimal places.

XIV. Segment Information

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

	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Total
July to September, 2022							
Revenue:							
Revenue from external customers	\$ 2,814,993	354,510	481,293	148,660	248,443	-	4,047,899
Intersegment revenue	613,934	255,041	807	2,027	16,921	(888,730)	-
Total revenues	\$ 3,428,927	609,551	482,100	150,687	265,364	(888,730)	4,047,899
Reportable segment profit or loss	\$ 317,559	70,039	6,591	82	13,731	4	408,006
July to September, 2021							
Revenue:							
Revenue from external customers	\$ 3,010,516	321,781	670,299	177,312	194,559	-	4,374,467
Intersegment revenue	715,726	167,242	6,318	3,857	20,740	(913,883)	-
Total revenues	\$ 3,726,242	489,023	676,617	181,169	215,299	(913,883)	4,374,467
Reportable segment profit or loss	\$ 264,700	40,683	37,257	6,061	5,396	813	354,910

**Notes to Consolidated Financial Statements of FSP Technology Inc. and Subsidiaries
(Continued)**

	The Company and its processing subsidiaries	3Y Power	Zhong Han	WUXI Zhonghan	Others	Adjustment and elimination	Total
January to September, 2022							
Revenue:							
Revenue from external customers	\$ 8,051,977	1,003,111	1,385,955	422,601	667,463	-	11,531,107
Intersegment revenue	1,632,414	682,495	2,984	8,846	47,762	(2,374,501)	-
Total revenues	\$ 9,684,391	1,685,606	1,388,939	431,447	715,225	(2,374,501)	11,531,107
Reportable segment profit or loss	\$ 589,543	177,924	12,816	(3,629)	38,313	(428)	814,539
January to September, 2021							
Revenue:							
Revenue from external customers	\$ 8,979,420	793,309	1,701,327	573,816	476,287	-	12,524,159
Intersegment revenue	1,830,882	503,879	12,695	20,929	66,790	(2,435,175)	-
Total revenues	\$ 10,810,302	1,297,188	1,714,022	594,745	543,077	(2,435,175)	12,524,159
Reportable segment profit or loss	\$ 549,593	82,281	63,160	19,063	36,029	706	750,832

The significant adjustment items of the above reportable segment information are described as follows:

The sum of reportable segment revenue should be deducted by the intersegment revenue amounted to NT\$888,730 thousand, NT\$913,883 thousand, NT\$2,374,501 thousand and NT\$2,435,175 thousand, respectively, for the three months and nine months ended September 30, 2022 and 2021.