

BAOTEK INDUSTRIAL MATERIALS LTD.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
MARCH 31, 2023 AND 2022

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.
MARCH 31, 2023 AND 2022 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 March 31, 2023 and 2022, and the related statements of comprehensive income, of changes in equity and of cash flows for the three 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” that came into effect 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 Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of 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 March 31, 2023 and 2022, and of its financial performance and its cash flows for the three months then ended in accordance with “Regulations Governing the

Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Chiang, Tsai-Yen

Liu, Chien-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

May 9, 2023

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’ review 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
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 159,639	7	\$ 140,920	7	\$ 57,359	3
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	1,233	-	-	-
1150	Notes receivable, net		-	-	20	-	-	-
1170	Accounts receivable, net	6(3)	261,281	12	288,775	13	295,374	13
1180	Accounts receivable - related	6(3) and 7						
	parties		60,599	3	79,467	4	104,536	5
1200	Other receivables		6,574	-	5,971	-	10,597	-
1210	Other receivables due from related	7						
	parties		817	-	791	-	720	-
1220	Current tax assets		13	-	13	-	-	-
130X	Inventories	6(4)	441,968	20	396,654	18	363,661	17
1410	Prepayments		11,989	1	5,772	-	14,223	1
1470	Other current assets		7,467	-	7,836	1	9,214	-
11XX	Total current assets		<u>950,347</u>	<u>43</u>	<u>927,452</u>	<u>43</u>	<u>855,684</u>	<u>39</u>
Non-current assets								
1600	Property, plant and equipment	6(5), 7 and 8	1,214,242	55	1,222,588	56	1,240,762	57
1755	Right-of-use assets	6(6)	13,217	1	13,504	-	18,969	1
1840	Deferred income tax assets		16,744	1	16,102	1	31,792	1
1900	Other non-current assets		2,015	-	1,932	-	44,674	2
15XX	Total non-current assets		<u>1,246,218</u>	<u>57</u>	<u>1,254,126</u>	<u>57</u>	<u>1,336,197</u>	<u>61</u>
1XXX	Total assets		<u>\$ 2,196,565</u>	<u>100</u>	<u>\$ 2,181,578</u>	<u>100</u>	<u>\$ 2,191,881</u>	<u>100</u>

(Continued)

BAOTEK INDUSTRIAL MATERIALS LTD.
BALANCE SHEETS
MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2120	Current financial liabilities at fair value through profit or loss	6(7)						
			\$ 230	-	\$ -	-	\$ 3,847	-
2150	Notes payable		-	-	-	-	15	-
2170	Accounts payable		15,740	1	18,382	1	20,769	1
2180	Accounts payable - related parties	7	166,904	8	142,658	6	184,496	8
2200	Other payables	6(8)	72,842	3	82,208	4	99,177	5
2220	Other payables - related parties	6(8) and 7	30	-	25	-	19	-
2280	Current lease liabilities	6(22)	7,553	-	7,132	-	7,247	-
2300	Other current liabilities		815	-	378	-	375	-
21XX	Total current liabilities		<u>264,114</u>	<u>12</u>	<u>250,783</u>	<u>11</u>	<u>315,945</u>	<u>14</u>
Non-current liabilities								
2580	Non-current lease liabilities	6(22)	5,733	-	6,436	1	11,751	1
2640	Net defined benefit liability, non-current		5,834	1	5,773	-	8,359	-
2645	Guarantee deposits received		34	-	34	-	34	-
25XX	Total non-current liabilities		<u>11,601</u>	<u>1</u>	<u>12,243</u>	<u>1</u>	<u>20,144</u>	<u>1</u>
2XXX	Total liabilities		<u>275,715</u>	<u>13</u>	<u>263,026</u>	<u>12</u>	<u>336,089</u>	<u>15</u>
Equity								
Share capital								
3110	Common stock	6(10)	1,948,940	89	1,948,940	89	1,948,940	89
Accumulated deficit								
3350	Accumulated deficit	6(11)	(28,090)	(2)	(30,388)	(1)	(93,148)	(4)
3XXX	Total equity		<u>1,920,850</u>	<u>87</u>	<u>1,918,552</u>	<u>88</u>	<u>1,855,792</u>	<u>85</u>
Significant contingent liabilities and unrecognised contract commitments								
3X2X	Total liabilities and equity		<u>\$ 2,196,565</u>	<u>100</u>	<u>\$ 2,181,578</u>	<u>100</u>	<u>\$ 2,191,881</u>	<u>100</u>

