

**SHUNSIN TECHNOLOGY HOLDINGS LIMITED
AND SUBSIDIARY
Consolidated Financial Statements
With Independent Auditors' Report
For the second quarter of 2023 and 2022**

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Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China. The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

Menu

Items	Page
1. Cover	1
2. Menu	2
3. Independent Auditors' Report	3
4. Consolidated Balance Sheet	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Note to the Consolidated Financial Statements	
(1) History of the Company	8
(2) Approval dates and procedures of consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8～10
(4) Summary of major accounting policies	10～11
(5) Major sources of uncertainty in accounting judgments, estimates and assumptions	12
(6) Description of important accounting items	12～39
(7) Related party transactions	39～42
(8) Pledged assets	42
(9) Material contingent liabilities and unrecognized contractual commitments	42～43
(10) Major disaster losses	43
(11) Major subsequent events	43
(12) Others	43～44
(13) Disclosure of note	
(1) Information on major transactions	44～46
(2) Information on investees	46～47
(3) Information on investment in Mainland China	47～48
(4) Information of major shareholders	48
(14) Information on departments	48

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors of ShunSin Technology Holdings Limited:

Audit Opinion

We have audited the consolidated financial statements of ShunSin Technology Holdings Limited and its subsidiaries (“the Group”), which comprise the consolidated balance sheet as of June 30, 2023 and 2022, and the related consolidated statement of comprehensive income for the three months and six months ended June 30, 2023 and 2022, changes in equity and cash flows from January 1 to June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policy.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2023 and 2022, and its consolidated financial performance for the three months and six months ended June 30, 2023 and 2022 and its consolidated cash flows from January 1 to June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and with the International Accounting Standards (“IASs”) 34 “Interim Financial Reporting” by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgements, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

Please refer to note 4 (14) for accounting policy related to revenue recognition, and note 6 (21) for the information related to revenue of the consolidated financial report of 2022.

Description of key audit matter:

Due to sales transactions of the Group are depending on contracts, we need to judge individually to confirm the adequacy of revenue recognition. Additionally, the Group adopts IFRSs 15, which involves complex accounting treatments and policy may result in inappropriate performance obligations and recognition of revenue under IFRSs 15. In addition, it is necessary to evaluate and verify the completeness and accuracy of the relevant materials used, as well as the new disclosure requirements revenue recognition is listed as one of the important items in the audit of the financial statements of this year.

Our audit procedures included:

- Assess the appropriateness of accounting policy in accordance with the requirements of the IFRSs 15 and the understanding of operating and industry characteristics.
- Testing the effectiveness of the design and implementation of internal control over sales and collection cycle, and to examine major contracts to assess revenue recognition.
- Performing comparison analysis on sale of the current period to last period and the latest quarter, and performing trend analysis on sales from each top ten customer to assess the existence of any exceptions, and further identify and analyze the causes if there is any significant exception.
- Performing confirmation procedure of sales revenue and examining significant returns or exchanges after the balance sheet date to assess the assertions of the existence, accuracy, as well as the appropriateness of recognition.
- Performing sales cut-off test of a period before and after the financial position date by vouching relevant documents of sales transactions to determine whether the sales of goods, sales returns and allowances have been the appropriately recognized.

2. Financial Assets at Fair Value through Profit and Loss

Please refer to note 4 (7) “Financial Instrument” for the accounting policies of financial assets measured at fair value through profit and loss; note 5 for accounting assumptions and estimation uncertainties of impairment of financial assets measured at fair value through profit and loss, and note 6 (2) and (24) “Financial Instrument” for the property and evaluation statements of financial assets measured at fair value through profit and loss of the consolidated financial report of 2022.

Description of key audit matter:

The financial assets measured at fair value through profit and loss of the Group are susceptible to the operating conditions of the companies and the economic environment that the fund invests, resulting in greater changes in the subsequent profits or losses recognized as gains and losses at fair value re-measurement, thus adjusting the value of financial assets. Assessing the fair value of this

financial asset often requires complicated evaluation techniques. Therefore, we listed the evaluation of financial assets measured at fair value of profits and losses as one of the key audit matters in the audit of Financial Statements of this year.

Our audit procedures included:

- Obtain the appraiser's appraisal report of the invested Company entrusted by the Group, and evaluate the appraiser's qualification and independence.
- Evaluate the rationalities of the assumptions used in the appraisal report in estimating the price of an investment.
- Evaluate the rationalities of the recognition of profit and loss of financial assets in the accounts of the Group.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the Guidelines and IAS 34 “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Accountant's Responsibility for Auditing Consolidated Financial Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters significant in our audit of the consolidated financial statements for the second quarter of 2023 and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

June 30 2023, December 31 2022 and June 30 2022

Expressed in Thousands of New Taiwan Dollars

	Assets	2023.6.30		2022.12.31		2022.6.30			Liabilities and equities	2023.6.30		2022.12.31		2022.6.30	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11xx	Current assets:							21xx	Current liabilities:						
1100	Cash and cash equivalents (note 6 (1))	\$ 7,440,051	52	8,819,738	54	8,677,070	57	2100	Short-term loans (note 6 (3), (12) and 8)	\$ 4,275,049	30	4,327,134	27	3,187,705	21
1110	Current financial assets at fair value through profit or loss (note 6 (2))	-	-	6,004	-	-	-	2120	Financial liabilities at fair value through profit or loss-current (note 6 (2))	2,060	-	-	-	-	-
1137	Financial assets at amortized costs- current (note 6 (3), (12), (13) and 8)	12,233	-	61,732	-	61,141	-	2130	Current contract liabilities (note 6 (21))	57,913	-	59,862	-	34,693	-
1140	Current contract assets (note 6 (21) and 7)	448,568	3	408,006	3	507,992	3	2170	Accounts payable	349,976	2	622,933	4	773,672	5
1151	Notes receivable (note 6 (4) and (21))	39,874	-	-	-	-	-	2180	Accounts payable to related parties (note 7)	1,331	-	8,100	-	29,664	-
1170	Accounts receivable (note 6 (4) and (21))	633,116	5	968,455	6	819,548	6	2200	Other payables (note 6 (22))	473,600	4	662,723	4	428,958	3
1181	Accounts receivable—related parties (note 6 (4), (21) and 7)	17,605	-	63,785	-	61,915	-	2216	Dividend payable (note 6 (18))	123,585	1	-	-	275,110	2
1206	Other receivables (note 6 (5), (7) and 7)	36,122	-	32,178	-	30,926	-	2220	Other payables to related parties (note 7)	15,880	-	16,173	-	19,902	-
1220	Current tax assets	21,674	-	20,062	-	-	-	2230	Current tax liabilities	21,828	-	28,748	-	30,547	-
1310	Inventories (note 6 (6))	541,156	4	801,660	5	1,263,770	9	2280	Current lease liabilities (note 6 (15))	18,470	-	21,247	-	20,123	-
1410	Prepayments	143,463	1	76,653	1	85,483	1	2321	Bonds payable, current portion (note 6 (14))	-	-	1,506,376	9	1,490,521	10
1470	Other current assets	2,872	-	3,388	-	2,995	-	2322	Long-term borrowings, current portion (note 6 (3), (13) and 8)	198,690	1	198,690	1	840,000	6
		9,336,734	65	11,261,661	69	11,510,840	76	2399	Other current liabilities	11,992	-	6,759	-	20,170	-
										5,550,374	38	7,458,745	45	7,151,065	47
15xx	Non-current assets:							25xx	Non-current liabilities:						
1510	Financial assets measured at fair value through profit or loss-non-current (note 6 (2))	372,636	3	325,238	2	372,141	2	2540	Long-term loans (note 6 (3), (13) and 8)	1,580,700	11	1,725,125	10	1,188,800	8
1535	Financial assets at amortized costs- non -current (note 6 (3), (12), (13) and 8)	8,909	-	8,010	-	-	-	2570	Deferred tax liabilities	272,886	2	309,026	2	296,149	2
1600	Property, plant and equipment (note 6 (9), 7 and 9)	3,957,003	27	3,946,760	24	2,717,657	18	2580	Non-current lease liabilities (note 6 (15))	26,043	-	34,635	-	518	-
1755	Right-of-use assets (note 6 (10))	316,903	2	330,849	2	297,392	2	2630	Long-term deferred revenue	114,463	1	81,701	1	87,107	-
1780	Intangible assets (note 6 (11))	1,847	-	1,566	-	1,884	-	2645	Guarantee deposits received	4,982	-	4,884	-	9,809	-
1840	Deferred tax assets	376,850	3	395,789	3	319,653	2			1,999,074	14	2,155,371	13	1,582,383	10
1915	Prepayments for business facilities (note 9)	10,952	-	8,422	-	12,967	-	2xxx	Total liabilities	7,549,448	52	9,614,116	58	8,733,448	57
1920	Guarantee deposits paid	16,472	-	14,017	-	12,039	-	31xx	Total equity attributable to owners of parent (note 6 (8), (14), (18) and (19)):						
		5,061,572	35	5,030,651	31	3,733,733	24	3110	Ordinary share	1,074,648	7	1,074,648	7	1,074,648	7
								3200	Capital surplus	2,898,150	20	2,933,948	18	2,963,428	19
								3300	Retained earnings:						
								3310	Legal reserve	534,118	4	513,551	3	513,551	4
								3320	Special reserve	162,447	1	298,036	2	298,036	2
								3350	Unappropriated retained earnings	1,843,931	13	1,717,906	11	1,565,109	10
										2,540,496	18	2,529,493	16	2,376,696	16
								3400	Other equity interest:						
								3410	Exchange differences on translation of foreign financial statements	(357,203)	(2)	(162,447)	(1)	(94,365)	-
								3500	Treasury shares	(151,236)	(1)	(151,236)	(1)	-	-
									Total equity attributable to owners of parent	6,004,855	42	6,224,406	39	6,320,407	42
								36xx	Non-controlling interests (note 6 (8))	844,003	6	453,790	3	190,718	1
								3xxx	Total equity	6,848,858	48	6,678,196	42	6,511,125	43
1xxx	Total assets	\$ 14,398,306	100	16,292,312	100	15,244,573	100	2-3xxx	Total liabilities and equity	\$ 14,398,306	100	16,292,312	100	15,244,573	100

See accompanying notes to consolidated financial statements

Chairman: Chiang, Shang-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Yao-Wei

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES
Consolidated Statements of Profit or Loss and Other Comprehensive Income
From April 1 to June 30, 2023 and 2022 and from January 1 to June 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, except for Earning Per Share)

		From April to June 2023		From April to June 2022		From January to June 2023		From January to June 2022	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (note 6 (21) and 7):								
4110	Sales revenue	\$ 1,196,423	100	1,275,689	100	2,521,734	100	2,093,216	100
4190	Loss: Sales discounts and allowances	2	-	870	-	127	-	1,201	-
	Operating Revenue	<u>1,196,421</u>	<u>100</u>	<u>1,274,819</u>	<u>100</u>	<u>2,521,607</u>	<u>100</u>	<u>2,092,015</u>	<u>100</u>
5000	Operating costs (note 6 (6), (9), (10), (11), (15), (16) and 7)	<u>959,265</u>	<u>80</u>	<u>1,110,298</u>	<u>87</u>	<u>2,058,654</u>	<u>82</u>	<u>1,905,201</u>	<u>91</u>
5900	Gross profit from operations	<u>237,156</u>	<u>20</u>	<u>164,521</u>	<u>13</u>	<u>462,953</u>	<u>18</u>	<u>186,814</u>	<u>9</u>
6000	Operating expenses (note 6 (9), (10), (11), (15), (16), (19), (22) and 7):								
6100	Selling expenses	10,889	1	11,351	1	22,633	1	20,940	1
6200	Administrative expenses	104,579	9	85,505	7	226,184	9	167,718	8
6300	Research and development expenses	90,959	7	76,886	6	169,732	6	159,339	8
	Total operating expenses	<u>206,427</u>	<u>17</u>	<u>173,742</u>	<u>14</u>	<u>418,549</u>	<u>16</u>	<u>347,997</u>	<u>17</u>
6900	Net operating profits (losses)	<u>30,729</u>	<u>3</u>	<u>(9,221)</u>	<u>(1)</u>	<u>44,404</u>	<u>2</u>	<u>(161,183)</u>	<u>(8)</u>
7000	Non-operating income and expenses (note 6 (14), (15), (23) and 7):								
7100	Interest revenue	52,648	4	56,251	4	90,181	3	110,825	5
7010	Other income	10,786	1	13,791	1	42,576	2	31,760	2
7020	Other gains and losses	51,874	4	38,775	3	54,518	2	192	-
7050	Finance costs	(44,607)	(3)	(26,712)	(2)	(83,861)	(3)	(48,219)	(2)
	Total non-operating income and expenses	<u>70,701</u>	<u>6</u>	<u>82,105</u>	<u>6</u>	<u>103,414</u>	<u>4</u>	<u>94,558</u>	<u>5</u>
7900	Profit (Loss) from continuing operations before tax	<u>101,430</u>	<u>9</u>	<u>72,884</u>	<u>5</u>	<u>147,818</u>	<u>6</u>	<u>(66,625)</u>	<u>(3)</u>
7950	Loss: Tax expense (benefit) (note 6 (17))	<u>35,655</u>	<u>3</u>	<u>(74,542)</u>	<u>(6)</u>	<u>6,332</u>	<u>-</u>	<u>(111,169)</u>	<u>(5)</u>
8200	Profit	<u>65,775</u>	<u>6</u>	<u>147,426</u>	<u>11</u>	<u>141,486</u>	<u>6</u>	<u>44,544</u>	<u>2</u>
8300	Other comprehensive income:								
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation	(287,348)	(24)	(220,087)	(17)	(199,328)	(8)	207,442	10
8399	Loss: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
8300	Other comprehensive income, net	<u>(287,348)</u>	<u>(24)</u>	<u>(220,087)</u>	<u>(17)</u>	<u>(199,328)</u>	<u>(8)</u>	<u>207,442</u>	<u>10</u>
8500	Total comprehensive income (loss)	<u>\$ (221,573)</u>	<u>(18)</u>	<u>(72,661)</u>	<u>(6)</u>	<u>(57,842)</u>	<u>(2)</u>	<u>251,986</u>	<u>12</u>
	Profit, attributable to:								
8610	Owners of parent	\$ 80,074	7	153,604	11	134,588	6	52,877	2
8620	Non-controlling interests	(14,299)	(1)	(6,178)	-	6,898	-	(8,333)	-
		<u>\$ 65,775</u>	<u>6</u>	<u>147,426</u>	<u>11</u>	<u>141,486</u>	<u>6</u>	<u>44,544</u>	<u>2</u>
	Comprehensive income attributable to:								
8710	Owners of parent	\$ (191,359)	(16)	(62,861)	(5)	(60,168)	(2)	256,548	12
8720	Non-controlling interests	(30,214)	(2)	(9,800)	(1)	2,326	-	(4,562)	-
		<u>\$ (221,573)</u>	<u>(18)</u>	<u>(72,661)</u>	<u>(6)</u>	<u>(57,842)</u>	<u>(2)</u>	<u>251,986</u>	<u>12</u>
	Basic earnings per share (expressed in New Taiwan Dollars) (note 6 (20))								
9750	Basic earnings per share	<u>\$ 0.76</u>		<u>1.43</u>		<u>1.27</u>		<u>0.49</u>	
9850	Diluted earnings per share	<u>\$ 0.76</u>		<u>1.38</u>		<u>1.26</u>		<u>0.49</u>	

