

BAOTEK INDUSTRIAL MATERIALS LTD.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
JUNE 30, 2022 AND 2021

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

BAOTEK INDUSTRIAL MATERIALS LTD.
JUNE 30, 2022 AND 2021 FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
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INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of BAOTEK INDUSTRIAL MATERIALS LTD.

Introduction

We have reviewed the accompanying balance sheets of BAOTEK INDUSTRIAL MATERIALS LTD. as at June 30, 2022 and 2021, and the related statements of comprehensive income for the three months and six months then ended, as well as the statements of changes in equity and of cash flows for the six months then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of BAOTEK INDUSTRIAL MATERIALS LTD. as at June 30, 2022 and 2021, and of its financial performance for the three months and six months then ended and its cash flows for the six months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and

International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chiang, Tsai-yen

Liu, Chien-Yu

For and on Behalf of PricewaterhouseCoopers, Taiwan

August 5, 2022

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors’ report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

BAOTEK INDUSTRIAL MATERIALS LTD.
BALANCE SHEETS
JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

Assets	Notes	June 30, 2022		December 31, 2021		June 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 56,727	3	\$ 61,433	3	\$ 157,050	7
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	1,246	-	-	-
1120	Current financial assets at fair	6(3) and 12(3)						
	value through other comprehensive							
	income		-	-	-	-	47,707	2
1170	Accounts receivable, net	6(4)	314,433	14	299,613	14	362,404	17
1180	Accounts receivable - related	6(4) and 7						
	parties		114,211	5	93,647	4	88,446	4
1200	Other receivables		8,373	-	12,215	1	13,323	1
1210	Other receivables due from related	7						
	parties		760	-	752	-	1,745	-
130X	Inventory	6(5)	379,160	17	337,869	16	292,064	14
1410	Prepayments		6,882	-	11,914	1	4,829	-
1470	Other current assets		9,919	1	10,606	-	12,165	1
11XX	Total current assets		<u>890,465</u>	<u>40</u>	<u>829,295</u>	<u>39</u>	<u>979,733</u>	<u>46</u>
Non-current assets								
1600	Property, plant and equipment	6(6), 7 and 8	1,250,075	56	1,235,946	57	1,054,826	50
1755	Right-of-use assets	6(7)	17,148	1	4,600	-	4,326	-
1840	Deferred income tax assets		22,814	1	37,336	2	43,794	2
1900	Other non-current assets		44,674	2	44,674	2	44,634	2
15XX	Total non-current assets		<u>1,334,711</u>	<u>60</u>	<u>1,322,556</u>	<u>61</u>	<u>1,147,580</u>	<u>54</u>
1XXX	Total assets		<u>\$ 2,225,176</u>	<u>100</u>	<u>\$ 2,151,851</u>	<u>100</u>	<u>\$ 2,127,313</u>	<u>100</u>

(Continued)

BAOTEK INDUSTRIAL MATERIALS LTD.
BALANCE SHEETS
JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2022		December 31, 2021		June 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2120	Current financial liabilities at fair value through profit or loss	6(8)						
			\$ 1,483	-	\$ -	-	\$ 543	-
2150	Notes payable		25	-	15	-	40	-
2170	Accounts payable		20,461	1	20,996	1	22,499	1
2180	Accounts payable - related parties	7	199,204	9	184,488	8	197,428	10
2200	Other payables	6(9)	84,765	4	100,936	5	86,019	4
2220	Other payables - related parties	6(9) and 7	19	-	18	-	500	-
2280	Current lease liabilities	6(24)	7,264	-	1,882	-	3,369	-
2300	Other current liabilities	6(14)	1,886	-	323	-	564	-
21XX	Total current liabilities		<u>315,107</u>	<u>14</u>	<u>308,658</u>	<u>14</u>	<u>310,962</u>	<u>15</u>
Non-current liabilities								
2580	Non-current lease liabilities	6(24)	9,929	1	2,727	-	985	-
2640	Net defined benefit liability, non-current		8,401	-	8,318	1	11,701	-
2645	Guarantee deposits received		34	-	34	-	34	-
25XX	Total non-current liabilities		<u>18,364</u>	<u>1</u>	<u>11,079</u>	<u>1</u>	<u>12,720</u>	<u>-</u>
2XXX	Total liabilities		<u>333,471</u>	<u>15</u>	<u>319,737</u>	<u>15</u>	<u>323,682</u>	<u>15</u>
Equity								
Share capital								
3110	Common stock	6(11)	1,948,940	88	1,948,940	90	1,948,940	92
Accumulated deficit								
3350	Accumulated deficit	6(12)	(57,235)	(3)	(116,826)	(5)	(105,861)	(5)
Other equity interest								
3400	Other equity interest	6(13)	-	-	-	-	(39,448)	(2)
3XXX	Total equity		<u>1,891,705</u>	<u>85</u>	<u>1,832,114</u>	<u>85</u>	<u>1,803,631</u>	<u>85</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 2,225,176</u>	<u>100</u>	<u>\$ 2,151,851</u>	<u>100</u>	<u>\$ 2,127,313</u>	<u>100</u>

The accompanying notes are an integral part of these financial statements.