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

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

	Items	Notes	Three months ended March 31			
			2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(12) and 7	\$ 280,285	100	\$ 338,068	100
5000	Operating costs	6(4)(17)(18) and 7	(252,789)	(90)	(288,135)	(85)
5900	Net operating margin		27,496	10	49,933	15
	Operating expenses	6(17)(18) and 7				
6100	Selling expenses		(5,583)	(2)	(8,723)	(3)
6200	Administrative expenses		(14,109)	(5)	(16,935)	(5)
6300	Research and development expenses		(3,295)	(1)	(3,669)	(1)
6450	Impairment expected credit loss	12(2)	13	-	1	-
6000	Total operating expenses		(22,974)	(8)	(29,326)	(9)
6900	Operating profit		4,522	2	20,607	6
	Non-operating income and expenses					
7100	Interest income	6(13)	3	-	2	-
7010	Other income	6(14) and 7	1,368	-	1,586	1
7020	Other gains and losses	6(15)	(4,203)	(1)	7,072	2
7050	Finance costs	6(16)	(34)	-	(45)	-
7000	Total non-operating income and expenses		(2,866)	(1)	8,615	3
7900	Profit before income tax		1,656	1	29,222	9
7950	Income tax expense	6(19)	642	-	(5,544)	(2)
8200	Profit for the period		\$ 2,298	1	\$ 23,678	7
8300	Other comprehensive (loss) income for the period		\$ -	-	\$ -	-
8500	Total comprehensive income for the period		\$ 2,298	1	\$ 23,678	7
	Basic and diluted earnings per share (in dollars)					
9750	Earnings per share	6(20)	\$ 0.01		\$ 0.12	

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	<u>Notes</u>	<u>Share capital - common stock</u>	<u>Accumulated deficit</u>	<u>Total equity</u>
<u>2022</u>				
Balance at January 1, 2022		\$ 1,948,940	(\$ 116,826)	\$ 1,832,114
Net income		-	23,678	23,678
Other comprehensive income		-	-	-
Total comprehensive income		-	23,678	23,678
Balance at March 31, 2022		<u>\$ 1,948,940</u>	<u>(\$ 93,148)</u>	<u>\$ 1,855,792</u>
<u>2023</u>				
Balance at January 1, 2023		\$ 1,948,940	(\$ 30,388)	\$ 1,918,552
Net income		-	2,298	2,298
Other comprehensive income		-	-	-
Total comprehensive income		-	2,298	2,298
Balance at March 31, 2023		<u>\$ 1,948,940</u>	<u>(\$ 28,090)</u>	<u>\$ 1,920,850</u>

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

BAOTEK INDUSTRIAL MATERIALS LTD.
STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,656	\$ 29,222
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on disposals of investments	6(7)	1,463	5,093
Depreciation expense	6(5)(6)(17)	28,582	27,650
Expected credit loss	12(2)	(13)	(1)
Interest expense	6(16)	34	45
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		20	-
Accounts receivable		27,501	4,243
Accounts receivable - related parties		18,874	(10,892)
Other accounts receivable		(603)	1,618
Other receivables due from related parties		(26)	32
Inventories		(45,314)	(25,792)
Prepayments		(6,217)	(2,309)
Other current assets		369	1,392
Changes in operating liabilities			
Accounts payable		(2,642)	(227)
Accounts payable - related parties		24,246	8
Other accounts payable		(17,535)	(6,940)
Other accounts payable - related parties		5	1
Other current liabilities		437	52
Net defined benefit liability, non-current		61	41
Cash inflow generated from operations		<u>30,898</u>	<u>23,236</u>
Interest paid		(34)	(45)
Net cash flows from operating activities		<u>30,864</u>	<u>23,191</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(21)	(10,167)	(25,464)
Decrease in refundable deposits		(83)	-
Net cash flows used in investing activities		<u>(10,250)</u>	<u>(25,464)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Payment of lease liability	6(22)	(1,895)	(1,801)
Net cash flows used in financing activities		<u>(1,895)</u>	<u>(1,801)</u>
Net increase (decrease) in cash and cash equivalents		18,719	(4,074)
Cash and cash equivalents at beginning of period	6(1)	<u>140,920</u>	<u>61,433</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 159,639</u>	<u>\$ 57,359</u>

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

BAOTEK INDUSTRIAL MATERIALS LTD.
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(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 May 9, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments that came into effect as endorsed by the FSC effective from 2023 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

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 that came into effect as endorsed by the FSC but not yet adopted by the Company

None.