See accompanying notes to consolidated financial statements

Chairman: Chiang, Shang-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Yao-Wei

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

January 1 to June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										
	Retained earnings						Exchange differences on translation of foreign financial statements	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total					
Balance as of January 1, 2022	\$ 1,074,648	2,963,425	473,243	253,000	1,872,686	2,598,929	(298,036)	-	6,338,966	188,766	6,527,732
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	40,308	-	(40,308)	-	-	-	-	-	-
Special reserve	-	-	-	45,036	(45,036)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(275,110)	(275,110)	-	-	(275,110)	-	(275,110)
Profit (loss)	-	-	-	-	52,877	52,877	-	-	52,877	(8,333)	44,544
Other comprehensive income (loss)	-	-	-	-	-	-	203,671	-	203,671	3,771	207,442
Total comprehensive income (loss)	-	-	-	-	52,877	52,877	203,671	-	256,548	(4,562)	251,986
Changes in ownership interests in subsidiaries	-	3	-	-	-	-	-	-	3	(3)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	6,517	6,517
Balance as of June 30, 2022	\$ 1,074,648	2,963,428	513,551	298,036	1,565,109	2,376,696	(94,365)	-	6,320,407	190,718	6,511,125
Balance as of January 1, 2023	\$ 1,074,648	2,933,948	513,551	298,036	1,717,906	2,529,493	(162,447)	(151,236)	6,224,406	453,790	6,678,196
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	20,567	-	(20,567)	-	-	-	-	-	-
Special reserve	-	-	-	(135,589)	135,589	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(123,585)	(123,585)	-	-	(123,585)	-	(123,585)
Profit	-	-	-	-	134,588	134,588	-	-	134,588	6,898	141,486
Other comprehensive income (loss)	-	-	-	-	-	-	(194,756)	-	(194,756)	(4,572)	(199,328)
Total comprehensive income (loss)	-	-	-	-	134,588	134,588	(194,756)	-	(60,168)	2,326	(57,842)
Changes in ownership interests in subsidiaries	-	(35,798)	-	-	-	-	-	-	(35,798)	35,798	-
Share-based payment transactions	-	-	-	-	-	-	-	-	-	54,770	54,770
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	297,319	297,319
Balance as of June 30, 2023	\$ 1,074,648	2,898,150	534,118	162,447	1,843,931	2,540,496	(357,203)	(151,236)	6,004,855	844,003	6,848,858

See accompanying notes to consolidated financial statements

Chairman: Chiang, Shang-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Yao-Wei

SHUNSIN TECHNOLOGY HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

January 1 to June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	From January to June, 2023	From January to June, 2022
Cash flows from operating activities:		
Profit (Loss) before tax	\$ 147,818	(66,625)
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	238,627	250,589
Amortization expense	367	258
Net profit on financial assets and liabilities at fair value through profit or loss	(28,673)	41,194
Interest expense	83,861	48,219
Interest income	(90,181)	(110,825)
Share-based payments	54,770	-
Net (gain) loss on disposal and scrapping of property, plant and equipment	(312)	5
Property, plant and equipment transferred to expenses	-	205
Gain on bond redemption	(7,500)	-
Gain from modification of lease	-	(6)
Total adjustments to reconcile profit (loss)	250,959	229,639
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(40,562)	(178,488)
Notes receivable	(39,874)	-
Accounts receivable	335,339	(165,777)
Accounts receivable—related parties	46,180	39,543
Other receivables	2,288	36,509
Inventories	262,107	(122,315)
Prepayments	(59,887)	223,256
Other current assets	516	1,478
Total changes in operating assets	506,107	(165,794)
Changes in operating liabilities:		
Contract liabilities	(1,949)	(29,087)
Accounts payable	(272,957)	154,614
Accounts payable—related parties	(6,769)	18,179
Other payable	(11,287)	(69,444)
Other payable—related parties	(56)	(25,038)
Other current liabilities	5,233	(4,631)
Long-term deferred income	32,762	(4,541)
Total changes in operating liabilities	(255,023)	40,052
Total changes in operating assets and liabilities	251,084	(125,742)
Total adjustments	502,043	103,897
Cash inflow generated from operations	649,861	37,272
Interest received	83,949	92,637
Interest paid	(79,374)	(31,394)
Income taxes paid	(37,994)	(92,194)
Net cash flows from (used in) operating activities	616,442	6,321
Cash flows from (used in) investing activities:		
Acquisition of financial assets at amortized costs	(13,133)	-
Proceeds from disposal of financial assets at amortized cost	62,333	-
Acquisition of property, plant and equipment	(432,988)	(639,526)
Proceeds from disposal of property, plant and equipment	312	-
Increase in guarantee deposits received	(2,455)	(613)
Acquisition of intangible assets	(813)	(1,130)
Decrease (Increase) in prepayments for business facilities	(5,816)	(7,796)
Net cash flows from (used in) investing activities	(392,560)	(649,065)
Cash flows from (used in) financing activities:		
Increase in short-term loans	5,284,006	4,607,418
Decrease in short-term loans	(5,336,091)	(4,561,953)
Repayments of bonds	(1,500,000)	-
Repayments of long-term loans	(161,625)	-
Increase in guarantee deposits received	98	4,983
Payments of lease liabilities	(12,184)	(19,031)
Changes in non-controlling interests	297,319	6,517
Net cash flows from (used in) financing activities	(1,428,477)	37,934
Effect of exchange rate changes on cash and cash equivalents	(175,092)	214,981
Net decrease in cash and cash equivalents	(1,379,687)	(389,829)
Cash and cash equivalents at beginning of period	8,819,738	9,066,899
Cash and cash equivalents at end of period	\$ 7,440,051	8,677,070

See accompanying notes to consolidated financial statements

Chairman: Chiang, Shang-Yi

Manager: Hsu, Wen-Yi

General Accountant: Wang, Yao-Wei

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History of the Company

ShunSin Technology Holdings Limited (formerly known as Amtec Holdings Limited, hereinafter referred to as “the Company”) was established in the Cayman Islands on January 8, 2008, and set up a branch in Taiwan on July 4, 2013. On Approval dates August 28, 2013, the Company was renamed as ShunSin Technology Holdings Limited and changed the Chinese name of Amtec Holding Limited to ShunSin Technology Holdings Limited through the Board of Directors resolution. The Company’s stock was listed on the Taiwan Stock Exchange on January 26, 2015. The Company and its subsidiaries (hereinafter referred to as “the Group”) are mainly engaged in the assembly, testing and sales of various integrated circuits related to semiconductors.

2. Approval dates and procedures of consolidated financial statements

The consolidated financial statements were authorized for issuance by the Board of Directors on August 30, 2023.

3. New standards, amendments and interpretations adopted:

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group’s adoption of the newly revised International Financial Reporting Standards from January 1, 2023, and it does not cause significant impact on consolidated financial report.

- 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”

The Group’s adoption of the newly revised International Financial Reporting Standards from May 23, 2023, and it does not cause significant impact on consolidated financial report.

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The impact of the International Financial Reporting Standards (“IFRSs”) which will come into effect on January 1, 2024 is as follows:

- A. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” and “Non-current Liabilities with Covenants”

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

date. The amendments have removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.

The amendments clarify the classification of liabilities is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement or will choose to settle early. An entity will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to an entity complying with covenants specified in a loan arrangement. The amendments specify only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e., future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, entities will now need to disclose additional information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how an entity classifies a liability that can be settled in its own shares – e.g. convertible debt. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 Financial Instruments: Presentation. The amendments have now clarified that when an entity classifies the host liability as current or non-current, it can ignore only those conversion options that are recognized as equity.

The Group may need to change the liquidity classification of loans and convertible bonds and is evaluating the impact of its initial adoption of the amendments on its consolidated financial position.

B. Others

The Group does not expect the following amended standards have a significant impact on its consolidated financial statements.

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS16 “Lease Liability in a Sale and Leaseback”

(3) The impact of IFRS issued by IASB but not yet endorsed by FSC

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

- Amendments to IFRS 10 and IAS 28 “sale or contribution of Assets Between an Investor and Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”

4. Summary of Major Accounting Policies

The major accounting policies adopted in this consolidated financial report are the same as those in 2022, except for the following. Please refer to the note 4 in consolidated financial report of 2022 for relative information.

(1) Statement on compliance

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Guidelines” and the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Bulletin (hereinafter referred to as the “International Financial Reporting Standards Accredited by the Financial Supervisory Commission”).

(2) Basic of consolidation

The principles for preparing consolidated financial report are consistent with those in 2022, please refer to note 4 (3) in consolidated financial report of 2022 for relative information.

Subsidiaries included in consolidated financial reports:

Investor	Name of subsidiary	Primary Business	Shareholding Ratio		
			2023.6.30	2022.12.31	2022.6.30
The Company	ShunSin Technology Holdings (Hong Kong) Limited (hereinafter referred to ShunSin (Hong Kong))	Holding Company	91.80%	91.80%	91.80%
The Company	ShunSin Technology (Samoa) Corporation Limited (hereinafter referred to as ShunSin (Samoa))	Overseas material and equipment purchase	100.00%	100.00%	100.00%
The Company	ShunYun Technology Holdings Limited (hereinafter referred to as ShunYun (Cayman))	Sales of high-speed optical transceiver module	- %	- %	100.00% (Note 3)
ShunSin (Samoa)	ShunSin (Hong Kong)	Holding Company	8.20%	8.20%	8.20%
ShunSin (Hong Kong)	ShunSin Technology (Zhongshan) Limited (hereinafter referred to as ShunSin (Zhongshan))	Assembly, testing and sales of high-speed optical transceiver module, high-frequency wireless communication module and various integrated circuits	100.00%	100.00%	100.00%
ShunSin (Hong Kong)	ShunYun Technology (Zhongshan) Limited (hereinafter referred to as	High-speed optical transceivers manufacturing	78.05% (Note 1)	86.77%	100.00%

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

ShunYun (Zhongshan))

ShunSin (Zhongshan)	Talentek Microelectronics (Hefei) Limited (hereinafter referred to as Talentek (Hefei))	Design, R&D, measurement and sales of electrical equipment, communication equipment and automation	39.68% (Note 2)	43.89%	44.58%
ShunYun (Zhongshan)	ShunYun Technology Holdings (Hong Kong) Limited (hereinafter referred to ShunYun (Hong Kong))	Holding Company	100.00%	100.00%	100.00%
ShunYun (Hong Kong)	ShunYun (Cayman)	Sales of high-speed optical transceiver module	100.00%	100.00%	- % (Note 3)
ShunYun (Cayman)	ShunYun Technology (Ha Noi, Vietnam) Limited (hereinafter referred to ShunYun (HaNoi))	High-speed optical transceivers manufacturing	100.00%	100.00%	100.00%
ShunYun (Cayman)	ShunSin Technology (Bac Giang, Vietnam) Limited (hereinafter referred to ShunSin (Bac Giang))	High-speed optical transceivers manufacturing	100.00%	100.00%	100.00%

Note 1: The Company was approved by Board of Directors on August 26, 2022 and November 10, 2022 that ShunYun (Zhongshan) increases its capital and retains 13.23% and 8.72% shares respectively for employees to subscribe. The Company's holding ratio to ShunYun (Zhongshan) dropped from 100% to 78.05% and the Company still controls ShunYun (Zhongshan). The cash capital increase procedure and the change registration has been completed on January 30, 2023.

