

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' review 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' review report and financial statements shall prevail.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
JUNE 30, 2022 AND 2021 CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
TABLE OF CONTENTS

Contents	Page
1. Cover Page	1
2. Table of Contents	2 ~ 3
3. Independent Auditors' Review Report	4 ~ 5
4. Consolidated Balance Sheets	6 ~ 7
5. Consolidated Statements of Comprehensive Income	8
6. Consolidated Statements of Changes in Equity	9
7. Consolidated Statements of Cash Flows	10 ~ 11
8. Notes to the Consolidated Financial Statements	12 ~ 69
(1) HISTORY AND ORGANISATION	12
(2) THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION	12
(3) APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS	12 ~ 13
(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	13 ~ 15
(5) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND	15

Contents	Page
KEY SOURCES OF ASSUMPTION UNCERTAINTY	
(6) DETAILS OF SIGNIFICANT ACCOUNTS	15 ~ 49
(7) RELATED PARTY TRANSACTIONS	49 ~ 51
(8) PLEDGED ASSETS	52
(9) SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS	52 ~ 53
(10) SIGNIFICANT DISASTER LOSS	53
(11) SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE	53
(12) OTHERS	53 ~ 66
(13) SUPPLEMENTARY DISCLOSURES	67
(14) SEGMENT INFORMATION	68 ~ 69

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To Cheng Mei Materials Technology Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Cheng Mei Materials Technology Corporation and subsidiaries (collectively referred herein as the “Group”) as at June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, 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 consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(8)(9), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method (including those transferred to non-current assets classified as held for sale, net) were not reviewed by independent auditors. Those statements reflect total assets (including investments accounted for using the equity method and non-current assets classified as held for sale, net) of NT\$4,564,852 thousand and NT\$4,431,466 thousand, constituting 24.48% and 29.21% of the consolidated total assets, and total liabilities of NT\$1 thousand and NT\$917 thousand, constituting 0.00% and 0.02% of the consolidated total liabilities as at June 30, 2022 and 2021, and total comprehensive income (including share of the profit of associates and joint ventures accounted for using the equity method) of NT(\$4,837) thousand, NT\$175,554 thousand, NT(\$7,978) thousand and

NT\$323,859 thousand, constituting (3.11%), 97.84%, (2.40%) and 83.01% of the consolidated total comprehensive income for the three months and six months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method (including those transferred to non-current assets held for sales, net) been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months then ended and its consolidated 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.

Wu, Chien-Chih

Liao, A-Shen

For and on behalf of PricewaterhouseCoopers, Taiwan
August 4, 2022

The accompanying consolidated 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 consolidated 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.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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)	\$ 3,391,140	18	\$ 610,282	4	\$ 591,989	4
1110	Financial assets at fair value through other comprehensive income	6(2)	100	-	-	-	674	-
1136	Current financial assets at amortised cost	6(4) and 8	196,690	1	630,157	4	253,152	2
1170	Accounts receivable, net	6(5)	3,150,381	17	2,753,241	18	2,698,215	18
1180	Accounts receivable, net - related parties	6(5) and 7	9,576	-	10,719	-	57,949	-
1200	Other receivables		46,891	-	57,631	-	60,241	-
1210	Other receivables - related parties	7	14,602	-	3,282	-	54,807	-
1220	Current tax assets		191	-	519	-	547	-
130X	Inventories	6(6)	2,566,068	14	2,431,130	16	2,496,427	17
1410	Prepayments	6(7)	202,119	1	289,008	2	200,626	1
1460	Non-current assets classified as held for sale, net	6(8)	4,477,716	24	4,477,716	28	-	-
1479	Other current assets		4,217	-	2,843	-	8,179	-
11XX	Total current assets		14,059,691	75	11,266,528	72	6,422,806	42
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	89,045	1	128,621	1	138,665	1
1550	Investments accounted for using equity method	6(9)	20,901	-	28,461	-	4,364,467	29
1600	Property, plant and equipment	6(10) and 8	4,009,089	22	3,981,346	25	3,963,111	26
1755	Right-of-use assets	6(11)	31,811	-	32,270	-	29,763	-
1780	Intangible assets	6(12)	8,244	-	12,637	-	11,753	-
1840	Deferred tax assets		243,177	1	206,840	1	176,318	1
1915	Prepayments for equipment		154,248	1	75,664	1	54,864	1
1990	Other non-current assets		31,510	-	11,231	-	8,790	-
15XX	Total non-current assets		4,588,025	25	4,477,070	28	8,747,731	58
1XXX	Total assets		\$ 18,647,716	100	\$ 15,743,598	100	\$ 15,170,537	100