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(UNAUDITED)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2022		2021		2022		2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(14) and 7	\$ 370,695	100	\$ 358,830	100	\$ 708,763	100	\$ 729,726	100
5000 Operating costs	6(5)(19)(20) and 7	(312,785)	(84)	(311,104)	(87)	(600,920)	(85)	(630,322)	(86)
5900 Net operating margin		<u>57,910</u>	<u>16</u>	<u>47,726</u>	<u>13</u>	<u>107,843</u>	<u>15</u>	<u>99,404</u>	<u>14</u>
Operating expenses	6(19)(20) and 7								
6100 Selling expenses		(8,793)	(2)	(7,341)	(2)	(17,516)	(2)	(16,883)	(2)
6200 Administrative expenses		(16,747)	(5)	(16,232)	(4)	(33,682)	(5)	(32,194)	(5)
6300 Research and development expenses		(2,922)	(1)	(3,039)	(1)	(6,591)	(1)	(5,417)	(1)
6450 Impairment expected credit loss	12(2)	(7)	-	(4)	-	(6)	-	(6)	-
6000 Total operating expenses		<u>(28,469)</u>	<u>(8)</u>	<u>(26,616)</u>	<u>(7)</u>	<u>(57,795)</u>	<u>(8)</u>	<u>(54,500)</u>	<u>(8)</u>
6900 Operating profit		<u>29,441</u>	<u>8</u>	<u>21,110</u>	<u>6</u>	<u>50,048</u>	<u>7</u>	<u>44,904</u>	<u>6</u>
Non-operating income and expenses									
7100 Interest income	6(15)	25	-	21	-	27	-	24	-
7010 Other income	6(16) and 7	2,338	1	5,108	1	3,924	-	6,861	1
7020 Other gains and losses	6(17)	13,133	3	(11,226)	(3)	20,205	3	(16,280)	(2)
7050 Finance costs	6(18)	(46)	-	(15)	-	(91)	-	(32)	-
7000 Total non-operating income and expenses		<u>15,450</u>	<u>4</u>	<u>(6,112)</u>	<u>(2)</u>	<u>24,065</u>	<u>3</u>	<u>(9,427)</u>	<u>(1)</u>
7900 Profit before income tax		<u>44,891</u>	<u>12</u>	<u>14,998</u>	<u>4</u>	<u>74,113</u>	<u>10</u>	<u>35,477</u>	<u>5</u>
7950 Income tax expense	6(21)	(8,978)	(2)	(2,999)	(1)	(14,522)	(2)	(7,095)	(1)
8200 Profit for the period		<u>\$ 35,913</u>	<u>10</u>	<u>\$ 11,999</u>	<u>3</u>	<u>\$ 59,591</u>	<u>8</u>	<u>\$ 28,382</u>	<u>4</u>
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316 Unrealised (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(13)	\$ -	-	(\$ 8,985)	(2)	\$ -	-	\$ 4,321	-
8310 Other comprehensive (loss) income that will not be reclassified to profit or loss		<u>-</u>	<u>-</u>	<u>(8,985)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>4,321</u>	<u>-</u>
8300 Other comprehensive (loss) income for the period		<u>\$ -</u>	<u>-</u>	<u>(\$ 8,985)</u>	<u>(2)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 4,321</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 35,913</u>	<u>10</u>	<u>\$ 3,014</u>	<u>1</u>	<u>\$ 59,591</u>	<u>8</u>	<u>\$ 32,703</u>	<u>4</u>
Basic and diluted earnings per share (in dollars)									
9750 Earnings per share	6(22)	<u>\$ 0.18</u>		<u>\$ 0.06</u>		<u>\$ 0.30</u>		<u>\$ 0.14</u>	

The accompanying notes are an integral part of these financial statements.

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Share capital - common stock	Accumulated deficit	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<u>2021</u>					
Balance at January 1, 2021		\$ 1,948,940	(\$ 133,807)	(\$ 44,205)	\$ 1,770,928
Net income		-	28,382	-	28,382
Other comprehensive income	6(3)(13)	-	-	4,321	4,321
Total comprehensive income		-	28,382	4,321	32,703
Disposal of equity instruments at fair value through other comprehensive income	6(3)(13)	-	(436)	436	-
Balance at June 30, 2021		<u>\$ 1,948,940</u>	<u>(\$ 105,861)</u>	<u>(\$ 39,448)</u>	<u>\$ 1,803,631</u>
<u>2022</u>					
Balance at January 1, 2022		\$ 1,948,940	(\$ 116,826)	\$ -	\$ 1,832,114
Net income		-	59,591	-	59,591
Other comprehensive income		-	-	-	-
Total comprehensive income		-	59,591	-	59,591
Balance at June 30, 2022		<u>\$ 1,948,940</u>	<u>(\$ 57,235)</u>	<u>\$ -</u>	<u>\$ 1,891,705</u>

The accompanying notes are an integral part of these financial statements.

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six months ended June 30	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 74,113	\$ 35,477
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on disposals of investments	6(17)	2,729	627
Depreciation expense	6(6)(7)(19)	56,702	55,280
Expected credit loss	12(2)	6	6
(Gain) losses on disposal of property, plant and equipment	6(6)(17)	(18)	5
Interest income	6(15)	(27)	(24)
Interest expense	6(18)	91	32
Dividend income	6(16)	-	(3,415)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(14,821)	(33,576)
Accounts receivable - related parties		(20,569)	11,660
Other accounts receivable		3,842	4,431
Other receivables due from related parties		(8)	(1,124)
Inventory		(41,291)	(1,556)
Prepayments		5,032	1,009
Other current assets		687	3,319
Changes in operating liabilities			
Notes payable		10	40
Accounts payable		(535)	6,082
Accounts payable - related parties		14,716	49,516
Other accounts payable		(2,888)	930
Other accounts payable - related parties		(1)	500
Other current liabilities		1,563	(1,936)
Net defined benefit liability, non-current		83	(537)
Cash inflow generated from operations		79,416	126,746
Interest acquired		27	24
Interest paid		(91)	(32)
Dividend income received		-	3,415
Net cash flows from operating activities		<u>79,352</u>	<u>130,153</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	-	7,277
Acquisition of property, plant and equipment	6(23)	(80,479)	(77,643)
Proceeds from disposal of property, plant and equipment		27	-
Decrease in refundable deposits		-	(37)
Net cash flows used in investing activities		<u>(80,452)</u>	<u>(70,403)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term loans	6(24)	(10,000)	-
Increase in short-term loans	6(24)	10,000	-
Payment of lease liability	6(7)(24)	(3,606)	(3,123)
Net cash flows used in financing activities		<u>(3,606)</u>	<u>(3,123)</u>
Net (decrease) increase in cash and cash equivalents		(4,706)	56,627
Cash and cash equivalents at beginning of period	6(1)	61,433	100,423
Cash and cash equivalents at end of period	6(1)	<u>\$ 56,727</u>	<u>\$ 157,050</u>

The accompanying notes are an integral part of these financial statements.

BAOTEK INDUSTRIAL MATERIALS LTD.
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

1. HISTORY AND ORGANISATION

BAOTEK INDUSTRIAL MATERIALS LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in high-end fiberglass fabrics for copper clad laminates of various electronic applications. NITTO BOSEKI CO., LTD. holds 47.65% equity interest in the Company through public tender offer on August 10, 2018, becoming the Company’s major shareholder since that date. NITTO BOSEKI CO., LTD. holds more than half of the directors in the Company on June 21, 2019, becoming the Company’s parent company since that date.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on August 5, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts – cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the financial statements for the year ended December 31, 2021, except for the compliance statement, basis of preparation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.
- B. These financial statements are to be read in conjunction with the financial statements for the year ended December 31, 2021.