(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
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
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, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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, 2022, 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’ that came into effect 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, 2022.

(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) 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 that came into effect 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 March 31, 2023. Refer to Note 5 in the financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash on hand and revolving funds	\$ 54	\$ 54	\$ 54
Checking accounts and demand deposits	<u>159,585</u>	<u>140,866</u>	<u>57,305</u>
	<u>\$ 159,639</u>	<u>\$ 140,920</u>	<u>\$ 57,359</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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Valuation adjustment	\$ -	\$ 1,233	\$ -

A. 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 March 31, 2023: None.

	<u>December 31, 2022</u>	
<u>Derivative financial instruments</u>	<u>Contract amount (notional principal in thousands)</u>	<u>Contract period</u>
Current item:		
Forward foreign exchange contracts	USD 4,136	2022.10~2023.03

As of March 31, 2022: None.

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

C. 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) Accounts receivable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable	\$ 261,360	\$ 288,861	\$ 295,460
Less: Allowance for uncollectible accounts	(79)	(86)	(86)
	<u>261,281</u>	<u>288,775</u>	<u>295,374</u>
Accounts receivable - related parties	60,617	79,491	104,567
Less: Allowance for uncollectible accounts	(18)	(24)	(31)
	<u>60,599</u>	<u>79,467</u>	<u>104,536</u>
	<u>\$ 321,880</u>	<u>\$ 368,242</u>	<u>\$ 399,910</u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Up to 30 days	\$ 73,597	\$ 125,441	\$ 120,080
31 to 90 days	168,817	176,381	204,857
91 to 180 days	79,563	66,530	75,090
	<u>\$ 321,977</u>	<u>\$ 368,352</u>	<u>\$ 400,027</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 March 31, 2023, December 31, 2022, March 31, 2022, and January 1, 2022, 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 \$321,880, \$368,242, \$399,910 and \$393,260, respectively.

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

(4) Inventories

	<u>March 31, 2023</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 92,343	(\$ 932)	\$ 91,411
Supplies	2,625	(2)	2,623
Work in progress	74,026	(438)	73,588
Finished goods	282,266	(7,920)	274,346
	<u>\$ 451,260</u>	<u>(\$ 9,292)</u>	<u>\$ 441,968</u>

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 92,231	(\$ 928)	\$ 91,303
Supplies	3,395	(2)	3,393
Work in progress	66,881	(134)	66,747
Finished goods	242,480	(7,269)	235,211
	<u>\$ 404,987</u>	<u>(\$ 8,333)</u>	<u>\$ 396,654</u>

	March 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 84,713	(\$ 87)	\$ 84,626
Supplies	3,101	-	3,101
Work in progress	70,754	(186)	70,568
Finished goods	215,980	(10,614)	205,366
	<u>\$ 374,548</u>	<u>(\$ 10,887)</u>	<u>\$ 363,661</u>

The cost of inventories recognized as expense for the year:

	Three months ended March 31,	
	2023	2022
Cost of goods sold	\$ 252,392	\$ 291,264
Loss (gain on reversal) of decline in market value	959	(2,563)
Revenue from sales of scraps	(562)	(566)
	<u>\$ 252,789</u>	<u>\$ 288,135</u>

For the three months ended March 31, 2023, 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.