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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								
2100	Short-term borrowings	6(13) and 8	\$ 1,055,705	6	\$ 2,908,066	18	\$ 2,633,567	17
2120	Current financial liabilities at fair value through profit or loss	6(2)	25,359	-	2,382	-	3,649	-
2130	Contract liabilities	6(21) and 7	13,077	-	23,915	-	56,947	-
2170	Accounts payable		805,072	4	573,800	4	1,017,827	7
2180	Accounts payable - related parties	7	1,777	-	1,976	-	352	-
2200	Other payables	6(14)	868,124	5	555,879	4	397,272	3
2230	Current tax liabilities		29,792	-	-	-	-	-
2260	Liabilities related to non-current assets classified as held for sale	6(8)	264	-	264	-	-	-
2280	Current lease liabilities		1,138	-	1,124	-	56	-
2320	Current portion of long-term liabilities	6(15) and 8	365,174	2	448,456	3	327,500	2
2399	Other current liabilities	6(8)	2,798,595	15	54,282	-	10,729	-
21XX	Total current liabilities		5,964,077	32	4,570,144	29	4,447,899	29
Non-current liabilities								
2540	Long-term borrowings	6(15) and 8	1,948,776	11	477,411	3	402,917	3
2570	Deferred tax liabilities		237,263	1	221,009	1	149,465	1
2580	Non-current lease liabilities		1,221	-	1,795	-	62	-
2645	Guarantee deposits		35	-	40	-	40	-
25XX	Total non-current liabilities		2,187,295	12	700,255	4	552,484	4
2XXX	Total liabilities		8,151,372	44	5,270,399	33	5,000,383	33
Equity attributable to the owners of the company								
Share capital								
3110	Common shares	6(17)(18)	6,752,467	36	6,755,335	43	6,707,285	44
Capital surplus								
3200	Capital surplus	6(19)	764,786	3	1,099,205	7	1,099,179	7
Retained earnings								
3310	Legal reserve	6(20)	1,161,444	6	1,085,124	7	1,085,124	7
3320	Special reserve		714,407	4	623,368	4	623,368	4
3350	Unappropriated retained earnings		1,873,147	10	1,703,457	11	1,415,928	9
Other equity interest								
3400	Other equity interest	6(8)	(769,907)	(3)	(793,290)	(5)	(760,730)	(4)
3XXX	Total equity		10,496,344	56	10,473,199	67	10,170,154	67
Significant contingent liabilities and unrecognized contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		\$ 18,647,716	100	\$ 15,743,598	100	\$ 15,170,537	100