(2) Basis of preparation

- A. Except for the following items, the financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets and liabilities at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Employee benefits

Pensions

Defined benefit plan

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

(4) Income tax

- A. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- B. If a change in tax rate is enacted or substantively enacted in an interim period, the Company recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There have been no significant changes as of June 30, 2022. Refer to Note 5 in the financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Cash on hand and revolving funds	\$ 54	\$ 54	\$ 53
Checking accounts and demand deposits	56,673	61,379	156,997
	<u>\$ 56,727</u>	<u>\$ 61,433</u>	<u>\$ 157,050</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Valuation adjustment	<u>\$ -</u>	<u>\$ 1,246</u>	<u>\$ -</u>

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Three months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ -</u>	<u>\$ 1,595</u>
	<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	<u>\$ -</u>	<u>\$ 1,740</u>

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

As of June 30, 2022: None.

	<u>December 31, 2021</u>	
	<u>Contract amount</u>	<u>Contract period</u>
<u>Derivative financial instruments</u>	<u>(Notional principal in thousands)</u>	<u>Contract period</u>
Current item:		
Forward foreign exchange contracts	USD 7,242	2021.10~2022.04

As of June 30, 2021: None.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

D. The Company entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of operating activities proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

As of June 30, 2022 and December 31, 2021: None.

<u>Items</u>	<u>June 30, 2021</u>
Current items:	
Equity instruments	
Listed stocks	\$ 87,155
Valuation adjustment	(39,448)
	<u>\$ 47,707</u>

A. As at June 30, 2021, the Company has elected to classify listed stocks investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$47,707.

B. Aiming to satisfy the capital management strategy, the Company sold \$7,277 of listed stocks at fair value and the loss on disposal of investment was both \$436 during the three months and six months ended June 30, 2022.

C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ -	(\$ 8,985)
Cumulative losses reclassified to retained earnings due to derecognition	\$ -	(\$ 436)
Dividend income recognised in profit or loss Held at end of period	\$ -	\$ 3,415
	<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ -	\$ 4,321
Cumulative losses reclassified to retained earnings due to derecognition	\$ -	(\$ 436)
Dividend income recognised in profit or loss Held at end of period	\$ -	\$ 3,415

(4) Accounts receivable

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable	\$ 314,524	\$ 299,703	\$ 362,514
Less: Allowance for uncollectible accounts	(91)	(90)	(110)
	<u>314,433</u>	<u>299,613</u>	<u>362,404</u>
Accounts receivable - related parties	114,244	93,675	88,473
Less: Allowance for uncollectible accounts	(33)	(28)	(27)
	<u>114,211</u>	<u>93,647</u>	<u>88,446</u>
	<u>\$ 428,644</u>	<u>\$ 393,260</u>	<u>\$ 450,850</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Up to 30 days	\$ 114,737	\$ 104,024	\$ 121,657
31 to 90 days	249,224	196,910	220,563
91 to 180 days	64,807	92,444	108,767
	<u>\$ 428,768</u>	<u>\$ 393,378</u>	<u>\$ 450,987</u>

The above ageing analysis was based on invoice date.

B. The Company does not hold any collateral for its accounts receivable as security.

C. As of June 30, 2022, December 31, 2021, June 30, 2021, and January 1, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$428,644, \$393,260, \$450,850 and \$428,940, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	<u>June 30, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 98,862	(\$ 20)	\$ 98,842
Supplies	2,425	-	2,425
Work in progress	67,953	(136)	67,817
Finished goods	218,281	(8,205)	210,076
	<u>\$ 387,521</u>	<u>(\$ 8,361)</u>	<u>\$ 379,160</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 80,954	(\$ 692)	\$ 80,262
Supplies	2,282	-	2,282
Work in progress	68,275	(206)	68,069
Finished goods	199,808	(12,552)	187,256
	<u>\$ 351,319</u>	<u>(\$ 13,450)</u>	<u>\$ 337,869</u>

	June 30, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 83,615	(\$ 750)	\$ 82,865
Supplies	2,460	(2)	2,458
Work in progress	64,552	(100)	64,452
Finished goods	151,171	(8,882)	142,289
	<u>\$ 301,798</u>	<u>(\$ 9,734)</u>	<u>\$ 292,064</u>

The cost of inventories recognized as expense for the period:

	Three months ended June 30,	
	2022	2021
Cost of goods sold	\$ 315,707	\$ 314,369
Gain on reversal of decline in market value	(2,526)	(2,913)
Revenue from sales of scraps	(396)	(352)
	<u>\$ 312,785</u>	<u>\$ 311,104</u>
	Six months ended June 30,	
	2022	2021
Cost of goods sold	\$ 606,971	\$ 634,043
Gain on reversal of decline in market value	(5,089)	(2,931)
Revenue from sales of scraps	(962)	(790)
	<u>\$ 600,920</u>	<u>\$ 630,322</u>

The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold as certain inventories which were previously provided with allowance were subsequently sold.

(6) Property, plant and equipment

2022

	Land	Buildings and structures	Machinery	Others	Construction in progress and to be inspected devices	Total
<u>At January 1</u>						
Cost	\$ 363,594	\$ 549,627	\$ 2,015,414	\$ 268,505	\$ 218,072	\$ 3,415,212
Accumulated depreciation	-	(345,601)	(1,611,620)	(222,045)	-	(2,179,266)
	<u>\$ 363,594</u>	<u>\$ 204,026</u>	<u>\$ 403,794</u>	<u>\$ 46,460</u>	<u>\$ 218,072</u>	<u>\$ 1,235,946</u>
<u>Cost:</u>						
Opening net book amount						
as at January 1	\$ 363,594	\$ 549,627	\$ 2,015,414	\$ 268,505	\$ 218,072	\$ 3,415,212
Additions	-	4,863	42,751	7,802	11,782	67,198
Disposals	-	(86)	(4,387)	(2,496)	-	(6,969)
Transfers	-	-	114,965	235	(115,200)	-
Closing net book amount as at June 30	<u>\$ 363,594</u>	<u>\$ 554,404</u>	<u>\$ 2,168,743</u>	<u>\$ 274,046</u>	<u>\$ 114,654</u>	<u>\$ 3,475,441</u>
<u>Accumulated depreciation:</u>						
Opening net book amount						
as at January 1	\$ -	(\$ 345,601)	(\$ 1,611,620)	(\$ 222,045)	\$ -	(\$ 2,179,266)
Depreciation charge	-	(9,853)	(37,414)	(5,793)	-	(53,060)
Disposals	-	86	4,378	2,496	-	6,960
Closing net book amount as at June 30	<u>\$ -</u>	<u>(\$ 355,368)</u>	<u>(\$ 1,644,656)</u>	<u>(\$ 225,342)</u>	<u>\$ -</u>	<u>(\$ 2,225,366)</u>
<u>At June 30</u>						
Cost	\$ 363,594	\$ 554,404	\$ 2,168,743	\$ 274,046	\$ 114,654	\$ 3,475,441
Accumulated depreciation	-	(355,368)	(1,644,656)	(225,342)	-	(2,225,366)
	<u>\$ 363,594</u>	<u>\$ 199,036</u>	<u>\$ 524,087</u>	<u>\$ 48,704</u>	<u>\$ 114,654</u>	<u>\$ 1,250,075</u>