(5) Property, plant and equipment

2023

	Land	Buildings and structures	Machinery	Others	Construction in progress and equipment to be inspected	Total
<u>At January 1</u>						
Cost	\$ 363,594	\$ 554,646	\$ 2,175,980	\$ 268,709	\$ 132,042	\$ 3,494,971
Accumulated depreciation	-	(364,598)	(1,684,194)	(223,591)	-	(2,272,383)
	<u>\$ 363,594</u>	<u>\$ 190,048</u>	<u>\$ 491,786</u>	<u>\$ 45,118</u>	<u>\$ 132,042</u>	<u>\$ 1,222,588</u>
<u>Cost:</u>						
Opening net book amount						
as at January 1	\$ 363,594	\$ 554,646	\$ 2,175,980	\$ 268,709	\$ 132,042	\$ 3,494,971
Additions	-	290	3,570	636	13,840	18,336
Disposals	-	-	-	(160)	-	(160)
Transfers	-	-	-	-	-	-
Closing net book amount						
as at March 31	<u>\$ 363,594</u>	<u>\$ 554,936</u>	<u>\$ 2,179,550</u>	<u>\$ 269,185</u>	<u>\$ 145,882</u>	<u>\$ 3,513,147</u>
<u>Accumulated depreciation:</u>						
Opening net book amount						
as at January 1	\$ -	(\$ 364,598)	(\$ 1,684,194)	(\$ 223,591)	\$ -	(\$ 2,272,383)
Depreciation charge	-	(4,118)	(19,645)	(2,919)	-	(26,682)
Disposals	-	-	-	160	-	160
Closing net book amount						
as at March 31	<u>\$ -</u>	<u>(\$ 368,716)</u>	<u>(\$ 1,703,839)</u>	<u>(\$ 226,350)</u>	<u>\$ -</u>	<u>(\$ 2,298,905)</u>
<u>At March 31</u>						
Cost	\$ 363,594	\$ 554,936	\$ 2,179,550	\$ 269,185	\$ 145,882	\$ 3,513,147
Accumulated depreciation	-	(368,716)	(1,703,839)	(226,350)	-	(2,298,905)
	<u>\$ 363,594</u>	<u>\$ 186,220</u>	<u>\$ 475,711</u>	<u>\$ 42,835</u>	<u>\$ 145,882</u>	<u>\$ 1,214,242</u>

2022

	Land	Buildings and structures	Machinery	Others	Construction in progress and equipment to be inspected	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	-	840	4,194	3,283	22,328	30,645
Disposals	-	-	(1,583)	-	-	(1,583)
Transfers	-	-	-	139	(139)	-
Closing net book amount as at March 31	<u>\$ 363,594</u>	<u>\$ 550,467</u>	<u>\$ 2,018,025</u>	<u>\$ 271,927</u>	<u>\$ 240,261</u>	<u>\$ 3,444,274</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	-	(4,913)	(18,125)	(2,791)	-	(25,829)
Disposals	-	-	1,583	-	-	1,583
Closing net book amount as at March 31	<u>\$ -</u>	<u>(\$ 350,514)</u>	<u>(\$ 1,628,162)</u>	<u>(\$ 224,836)</u>	<u>\$ -</u>	<u>(\$ 2,203,512)</u>
<u>At March 31</u>						
Cost	\$ 363,594	\$ 550,467	\$ 2,018,025	\$ 271,927	\$ 240,261	\$ 3,444,274
Accumulated depreciation	-	(350,514)	(1,628,162)	(224,836)	-	(2,203,512)
	<u>\$ 363,594</u>	<u>\$ 199,953</u>	<u>\$ 389,863</u>	<u>\$ 47,091</u>	<u>\$ 240,261</u>	<u>\$ 1,240,762</u>

- A. For the three months ended March 31, 2023 and 2022, there were no borrowing costs capitalised as part of property, plant and equipment.
- 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 parcel of 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.

(6) 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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 13,014	\$ 13,180	\$ 18,280
Transportation equipment	203	324	689
	<u>\$ 13,217</u>	<u>\$ 13,504</u>	<u>\$ 18,969</u>

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 1,779	\$ 1,700
Transportation equipment	121	121
	<u>\$ 1,900</u>	<u>\$ 1,821</u>

D. For the three months ended March 31, 2023 and 2022, the additions to right-of-use assets were \$1,613 and \$16,190, respectively.

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

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 34	\$ 45
Expense on short-term lease contracts	688	817

F. For the three months ended March 31, 2023 and 2022, the Company's total cash outflow for leases were \$2,617 and \$2,663, respectively.