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND 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	Net sales	6(21) and 7	\$ 2,937,525	100	\$ 2,747,626	100	\$ 5,722,145	100	\$ 5,493,987	100
5000	Cost of sales	6(6)(12)(26)(27) and 7	(2,593,032)	(89)	(2,526,031)	(92)	(5,103,884)	(89)	(5,130,153)	(94)
5900	Gross profit		<u>344,493</u>	<u>11</u>	<u>221,595</u>	<u>8</u>	<u>618,261</u>	<u>11</u>	<u>363,834</u>	<u>6</u>
	Operating expenses	6(12)(26)(27) and 12(2)								
6100	Selling and marketing expenses		(60,478)	(2)	(49,318)	(2)	(113,496)	(2)	(94,240)	(2)
6200	General and administrative expenses		(84,694)	(3)	(74,065)	(3)	(176,976)	(3)	(121,947)	(2)
6300	Research and development expenses		(64,802)	(2)	(41,583)	(1)	(122,525)	(2)	(83,739)	(1)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9		-	-	5,356	-	-	-	6,150	-
6000	Total operating expenses		(209,974)	(7)	(159,610)	(6)	(412,997)	(7)	(293,776)	(5)
6900	Profit from operations		<u>134,519</u>	<u>4</u>	<u>61,985</u>	<u>2</u>	<u>205,264</u>	<u>4</u>	<u>70,058</u>	<u>1</u>
	Non-operating income and expenses									
7100	Interest income	6(22)	7,564	-	2,260	-	8,918	-	4,021	-
7010	Other income	6(23) and 7	40,055	2	17,906	1	58,861	1	36,447	1
7020	Other gains and losses	6(2)(24)	69,145	2	(963)	-	129,379	2	100,524	2
7050	Finance costs	6(25)	(22,871)	(1)	(17,337)	(1)	(45,273)	(1)	(33,009)	(1)
7060	Share of (loss) profit of associates and joint ventures accounted for using equity method	6(9)	(4,470)	-	176,020	7	(10,391)	-	324,468	6
7000	Total non-operating income and expenses		<u>89,423</u>	<u>3</u>	<u>177,886</u>	<u>7</u>	<u>141,494</u>	<u>2</u>	<u>432,451</u>	<u>8</u>
7900	Profit before income tax		<u>223,942</u>	<u>7</u>	<u>239,871</u>	<u>9</u>	<u>346,758</u>	<u>6</u>	<u>502,509</u>	<u>9</u>
7950	Income tax expense	6(28)	(8,167)	-	(13,426)	(1)	(9,709)	-	(26,846)	-
8200	Profit for the period		<u>\$ 215,775</u>	<u>7</u>	<u>\$ 226,445</u>	<u>8</u>	<u>\$ 337,049</u>	<u>6</u>	<u>\$ 475,663</u>	<u>9</u>
	Other comprehensive (loss) income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3) and 12(3)	(\$ 39,576)	(1)	(\$ 2,184)	-	(\$ 39,576)	(1)	(\$ 2,184)	-
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation of foreign financial statements		(20,760)	(1)	(44,838)	(1)	35,142	1	(83,323)	(2)
8300	Total other comprehensive loss, net		(\$ 60,336)	(2)	(\$ 47,022)	(1)	(\$ 4,434)	-	(\$ 85,507)	(2)
8500	Total comprehensive income for the period		<u>\$ 155,439</u>	<u>5</u>	<u>\$ 179,423</u>	<u>7</u>	<u>\$ 332,615</u>	<u>6</u>	<u>\$ 390,156</u>	<u>7</u>
	Net profit attributable to:									
8610	Owners of the Company		<u>\$ 215,775</u>	<u>7</u>	<u>\$ 226,445</u>	<u>8</u>	<u>\$ 337,049</u>	<u>6</u>	<u>\$ 475,663</u>	<u>9</u>
	Total comprehensive income attributable to:									
8710	Owners of the Company		<u>\$ 155,439</u>	<u>5</u>	<u>\$ 179,423</u>	<u>7</u>	<u>\$ 332,615</u>	<u>6</u>	<u>\$ 390,156</u>	<u>7</u>
	Earnings per share	6(29)								
9750	Basic earnings per share		<u>\$ 0.32</u>		<u>\$ 0.34</u>		<u>\$ 0.51</u>		<u>\$ 0.71</u>	
9850	Diluted earnings per share		<u>\$ 0.32</u>		<u>\$ 0.34</u>		<u>\$ 0.50</u>		<u>\$ 0.71</u>	

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent									
		Retained Earnings				Other equity interest					
	Notes	Share capital - common shares	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised losses from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Unearned compensation	Total equity
<u>For the six months ended June 30, 2021</u>											
Balance at January 1, 2021		\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ -	\$ -	\$ 9,621,616
Net profit for the period		-	-	-	-	475,663	-	-	-	-	475,663
Other comprehensive loss for the period	6(3)	-	-	-	-	-	(83,323)	(2,184)	-	-	(85,507)
Total comprehensive income (loss) for the period		-	-	-	-	475,663	(83,323)	(2,184)	-	-	390,156
Appropriation and distribution of 2020 earnings:											
Special reserve	6(20)	-	-	-	(53,493)	53,493	-	-	-	-	-
Share-based payments	6(17)(18)(19)	50,000	3,903	-	-	-	-	-	-	(51,855)	2,048
Changes in equity of associates and joint ventures accounted for using equity method	6(9)(19)	-	156,334	-	-	-	-	-	-	-	156,334
Balance at June 30, 2021		\$ 6,707,285	\$ 1,099,179	\$ 1,085,124	\$ 623,368	\$ 1,415,928	(\$ 494,562)	(\$ 214,313)	\$ -	(\$ 51,855)	\$ 10,170,154
<u>For the six months ended June 30, 2022</u>											
Balance at January 1, 2022		\$ 6,755,335	\$ 1,099,205	\$ 1,085,124	\$ 623,368	\$ 1,703,457	(\$ 119,168)	(\$ 224,357)	(\$ 370,884)	(\$ 78,881)	\$ 10,473,199
Net profit for the period		-	-	-	-	337,049	-	-	-	-	337,049
Other comprehensive income (loss) for the period	6(3)	-	-	-	-	-	35,142	(39,576)	-	-	(4,434)
Total comprehensive income (loss) for the period		-	-	-	-	337,049	35,142	(39,576)	-	-	332,615
Appropriation and distribution of 2021 earnings:											
Legal reserve	6(20)	-	-	76,320	-	(76,320)	-	-	-	-	-
Special reserve	6(20)	-	-	-	91,039	(91,039)	-	-	-	-	-
Cash dividends from capital surplus	6(19)	-	(337,767)	-	-	-	-	-	-	-	(337,767)
Share-based payments	6(17)(18)(19)	(2,868)	2,868	-	-	-	-	-	-	27,817	27,817
Changes in equity of associates and joint ventures accounted for using equity method	6(19)	-	480	-	-	-	-	-	-	-	480
Balance at June 30, 2022		\$ 6,752,467	\$ 764,786	\$ 1,161,444	\$ 714,407	\$ 1,873,147	(\$ 84,026)	(\$ 263,933)	(\$ 370,884)	(\$ 51,064)	\$ 10,496,344