2021

	Land	Buildings and structures	Machinery	Others	Construction in progress and to be inspected devices	Total
<u>At January 1</u>						
Cost	\$ 363,594	\$ 544,547	\$ 1,953,106	\$ 257,914	\$ 66,505	\$ 3,185,666
Accumulated depreciation	-	(323,619)	(1,601,915)	(212,005)	-	(2,137,539)
	<u>\$ 363,594</u>	<u>\$ 220,928</u>	<u>\$ 351,191</u>	<u>\$ 45,909</u>	<u>\$ 66,505</u>	<u>\$ 1,048,127</u>
<u>Cost:</u>						
Opening net book amount as at January 1	\$ 363,594	\$ 544,547	\$ 1,953,106	\$ 257,914	\$ 66,505	\$ 3,185,666
Additions	-	2,169	14,594	5,328	36,774	58,865
Disposals	-	(245)	(9,578)	(155)	-	(9,978)
Transfers	-	1,575	42,901	338	(44,814)	-
Closing net book amount as at June 30	<u>\$ 363,594</u>	<u>\$ 548,046</u>	<u>\$ 2,001,023</u>	<u>\$ 263,425</u>	<u>\$ 58,465</u>	<u>\$ 3,234,553</u>
<u>Accumulated depreciation:</u>						
Opening net book amount as at January 1	\$ -	(\$ 323,619)	(\$ 1,601,915)	(\$ 212,005)	\$ -	(\$ 2,137,539)
Depreciation charge	-	(11,305)	(36,012)	(4,844)	-	(52,161)
Disposals	-	245	9,573	155	-	9,973
Closing net book amount as at June 30	<u>\$ -</u>	<u>(\$ 334,679)</u>	<u>(\$ 1,628,354)</u>	<u>(\$ 216,694)</u>	<u>\$ -</u>	<u>(\$ 2,179,727)</u>
<u>At June 30</u>						
Cost	\$ 363,594	\$ 548,046	\$ 2,001,023	\$ 263,425	\$ 58,465	\$ 3,234,553
Accumulated depreciation	-	(334,679)	(1,628,354)	(216,694)	-	(2,179,727)
	<u>\$ 363,594</u>	<u>\$ 213,367</u>	<u>\$ 372,669</u>	<u>\$ 46,731</u>	<u>\$ 58,465</u>	<u>\$ 1,054,826</u>

- A. For the three months and six months ended June 30, 2022 and 2021, the amount of borrowing costs capitalised as part of property, plant and equipment were \$0, \$0, \$0 and \$3, respectively.
- B. Information on the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The Company acquired and owned a land, No. 0487-000 Ruiyuan Section, Yang-Mei District for the year ended December 31, 2017. The land is 2,782.35 square meters, which was for farming and grazing held by another person. The Company has acquired the landowners' mortgage registration to guarantee the rights of the uncompleted transfer of the land.

(7) Leasing arrangements – lessee

- A. The Company leases various assets including buildings, other equipment, transportation equipment, and multifunction printers. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise parts of transportation equipment. Low-value assets comprise other equipment and multifunction printers.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 16,580	\$ 3,790	\$ 3,273
Transportation equipment	568	810	1,053
	<u>\$ 17,148</u>	<u>\$ 4,600</u>	<u>\$ 4,326</u>

	<u>Three months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 1,700	\$ 1,466
Transportation equipment	121	123
	<u>\$ 1,821</u>	<u>\$ 1,589</u>

	<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 3,400	\$ 2,876
Transportation equipment	242	243
	<u>\$ 3,642</u>	<u>\$ 3,119</u>

D. For the three months and six months ended June 30, 2022 and 2021, the additions to right-of-use assets were \$0, \$702, \$16,190 and \$702, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 42	\$ 15
Expense on short-term lease contracts	844	734
	<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 87	\$ 32
Expense on short-term lease contracts	1,661	1,473

F. For the six months ended June 30, 2022 and 2021, the Company's total cash outflow for leases were \$5,354 and \$4,628, respectively.

(8) Financial liabilities at fair value through profit or loss

Items	June 30, 2022	December 31, 2021	June 30, 2021
Current items:			
Financial liability mandatorily measured at fair value through profit or loss			
Valuation adjustment	\$ 1,483	\$ -	\$ 543

A. Amounts recognized in profit or loss and other comprehensive income in relation to financial liabilities at fair value through profit or loss are as follows:

	Three months ended June 30,	
	2022	2021
Financial liability mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 2,364	\$ 727
	Six months ended June 30,	
	2022	2021
Financial liability mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 2,729)	(\$ 627)

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

	June 30, 2022	
	Contract amount (Notional principal)	Contract period
Derivative financial liabilities		
Current items:		
Forward foreign exchange contracts	USD 5,922 thousand dollars	2022.04~2022.09
	June 30, 2021	
	Contract amount (Notional principal)	Contract period
Derivative financial liabilities		
Current items:		
Forward foreign exchange contracts	USD 5,096 thousand dollars	2021.05~2021.08

As of December 31, 2021: None.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

D. The Company entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of operating activities proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(9) Other payables (including related parties)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accrued salaries and bonuses	\$ 31,573	\$ 34,523	\$ 31,356
Payables for equipment	9,473	22,754	12,418
Estimated utility	9,885	7,068	10,038
Others	33,853	36,609	32,707
	<u>\$ 84,784</u>	<u>\$ 100,954</u>	<u>\$ 86,519</u>

(10) Pensions

- A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Company recognized pension costs of \$148, \$160, \$297 and \$319 for the three months and six months ended June 30, 2022 and 2021, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to \$515.
- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the three months and six months ended June 30, 2022 and 2021 were \$1,627, \$1,633, \$3,246 and \$3,251, respectively.