Note 2: Talentek (Hefei) was approved by shareholders' meeting on June 25, 2021 to increase its capital by RMB 12,000 thousand. Talentek (Hefei) was approved to implement share incentive plan of by shareholders' meeting on December 31, 2021. After the increasing capital and share incentive plan are fully completed, the actual shareholding ratio ShunSin (Zhongshan) hold is 39.68% according to invested capital as of June 30, 2023. Although the shareholding ratio of ShunSin (Zhongshan) in Talentek (Hefei) is less than 50%, according to the overall shareholding ratio of ShunSin (Zhongshan) and its related parties which is still the largest shareholder, it is still considered to have control over Talentek (Hefei).

Note 3: ShunYun (Hong Kong) purchased 100% equity of the Company's subsidiary, ShunYun (Cayman), on June 28, 2022. It has acquired 100% of ShunYun (Cayman).

Subsidiaries not included in the consolidated financial report: None.

(3) Income tax

The Group measured and disclose midterm income tax expense in accordance with the Guidelines and section B12 of IAS 34 "Interim Financial Reporting".

Income tax expense are recognized as current tax expense and defer tax expense under the calculation with the interim reported income before tax times the best estimation of effective tax rate from Management.

Income tax which are recognized in equity or other comprehensive income are measured with applicable tax rate base on the temporary difference between booking amount and taxable basis

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

when expected to be realized or paid off.

5. Major Sources of Uncertainty in Accounting Judgments, Estimates and Assumptions

While preparing consolidated financial report based on the Guidelines and IAS 34 “Interim Financial Reporting”, Management has to make judgements, estimations, and assumptions, and those would affect reported assets, liabilities, revenues, and expenses under adopted accounting policy. Actual consequence may differ from those estimated.

Major sources of uncertainty in accounting judgments, estimates and assumptions are consistent with note 5 in the consolidated financial report of 2022 while preparing.

6. Description of important accounting items

There is no material difference the description of material accounting subjects in the consolidated financial report with those in the 2022. Please refer to note 6 of the consolidated financial report in 2022 for relative information.

(1) Cash and cash equivalents

	2023.6.30	2022.12.31	2022.6.30
Cash on hand	\$ 48	114	166
Current deposit	5,070,956	5,284,123	1,648,086
Times deposit	2,369,047	3,535,501	7,028,818
Cash and cash equivalents as shown in the consolidated cash flow statement	<u>\$ 7,440,051</u>	<u>8,819,738</u>	<u>8,677,070</u>

For the disclosure of interest rate risk and sensitivity analysis of the Group’s financial assets, please refer to note 6 (24) for details.

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

A. Current

	2023.6.30	2022.12.31	2022.6.30
Financial assets (liabilities) held for trading:			
Non hedging derivatives			
Forward foreign exchange contract	\$ (2,060)	-	-
SWAP contract	-	6,004	-
Total	<u>\$ (2,060)</u>	<u>6,004</u>	<u>-</u>

The Group engages in derivative financial commodity transactions to avoid exchange rate risks and interest rate risks exposed by business activities. The details of the Group’s derivative instruments reported as financial assets measured at fair value through profit or loss due to the absence of hedge accounting on June 30, 2023, December 31, 2022 and June

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

30, 2022 are as follows:

Forward foreign exchange contract:

2023.6.30			
Contract amount	Currency	Period	Fair value asset (liability)
USD 5,000	USD to RMB	2023.9.26	<u><u>\$ (2,060)</u></u>

SWAP contract:

2022.12.31			
Contract amount	Currency	Period	Fair value asset (liability)
CNY 378,000	Sell NTD/Buy RMB	2023.1.13	<u><u>\$ 6,004</u></u>

B. Non-current

	2023.6.30	2022.12.31	2022.6.30
Financial assets designated at fair value through profit and loss:			
Non-derivative financial assets			
Stocks of domestic unlisted companies	\$ 12,496	19,913	21,542
Stocks of foreign unlisted companies	123,801	86,118	95,870
Private Equity	236,339	219,207	254,729
	<u><u>\$ 372,636</u></u>	<u><u>325,238</u></u>	<u><u>372,141</u></u>

Please refer to note 6 (23) for the amount recognized as profit or loss in the fair value re-measurement.

(3) Financial assets at amortized cost

A. Current

	2023.6.30	2022.12.31	2022.6.30
Restricted bank deposits	<u><u>\$ 12,233</u></u>	<u><u>61,732</u></u>	<u><u>61,141</u></u>

ShunYun (Zhongshan), a subsidiary of the Group, applied to the customs for the qualification of import and export goods, with customs deposit amounting to NTD 0 thousand (RMB 0 thousand), NTD 61,732 thousand (RMB 14,000 thousand) and NTD 53,141 thousand (RMB 12,000 thousand) on June 30, 2023, December 31, 2022 and June 30, 2022 respectively.

The Group used the bank loans on June 30, 2023 and 2022. According to the deal of bank, the Group saved NTD 12,233 thousand and NTD 8,000 thousand into the syndicated loan interest custody account respectively.

B. Non-current

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Restricted bank deposits	\$ 7,209	8,010	-
Times deposit	1,700	-	-
	<u>\$ 8,909</u>	<u>8,010</u>	<u>-</u>

The Group used the long-term loans on June 30, 2023 and December 31, 2022. According to the deal of contract, the Group saved NTD 7,209 thousand and NTD 8,010 thousand into the syndicated loan interest custody account respectively. The Group held a foreign currency time deposit certificate of 1,700 thousand (equal to VND 1,300,000 thousand) on June 30, 2023, with an effective annual interest rate of 8% and a maturity date of November 2027.

The Group recognized as financial assets measured at amortized cost, whose intension is to hold the asset to maturity to collect contractual cash flow which is solely payment of principal and interest on the principal amount outstanding.

Please refer to note 8 for the details of customs deposit and collateral for long-term loans as of June 30, 2023, December 31, 2022 and June 30, 2022.

(4) Notes receivable and accounts receivable

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Notes receivable	\$ 39,874	-	-
Accounts receivable	633,116	968,455	819,548
Accounts receivable-related party	17,605	63,785	61,915
	<u>\$ 690,595</u>	<u>1,032,240</u>	<u>881,463</u>

Accounts receivable of the Group is not discounted or provided as collateral.

The Group uses the simplified method of estimating the anticipated credit loss for all accounts receivable, that is to say, the Group estimates anticipated credit losses based on the duration of those. In order to measure the abovementioned, the Group categorized its clients based on common credit risk about the ability to pay off the due amount, considered foresighted information which includes information on the overall economy and related industries. According to historical experience on the credit loss of the Group, there is no significant difference in the loss patterns of different client groups, so the Group does not further classify clients into groups.

The anticipated credit loss of notes receivable and accounts receivable of the Group on June 30, 2023, December 31, 2022 and June 30, 2022, are analyzed as follows:

	<u>2023.6.30</u>	
Book value of notes receivable and accounts	Weighted average anticipated	Provision against anticipated

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

	<u>receivable</u>	<u>credit loss rate (%)</u>	<u>credit losses during the continuance of existence</u>
Not overdue	\$ 597,074	-	-
Past due 1-30 days	63,869	-	-
Past due 31-60 days	26,152	-	-
Past due 61-90 days	1,537	-	-
Past due 91-120 days	1,455	-	-
Past due 121-365 days	508	-	-
	<u>\$ 690,595</u>		<u>-</u>

2022.12.31

	<u>Book value of accounts receivable</u>	<u>Weighted average anticipated credit loss rate (%)</u>	<u>Provision against anticipated credit losses during the continuance of existence</u>
Not overdue	\$ 1,009,106	-	-
Past due 1-30 days	3,823	-	-
Past due 31-60 days	815	-	-
Past due 61-90 days	16,606	-	-
Past due 91-120 days	1,890	-	-
	<u>\$ 1,032,240</u>		<u>-</u>

2022.6.30

	<u>Book value of accounts receivable</u>	<u>Weighted average anticipated credit loss rate (%)</u>	<u>Provision against anticipated credit losses during the continuance of existence</u>
Not overdue	\$ 846,290	-	-
Past due 1-30 days	12,053	-	-
Past due 61-90 days	5,206	-	-
Past due 91-120 days	16,841	-	-
Past due 121-365 days	1,073	-	-
	<u>\$ 881,463</u>		<u>-</u>

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

There is no need to recognize anticipated credit losses during the duration after assessment on June 30, 2023, December 31, 2022 and June 30, 2022.

Financial assets aforementioned are not used as guarantees for short-term loans and line of credit.

(5) Other receivables

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Other receivables	<u>\$ 36,122</u>	<u>32,178</u>	<u>30,926</u>

Other receivables of the Group were not overdue on June 30, 2023, December 31, 2022 and June 30, 2022.

(6) Inventories

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Raw materials	\$ 505,295	718,822	1,245,030
Work-in-process	22,630	38,183	10,758
Finished products (including semi-finished products)	<u>13,231</u>	<u>44,655</u>	<u>7,982</u>
	<u>\$ 541,156</u>	<u>801,660</u>	<u>1,263,770</u>

Operating costs recognized by the Group:

	<u>From April to June 2023</u>	<u>From April to June 2022</u>	<u>From January to June 2023</u>	<u>From January to June 2022</u>
Cost of selling inventories	\$ 956,233	1,120,598	2,042,070	1,910,485
Loss (Reverse) allowance for inventory valuation losses and slow-moving inventories recognized as current operating costs	(5,254)	(15,390)	2,339	(15,090)
Inventory Obsolescence	4,680	138	7,370	2,552
Unallocated manufacturing overhead	3,606	4,952	7,198	8,631
Revenue from sale of scraps	<u>-</u>	<u>-</u>	<u>(323)</u>	<u>(1,377)</u>
	<u>\$ 959,265</u>	<u>1,110,298</u>	<u>2,058,654</u>	<u>1,905,201</u>

From April 1 to June 30, 2022, there are evidences showing that the slow-moving inventory decreased, hence the loss allowance for inventory valuation amounting to 15,390 thousand has been reversed.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the inventory of the Group has not been provided as a pledge guarantee.

(7) Non-current assets classified as held for sale

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

In order to optimize assets and raise efficiency of operation, after obtaining management's approval on July 30, 2021, Board of Directors approved to sell ShunSin (Zhongshan)'s equipment to Triple Win Technology (Shenzhen) Co., Ltd on October 28, 2021. The book value of the equipment is 507,203 thousand (RMB 118,111 thousand). The Group transferred the equipment to non-current assets classified as held for sale with its book value. Among part of the aforementioned machinery and equipment for sale, 4,110 thousand (RMB 946 thousand) was transferred back to self-use in December 2021, while the remaining machinery and equipment for sale were sold at their book value in March 2022 and from October to December of 2021. The disposal price was 24,532 thousand (RMB 5,651 thousand) and 484,462 thousand (RMB 111,514 thousand), and the gain on the disposal was 0. As of June 30, 2023, December 31, 2022 and June 30, 2022, the aforementioned remaining amount of 0 thousand, 0 thousand and 2,302 thousand has not yet been received respectively, which is listed under other receivables.

(8) Changes in ownership interests in subsidiaries and subsidiaries with significant non-controlling interests

A. Subsidiary issues new shares for cash capital increase, and the Company still maintains control over it.

ShunYun (Zhongshan) issued 37,550 thousand shares for the cash capital increase from January 1 to June 30, 2023. In order to encourage outstanding employees to continue working in the Group, the Company gave up subscription and reserved them for employees of 100% owned subsidiary. Hence the shareholding rate of the Company toward ShunYun (Zhongshan) decreased by 8.72%.

Talentek (Hefei) has finished the cash capital increase from January 1 to June 30, 2023 and 2022, hence the shareholding rate of the Company toward Talentek (Hefei) decreased by 4.21% and 0.84%.

The impact of changes in the Group's ownership interest in the aforementioned subsidiary to equity attributable to parent company is listed below:

	From January to June 2023	From January to June 2022
ShunYun (Zhongshan)	\$ (61,875)	-
Talentek (Hefei)	26,077	3
	\$ (35,798)	3

B. The non-controlling interests of subsidiaries that are significant to the Group are as follows:

**Proportion of ownership interests and
voting rights of non-controlling
interests**

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Name of subsidiary	Main place of business/ Country where the company is registered		2023.6.30	2022.12.31	2022.6.30
ShunYun (Zhongshan)	China		21.95%	13.23%	- %
Talentek (Hefei)	China		60.32%	56.11%	55.42%

The following information on the aforementioned subsidiaries has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. This information has reflected the fair value adjustments made and the relevant difference in accounting principles on the acquisition date. Intra-group transactions were not eliminated in this information.