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Six months ended June 30	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 346,758	\$ 502,509
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based compensation cost	6(17)	27,817	2,048
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(24)	133,721	25,177
Expected credit gain	12(2)	-	(6,150)
Allowance for sales returns and discounts		5,503	-
Share of profit of associates and joint ventures accounted for using equity method	6(9)	10,391	(324,468)
Depreciation expense	6(10)(11)(26)	198,029	187,628
Gain on disposal of property, plant and equipment	6(24)	(1,851)	-
Amortization expense	6(12)(26)	5,736	4,899
Interest income	6(22)	(8,918)	(4,021)
Interest expense	6(25)	45,273	33,009
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		20,676	10,607
Accounts receivable	(	402,643)	(80,048)
Accounts receivable - related parties		1,143	(13,229)
Other receivables		14,290	5,181
Other receivables - related parties	(	11,320)	(766)
Inventories	(	134,938)	8,666
Prepayments		72,514	39,071
Other current assets	(	1,374)	1,417
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	131,520)	(31,747)
Current contract liabilities	(	10,838)	5,320
Accounts payable		231,272	(326,896)
Accounts payable - related parties	(	199)	(2,078)
Other payables		19,368	(18,857)
Other current liabilities	(	42,990)	3,321
Cash inflow generated from operations		385,900	20,593
Interest received		5,459	3,797
Interest paid	(	47,367)	(32,656)
Income tax refunded		357	199
Income tax paid	(	29)	(6)
Net cash flows from (used in) operating activities		344,320	(8,073)

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Six months ended June 30	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in current financial assets at amortised cost		\$ 433,467	\$ 51,440
Acquisition of property, plant and equipment	6(30)	(228,447)	(75,904)
Proceeds from disposal of property, plant and equipment		4,431	-
Acquisition of intangible assets	6(12)	(1,172)	(8,144)
Increase in equipment prepayments		(112,900)	(35,570)
(Increase) decrease in other non-current assets		(20,279)	1
Increases other current liabilities	6(8)	2,787,303	-
Net cash flows from (used in) investing activities		2,862,403	(68,177)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(31)	2,737,430	2,630,296
Repayments of short-term borrowings	6(31)	(4,618,537)	(2,514,910)
Payments of lease liabilities	6(31)	(560)	(27)
Proceeds from long-term borrowings	6(31)	2,135,777	188,060
Repayments of long-term borrowings	6(31)	(733,319)	(4,583)
Decrease in guarantee deposits received	6(31)	(5)	-
Net cash flows (used in) from financing activities		(479,214)	298,836
Effect of exchange rate changes on cash and cash equivalents		53,349	(43,215)
Net increase in cash and cash equivalents		2,780,858	179,371
Cash and cash equivalents at beginning of period	6(1)	610,282	412,618
Cash and cash equivalents at end of period	6(1)	\$ 3,391,140	\$ 591,989

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

(1) Cheng Mei Materials Technology Corporation (the “Company”) was incorporated under the provisions of the Company Act of the Republic of China (R.O.C.) on May 17, 2005. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).

(2) On October 24, 2011, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). Since September 2017, the Company’s common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol “US16412W1071” in the form of global depositary shares.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 4, 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 Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 Group's financial condition and financial performance based on the Group'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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

- A. The consolidated financial statements of the Group 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. The consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- 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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:

The basis for preparation of consolidated financial statements is consistent with the basis used in the 2021 consolidated financial statements.

- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)			Description
			June 30, 2022	December 31, 2021	June 30, 2021	
Cheng Mei Materials Technology Corporation (“CMMT”)	Cheng Mei Materials Technology (SAMOA) Corp. (“CMMTS”)	Investment Company	100%	100%	100%	-
	Chi Mei Materials Technology Investment Co., Ltd. (“CMMTI”)	Investment Company	100%	100%	100%	Note 1
	Cheng Hui Investment Co., Ltd. (“CHI”)	Investment Company	100%	100%	100%	Note 2
	Cheng Hui Trading Co., Ltd. (“CHT”)	Trading business	100%	100%	100%	Note 2
CMMTS	Ningbo Cheng Mei Materials Technology Co., Ltd. (“NBCMMT”)	Electronic component manufacturing and selling	100%	100%	100%	-
CHT	Mao Fong Group Co., Ltd. (Mao Fong Group)	Investment Company	-	100%	100%	Note 2, 3

Note 1: On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest of CMMTI. Please refer to Note 6(8) for details of the transferred non-current assets held for sale.