(11) Share capital

- A. As of June 30, 2022, the Company's authorised capital was \$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was \$1,948,940 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. There are 29,000 thousand shares which were raised through private placement that are yet to be publicly issued.
- B. To increase the Company's working capital, the stockholders at their annual stockholders' meeting on June 13, 2007 adopted a resolution to raise additional cash through private placement with the effective date set on June 9, 2008. The shares to be issued through the private placement are 29,000 thousand shares at the price of \$7.55 (in dollars) per share. The amount of capital raised through the private placement was \$218,950 which had been registered.
- C. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.
- D. Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Expressed in shares)	
	2022	2021
At January 1 (At June 30)	\$ 194,893,964	\$ 194,893,964

(12) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. However, when the legal reserve amounts to the paid-in capital, this provision shall not apply. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting. In the Articles of Incorporation, the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto, a report of such distribution shall be submitted to the shareholders during their meeting.
- The Company is in the growth stage. Taking into account the future capital needs and fulfilling the shareholders' need for cash inflow, cash dividends shall account for at least 20% of the total cash and stock dividends distributed. The percentage can only be increased when the Company has sufficient cash to meet the liquidity requirements.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. For the years ended December 31, 2021 and 2020, the Company did not distribute retained earnings due to the accumulated deficit. On February 24, 2022, the Board of Directors proposed to offset the accumulated deficit as of December 31, 2021, and has been resolved at the shareholders' meeting on June 17, 2022. The 2020 accumulated deficit offset was resolved at the shareholders' meeting on August 27, 2021.

(13) Other equity items

Six months ended June 30, 2022: None.

	<u>2021</u>	
	<u>Unrealized gains (losses) on valuation</u>	
At January 1	(\$	44,205)
Revaluation		4,321
Revaluation transferred to retained earnings		436
At June 30	(\$	<u>39,448)</u>

(14) Operating revenue

	<u>Three months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	\$ 370,695	\$ 358,830
	<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	\$ 708,763	\$ 729,726

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major geographical regions:

<u>Three months ended June 30, 2022</u>	<u>Taiwan</u>	<u>China</u>	<u>Japan</u>	<u>America</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 61,241	\$ 117,258	\$ 98,822	\$ 56,845	\$ 36,529	\$ 370,695
Timing of revenue recognition						
At a point in time	\$ 61,241	\$ 117,258	\$ 98,822	\$ 56,845	\$ 36,529	\$ 370,695
<u>Three months ended June 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Japan</u>	<u>America</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	\$ 82,059	\$ 129,091	\$ 55,557	\$ 53,251	\$ 38,872	\$ 358,830
Timing of revenue recognition						
At a point in time	\$ 82,059	\$ 129,091	\$ 55,557	\$ 53,251	\$ 38,872	\$ 358,830

Six months ended June 30, 2022	Taiwan	China	Japan	America	Others	Total
Revenue from external customer contracts	<u>\$ 119,093</u>	<u>\$ 251,337</u>	<u>\$ 160,395</u>	<u>\$ 112,608</u>	<u>\$ 65,330</u>	<u>\$ 708,763</u>
Timing of revenue recognition						
At a point in time	<u>\$ 119,093</u>	<u>\$ 251,337</u>	<u>\$ 160,395</u>	<u>\$ 112,608</u>	<u>\$ 65,330</u>	<u>\$ 708,763</u>
Six months ended June 30, 2021	Taiwan	China	Japan	America	Others	Total
Revenue from external customer contracts	<u>\$ 165,303</u>	<u>\$ 269,351</u>	<u>\$ 117,912</u>	<u>\$ 101,791</u>	<u>\$ 75,369</u>	<u>\$ 729,726</u>
Timing of revenue recognition						
At a point in time	<u>\$ 165,303</u>	<u>\$ 269,351</u>	<u>\$ 117,912</u>	<u>\$ 101,791</u>	<u>\$ 75,369</u>	<u>\$ 729,726</u>

B. Contract assets and liabilities

(a) The Company has recognized the following revenue-related contract assets and liabilities:

	June 30, 2022	December 31, 2021
Contract liabilities		
(shown as other current liabilities)	<u>\$ 1,571</u>	<u>\$ 25</u>
	June 30, 2021	January 1, 2021
Contract liabilities		
(shown as other current liabilities)	<u>\$ 37</u>	<u>\$ 1,967</u>

(b) Revenue recognized that was included in the contract liability balance at the beginning of the period

	Three months ended June 30,	
	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the period	<u>\$ 8</u>	<u>\$ 124</u>
	Six months ended June 30,	
	2022	2021
Revenue recognized that was included in the contract liability balance at the beginning of the period	<u>\$ 8</u>	<u>\$ 1,923</u>

(15) Interest income

	Three months ended June 30,	
	2022	2021
Interest income:		
Interest income from bank deposits	<u>\$ 25</u>	<u>\$ 20</u>
Other interest income	<u>-</u>	<u>1</u>
	<u>\$ 25</u>	<u>\$ 21</u>

	Six months ended June 30,	
	2022	2021
Interest income:		
Interest income from bank deposits	\$ 26	\$ 23
Other interest income	1	1
	<u>\$ 27</u>	<u>\$ 24</u>

(16) Other income

	Three months ended June 30,	
	2022	2021
Dividend income	\$ -	\$ 3,415
Others	2,338	1,693
	<u>\$ 2,338</u>	<u>\$ 5,108</u>

	Six months ended June 30,	
	2022	2021
Dividend income	\$ -	\$ 3,415
Others	3,924	3,446
	<u>\$ 3,924</u>	<u>\$ 6,861</u>

(17) Other gains and losses

	Three months ended June 30,	
	2022	2021
Gains (losses) on disposals of property, plant and equipment	\$ 18	(\$ 1)
Foreign exchange gains (losses)	20,973	(11,418)
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	(7,294)	2,322
Compensation losses	(564)	(1,038)
Miscellaneous disbursements	-	(1,091)
	<u>\$ 13,133</u>	<u>(\$ 11,226)</u>

	Six months ended June 30,	
	2022	2021
Gains (losses) on disposals of property, plant and equipment	\$ 18	(\$ 5)
Foreign exchange gains (losses)	33,893	(14,908)
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	(13,102)	1,113
Compensation losses	(604)	(1,038)
Miscellaneous disbursements	-	(1,442)
	<u>\$ 20,205</u>	<u>(\$ 16,280)</u>