The summary of financial information of ShunYun (Zhongshan) is as follows:

	2023.6.30	2022.12.31	2022.6.30
Current assets	\$ 1,165,110	1,565,362	886,785
Non-current assets	1,980,536	1,348,688	232,798
Current liabilities	(520,762)	(887,178)	(406,695)
Non-current liabilities	(53,690)	(45,814)	(2,561)
Net asset	<u>\$ 2,571,194</u>	<u>1,981,058</u>	<u>710,327</u>
Book value of ending balance on non-controlling interests	<u>\$ 622,732</u>	<u>279,438</u>	<u>-</u>

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Operating revenue	<u>\$ 78,346</u>	<u>150,626</u>	<u>219,037</u>	<u>205,231</u>
Profit	49,226	50,861	120,912	21,408
Other comprehensive income (loss)	(50,591)	61,596	(6,919)	38,791
Total comprehensive income (loss)	<u>\$ (1,365)</u>	<u>112,457</u>	<u>113,993</u>	<u>60,199</u>
Profit (Loss) attributable to non-controlling interests	<u>\$ (5,423)</u>	<u>-</u>	<u>26,540</u>	<u>-</u>
Comprehensive income (loss) attributable to non-controlling interests	<u>\$ (14,964)</u>	<u>-</u>	<u>26,511</u>	<u>-</u>

The summary of financial information of Talentek (Hefei) is as follows:

	2023.6.30	2022.12.31	2022.6.30
Current assets	\$ 248,768	180,711	214,902
Non-current assets	261,192	248,062	239,038
Current liabilities	(117,898)	(88,966)	(78,146)
Non-current liabilities	(25,234)	(29,073)	(31,660)

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Net asset	\$	366,828	310,734	344,134
Book value of ending balance on non-controlling interests	\$	221,271	174,352	190,718
		From	From	From
		April to	April to	January
		June 2023	June 2022	to June
				2023
				2022
Operating revenue	\$	55,410	55,959	139,379
Loss		(14,707)	(11,149)	(33,425)
Other comprehensive income (loss)		(10,574)	(6,533)	(7,526)
Total comprehensive income (loss)	\$	(25,281)	(17,682)	(40,951)
Profit (Loss) attributable to non-controlling interests	\$	(8,876)	(6,178)	(19,642)
Comprehensive income (loss) attributable to non-controlling interests	\$	(15,249)	(3,622)	(24,185)
				3,771

(9) Property, plant and equipment

The changes in the costs, depreciation and impairment losses of the real estate, plant and equipment of the Group from January 1 to June 30, 2023 and 2022 are as follows:

	Housing and building	Machinery and equipment	Office equipment (including computer communication equipment)	Inspection equipment	Other equipment	Lease improvement	Unfinished construction and equipment to be inspected	Total
Cost:								
Balance as of January 1, 2023	\$ 1,273,114	2,850,187	74,925	666,161	403,220	54,466	1,765,850	7,087,923
Acquisition	-	59,759	2,367	915	5,989	384	182,138	251,552
Disposal	-	-	(163)	(159)	(807)	-	-	(1,129)
Re-classification(Note 1)	-	9,117	-	9,889	4,219	-	(21,542)	1,683
Impact of exchange rate changes	(28,815)	(67,304)	(1,272)	(14,774)	(5,860)	(1,242)	21,810	(97,457)
Balance as of June 30, 2023	\$ 1,244,299	2,851,759	75,857	662,032	406,761	53,608	1,948,256	7,242,572
Balance as of January 1, 2022	\$ 1,253,510	2,471,996	75,090	668,513	374,460	46,897	213,247	5,103,713
Acquisition	-	148,289	108	13,916	15,371	700	407,705	586,089
Disposal	-	-	(1,066)	(720)	(12,600)	-	-	(14,386)
Re-classification(Note 2)	-	160,039	-	1,278	7,138	5,882	(154,793)	19,544
Impact of exchange rate changes	25,061	51,282	1,837	16,640	9,907	941	9,938	115,606
Balance as of June 30, 2022	\$ 1,278,571	2,831,606	75,969	699,627	394,276	54,420	476,097	5,810,566
Accumulated depreciation and impairment losses:								
Balance as of January 1, 2023	\$ 343,459	1,863,102	66,210	521,965	319,211	27,216	-	3,141,163
Depreciation	25,921	132,313	2,697	30,102	27,363	2,886	-	221,282
Disposal	-	-	(163)	(159)	(807)	-	-	(1,129)
Impact of exchange rate changes	(8,348)	(50,613)	(1,290)	(13,919)	(897)	(680)	-	(75,747)
Balance as of June 30, 2023	\$ 361,032	1,944,802	67,454	537,989	344,870	29,422	-	3,285,569
Balance as of January 1, 2022	\$ 284,128	1,711,308	63,395	490,519	250,334	20,855	-	2,820,539
Depreciation	27,902	117,001	2,339	37,176	40,117	2,821	-	227,356
Disposal	-	-	(1,066)	(715)	(12,600)	-	-	(14,381)

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Impact of exchange rate changes	5,693	34,383	1,327	10,209	7,364	419	-	59,395
Balance as of June 30, 2022	<u>\$ 317,723</u>	<u>1,862,692</u>	<u>65,995</u>	<u>537,189</u>	<u>285,215</u>	<u>24,095</u>	<u>-</u>	<u>3,092,909</u>
Carrying amount:								
Balance as of June 30, 2023	<u>\$ 883,267</u>	<u>906,957</u>	<u>8,403</u>	<u>124,043</u>	<u>61,891</u>	<u>24,186</u>	<u>1,948,256</u>	<u>3,957,003</u>
Balance as of January 1, 2023	<u>929,655</u>	<u>987,085</u>	<u>8,715</u>	<u>144,196</u>	<u>84,009</u>	<u>27,250</u>	<u>1,765,850</u>	<u>3,946,760</u>
Balance as of June 30, 2022	<u>\$ 960,848</u>	<u>968,914</u>	<u>9,974</u>	<u>162,438</u>	<u>109,061</u>	<u>30,325</u>	<u>476,097</u>	<u>2,717,657</u>

Note 1: From January 1 to June 30, 2023, the amounts reclassified from prepayments for business facilities is \$3,286 thousand respectively and the amounts of reclassifying into inventories is \$1,603 thousand.

Note 2: From January 1 to June 30, 2022, the amounts reclassified from prepayments for business facilities is \$19,749 thousand respectively and the amounts of reclassifying into expenses is \$205 thousand.

(10) Right-of-use asset

The cost and depreciation of the Group's leased land, building and transportation equipment, etc., and its changes are as follows:

	Land	Building	Vehicle	Total
Cost:				
Balance as of January 1, 2023	\$ 295,505	153,473	6,285	455,263
Acquisition	-	183	-	183
Decrease (contract expired)	-	(10,160)	-	(10,160)
Impact of exchange rate changes	2,662	1,389	(142)	3,909
Balance as of June 30, 2023	<u>\$ 298,167</u>	<u>144,885</u>	<u>6,143</u>	<u>449,195</u>
Balance as of January 1, 2022	\$ 280,657	98,914	7,801	387,372
Decrease (contract modified)	-	(655)	-	(655)
Impact of exchange rate changes	12,674	4,123	156	16,953
Balance as of June 30, 2022	<u>\$ 293,331</u>	<u>102,382</u>	<u>7,957</u>	<u>403,670</u>
Accumulated depreciation of right-of-use assets:				
Balance as of January 1, 2023	\$ 21,432	100,787	2,195	124,414
Depreciation	4,418	11,811	1,116	17,345
Decrease (contract expired)	-	(10,160)	-	(10,160)
Impact of exchange rate changes	62	706	(75)	693
Balance as of June 30, 2023	<u>\$ 25,912</u>	<u>103,144</u>	<u>3,236</u>	<u>132,292</u>
Balance as of January 1, 2022	\$ 12,193	63,091	4,341	79,625
Depreciation	4,279	17,531	1,423	23,233
Impact of exchange rate changes	520	2,813	87	3,420
Balance as of June 30, 2022	<u>\$ 16,992</u>	<u>83,435</u>	<u>5,851</u>	<u>106,278</u>
Carrying amount:				
Balance as of June 30, 2023	<u>\$ 272,255</u>	<u>41,741</u>	<u>2,907</u>	<u>316,903</u>
Balance as of January 1, 2023	<u>\$ 274,073</u>	<u>52,686</u>	<u>4,090</u>	<u>330,849</u>
Balance as of June 30, 2022	<u>\$ 276,339</u>	<u>18,947</u>	<u>2,106</u>	<u>297,392</u>

(11) Intangible assets

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

The cost, amortization and impairment losses of the Group' intangible assets from January 1 to June 30, 2023 and 2022 are as follows:

	Cost of computer software
Cost:	
Balance as of January 1, 2023	\$ 32,499
Acquisition	813
Disposal	(333)
Impact of exchange rate changes	(866)
Balance as of June 30, 2023	<u>\$ 32,113</u>
Balance as of January 1, 2022	\$ 30,888
Acquisition	1,130
Impact of exchange rate changes	621
Balance as of June 30, 2022	<u>\$ 32,639</u>
Amortization and impairment losses:	
Balance as of January 1, 2023	\$ 30,933
Amortization	367
Disposal	(333)
Impact of exchange rate changes	(701)
Balance as of June 30, 2023	<u>\$ 30,266</u>
Balance as of January 1, 2022	\$ 29,899
Amortization	258
Impact of exchange rate changes	598
Balance as of June 30, 2022	<u>\$ 30,755</u>
Carrying amount:	
Balance as of June 30, 2023	<u>\$ 1,847</u>
Balance as of January 1, 2023	<u>\$ 1,566</u>
Balance as of June 30, 2022	<u>\$ 1,884</u>

The amortization expenses of intangible assets are reported under the consolidated income statement as follows:

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Operating costs	\$ 28	28	56	56
Operating expenses	183	116	311	202

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

\$ 211 144 367 258

(12) Short-term loans

The details of the short-term loans of the Group are as follows:

	2023.6.30	2022.12.31	2022.6.30
Unsecured bank loans	\$ 4,275,049	4,327,134	3,187,705
Line of credit	\$ 6,707,417	3,884,944	4,256,899
Interest rate range (%)	1.83%-5.9%	0.75%-5.16%	0.89%~2.21%

(13) Long-term loans

The details of the long-term loans of the Group are as follows:

2023.6.30			
	Currency	Period	Amount
Syndicated loan from China CITIC Bank	NTD	2022.12~2024.12	\$ 596,070
Unsecured loan from MUFG Bank	USD	2021.12~2024.12	871,920
Unsecured loan from E.SUN Bank	USD	2021.12~2024.12	311,400
Subtotal			1,779,390
Less: past due within one year			(198,690)
Total			\$ 1,580,700
Line of credit			\$ -
Interest rate range (%)			2.21-6.53

2022.12.31			
	Currency	Period	Amount
Syndicated loan from China CITIC Bank	NTD	2022.12~2024.12	\$ 695,415
Unsecured loan from MUFG Bank	USD	2021.12~2024.12	859,880
Unsecured loan from E.SUN Bank	USD	2021.12~2024.12	368,520
Subtotal			1,923,815
Less: past due within one year			(198,690)
Total			\$ 1,725,125
Line of credit			\$ 1,076,250
Interest rate range (%)			1.85~5.90

2022.6.30			
	Currency	Period	Amount
Syndicated loan from China CITIC Bank	NTD	2020.10~2022.12	\$ 840,000
Unsecured loan from MUFG Bank	USD	2021.12~2024.12	832,160

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Unsecured loan from E.SUN Bank	USD	2021.12~2024.12	356,640
Subtotal			2,028,800
Less: past due within one year			(840,000)
Total			<u><u>\$ 1,188,800</u></u>
Line of credit			<u><u>\$ 1,300,000</u></u>
Interest rate range (%)			<u><u>1.85~3.30</u></u>

The Group started to use syndicated loan in October 2020. According to the contract, an amount of interest equivalent to six months is required to be deposited in the custody account. Please refer to note 8 for more information on the collateral loans. And please refer to note 6 (13) in the consolidated financial report of 2022 for relative information.

On June 30, 2023, the amount of 198,690 thousand in the syndicated loan must repay 99,345 thousand in December 2023 and June 2024 respectively according to the contract, so it is classified as current portion.

On December 31, 2022, the amount of 198,690 thousand in the syndicated loan must be repaid on June 26, 2023 according to the contract, so it is classified as current portion. On June 30, 2022, the loan of 840,000 thousand for the syndicated loan has not yet been extended and is due on December 26, 2022, so it is classified as current portion.

According to the loan contract, the Group shall calculate and maintain certain financial index based on the consolidated financial report of each year and the consolidated financial report for the second quarter of each year for which the accountant audited. Financial covenants such as debt ratio, interest protection multiples and tangible net worth. And it will be checked every half of the fiscal year.

When the Group performed the semi-annual audit in 2022, it was found that there was a violation of the requirement of interest coverage ratio. According to the loan contract, if the Group fails to meet any of the above financial ratios, it shall apply for a cash capital increase or other means within three months. If the Group fails to improve its financial ratios to meet the above agreed financial ratios during the improvement period, it is deemed a breach of contract. The Group has performed the audit and calculation in the third quarter of 2022, and the interest coverage ratio has complied with the provisions of the loan contract.