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

<u>Items</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current items:			
Financial liability mandatorily measured at fair value through profit or loss			
Valuation adjustment	<u>\$ 230</u>	<u>\$ -</u>	<u>\$ 3,847</u>

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:

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Financial liability mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>(\$ 1,463)</u>	<u>(\$ 5,093)</u>

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:

March 31, 2023		
Derivative financial liabilities	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts	USD 3,808 thousand dollars	2023.02~2023.06

March 31, 2022		
Derivative financial liabilities	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts	USD 6,457 thousand dollars	2021.12~2022.06

As of December 31, 2022: None.

C. 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.

(8) Other payables (including related parties)

	March 31, 2023	December 31, 2022	March 31, 2022
Accrued salaries and bonuses	\$ 17,841	\$ 35,265	\$ 28,257
Payables for equipment	17,430	9,261	27,935
Estimated utility	8,360	7,738	7,959
Others	29,241	29,969	35,045
	<u>\$ 72,872</u>	<u>\$ 82,233</u>	<u>\$ 99,196</u>

(9) 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 \$159 and \$149 for the three months ended March 31, 2023 and 2022, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$534.
- 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 plans of the Company for the three months ended March 31, 2023 and 2022 were \$1,548 and \$1,619, respectively.

(10) Share capital

- A. As of March 31, 2023, 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)	
	2023	2022
At January 1 (At March 31)	194,893,964	194,893,964

(11) 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, 2022 and 2021, the Company did not distribute retained earnings due to the accumulated deficit. On February 23, 2023, the Board of Directors proposed to offset the accumulated deficit as of December 31, 2022. The accumulated deficit offset of 2021 was resolved at the shareholders' meeting on June 17, 2022.

(12) Operating revenue

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	<u>\$ 280,285</u>	<u>\$ 338,068</u>

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 March 31, 2023</u>	<u>Taiwan</u>	<u>China</u>	<u>Japan</u>	<u>America</u>	<u>Others</u>	<u>Total</u>
Revenue from external customer contracts	<u>\$ 46,584</u>	<u>\$ 78,694</u>	<u>\$ 70,027</u>	<u>\$ 60,349</u>	<u>\$ 24,631</u>	<u>\$ 280,285</u>
Timing of revenue recognition						
At a point in time	<u>\$ 46,584</u>	<u>\$ 78,694</u>	<u>\$ 70,027</u>	<u>\$ 60,349</u>	<u>\$ 24,631</u>	<u>\$ 280,285</u>
<u>Three months ended March 31, 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	<u>\$ 57,852</u>	<u>\$ 134,079</u>	<u>\$ 61,573</u>	<u>\$ 55,763</u>	<u>\$ 28,801</u>	<u>\$ 338,068</u>
Timing of revenue recognition						
At a point in time	<u>\$ 57,852</u>	<u>\$ 134,079</u>	<u>\$ 61,573</u>	<u>\$ 55,763</u>	<u>\$ 28,801</u>	<u>\$ 338,068</u>

B. Contract assets and liabilities

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Contract liabilities (shown as other current liabilities)	\$ 472	\$ 17
	<u>March 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities (shown as other current liabilities)	\$ 80	\$ 25

(13) Interest income

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income:		
Interest income from bank deposits	\$ 2	\$ 1
Other interest income	1	1
	<u>\$ 3</u>	<u>\$ 2</u>

(14) Other income

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Others	\$ 1,368	\$ 1,586

(15) Other gains and losses

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Foreign exchange (losses) gains	(\$ 4,174)	\$ 12,920
Losses on financial assets (liabilities) at fair value through profit or loss	(29)	(5,808)
Miscellaneous disbursements	-	(40)
	<u>(\$ 4,203)</u>	<u>\$ 7,072</u>

(16) Finance costs

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest expense	\$ 34	\$ 45

(17) Expenses by nature

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Employee benefit expense	\$ 56,727	\$ 60,894
Depreciation	28,582	27,650
	<u>\$ 85,309</u>	<u>\$ 88,544</u>

(18) Employee benefit expense

	Three months ended March 31,	
	2023	2022
Wages and salaries	\$ 47,758	\$ 51,620
Labour and health insurance fees	4,588	4,738
Pension costs	1,707	1,768
Other personnel expenses	2,674	2,768
	<u>\$ 56,727</u>	<u>\$ 60,894</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 March 31, 2023 and 2022, the Company had an accumulated deficit hence no employees' compensation and directors' and supervisors' remuneration were accrued for the three months ended March 31, 2023 and 2022.