(18) Finance costs

	Three months ended June 30,	
	2022	2021
Interest expense	\$ 46	\$ 15

	Six months ended June 30,	
	2022	2021
Interest expense	\$ 91	\$ 32

(19) Expenses by nature

	Three months ended June 30,	
	2022	2021
Employee benefit expense	\$ 61,226	\$ 60,667
Depreciation	29,052	28,036
	<u>\$ 90,278</u>	<u>\$ 88,703</u>

	Six months ended June 30,	
	2022	2021
Employee benefit expense	\$ 122,120	\$ 125,080
Depreciation	56,702	55,280
	<u>\$ 178,822</u>	<u>\$ 180,360</u>

(20) Employee benefit expense

	Three months ended June 30,	
	2022	2021
Wages and salaries	\$ 51,564	\$ 51,353
Labour and health insurance fees	4,619	4,552
Pension costs	1,775	1,793
Other personnel expenses	3,268	2,969
	<u>\$ 61,226</u>	<u>\$ 60,667</u>

	Six months ended June 30,	
	2022	2021
Wages and salaries	\$ 103,184	\$ 106,256
Labour and health insurance fees	9,357	9,382
Pension costs	3,543	3,570
Other personnel expenses	6,036	5,872
	<u>\$ 122,120</u>	<u>\$ 125,080</u>

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

The abovementioned distributable profit is pre-tax profit before deducting employees' compensation and directors' and supervisors' remuneration.

B. As of June 30, 2022 and 2021, the Company had an accumulated deficit hence no employees' compensation and directors' and supervisors' remuneration were accrued for the three months and six months ended June 30, 2022 and 2021.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(21) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended June 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 1,001	(\$ 1,015)
Total current tax	<u>1,001</u>	<u>(1,015)</u>
Deferred tax:		
Origination and reversal of temporary differences	504	1,269
Impact of change in taxable loss	<u>7,473</u>	<u>2,745</u>
Total deferred tax	<u>7,977</u>	<u>4,014</u>
Income tax expense	<u>\$ 8,978</u>	<u>\$ 2,999</u>
	Six months ended June 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 2,375	\$ 344
Total current tax	<u>2,375</u>	<u>344</u>
Deferred tax:		
Origination and reversal of temporary differences	705	1,269
Impact of change in taxable loss	<u>11,442</u>	<u>5,482</u>
Total deferred tax	<u>12,147</u>	<u>6,751</u>
Income tax expense	<u>\$ 14,522</u>	<u>\$ 7,095</u>

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(23) Supplemental cash flow information

Investing activities with partial cash payments

	Six months ended June 30,	
	2022	2021
Purchase of property, plant and equipment	\$ 67,198	\$ 58,865
Add: Opening balance of payable on equipment	22,754	31,196
Less: Ending balance of payable on equipment	(9,473)	(12,418)
Cash paid during the period	<u>\$ 80,479</u>	<u>\$ 77,643</u>

(24) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities
At January 1, 2022	\$ -	\$ 4,609
Increase in cash flow from financing activities		-
- Short-term borrowings	10,000	
Decrease in cash flow from financing activities		-
- Short-term borrowings	(10,000)	
Payment of lease liabilities	-	(3,606)
Increase in lease liabilities	-	16,190
Interest payment of lease liabilities	-	(87)
Interest expense amortisation of lease liabilities	-	87
At June 30, 2022	<u>\$ -</u>	<u>\$ 17,193</u>
		Lease liabilities
At January 1, 2021		\$ 6,775
Payment of lease liabilities		(3,123)
Increase in lease liabilities		702
Interest payment of lease liabilities		(32)
Interest expense amortisation of lease liabilities		32
At June 30, 2021		<u>\$ 4,354</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
NITTO BOSEKI CO., LTD.	Parent company (Note 1)
NITTOBO MACAU GLASS WEAVING CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO TECHNO CO., LTD.	Fellow subsidiary (Note 2)
SOYO CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO ASIA GLASS FIBER CO., LTD.	Fellow subsidiary (Note 2)
NITTOBO TAIWAN CO., LTD.	Fellow subsidiary (Note 2)

Note 1: Held more than half of the seats in the Company's board of directors.

Note 2: The Company is a subsidiary of NITTO BOSEKI CO., LTD.

(2) Significant related party transactions

A. Operating revenue

	Three months ended June 30,	
	2022	2021
Sales of services:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 97,620	\$ 54,075
Fellow subsidiary:		
NITTOBO MACAU GLASS WEAVING CO., LTD.	1,689	25,743
Others	16,176	13,744
	<u>\$ 115,485</u>	<u>\$ 93,562</u>
	Six months ended June 30,	
	2022	2021
Sales of services:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 157,313	\$ 116,370
Fellow subsidiary:		
NITTOBO MACAU GLASS WEAVING CO., LTD.	27,454	45,468
Others	36,693	21,298
	<u>\$ 221,460</u>	<u>\$ 183,136</u>

Goods are sold based on the price lists in force and terms that would be available to third parties. The above sales are made at terms with a collection period of 90 days, whereas the receivables from third parties were at terms with a collection period between 30~120 days and others were payment in advance.

B. Purchases:

	Three months ended June 30,	
	2022	2021
Purchases of goods:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 6,074	\$ 4,327
Fellow subsidiary:		
NITTOBO ASIA GLASS FIBER CO., LTD.	169,431	165,653
Others	5,823	9,184
	<u>\$ 181,328</u>	<u>\$ 179,164</u>

	<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 7,947	\$ 13,324
Fellow subsidiary:		
NITTOBO ASIA GLASS FIBER CO., LTD.	328,822	311,967
Others	<u>14,181</u>	<u>12,218</u>
	<u>\$ 350,950</u>	<u>\$ 337,509</u>

Goods purchased from related parties are not available from third parties, so the purchase prices are not comparable. The purchases were made at normal commercial terms and conditions. The payables to related parties arise mainly from purchase transactions, and payments were due in 90 days, whereas the payments for third parties were due in 60~120 days.