(14) Convertible bonds payable

	2023.6.30	2022.12.31	2022.6.30
The total amount of convertible bonds issued	\$ 1,500,000	1,500,000	1,500,000
Less: amount of discount on issuing convertible bonds	142,650	142,650	142,650
Underwriting expenses	<u>7,294</u>	<u>7,294</u>	<u>7,294</u>

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Compound present value of bonds converted at issuance	1,350,056	1,350,056	1,350,056
Amortization of Company debt payable at discount	149,944	148,820	132,965
Cost of convertible bonds issue at premium	7,500	7,500	7,500
Less: pay off convertible bonds payable expired	1,507,500	-	-
Ending balance of convertible bonds payable	<u>\$ -</u>	<u>1,506,376</u>	<u>1,490,521</u>

The Group's convertible bonds are fully paid off on February 12, 2023.

The expiration dates of First unsecured convertible bonds is February 12, 2023, so the Group reclassified the convertible bonds of December 31, 2022 and June 30, 2022 as current liabilities. During January 1 to June 30, 2023 and 2022, the Group did not issue and repurchase the bonds, please refer to note 6 (14) in the consolidated financial report of 2022 for relative information. Equity composition item under capital reserve-stock option, the details are as follows:

	From January to June 2023	From January to June 2022
Closing balance (Initial balance)	<u>\$ -</u>	<u>129,000</u>

The convertible corporate bonds of the Group expired on February 12, 2023, and the originally recognized capital surplus - share options have expired and have been transferred to capital surplus - the recognition of equity composition through the issuance of convertible corporate bonds - expired share options.

(15) Lease Liability

The Group's booking value of lease liabilities are as follows:

	2023.6.30	2022.12.31	2022.6.30
Current	\$ 18,470	21,247	20,123
Non-current	26,043	34,635	518
Total	<u>\$ 44,513</u>	<u>55,882</u>	<u>20,641</u>

Please refer to note 6 (24) for analysis of expiration.

Amounts recognized in profit or loss are as follows:

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Interest expense from lease liabilities	<u>\$ 740</u>	<u>199</u>	<u>1,527</u>	<u>469</u>
Expense of short-term lease	<u>\$ 6,601</u>	<u>2,277</u>	<u>14,262</u>	<u>5,255</u>
Expense of low-value leasing asset (not	<u>\$ 18</u>	<u>9</u>	<u>40</u>	<u>17</u>

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022
include low-value short-term lease)

Amounts recognized in cash flow statement are as follows:

	From January to June 2023	From January to June 2022
Total cash used in operating activity	\$ 15,829	5,741
Total cash used in financing activity	12,184	19,031
Total cash used in lease	<u><u>\$ 28,013</u></u>	<u><u>24,772</u></u>

A. Lease of land, buildings and constructions

The Group leases land, houses and buildings as operating site and factory. The leasing periods of land is usually 30 to 50 years, the leasing periods of buildings and constructions are usually 1 to 3 years, and some leases include the option to extend the same period as the original contract when the lease period expires.

B. Other leases

The Group leases transportation equipment for a period of 2 to 4 years.

Besides, the rental periods of office, parking lot, staff dorm, and machinery are 1 to 3 years, which are short term or low value lease, the Group chose to apply exemption recognition requirements instead of recognizing its relative right-of-use assets and lease liabilities.

(16) Employee benefit

The pension expenses of the Group from January 1 to June 30, 2023 and 2022 have been allocated to the labor insurance bureau and the local competent authority of the consolidated foreign subsidiaries. The details of the expenses reported by the Group are as follows:

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Operating costs	\$ 8,430	7,510	15,571	15,026
Operating expenses	5,976	5,902	11,811	11,891
	<u><u>\$ 14,406</u></u>	<u><u>13,412</u></u>	<u><u>27,382</u></u>	<u><u>26,917</u></u>

(17) Income tax

A. The income tax expense (benefit) details of the Group from January 1 to June 30, 2023 and 2022 are as follows:

From April to June 2023	From April to June 2022	From January to June	From January to June
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ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

			<u>2023</u>	<u>2022</u>
Current				
Current period	\$	12,579 (2,024)	21,783	43,382
Adjustment of current income tax for the previous period		2,595 (9,184)	2,595	(9,184)
		15,174 (11,208)	24,378	34,198
Deferred income tax expense (benefit)				
Occurrence and reversal of temporary differences		20,481 (63,334)	(18,046)	(145,367)
Income tax expense (benefit)	\$	<u>35,655 (74,542)</u>	<u>6,332</u>	<u>(111,169)</u>

B. Examination and approval of income tax

The Company are exempt from income tax and do not need to declare profit-making enterprise income tax according to the law of the country where the Company is established. Except for the income tax settlement declaration of the Company's Taiwan Branch of 2020, both of which of the Company's Taiwan Branch and the ShunYun (Cayman)'s Taiwan Branch have been approved by the taxation authorities until 2021.

(18) Capital and other equities

The Group has no significant changes in capital and other equity in the period of January 1 to June 30 for 2023 and 2022, except for the following. Please refer to note 6 (18) in the consolidated financial report of 2022 for relative information.

A. Capital surplus

The capital surplus balance of the Company is as follows:

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Share premium	\$ 2,689,050	2,689,050	2,689,050
Changes in ownership interests in subsidiaries	31,846	67,644	97,124
Employee stock option-expired	4,841	4,841	4,841
Treasury share transactions	37,810	37,810	37,810
Share payment transactions of its subsidiaries	5,603	5,603	5,603
Issuance of stock option embedded in convertible bonds	-	129,000	129,000
Issuance of stock option embedded in expired convertible bonds	129,000	-	-
	<u>\$ 2,898,150</u>	<u>2,933,948</u>	<u>2,963,428</u>

B. Retained earnings distribution

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

According to Charter of the Company, the Company's earnings distribution for 2022 and 2021 were decided by the shareholders' meeting on May 10, 2023 and 2022 respectively. The dividend distribution are as follows:

	2022		2021	
	Dividend per share (USD)	Amount	Dividend per share (USD)	Amount
Dividend distributed to ordinary shareholders:				
Cash	\$ 1.17	<u>123,585</u>	2.56	<u>275,110</u>

As of June 30, 2023 and 2022, the cash dividend amounting to \$123,585 thousand and \$275,110 thousands of retained earnings distribution approved by Board of Directors is listed in the account of dividend payable.

Information for retained earnings distribution approved by Board of Directors of 2022 and 2021, respectively could be inquired on Market Observation Post System.

C. Treasury Stock

On August 26, 2022, the Company was approved by Board of Directors to repurchase 3,000 thousand shares as treasury stock in order to transfer them to employee. The scheduled execution period is from August 29, 2022 to October 28, 2022, and the repurchase price range is NTD 59 to NTD 100. The Company intended to repurchase fully 3,000 thousand shares before October 28, 2022, however, considering the willingness of employees to purchase and the efficiency of capital use, the Company does not complete the whole 3,000 thousand shares. As of October 28, 2022, the deadline of repurchasing treasury stock, the Company had repurchased 1,802 thousand share, with the average price \$83.93 per share, and the amount of repurchased shares 151,236 thousand. According to "Repurchase of shares and transfer of employee method", the repurchased share could be transferred to employees in batches. On March 14, 2023, the Company was approved by Board of Directors to execute the first transfer, and the number of transferred shares was 627 thousand shares. The record date of transferring is on July 31, 2023.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(19) Share-based payment

The share-based payment of the Group from January 1 to June 30, 2023 has no significant changes except for the following mentioned. Please refer to the note 6 (19) in the consolidated financial report of 2022 for relative information.

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

A. The information about employee stock options is as follows:

The details of the employee stock option certificates of ShunYun (Zhongshan), a subsidiary of the Company, are as follow:

Unit: 1,000

	From January to June 2023	
	1st time share granted	2nd time share granted
Outstanding stock as of January 1	44,450	37,550
Grant quantity in current period	-	-
Vested during the year	-	-
Quantity lost in current period	-	-
Outstanding stock as of June 30	44,450	37,550

B. Relative information of Policy Governing First Share Repurchased and Transferred to Employees

The Company transferred treasury stock to employees in accordance with the approval by Board of Directors on August 26, 2022 which is based on the Policy Governing First Share Repurchased and Transferred to Employees. The subscription date is on July 31, 2023.

C. Expenses for employees of the share-based payment

The expenses incurred by the Group in the period of January 1 to June 30, 2023 and 2022 due to the share-based payment are as follows:

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Expense from employee stock option	\$ 26,458	-	54,770	-

(20) Earnings per share

The Company's basic earnings per share are calculated as follows:

Unit: 1,000

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Basic earnings per share of the Company				
Net profit for the current period	\$ 80,074	153,604	134,588	52,877
Weighted average number of outstanding shares	105,663	107,465	105,663	107,465

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Basic earnings per share (NT\$)	\$	0.76	1.43	1.27	0.49
Diluted earnings per share of the Company					
Net profit for the current period	\$	80,074	153,604	134,588	52,877
The impact of potential common stocks with diluting effect					
Fair value assessment of embedded derivatives (such as trading rights)	-	-	1,124	-	
Expected reduction in interest expense for convertible bonds conversion	-	7,864	-	-	
Net profit for the current period	\$	80,074	161,468	135,712	52,877
Weighted average number of outstanding shares		105,663	107,465	105,663	107,465
The impact of potential common stocks with diluting effect					
Employees' remuneration		35	63	120	290
The impact of convertible bonds	-	9,393	2,317	-	
Weighted average number of outstanding shares		105,698	116,921	108,100	107,755
Diluted earnings per share (NT\$)	\$	0.76	1.38	1.26	0.49

The convertible bonds of the Group are potential common stocks from January 1 to June 30, 2022, but due to their anti-dilution effect, they are not included in the calculation of diluted earnings per share from January 1 to June 30, 2022.

(21) Revenues from customers' contract

A. Disaggregation of revenue

		From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Primary geographical markets:					
US	\$	492,417	527,952	1,209,343	737,376
Singapore		447,872	480,258	798,186	716,868
China		116,336	112,551	245,553	254,588
Taiwan		77,545	106,350	156,134	286,695
Malaysia		18,415	15,655	43,348	47,212
Australia		22,340	10,899	33,707	13,200
Other countries		21,496	21,154	35,336	36,076
	\$	1,196,421	1,274,819	2,521,607	2,092,015

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

B. Remaining balance of contracts

	<u>2023.6.30</u>	<u>2022.12.31</u>	<u>2022.6.30</u>
Notes receivable	\$ 39,874	-	-
Accounts receivable (including related party)	650,721	1,032,240	881,463
Total amount	<u>\$ 690,595</u>	<u>1,032,240</u>	<u>881,463</u>
Contract assets	<u>\$ 448,568</u>	<u>408,006</u>	<u>507,992</u>
Contract liabilities	<u>\$ 57,913</u>	<u>59,862</u>	<u>34,693</u>

The Group has assessed that there is no need to recognize loss allowance for contract assets as of June 30, 2023, December 31 and June 30, 2022.

The variation of contract liabilities comes from the difference between meeting performance obligations and payment timing of customers.

(22) Profit sharing bonus of employees and directors

According to the Company's Articles of Association, the Company shall allocate profit sharing bonus to the employees with no less than 5% of the current year's profits before the payment of employees' and the directors' profit sharing bonus. The Company may allocate no more than 0.1% of the profits of the current year for the profit sharing bonus of directors. Base on the Articles of Association of the Company revised on June 28, 2023, the Company shall allocate profit sharing bonus to the employees with no less than 3% of the current year's profits before the payment of employees' and the directors' profit sharing bonus. The Company may allocate no more than 0.1% of the profits of the current year for the profit sharing bonus of directors.

The Company accrued profit sharing bonus to employees from April 1 to June 30, 2023 and 2022, from January 1 to June 30, 2023 and 2022 are \$1,538 thousand, \$4,655 thousand, \$3,795 thousand and \$4,655 thousand respectively, and \$35 thousand, \$93 thousand, \$80 thousand and \$93 thousand for the directors. The bonus of employees and directors are calculated based on income before tax times the certain percentage of employees and directors ruled by the memorandum of association, and recognized operating costs and operating expenses for each period. If there is a difference between the actual allocated amount and the estimated amount in the next year, it will be treated according to the changes in the accounting estimates, and the difference will be classified as the profit and loss of the next year. If Board of Directors decides to pay employee bonus with stocks, the calculating basis of stock is based on the previous day's closing price of Board of Directors meeting.

The Company accrued profit sharing bonus to employees for 2022 and 2021 are \$18,000 thousand and \$43,333 thousand respectively, and \$252 thousand and \$465 thousand for the directors. There is no difference between the estimated amount and the amount of determined

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

by the Board of Directors for the year of 2022 and the year of 2021. Related information is available at the MOPS.