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.

(19) Income tax

A. Income tax expense

(a) Components of income tax (benefit) expense:

	Three months ended March 31,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ -	\$ 1,374
Total current tax	-	1,374
Deferred tax:		
Origination and reversal of temporary differences	(1,906)	201
Impact of change in taxable loss	1,264	3,969
Total deferred tax	(642)	4,170
Income tax (benefit) expense	<u>(\$ 642)</u>	<u>\$ 5,544</u>

B. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(20) Earnings per share

	<u>Three months ended March 31, 2023</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,298</u>	<u>194,894</u>	<u>\$ 0.01</u>
	<u>Three months ended March 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 23,678</u>	<u>194,894</u>	<u>\$ 0.12</u>

(21) Supplemental cash flow information

Investing activities with partial cash payments

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Purchase of property, plant and equipment	\$ 18,336	\$ 30,645
Add: Opening balance of payable on equipment	9,261	22,754
Less: Ending balance of payable on equipment	(17,430)	(27,935)
Cash paid during the period	<u>\$ 10,167</u>	<u>\$ 25,464</u>

(22) Changes in liabilities from financing activities

	<u>Lease liabilities</u>
At January 1, 2023	\$ 13,568
Payment of lease liabilities	(1,895)
Increase in lease liabilities	1,613
Interest payment of lease liabilities	(34)
Interest expense amortisation of lease liabilities	34
At March 31, 2023	<u>\$ 13,286</u>

	<u>Lease liabilities</u>
At January 1, 2022	\$ 4,609
Payment of lease liabilities	(1,801)
Increase in lease liabilities	16,190
Interest payment of lease liabilities	(45)
Interest expense amortisation of lease liabilities	45
At March 31, 2022	<u>\$ 18,998</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

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales of services:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 70,027	\$ 59,693
Fellow subsidiary:		
NITTOBO MACAU GLASS WEAVING CO., LTD.	-	25,765
Others	14,740	20,517
	<u>\$ 84,767</u>	<u>\$ 105,975</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 March 31,	
	2023	2022
Purchases of goods:		
Parent company:		
NITTO BOSEKI CO., LTD.	\$ 8,723	\$ 1,873
Fellow subsidiary:		
NITTOBO ASIA GLASS FIBER CO., LTD.	146,117	159,391
Others	<u>5,596</u>	<u>8,358</u>
	<u>\$ 160,436</u>	<u>\$ 169,622</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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts receivable:			
Parent company:			
NITTO BOSEKI CO., LTD.	\$ 45,126	\$ 54,066	\$ 56,589
Fellow subsidiary:			
NITTOBO MACAU GLASS WEAVING CO., LTD.	-	-	26,437
NITTOBO TAIWAN CO., LTD.	15,473	25,401	20,249
Others	<u>-</u>	<u>-</u>	<u>1,261</u>
	<u>60,599</u>	<u>79,467</u>	<u>104,536</u>
Other receivables:			
Parent company:			
NITTO BOSEKI CO., LTD.	800	774	703
Fellow subsidiary:			
Others	<u>17</u>	<u>17</u>	<u>17</u>
	<u>817</u>	<u>791</u>	<u>720</u>
	<u>\$ 61,416</u>	<u>\$ 80,258</u>	<u>\$ 105,256</u>

D. Payables to related parties

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts payable:			
Parent company:			
NITTOBO BOSEKI CO., LTD.	\$ 8,578	\$ -	\$ 1,862
Fellow subsidiary:			
NITTOBO ASIA GLASS FIBER CO., LTD.	153,022	140,643	174,372
Others	5,304	2,015	8,262
	<u>166,904</u>	<u>142,658</u>	<u>184,496</u>
Other payables			
Parent company:			
NITTOBO BOSEKI CO., LTD.	30	25	19
	<u>30</u>	<u>25</u>	<u>19</u>
	<u>\$ 166,934</u>	<u>\$ 142,683</u>	<u>\$ 184,515</u>

E. Property transactions

Acquisition of property, plant and equipment:

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Fellow subsidiary:		
NITTOBO TECHNO CO., LTD.	<u>\$ -</u>	<u>\$ 720</u>