C. Receivables from related parties

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable:			
Parent company:			
NITTO BOSEKI CO., LTD.	\$ 91,421	\$ 63,016	\$ 48,541
Fellow subsidiary:			
NITTOBO MACAU GLASS WEAVING CO., LTD.	5,851	23,748	25,527
NITTOBO TAIWAN CO., LTD.	15,777	6,883	13,202
Others	<u>1,162</u>	<u>-</u>	<u>1,176</u>
	<u>114,211</u>	<u>93,647</u>	<u>88,446</u>
Other receivables:			
Parent company:			
NITTO BOSEKI CO., LTD.	743	735	738
Fellow subsidiary:			
Others	<u>17</u>	<u>17</u>	<u>1,007</u>
	<u>760</u>	<u>752</u>	<u>1,745</u>
	<u>\$ 114,971</u>	<u>\$ 94,399</u>	<u>\$ 90,191</u>

D. Payables to related parties

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts payable:			
Parent company:			
NITTOBO BOSEKI CO., LTD.	\$ 6,077	\$ 3,978	\$ 4,216
Fellow subsidiary:			
NITTOBO ASIA GLASS FIBER CO., LTD.	187,825	178,163	184,551
Others	<u>5,302</u>	<u>2,347</u>	<u>8,661</u>
	<u>199,204</u>	<u>184,488</u>	<u>197,428</u>
Other payables			
Parent company:			
NITTOBO BOSEKI CO., LTD.	19	18	5
Fellow subsidiary:			
NITTOBO ASIA GLASS FIBER CO., LTD.	<u>-</u>	<u>-</u>	<u>495</u>
	<u>19</u>	<u>18</u>	<u>500</u>
	<u>\$ 199,223</u>	<u>\$ 184,506</u>	<u>\$ 197,928</u>

E. Property transactions

Acquisition of property, plant and equipment:

	<u>Three months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Fellow subsidiary:		
NITTOBO TECHNO CO., LTD.	<u>\$ 20,589</u>	<u>\$ 18,591</u>
	<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Fellow subsidiary:		
NITTOBO TECHNO CO., LTD.	<u>\$ 21,309</u>	<u>\$ 18,724</u>

F. Other revenues

	<u>Three months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Parent company:		
NITTO BOSEKI CO., LTD.	<u>\$ 1,107</u>	<u>\$ 1,116</u>
Fellow subsidiary:		
NITTOBO TAIWAN CO., LTD.	<u>48</u>	<u>48</u>
	<u>\$ 1,155</u>	<u>\$ 1,164</u>

	Six months ended June 30,	
	2022	2021
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 2,188	\$ 2,313
Fellow subsidiary:		
NITTOBO TAIWAN CO., LTD.	96	96
	\$ 2,284	\$ 2,409

G. Other expenses

	Three months ended June 30,	
	2022	2021
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 599	\$ 649

	Six months ended June 30,	
	2022	2021
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 1,282	\$ 1,265

(3) Key management compensation

	Three months ended June 30,	
	2022	2021
Short-term employee benefits	\$ 2,278	\$ 2,473
Post-employment benefits	74	73
	\$ 2,352	\$ 2,546
	Six months ended June 30,	
	2022	2021
Short-term employee benefits	\$ 4,781	\$ 6,099
Post-employment benefits	147	145
	\$ 4,928	\$ 6,244

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value			Purpose
	June 30, 2022	December 31, 2021	June 30, 2021	
Land	\$ 351,099	\$ 351,099	\$ 351,099	Short-term borrowings / loan facilities
Buildings and structures	125,757	128,219	130,681	Short-term borrowings / loan facilities
	\$ 476,856	\$ 479,318	\$ 481,780	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

As of June 30, 2022, December 31, 2021 and June 30, 2021, the letters of credit issued but not used were \$0, \$238 and \$74,336, respectively.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Property, plant and equipment	\$ 47,417	\$ 57,514	\$ 179,681

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

There have been no significant changes as of June 30, 2022. Refer to Note 12 in the financial statements for the year ended December 31, 2021.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 1,246	\$ -
Financial assets at fair value through other comprehensive income			
Designation of equity instruments	\$ -	\$ -	\$ 47,707
Financial assets at amortised cost			
Cash and cash equivalents	\$ 56,727	\$ 61,433	\$ 157,050
Accounts receivable, net	314,433	299,613	362,404
Accounts receivable - related parties	114,211	93,647	88,446
Other receivables	8,373	12,215	13,323
Other receivables - related parties	760	752	1,745
Guarantee deposits paid	23,349	23,349	23,309
	<u>\$ 517,853</u>	<u>\$ 491,009</u>	<u>\$ 646,277</u>

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities designated as at fair value through profit or loss	\$ 1,483	\$ -	\$ 543
Financial liabilities at amortised cost			
Notes payable	\$ 25	\$ 15	\$ 40
Accounts payable	20,461	20,996	22,499
Accounts payable - related parties	199,204	184,488	197,428
Other accounts payable	84,765	100,936	86,019
Other accounts payable - related parties	19	18	500
Guarantee deposits received	34	34	34
	<u>\$ 304,508</u>	<u>\$ 306,487</u>	<u>\$ 306,520</u>
Lease liability	<u>\$ 17,193</u>	<u>\$ 4,609</u>	<u>\$ 4,354</u>

B. Financial risk management policies

There have been no significant changes as of June 30, 2022. Refer to Note 12 in the financial statements for the year ended December 31, 2021.

C. Significant financial risks and degrees of financial risks

Except as stated below, there have been no significant changes as of June 30, 2022. Refer to Note 12 in the financial statements for the year ended December 31, 2021.

(a) Market risk

Foreign exchange risk

- i. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

June 30, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,684	29.72	\$ 406,685
JPY:NTD	934	0.22	204
<u>Non-monetary items: None.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 413	29.72	\$ 12,273
EUR:NTD	15	31.05	459
JPY:NTD	1,443	0.22	315
<u>Non-monetary items: None.</u>			
December 31, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,758	27.68	\$ 380,834
RMB:NTD	116	4.34	504
JPY:NTD	4,444	0.24	1,069
<u>Non-monetary items: None.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 274	27.68	\$ 7,583
EUR:NTD	3	31.32	83
JPY:NTD	8,098	0.24	1,948
<u>Non-monetary items: None.</u>			

				June 30, 2021		
				Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	15,391		27.86		\$ 428,792
RMB:NTD		711		4.31		3,063
JPY:NTD		911		0.25		230
<u>Non-monetary items:</u> None.						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$	558		27.86		\$ 15,559
EUR:NTD		12		33.15		383
JPY:NTD		1,540		0.25		388
<u>Non-monetary items:</u> None.						