(23) Non-operating gains and losses

A. Interest income

Interest incomes of the Group are as follows:

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Bank deposit interest	\$ 52,648	56,251	90,181	110,825

B. Other incomes

Other incomes of the Group are as follows:

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Incomes from government subsidy	\$ 6,518	8,951	28,463	22,817
Other incomes	4,268	4,840	14,113	8,943
Total amount of other incomes	\$ 10,786	13,791	42,576	31,760

C. Other profits and losses

Other profits and losses of Group are as follows:

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Net profits of foreign currency exchange	\$ 37,093	38,753	26,198	43,483
Profits (Losses) from disposal of property, plant and equipment	312	(5)	312	(5)
(Profits) Losses from financial assets/liabilities at fair value through profit and loss	15,060	(5,306)	28,673	(41,194)
Other (profits) losses	(591)	5,333	(665)	(2,092)
	\$ 51,874	38,775	54,518	192

D. Financial costs

The financial costs of the Group are as follows:

From April to	From April to	From January	From January
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ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

	<u>June 2023</u>	<u>June 2022</u>	<u>to June 2023</u>	<u>to June 2022</u>
Interest expenses from bank loans	\$ 43,867	18,649	81,210	32,063
Interest expenses of convertible bonds	-	7,864	1,124	15,687
Interest expenses of lease liabilities	740	199	1,527	469
	<u>\$ 44,607</u>	<u>26,712</u>	<u>83,861</u>	<u>48,219</u>

(24) Financial instruments

The fair value of financial instrument and the situation of credit risk and market risk resulted from financial instrument have no significant changes compared with the consolidated financial report of 2022, except for the following mentioned. Please refer to the note 6 (24) in the consolidated financial report of 2022 for relative information.

A. Credit risks

(a) Credit exposure risk

The book value of financial assets and contract assets represent the maximum amount of credit exposure risk.

(b) Concentration of credit risk

On June 30, 2023, December 31, 2022 and June 30, 2022, 83%, 90% and 83% of the accounts receivable balance of the Group were composed of several customers respectively, which made the Group have a significant concentration of credit risk.

(c) Credit risks of receivables

For credit exposure risk information of notes receivable and accounts receivable, please refer to note 6 (4) for details and note 6 (5) for details of other receivables. The other receivables listed above are all financial assets with low credit risk. Therefore, the allowance loss during the period is measured by the amount of anticipated credit loss for 12 months.

B. Liquidity risk

The following table shows the contract maturity date of financial liabilities, which includes estimated interest.

	<u>Book value</u>	<u>Cash flow of the contract</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
June 30, 2023						
Non-derivative financial liabilities						
Short-term loans	\$ 4,275,049	4,285,091	4,285,091	-	-	-
Accounts payable (including related parties)	351,307	351,307	351,307	-	-	-
Other payables (including related parties)	489,480	489,480	489,480	-	-	-

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Dividends payable	123,585	123,585	123,585	-	-	-
Long-term loans	1,779,390	1,917,967	287,767	1,630,200	-	-
Lease liabilities	44,513	47,931	20,652	18,888	8,391	-
Guarantee deposits received	4,982	4,982	1,059	-	3,923	-
Subtotal	7,068,306	7,220,343	5,558,941	1,649,088	12,314	-
Derivative financial liabilities						
Forward foreign exchange contract:						
Outflow	2,060	(154,563)	(154,563)	-	-	-
Inflow	-	152,503	152,503	-	-	-
Subtotal	2,060	(2,060)	(2,060)	-	-	-
Total	\$ 7,070,366	7,218,283	5,556,881	1,649,088	12,314	-

December 31, 2022

Non-derivative financial liabilities						
Short-term loans	\$ 4,327,134	4,330,104	4,330,104	-	-	-
Accounts payable (including related parties)	631,033	631,033	631,033	-	-	-
Other payables (including related parties)	678,896	678,896	678,896	-	-	-
Convertible bonds payable (including derivative financial assets)	1,506,376	1,500,000	1,500,000	-	-	-
Long-term loans	1,923,815	2,212,620	413,498	1,799,122	-	-
Lease liabilities	55,882	60,757	23,958	19,174	17,625	-
Guarantee deposits received	4,884	4,884	1,015	-	3,869	-
	\$ 9,128,020	9,418,294	7,578,504	1,818,296	21,494	-

June 30, 2022

Non-derivative financial liabilities						
Short-term loans	\$ 3,187,705	3,190,045	3,190,045	-	-	-
Accounts payable (including related parties)	803,336	803,336	803,336	-	-	-
Other payables (including related parties)	448,860	448,860	448,860	-	-	-
Dividends payable	275,110	275,110	275,110	-	-	-
Convertible bonds payable (including derivative financial assets)	1,490,521	1,500,000	1,500,000	-	-	-
Long-term loans	2,028,800	2,129,874	885,354	37,836	1,206,684	-
Lease liabilities	20,641	20,886	20,362	524	-	-
Guarantee deposits received	9,809	9,809	5,311	3,834	88	576
	\$ 8,264,782	8,377,920	7,128,378	42,194	1,206,772	576

C. Exchange rate risk

(a) Exchange rate exposure risk

The financial assets and liabilities of the Group exposed to significant foreign currency exchange rate risks are as follows:

	2023.6.30			2022.12.31			2022.6.30		
	Foreign currency (in thousands)	Exchange rate (NT\$)	NT\$	Foreign currency (in thousands)	Exchange rate (NT\$)	NT\$	Foreign currency (in thousands)	Exchange rate (NT\$)	NT\$
<u>Financial assets</u>									
<u>Monetary items</u>									
RMB	517,434	4.2820	2,215,653	695	4.4058	3,062	375,597	4.4390	1,667,277
USD	21,661	31.1270	674,243	37,683	30.7095	1,157,227	21,343	29.7240	634,399
Yen	10,812	0.2149	2,324	12,868,122	0.2324	2,990,283	3,523	0.2183	769
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	2,873	31.0560	89,224	13,566	30.6865	416,293	34,334	29.7224	1,020,489
Yen	12,074	0.2149	2,595	12,867,203	0.2324	2,990,334	7,769	0.2177	1,691

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

(b) Sensitivity analysis

The exchange rate risk of the Group mainly comes from the foreign currency-denominated cash and the cash equivalents, accounts receivable and other receivables, accounts payable and other payables, etc., which generate foreign currency exchange gains and losses during the conversion. On June 30, 2023 and 2022, when the Taiwan dollar devalues by 0.25% against the US dollar and the Chinese Yuan, while all other factors remain unchanged, the net profit before tax from January 1 to June 30, 2023 and 2022 will increase by approximately \$7,002 thousand and \$3,203 thousand, respectively.

(c) Exchange gains and losses of monetary items

Due to the variety of functional currencies in the Group, the exchange gains and losses of monetary items are disclosed by the method of exchange consolidation. The exchange gains of foreign currencies from April 1 to June 30, 2023 and 2022, and from January 1 to June 30, 2023 and 2022 including realized and unrealized ones, are \$37,093 thousand, \$38,753 thousand, \$26,198 thousand and \$43,483 thousand, respectively.

D. Interest rate analysis

The time deposits and short-term loans of the Company are fixed interest rates, which have no interest rate fluctuation risk. The significant financial liabilities with interest rate sensitivity held by the Group are long-term borrowings calculated with floating interest rates. It is assessed that the interest rates will not change much, hence it will not cause significant cash flow risks to the Group.

E. Information on fair value

(a) Types and fair value of financial instruments

The book amount and fair value (including fair value-grade information, but not a reasonable approximation of fair value to the book value of financial instruments measured by fair value, and investment in equity instruments without quotation and reliable measurement of fair value in the flexible market, there is no need to disclose fair value information according to regulations.) of the financial assets and financial liabilities of the Group are listed as follows:

		2023.6.30			
		Fair value			Total amount
	Book value	Grade 1	Grade 2	Grade 3	
Financial assets at fair value through profit or loss					
Domestic unlisted stocks	\$ 12,496	-	-	12,496	12,496
Non-listed foreign shares	123,801	-	-	123,801	123,801

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Private fund	236,339	-	-	236,339	236,339
Subtotal	\$ 372,636	-	-	372,636	372,636
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities -current	\$ 2,060	-	2,060	-	2,060
	2022.12.31				
	Fair value				
	Book value	Grade 1	Grade 2	Grade 3	Total amount
Financial assets at fair value through profit or loss					
Derivative financial assets -current	\$ 6,004	-	6,004	-	6,004
Domestic unlisted stocks	19,913	-	-	19,913	19,913
Non-listed foreign shares	86,118	-	-	86,118	86,118
Private fund	219,207	-	-	219,207	219,207
Subtotal	\$ 331,242	-	6,004	325,238	331,242
	2022.6.30				
	Fair value				
	Book value	Grade 1	Grade 2	Grade 3	Total amount
Financial assets at fair value through profit or loss					
Domestic unlisted stocks	\$ 21,542	-	-	21,542	21,542
Non-listed foreign shares	95,870	-	-	95,870	95,870
Private fund	254,729	-	-	254,729	254,729
Subtotal	\$ 372,141	-	-	372,141	372,141

(b) Fair value assessment technique for measuring financial instruments at fair value

(I) Non-derivative financial instruments

The financial instrument held by the Group without an active market is an equity instrument or beneficiary certificate without open price, and its fair value is listed as the following by its kind and attributes:

(i) Equity instrument without open price: to use comparable company method and comparable transaction method. The main assumption of comparable company method is based on the profit after tax or the enterprise value of the investee and the listed earnings and enterprise value-to-sales multiplier derived from the market prices of comparable companies. This estimate has adjusted for the discounted effect of the lack of marketability of the equity securities.

(ii) Beneficiary certificate without open price: The fair value is estimated using the asset method. Total value of the beneficiary certificate is determined by the value covered by it.

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

(II) Derivative financial instruments

The right of conversion, redemption and sale of convertible bonds payable is estimated at fair value according to the appraisal report of external experts. The evaluation model is a binary tree convertible bond evaluation model, which uses market basis including stock price volatility, risk-free interest rate, risk discount rate and liquidity risk to observe the input value to reflect the fair value of options.

Forward foreign exchange contract and SWAP contract are usually evaluated based on the bank statement.

(c) Statement of changes of Grade 3

	From January to June 2023			From January to June 2022		
	Domestic unlisted stocks	Non-listed foreign company shares	Private equity fund	Domestic unlisted stocks	Non-listed foreign company shares	Private equity fund
Balance on January 1	\$ 19,913	86,118	219,207	20,704	113,643	271,655
Gains/ Losses:						
Recognized in gains/ losses	(7,550)	40,530	22,593	(664)	(20,037)	(22,348)
The impact of exchange rate	133	(2,847)	(5,461)	1,502	2,264	5,422
Balance on June 30	<u>\$ 12,496</u>	<u>123,801</u>	<u>236,339</u>	<u>21,542</u>	<u>95,870</u>	<u>254,729</u>

The above mentioned profits/ losses are recognized in other profits and losses.

(d) Quantified information on significant unobservable inputs (Grade 3) used in fair value measurement

Main composition of fair value classified as Grade 3 of the Group is financial assets at fair value through profit or loss.

Investments in equity instruments classified as the Grade 3 non-active market have significant unobservable input values in the plural. The significant unobservable input values of equity instruments investment in non-active markets are independent of each other, so there is no correlation between them.

The quantitative information of significant unobservable input values is listed as follows:

Items	Evaluation technologies	Significant unobservable input value	The relationship between significant unobservable input values and fair value
Financial assets at fair value through profit or loss — equity vehicle investment without	Refer to Listed (OTC) Company Act and Comparable transaction method	• Price-to-Revenue ratio (5.14 on 2023.6.30, 3.81 on 2022.12.31 and 3.72 on 2022.6.30)	• The higher the multiplier, the higher the fair value

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

active market

- Multiplier of enterprise value-to-sales (2.35 on 2023.6.30, 1.85 on 2022.12.31 and 1.52 on 2022.6.30)

- Lack of market liquidity discounts: Price-to-Revenue ratio (28% on 2023.6.30 and 2022.12.31, 18% on 2022.6.30)
- The higher the discount for lack of market liquidity, the lower the fair value

Multiplier of enterprise value-to-sales: 31% on 2023.6.30, 37% on 2022.12.31 and 24% on 2022.6.30)

Financial assets at fair value through profit or loss- Private fund investment consideration

Net asset value method

Net asset value

- The higher the net asset value, the higher the fair value

(e) A sensitivity analysis of the fair value of the Grade 3 to reasonable alternative assumptions

The fair value measurement of financial instruments by Group is reasonable, but different evaluation models or parameters may lead to different evaluation results. For financial instruments classified as the Grade 3, if the evaluation parameters change, the impact on current profits and losses is as follows:

		Move up or down	Changes in fair value reflecting in current profits and losses	
Input value			Favorable change	Unfavorable change
June 30, 2023				
Financial assets measured at fair value through profit and loss				
Equity instrument investment in non-active market	Price-to-Revenue ratio	5%	6,307	(6,307)

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Equity instrument investment in non-active market	Enterprise value-to-Sales ratio	5%	626	(626)
December 31, 2022				
Financial assets measured at fair value through profit and loss				
Equity instrument investment in non-active market	Price-to-Revenue ratio	5%	4,308	(4,308)
Equity instrument investment in non-active market	Enterprise value-to-Sales ratio	5%	994	(994)
June 30, 2022				
Financial assets measured at fair value through profit and loss				
Equity instrument investment in non-active market	Price-to-Revenue ratio	5%	4,852	(4,852)
Equity instrument investment in non-active market	Enterprise value-to-Sales ratio	5%	1,075	(1,075)

The favorable and unfavorable changes of the Group refer to the fluctuations of the fair value, which is calculated based on the evaluation technology according to the varying degrees of unobservable input parameters. If the fair value of a financial instrument is affected by more than one input value, the above table only reflects the impact of changes in a single input value and does not take into account the correlation and variability between input values.