F. Other revenues

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Parent company:		
NITTO BOSEKI CO., LTD.	<u>\$ 1,041</u>	<u>\$ 1,081</u>
Fellow subsidiary:		
NITTOBO TAIWAN CO., LTD.	48	48
	<u>\$ 1,089</u>	<u>\$ 1,129</u>

G. Other expenses

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Parent company:		
NITTO BOSEKI CO., LTD.	<u>\$ 308</u>	<u>\$ 683</u>

(3) Key management compensation

	Three months ended March 31,	
	2023	2022
Short-term employee benefits	\$ 2,415	\$ 2,503
Post-employment benefits	74	73
	<u>\$ 2,489</u>	<u>\$ 2,576</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2023	December 31, 2022	March 31, 2022	
Land	\$ 351,099	\$ 351,099	\$ 351,099	Short-term borrowings / loan facilities
Buildings and structures	122,065	123,296	126,988	Short-term borrowings / loan facilities
	<u>\$ 473,164</u>	<u>\$ 474,395</u>	<u>\$ 478,087</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

(1) Contingencies

None.

(2) Commitments

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

	March 31, 2023	December 31, 2022	March 31, 2022
Property, plant and equipment	<u>\$ 40,927</u>	<u>\$ 50,372</u>	<u>\$ 53,893</u>

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 March 31, 2023. Refer to Note 12 in the financial statements for the year ended December 31, 2022.

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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	<u>\$ -</u>	<u>\$ 1,233</u>	<u>\$ -</u>
Financial assets at amortised cost			
Cash and cash equivalents	\$ 159,639	\$ 140,920	\$ 57,359
Accounts receivable, net	261,281	288,775	295,374
Accounts receivable - related parties	60,599	79,467	104,536
Other receivables	6,574	5,971	10,597
Other receivables - related parties	817	791	720
Guarantee deposits paid	2,015	1,932	23,349
	<u>\$ 490,925</u>	<u>\$ 517,856</u>	<u>\$ 491,935</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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	<u>\$ 230</u>	<u>\$ -</u>	<u>\$ 3,487</u>
Financial liabilities at amortised cost			
Notes payable	\$ -	\$ -	\$ 15
Accounts payable	15,740	18,382	20,769
Accounts payable - related parties	166,904	142,658	184,496
Other accounts payable	72,842	82,208	99,177
Other accounts payable - related parties	30	25	19
Guarantee deposits received	34	34	34
	<u>\$ 255,550</u>	<u>\$ 243,307</u>	<u>\$ 304,510</u>
Lease liability	<u>\$ 13,286</u>	<u>\$ 13,568</u>	<u>\$ 18,998</u>

B. Financial risk management policies

There have been no significant changes as of March 31, 2023. Refer to Note 12 in the financial statements for the year ended December 31, 2022.

C. Significant financial risks and degrees of financial risks

Except as stated below, there have been no significant changes as of March 31, 2023. Refer to Note 12 in the financial statements for the year ended December 31, 2022.

(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:

	<u>March 31, 2023</u>		
	<u>Foreign currency amount (In thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 9,905	30.45	\$ 301,616
JPY:NTD	716	0.23	164
<u>Non-monetary items: None.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 467	30.45	\$ 14,223
EUR:NTD	3	33.15	87
JPY:NTD	1,072	0.23	245
<u>Non-monetary items: None.</u>			

December 31, 2022			
	Foreign currency amount <u>(In thousands)</u>	<u>Exchange rate</u>	Book value <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 11,046	30.71	\$ 339,235
JPY:NTD	392	0.23	91
<u>Non-monetary items: None.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 149	30.71	\$ 4,585
EUR:NTD	3	32.72	86
JPY:NTD	58	0.23	13
<u>Non-monetary items: None.</u>			

March 31, 2022			
	Foreign currency amount <u>(In thousands)</u>	<u>Exchange rate</u>	Book value <u>(NTD)</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 13,099	28.63	\$ 374,966
RMB:NTD	738	4.51	3,326
JPY:NTD	2,082	0.24	490
<u>Non-monetary items: None.</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 387	28.63	\$ 11,087
EUR:NTD	3	31.92	84
<u>Non-monetary items: None.</u>			

- 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 ended March 31, 2023 and 2022, amounted to (\$4,174) and \$12,920, respectively.