- ii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the three months and six months ended June 30, 2022 and 2021, amounted to \$20,973, (\$11,418), \$33,893 and (\$14,908), respectively.
- iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

				Six months ended June 30, 2022		
				Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD		1%	\$	4,067	\$	-
JPY:NTD		1%		2		-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD		1%	\$	123	\$	-
EUR:NTD		1%		5		-
JPY:NTD		1%		3		-

Six months ended June 30, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 12,864	\$ -
RMB:NTD	1%	31	-
JPY:NTD	1%	2	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 467	\$ -
EUR:NTD	1%	4	-
JPY:NTD	1%	4	-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the six months ended June 30, 2022 and 2021 would have increased/decreased by \$0 and \$1,431, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial instruments stated at amortised cost and bank deposits.
- ii. The Company manages its credit risk taking into consideration the entire Company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. In accordance with the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal

risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Company, and approved by the Board of Directors. The utilization of credit limits is regularly monitored.

- iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) If any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Company classifies customer's accounts receivable, in accordance with credit risk on trade and customer types. The Company applies the modified approach using the provision matrix to estimate expected credit loss.
- vii. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- viii. The Company used the forecastability of the adjusted historical and timely information to assess the default possibility of accounts receivable. As of June 30, 2022, December 31, 2021 and June 30, 2021, the provision matrix, loss rate methodology is as follows:

	Not past due	Over 120 days past due	Over 180 days past due	Over 365 days past due	Total
<u>At June 30, 2022</u>					
Expected loss rate	0.03%	0.06%	50%	100%	
Total book value	\$ 428,768	\$ -	\$ -	\$ -	\$428,768
Loss allowance	<u>\$ 124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124</u>

	<u>Not past due</u>	<u>Over 120 days past due</u>	<u>Over 180 days past due</u>	<u>Over 365 days past due</u>	<u>Total</u>
<u>At December 31, 2021</u>					
Expected loss rate	0.03%	0.06%	50%	100%	
Total book value	\$ 393,378	\$ -	\$ -	\$ -	\$393,378
Loss allowance	\$ 118	\$ -	\$ -	\$ -	\$ 118
<u>At June 30, 2021</u>					
Expected loss rate	0.03%	0.06%	50%	100%	
Total book value	\$ 450,987	\$ -	\$ -	\$ -	\$450,987
Loss allowance	\$ 137	\$ -	\$ -	\$ -	\$ 137

xii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

	<u>2022</u>
	<u>Accounts receivable</u>
At January 1	\$ 118
Impairment loss	<u>6</u>
At June 30	<u>\$ 124</u>
	<u>2021</u>
	<u>Accounts receivable</u>
At January 1	\$ 131
Impairment loss	<u>6</u>
At June 30	<u>\$ 137</u>

(c) Liquidity risk

The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>June 30, 2022</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ 25	\$ -	\$ -	\$ -	\$ 25
Accounts payable	17,289	3,172	-	-	20,461
Accounts payable - related parties	192,901	6,303	-	-	199,204
Other accounts payable	68,066	16,699	-	-	84,765
Other accounts payable - related parties	19	-	-	-	19
Lease liability	1,847	5,542	6,919	3,079	17,387
<u>Derivative financial liabilities</u>					
Financial liabilities at fair value through profit or loss	1,483	-	-	-	1,483

<u>December 31, 2021</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ -	\$ 15	\$ -	\$ -	\$ 15
Accounts payable	18,197	2,799	-	-	20,996
Accounts payable - related parties	181,592	2,896	-	-	184,488
Other accounts payable	93,482	7,454	-	-	100,936
Other accounts payable - related parties	-	18	-	-	18
Lease liability	479	1,438	1,753	995	4,665
<u>Derivative financial liabilities</u>					
None.					

<u>June 30, 2021</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>					
Notes payable	\$ 25	\$ -	\$ 15	\$ -	\$ 40
Accounts payable	19,186	3,313	-	-	22,499
Accounts payable - related parties	188,883	8,545	-	-	197,428
Other accounts payable	69,926	16,093	-	-	86,019
Other accounts payable - related parties	495	5	-	-	500
Lease liability	1,608	1,783	731	261	4,383
<u>Derivative financial liabilities</u>					
Financial liabilities at fair value through profit or loss	543	-	-	-	543

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and convertible bonds is included in Level 1

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables and lease liabilities are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2022, December 31, 2021 and June 30, 2021 is as follows:

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
<u>Recurring fair value measurements:</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 1,483</u>	<u>\$ -</u>	<u>\$ 1,483</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	<u>\$ -</u>	<u>\$ 1,246</u>	<u>\$ -</u>	<u>\$ 1,246</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	<u>\$47,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$47,707</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	<u>\$ -</u>	<u>\$ 543</u>	<u>\$ -</u>	<u>\$ 543</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Market quoted price	<u>Listed shares</u> Closing price
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E. For the six months ended June 30, 2022 and 2021, there was no transfer between Level 1, Level 2 and Level 3.

F. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(4) Other matter

The growth of the Group's operating revenue was affected by the COVID-19 global pandemic. Based on the Company's assessment, the pandemic has no significant impact on the Company's going concern, impairment of assets and financing risks, and the impact on the Company's operations will depend on the subsequent situation of the pandemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 1.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting period: Refer to Notes 6(8) and 12(3).

J. Significant inter-company transactions during the reporting period: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): None.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Refer to table 2.

14. SEGMENT INFORMATION

Segment information

The Company mainly manufactures and sells electronic fiberglass fabrics, and the nature of the manufacturing process and sales method of the products are similar. The single operating department allocates resources and assesses performance of the Company as a whole, therefore, the Company do not disclose the segment information.

BAOTEK INDUSTRIAL MATERIALS LTD.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the six months ended June 30, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions (Note 1)			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTOBO ASIA GLASS FIBER CO., LTD.	Fellow subsidiary	Purchases	\$ 328,822	85%	Note 1	Note 1	Note 1	(\$ 187,825)	(85%)	
BAOTEK INDUSTRIAL MATERIALS LTD.	NITTO BOSEKI CO., LTD.	Parent	Sales	(157,313)	(22%)	Note 2	Note 2	Note 2	91,421	21%	

Note 1: Goods purchased from related parties cannot be purchased from third parties, so the price is not comparable. The payments were due in 90 days.

Note 2: Goods are sold based on the price list in force that would be available to third parties. The sales are made at terms with a collection period of 90 days

BAOTEK INDUSTRIAL MATERIALS LTD.

Major shareholders information

June 30, 2022

Table 2

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
NITTO BOSEKI CO., LTD.	92,865,791	47.64%