(25) Financial risk management

The target and policy of financial risk management of the Group has no significant changes compared with note 6 (25) in the consolidated financial report of 2022.

(26) Capital management

The target, policy, and procedure of capital management of the Group are consistent with those in the consolidated financial report of 2022, the quantified data summary of capital management has no significant changes compared with the consolidated financial report of 2022. Please refer to the note 6 (26) in the consolidated financial report of 2022 for relate information.

(27) Investment and financing activities in non-cash transactions

For the year ended June 30, 2023 and 2022, the Group's non-cash investing and financing activities were derived from acquisition right-of-use asset through finance leasing and the amortization of convertible bonds discount. Please refer to notes 6(9), (13) and (14) for related information.

The adjustment of liabilities from financing activities are as follows:

2023.1.1	Cash flow	Discount and amortizat	Exchange rate changes	Non-cash changes			2023.6.30
				Fair value changes	Acquire	Reduce	Others

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

			ion						
Short-term loans	\$ 4,327,134	(52,085)	-	-	-	-	-	-	4,275,049
Long-term loans	1,923,815	(161,625)	-	17,200	-	-	-	-	1,779,390
Bonds payable	1,506,376	(1,500,000)	1,124	-	-	-	-	(7,500)	-
Lease liabilities	55,882	(12,184)	-	632	-	183	-	-	44,513
Total liabilities from financing activities	\$ 7,813,207	(1,725,894)	1,124	17,832	-	183	-	(7,500)	6,098,952

			Non-cash changes						
	2022.1.1	Cash flow	Discount and amortization	Exchange rate changes	Fair value changes	Acquire	Reduce	Others	2022.6.30
Short-term loans	\$ 3,142,240	45,465	-	-	-	-	-	-	3,187,705
Long-term loans	1,945,900	-	-	81,600	-	-	-	1,300	2,028,800
Bonds payable	1,474,834	-	15,687	-	-	-	-	-	1,490,521
Lease liabilities	39,109	(19,031)	-	1,224	-	-	(661)	-	20,641
Total liabilities from financing activities	\$ 6,602,083	26,434	15,687	82,824	-	-	(661)	1,300	6,727,667

7. Related-party transactions:

(1) Parent Company and ultimate controlling party

Foxconn (Far East) Limited is the parent company of the Group, holding 59.52% of the outstanding common shares of the Group as of June 30, 2023, December 31, 2022 and June 30, 2022. Hon Hai Precision Industry Co., Ltd. is the ultimate controller of the Group to which the Group belongs. Hon Hai Precision Industry Co., Ltd. has prepared a consolidated financial report for public use.

(2) Names and relationship with related parties

During the period covered by this consolidated financial report, the following persons have business relations with the Group:

Name of related parties	Relation with Group
Hon Hai Precision Industry Co., Ltd.	Ultimate controller
Foxconn OE Technologies Singapore Pte. Ltd.	Its ultimate controller is the same as that of Group
Foxconn Interconnect Technology Limited	Its ultimate controller is the same as that of Group
Fortunebay Technology Pte. Ltd.	Its ultimate controller is the same as that of Group
Hong Fujin Precision Industry (Shenzhen) Limited Company	Its ultimate controller is the same as that of Group
Shenzhen Fu Neng New Energy Technology Co., Ltd.	Its ultimate controller is the same as that of Group
Futaihua Industry (Shenzhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Foxcavity Precision Industry (Shenzhen) Co., Ltd.	Its ultimate controller is the same as that of Group
Shenzhen Fulian Fugui Precision Industry Co.,Ltd	Its ultimate controller is the same as that of Group
Icana Technology Limited	Its ultimate controller is the same as that of Group
Champ Tech Optical (Foshan) Corporation	Other related parties (affiliates of the ultimate controller)

(3) Major transactions with related parties

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

A. Sales

The significant sales amount of the Group to the related parties is as follows:

		From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Other related parties					
Foxconn Interconnect Technology Limited	\$	17,254	59,086	49,707	201,520
Others		301	252	722	501
	\$	17,555	59,338	50,429	202,021

The selling price for related parties approximated the market price. The credit terms are within four months, which is approximated to that with the general customer.

B. Purchase

The purchase amount of the Group from the related parties is as follows:

		From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Other related parties					
	\$	1,817	36,770	8,949	49,987

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. Payment terms are all within four months, and there is no significant difference with the general vendors.

C. Expenses for professional services

The details of management service fees and legal fees paid by the Group to the related parties are as follows:

		From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Ultimate controller					
	\$	126	522	126	791

D. Accounts receivable from related parties

Details of the receivables of the related parties of the Group are as follows:

Account items	Related-party categories	2023.6.30	2022.12.31	2022.6.30
Accounts receivable	Other related parties			
	Foxconn Interconnect Technology Limited	\$ 17,519	63,634	59,758

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

	Triple Win Technology (Shenzhen) Co., Ltd.	-	-	2,068
	Others	86	151	89
Subtotal		17,605	63,785	61,915
Other receivables	Triple Win Technology (Shenzhen) Co., Ltd.	-	-	2,302
		<u>\$ 17,605</u>	<u>63,785</u>	<u>64,217</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, no allowance for loss is required for the above-mentioned related parties.

E. Contract assets

The details of the contract assets of the Group to related parties are as follows:

Account items	Types of related parties	2023.6.30	2022.12.31	2022.6.30
Contract assets	Other related parties	<u>\$ 17</u>	<u>10</u>	<u>-</u>

F. Property trading

Details of the Group's disposal of property, plant and equipment are as follows:

Related-party categories	From April to June 2023		From April to June 2022	
	Proceeds	Gain (loss) on disposal	Proceeds	Gain (loss) on disposal
Other related parties	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

Related-party categories	From January to June 2023		From January to June 2022	
	Proceeds	Gain (loss) on disposal	Proceeds	Gain (loss) on disposal
Triple Win Technology (Shenzhen) Co., Ltd.	<u>\$ -</u>	<u>-</u>	<u>24,532</u>	<u>-</u>

As of June 30, 2023, the remaining sale price of RMB 2,302 thousand have not been received respectively, and it is recognized as other receivables.

G. Payables to related parties

The details of the amount payable by the Group to its related parties are as follows:

Account	Related-party categories	2023.6.30	2022.12.31	2022.6.30
Accounts payable to related parties	Other related parties	<u>\$ 1,331</u>	<u>8,100</u>	<u>29,664</u>
Other payables to related parties	Ultimate controller	-	-	63

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Other related parties

Foxcavity Precision Industry (Shenzhen) Co., Ltd.	10,227	10,464	10,508
Futaihua Industry (Shenzhen) Co., Ltd.	119	117	-
Others	5,534	5,592	9,331
	15,880	16,173	19,902
	\$ 17,211	24,273	49,566

(4) Remuneration of major management personnel

Key management personnel compensation comprised:

	From April to June 2023	From April to June 2022	From January to June 2023	From January to June 2022
Short-term employee benefits	\$ 3,671	6,362	7,207	10,463
Post-employment benefits	74	117	146	230
	\$ 3,745	6,479	7,353	10,693

8. Pledged assets

Book value list of pledged assets of the Group is as follows:

Pledged asset	Object	2023.6.30	2022.12.31	2022.6.30
Restricted bank deposit (recognized as financial assets measured at amortized cost-current)	Customs deposit	\$ -	61,732	61,141
Restricted bank deposit (recognized as financial assets measured at amortized cost-current)	Short-term loans and long-term loans (including current portion)	12,233	-	-
Restricted bank deposit (recognized as financial assets measured at amortized cost-non-current)	Long-term loan	7,209	8,010	-
Total		\$ 19,442	69,742	61,141

9. Material contingent liabilities and unrecognized contractual commitments

(1) As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group has signed contracts for the purchase of property, plant and equipment with a price of 2,332,459 thousand, 2,274,033 thousand and 2,855,109 thousand, respectively, and the paid amounts are 1,753,777 thousand, 1,357,374 thousand and 1,220,665 thousand respectively, which are recognized as property, plant and equipment.

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

- (2) ShunYun (Cayman) Taiwan Branch returned the first batch of material delivered by its vendor, Browave Corporation (hereinafter referred to as Browave), due to its client indicated that the material is defective in quality. Hence Browave accepted. Hereafter, ShunYun (Cayman) Taiwan Branch refused to accept the remaining materials from Browave due to the quality issue. Browave filed a lawsuit on June 8, 2023, requesting payment of USD 549 thousand. However, as of the reporting date, no formal court session has been held. The case is currently being handled by lawyers. The relevant litigation procedures are still in process. Therefore, no possible liabilities have been estimated yet.

10. Major disaster losses: None.

11. Major subsequent events: None.

12. Others

- (1) The functions of employee welfare, depreciation, depletion and amortization are summarized as follows:

Items	From April to June 2023			From April to June 2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefit expenses						
Salary expenses	122,673	116,271	238,944	101,809	85,615	187,424
Health insurance expenses	4,813	3,683	8,496	3,987	3,483	7,470
Pension expenses	8,430	5,976	14,406	7,510	5,902	13,412
Other employee benefit expenses	4,350	5,894	10,244	19,190	12,034	31,224
Depreciation expenses	104,881	15,202	120,083	110,556	17,995	128,551
Amortization expenses	28	183	211	28	116	144

Items	From January to June 2023			From January to June 2022		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefit expenses						
Salary expenses	231,962	230,785	462,747	190,474	157,759	348,233
Health insurance expenses	9,304	7,079	16,383	8,267	6,778	15,045
Pension expenses	15,571	11,811	27,382	15,026	11,891	26,917
Other employee benefit expenses	8,853	10,394	19,247	30,456	24,466	54,922
Depreciation expenses	208,265	30,362	238,627	215,119	35,470	250,589
Amortization expenses	56	311	367	56	202	258

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

(2) Seasonal characteristic:

The operation of the Group is not affected by seasonal or cyclical factors.

13. Disclosure of Note

(1) Information on major transactions

From January 1 to June 30, 2023, the Group shall disclose the information on the major transactions subject to the Guidelines:

A. Loan to other parties:

Unit: NT\$1,000

No	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended June 30, 2023	Balance at June 30, 2023	Actual amount drawn down (Note 2)	Interest rate (%)	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans
													Item	Value		
0	The Company	ShunYun (Cayman)	Other receivables	Y	452,768 (RMB 101,860)	-	-	-	2	-	Business operation	-	-	-	600,486 (Note 2)	2,401,942 (Note 2)
0	The Company	ShunSin (Bac Giang)	Other receivables	Y	560,520 (USD 18,000)	560,520 (USD 18,000)	-	-	2	-	Business operation	-	-	-	600,486 (Note 2)	2,401,942 (Note 2)
1	ShunYun (Cayman)	ShunYun (Hong Kong)	Other receivables	Y	554,292 (USD 17,800)	554,292 (USD 17,800)	554,292 (USD 17,800)	-	2	-	Business operation	-	-	-	9,445,576 (Note 3)	9,445,576 (Note 3)

Note 1: The method of filling in the nature of capital loan is as follows:

- (1) For business trading, please fill in 1.
- (2) If short-term financing is necessary, please fill in 2.

Note 2: When the company has the need for short-term financing to lend others, the total amount of loan shall not exceed 40% of the Company's net value, and the loan to individual entity shall not exceed 10% of the Company's net value.

Note 3: The policy for loans to subsidiaries which ShunYun (Cayman) directly own 100% voting shares is as follows: the total amount shall not exceed 400% of the lender's net worth, and the limit for individual objects shall not exceed 400% of the lender's net worth.

Note 4: The aforementioned transactions between consolidated entities have been offset at the time of preparing consolidated financial statements.

B. Endorsement/Guarantee provided:

No	Guarantor/Endorser	Party being guaranteed/endorsed		Limited on guarantees/endorsements provided for a single party (Note 2)	Maximum outstanding guarantee/endorsement amount as of June 30, 2023	Outstanding guarantee/endorsement amount as of June 30, 2023	Amount of guarantees/endorsements secured with collateral	Ratio of accumulated guarantee/endorsement amount to net asset value of the guarantor/endorser company (%)	Limit on total amount of guarantees/endorsements period	Provision of guarantees/endorsements by parent company to subsidiary (Note 2)	Provision of guarantees/endorsements by subsidiary to parent company	Provision of guarantees/endorsements to the party in Mainland China	Amount of guarantees/endorsements secured with collateral
		Company name	Relationship with the guarantor/endorser (Note 1)										
0	The Company	ShunYun (Cayman)	2	3,002,428	1,868,400 (USD 60,000)	1,868,400 (USD 60,000)	1,183,320 (USD 38,000)	-	31.11%	6,004,855	Y	N	N

Note 1: Relationship between guarantor and guarantee:

1. Business transaction
2. The Company directly or indirectly holds more than 50% of their voting shares.
3. The party directly or indirectly holds more than 50% of the Company's voting shares.