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2023			
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%	\$ 9,048	\$ -
JPY:NTD	1%	2	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	3%	\$ 427	\$ -
EUR:NTD	1%	1	-
JPY:NTD	1%	2	-

Three months ended March 31, 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%	\$ 3,750	\$ -
RMB:NTD	1%	33	-
JPY:NTD	1%	5	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 111	\$ -
EUR:NTD	1%	1	-
JPY:NTD	1%	-	-

Price risk

The company has no significant price risk

(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 customers' 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 March 31, 2023, December 31, 2022 and March 31, 2022, the provision matrix, loss rate methodology is as follows:

	<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 March 31, 2023</u>					
Expected loss rate	0.03%	0.06%	50%	100%	
Total book value	\$ 321,977	\$ -	\$ -	\$ -	\$ 321,977
Loss allowance	\$ 97	\$ -	\$ -	\$ -	\$ 97
		<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>December 31, 2022</u>					
Expected loss rate	0.03%	0.06%	50%	100%	
Total book value	\$ 368,352	\$ -	\$ -	\$ -	\$ 368,352
Loss allowance	\$ 110	\$ -	\$ -	\$ -	\$ 110
		<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 March 31, 2022</u>					
Expected loss rate	0.03%	0.06%	50%	100%	
Total book value	\$ 400,027	\$ -	\$ -	\$ -	\$ 400,027
Loss allowance	\$ 117	\$ -	\$ -	\$ -	\$ 117

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

	<u>2023</u>
	<u>Accounts receivable</u>
At January 1	\$ 110
Reversal of impairment loss	(13)
At March 31	<u>\$ 97</u>

	2022
	<u>Accounts receivable</u>
At January 1	\$ 118
Reversal of impairment loss	(1)
At March 31	<u>\$ 117</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>March 31, 2023</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>					
Accounts payable	\$ 12,522	\$ 3,218	\$ -	\$ -	\$ 15,740
Accounts payable - related parties	160,410	6,494	-	-	166,904
Other accounts payable	67,076	5,766	-	-	72,842
Other accounts payable - related parties	30	-	-	-	30
Lease liability	1,986	5,670	5,298	473	13,427
<u>Derivative financial liabilities</u>					
Financial liabilities at fair value through profit or loss	230	-	-	-	230

<u>December 31, 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>					
Accounts payable	\$ 15,447	\$ 2,935	\$ -	\$ -	\$ 18,382
Accounts payable - related parties	142,658	-	-	-	142,658
Other accounts payable	79,406	2,802	-	-	82,208
Other accounts payable - related parties	-	25	-	-	25
Lease liability	1,847	5,378	6,467	-	13,692
<u>Derivative financial liabilities</u>					
None					

<u>March 31, 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	\$ -	\$ 15	\$ -	\$ -	\$ 15
Accounts payable	16,381	4,388	-	-	20,769
Accounts payable - related parties	177,663	6,833	-	-	184,496
Other accounts payable	82,958	16,219	-	-	99,177
Other accounts payable - related parties	19	-	-	-	19
Lease liability	1,847	5,542	7,101	4,743	19,233
<u>Derivative financial liabilities</u>					
Financial liabilities at fair value through profit or loss	3,847	-	-	-	3,847

(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 March 31, 2023, December 31, 2022 and March 31, 2022 is as follows:

<u>March 31, 2023</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>\$ 230</u>	<u>\$ -</u>	<u>\$ 230</u>

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ -	\$ 1,233	\$ -	\$ 1,233
Liabilities				
<u>Recurring fair value measurements:</u>				
Financial liabilities at fair value through profit or loss	\$ -	\$ -	\$ -	\$ -
March 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ -	\$ -
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss	\$ -	\$ 3,847	\$ -	\$ 3,847

D. For the three months ended March 31, 2023 and 2022, there was no transfer between Level 1, Level 2 and Level 3.

E. 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 three months ended March 31, 2023

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)	Credit term	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	\$ 146,117	84%	Note 1	Note 1	Note 1	(\$ 153,022)	(84%)		

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.

BAOTEK INDUSTRIAL MATERIALS LTD.

Major shareholders information

March 31, 2023

Table 2

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