Note 2: The total guarantees and endorsements of the Company to others should not be in excess of the Company's net value, and for a single party should not be in excess of 50% of the Company's net value.

C. Marketable securities held as of June 30, 2023 (excluding investment in subsidiaries, associates and joint ventures):

Holding company	Types and names of marketable securities	Relations with securities issuers	Account subjects	Closing period				Remarks
				Number of share	Book value	Shareholding ratio	Fair value	
ShunSin (Samoa)	Stocks: Dyna Image Corp	—	Financial assets measured at fair value through profit or loss-non-current	540,000	12,496	5.56%	12,496	
ShunSin (Zhongshan)	Stocks: Lansus Technologies Corporation Limited	—	"	3,044,625	123,801	0.76%	123,801	
ShunSin (Zhongshan)	Private Fund: Ji Nan Fu Jie industrial investing joint	—	"	-	236,339	6.67%	236,339	

ShunSin Technology Holdings Limited and Its Subsidiaries
Notes to Consolidated Financial Statements
For the second quarter of 2023 and 2022

	venture								
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- D. Accumulative purchase or sale of the same securities amounted to NT\$300 million or more than 20% of the paid-in capital: none.
- E. The amount for acquiring real estate is \$300 million or more than 20% of the paid-in capital: none.
- F. The amount for disposing of real estate amounted to \$300 million or more than 20% of the paid-in capital: none.
- G. The amount of goods purchased and sold reaches \$100 million or more than 20% of the paid-in capital with the related parties:

Companies purchasing and selling goods	Counter party	relation	Transaction situation				Reason of trading terms differs from normal transaction		Notes receivable (payable), accounts receivable (payable)		Remarks
			Purchase/ (sale)	Amount	Ratio of total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio to total notes receivable, accounts receivable (payable)	
ShunSin (Zhongshan)	The Company	Parent company	Sale	352,179	69.98%	4 months	-		137,127	85.00%	Note 2
ShunYun (Zhongshan)	ShunYun (Cayman)	Affiliate	Sale	209,744	95.76%	4 months			-	- %	Note 2
ShunYun (Ha Noi)	ShunYun (Cayman)	Affiliate	Sale	542,989	99.89%	4 months			455,889	99.90%	Note 2

Note 1: The price is calculated at the agreed price.

Note 2: The above transactions with the consolidated entities have been written off at the time of preparing the consolidated financial statements.

- H. Receivables of related parties amounted to \$100 million or more than 20% of the capital receivable:

Companies that account for receivables	Companies that account for receivables	Relation	Related parties of receivables Balance of amounts	Turnover rate %	Overdue receivables of Related parties		Related parties of receivables Amount recovered after the period (Note 2)	setting aside for allowance for bad debt
					Amount	Treatment		
ShunSin (Zhongshan)	The Company	Parent and subsidiary company	Accounts receivable (Note 1): 137,127	4.86	-		-	-
ShunYun (Ha Noi)	ShunYun (Cayman)	Affiliate	Accounts receivable (Note 1): 455,889	2.31	-		455,889	-
ShunSin (Zhongshan)	The Company	Parent and subsidiary company	Other receivable (Note 1): 2,025,548	-	-		274,557	-
ShunYun (Zhongshan)	ShunYun (Cayman)	Affiliate	Other receivable (Note 1): 932,720	-	-		-	-
ShunYun (Cayman)	ShunYun (Zhongshan)	Affiliate	Other receivable (Note 1): 296,919	-	-		-	-
ShunYun (Cayman)	ShunYun (Ha Noi)	Affiliate	Other receivable (Note 1): 743,204	-	-		-	-
ShunYun (Cayman)	ShunYun (Hong Kong)	Affiliate	Other receivable (Note 1): 554,292	-	-		-	-

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Note 1: The aforementioned transactions between consolidated entities have been written off in the preparation of consolidated financial statements.

Note 2: As of August 22, 2023.

I. Engaging in derivatives trading: Please refer to note 6 (2) for details.

J. Business relations and important transactions between parent and subsidiary companies:

No. (Note 1)	Trader's name	Business trading objects	Relation between trader (Note 2)	Transaction situation			
				Subject	Amount	Transaction conditions	Ratio to consolidated total operating income or total assets (Note 3)
0	The Company	ShunSin (Zhongshan)	1	Purchases	352,179	The price is based on the price agreed by both	13.97
0	"	"	1	Accounts payable	137,127	Within 4 months	0.95
0	"	"	1	Other payables	2,025,548	Pay/receive on behalf, no general customers for comparison	14.07
2	ShunYun (Cayman)	ShunYun (Zhongshan)	3	Other payables	932,720	Pay/receive on behalf, no general customers for comparison	5.65
2	"	"	3	Purchases	209,744	The price is based on the price agreed by both	8.32
2	ShunYun (Cayman)	ShunYun (Ha Noi)	3	Purchases	542,989	The price is based on the price agreed by both	21.53
2	"	"	3	Accounts payable	455,889	Within 4 months	3.17
3	ShunYun (Zhongshan)	ShunYun (Cayman)	3	Other payables	296,919	Pay/receive on behalf, no general customers for comparison	2.06
3	"	"	3	Contract assets	157,363	Recognition by completion ratio	1.09
4	ShunYun (Ha Noi)	ShunYun (Cayman)	3	Other payables	743,204	Pay/receive on behalf, no general customers for comparison	5.16
4	"	"	3	Contract assets	348,986	Recognition by completion ratio	2.42
5	ShunYun (Hong Kong)	ShunYun (Cayman)	3	Other payables	554,292	Capital Loan, no general customers for comparison	3.85

Note 1: The information of business transactions between the parent company and the subsidiary company shall be indicated in the No. column respectively. The No. shall be entered as follows:

1. Fill in 0 for parent company.
2. Subsidiaries are numbered in sequence starting with 1.

Note 2: There are three types of relationships with a trader, which can be labeled as follows:

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

Note 3: The calculation of the transaction amount to the consolidated total revenue or the ratio of total assets shall be carried out in the form of the closing balance to the consolidated total assets if it belongs to the subject of assets and liabilities. In the case of subject of profit and loss, the cumulative amount at closing period shall be calculated on the basis of the consolidated total revenue.

Note 4: It is hereby disclosed that the balance sheet accounts for more than 1% of the consolidated total assets and the subject of profit and loss accounts for more than 10% of the total revenue.

Note 5: The aforementioned transactions between consolidated entities have been written off in the preparation of consolidated financial statements.

(2) Information on re-investment business:

The information of the reinvested business of the Group from January 1 to June 30, 2023, is as follows (excluding the invested company in mainland China):

				Original investment amounts (Note3)	Shareholding at the closing period			
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ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

Name of investment company	Name of invested company	Location	Main business contents	June 30, 2023	December 31, 2022	Shares	Percentage of ownership	Carrying value (Note 1 and 2)	Net income (losses) of investee (Note 1)	Share of profits/losses of investee (Note 1 and 2)	Note
The Company	ShunSin (Hong Kong)	Hong Kong	Holding Company	3,134,106	3,134,106	830,455,240	91.80%	9,577,570	205,984	189,093	subsidiary
The Company	ShunSin (Samoa)	Samoa	Overseas material and equipment procurement	472,575 (Note 5)	287,928	15,516,327	100.00%	860,109	9,336	9,336	subsidiary
ShunSin (Samoa)	ShunSin (Hong Kong)	Hong Kong	Holding Company	287,622	287,622	74,183,976	8.20%	855,512	205,984	16,891	affiliate
ShunYun (Cayman)	ShunYun (Ha Noi)	Vietnam	Produce high speed optical transceiver	180,234	180,234	(Note 4)	100.00%	562,087	234,254	234,254	affiliate
ShunYun (Cayman)	ShunSin (Bac Giang)	Vietnam	Produce high speed optical transceiver	2,099,906 (Note 6)	1,655,196	(Note 4)	100.00%	2,138,729	(16,290)	(16,290)	affiliate
ShunYun (Zhongshan)	ShunYun (Hong Kong)	Hong Kong	Holding Company	1,206,830 (Note 7)	781,478	39,000,000	100.00%	1,809,604	234,148	234,148	affiliate
ShunYun (Hong Kong)	ShunYun (Cayman)	Cayman	Holding Company	1,699,090 (Note 8)	1,274,008	58,279,661	100.00%	2,361,394	233,829	233,829	affiliate

Note 1: According to the financial statements reviewed by CPA of the parent company, the invested company shall be appraised and recognized at equity.

Note 2: Long-term and current investment gains and losses at the closing period have been written off in the preparation of consolidated financial statements.

Note 3: The above original investment amount is calculated at historical exchange rate.

Note 4: ShunYun (Ha Noi) and ShunSin (Bac Giang) does not issue shares due to it is limited corporation thus it has no shares.

Note 5: The Company has invested total US\$ 6,006 thousand from January 1 to June 30, 2023.

Note 6: ShunYun (Cayman) has invested total US\$ 14,500 thousand from January 1 to June 30, 2023.

Note 7: ShunYun (Zhongshan) has invested total US\$ 14,000 thousand from January 1 to June 30, 2023.

Note 8: ShunYun (Hong Kong) has invested total US\$ 14,000 thousand from January 1 to June 30, 2023.

(3) Information on investment in Mainland China:

A. Name of mainland invested company, main business contents and other related information:

Unit: NT\$ 1,000

Name of investee	Main business and products	Paid-in capital	Method of investment (Note1)	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2023	Net income (losses) of investee	Percentage of ownership	Share of profits/losses of investee (Note 2 and 3)	Carrying value as of June 30, 2023 (Note 2 and 3)	Accumulated inward remittance of earnings as of June 30, 2023
					Outflow	Inflow						
ShunSin (Zhongshan)	Assembly, testing and sales of SIP products and other types of integrated circuits	3,030,692 (RMB 722,637)	(2)	Note 4	Note 4	Note 4	Note 4	105,545 (RMB 23,948)	100.00%	100,004 (RMB 22,691)	8,587,011 (RMB 1,996,525)	Note 4
Talentek (Hefei)	Design, R&D, testing and sales of electrical equipment, communication equipment and automation equipment	196,114 (RMB 44,526)	(2)	Note 4	Note 4	Note 4	Note 4	(33,425) (RMB (7,584))	39.68%	(13,783) (RMB (3,127))	145,557 (RMB 33,775)	Note 4
ShunYun (Zhongshan)	Produce high speed optical transceiver	1,645,231 (RMB 373,496)	(2)	Note 4	Note 4	Note 4	Note 4	120,912 (RMB 27,435)	78.05%	94,372 (RMB 21,413)	1,948,462 (RMB 452,121)	Note 4

Note 1: The investment modes can be divided into the following three categories, which can be labeled as categories.

(1) Direct investment in mainland China.

(2) Indirect investment in mainland China through investment in ShunSin (Hong Kong).

(3) Indirect investment in mainland China through investment in ShunSin (Zhongshan).

Note 2: According to the financial statements reviewed by CPA of the parent company, the invested company is evaluated and listed at equity.

Note 3: Long-term and current investment gains and losses at closing period have been written off at the time of compiling the consolidated financial statements.

Note 4: The Company is not a Taiwan company, so there is no such amount.

Note 5: The book value of the investment at the end of the period of 8,587,011 thousand has deducted the unrealized benefits of the fixed assets sold to affiliated companies which amounting to 17,213 thousand. This unrealized benefit has been recognized in the book value of the investment at the end of the period and the investment profit or loss recognized in the current period.

Note 6: The above paid-in capital is calculated at historical exchange rate, the book value held at the closing period is calculated at the exchange rate of June 30, 2023 (exchange rate at closing period RMB: NTD = 1: 4.3096), and the remainder is calculated at the average exchange rate (RMB: NTD = 1: 4.4072).

B. Investment limits in mainland China: Not applicable.

C. Major transactions with mainland invested companies:

ShunSin Technology Holdings Limited and Its Subsidiaries

Notes to Consolidated Financial Statements

For the second quarter of 2023 and 2022

For the major direct or indirect transactions between the Group and the mainland invested company from January 1 to June 30, 2023 (which were written off at the time of compiling the consolidated financial report), please refer to “Information on Major Transactions”.

(4) Information of major shareholders:

			Unit: Share
Name of major shareholder	Shares	Number of shares held	Shareholding ratio
Foxconn (Far East) Limited		63,964,800	59.52%

- (a) The main shareholder information in this table is calculated by Taiwan Depository and Clearing Company on the last business day at the end of each quarter. The total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the company without physical registration (including treasury shares) is more than 5%.
- (b) The information aforementioned if shareholders deliver their shares to the trust was disclosed by the individual trustee who opened the trust account. As for shareholders who handle the declaration of insider shareholdings that hold more than 10% of their shares in accordance with the Securities Exchange Act, their shareholdings include their shareholdings plus their delivery to the trust and the use of decision making shares in the trust property, please refer to the Market Observation Post System for information on insider equity declaration.

14. Information on Departments

There is only one reporting department in the Group, so please refer to the consolidated balance sheet and consolidated income statement for the information on operating department.