Note 2: The financial statement of the entity as of and for the three months and six months ended June 30, 2022 and 2021 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

Note 3: The cancellation of registration was completed on April 27, 2022.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

(4) Income tax

The interim period income tax expense is recognised 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.

(5) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand and revolving funds	\$ 460	\$ 451	\$ 524
Checking accounts and demand deposits	3,050,501	444,759	300,845
Cash equivalents			
Time deposits	230,828	165,072	290,620
Repurchase agreements	109,351	-	-
	<u>\$ 3,391,140</u>	<u>\$ 610,282</u>	<u>\$ 591,989</u>

A. The Group 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. Information about cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.

C. Time deposits and repurchase agreements were classified as cash and cash equivalents with original maturities of less than three months. The Group has no time deposits and repurchase agreements pledged to others.

(2) Financial instruments 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			
Derivatives	\$ 100	\$ -	\$ 674
Debt instruments	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>
	3,600	3,500	4,174
Valuation adjustment	(<u>3,500</u>)	(<u>3,500</u>)	(<u>3,500</u>)
	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 674</u>
	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current items:			
Financial liabilities held for trading			
Derivatives	<u>\$ 25,359</u>	<u>\$ 2,382</u>	<u>\$ 3,649</u>

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

	<u>Three months ended June 30, 2022</u>	<u>Three months ended June 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 10,801	\$ 7,031
Financial liabilities held for trading		
Derivatives	(<u>104,739</u>)	(<u>1,400</u>)
	<u>(\$ 93,938)</u>	<u>\$ 5,631</u>
	<u>Six months ended June 30, 2022</u>	<u>Six months ended June 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 20,776	\$ 10,219
Financial liabilities held for trading		
Derivatives	(<u>154,497</u>)	(<u>35,396</u>)
	<u>(\$ 133,721)</u>	<u>(\$ 25,177)</u>

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

	June 30, 2022		December 31, 2021	
Derivative Financial Assets	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 272,640 thousand	2022.06～2022.08	-	-
Forward foreign exchange contracts	JPY 272,640 thousand	2022.06～2022.08	-	-
			June 30, 2021	
Derivative Financial Assets			Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts			JPY 221,300 thousand	2021.06～2021.07
Forward foreign exchange contracts			JPY 221,260 thousand	2021.06～2021.08
Forward foreign exchange contracts			TWD 27,951 thousand	2021.06～2021.08
Forward foreign exchange contracts			TWD 42,003 thousand	2021.06～2021.08
Forward foreign exchange contracts			JPY 221,980 thousand	2021.06～2021.07
	June 30, 2022		December 31, 2021	
Derivative Financial Liabilities	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 265,940 thousand	2022.06～2022.07	JPY 229,650 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 265,940 thousand	2022.06～2022.07	JPY 229,650 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 258,060 thousand	2022.06～2022.07	JPY 228,160 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 258,060 thousand	2022.06～2022.07	JPY 228,160 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 260,700 thousand	2022.06～2022.07	JPY 228,800 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 260,700 thousand	2022.06～2022.07	JPY 228,900 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 264,620 thousand	2022.06～2022.07	JPY 229,600 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 264,620 thousand	2022.06～2022.07	JPY 229,600 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 265,500 thousand	2022.06～2022.07	JPY 229,820 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 267,740 thousand	2022.06～2022.08	JPY 229,920 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 267,700 thousand	2022.06～2022.07	JPY 230,020 thousand	2021.12～2022.01
Forward foreign exchange contracts	JPY 269,240 thousand	2022.06～2022.07	JPY 230,060 thousand	2021.12～2022.01

	June 30, 2022		December 31, 2021	
Derivative Financial Liabilities	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 269,500 thousand	2022.06～2022.07	-	-
Forward foreign exchange contracts	JPY 269,280 thousand	2022.06～2022.08	-	-
Forward foreign exchange contracts	TWD 59,140 thousand	2022.06～2022.07	-	-
Forward foreign exchange contracts	TWD 59,320 thousand	2022.06～2022.07	-	-
Forward foreign exchange contracts	JPY 269,540 thousand	2022.06～2022.07	-	-
Forward foreign exchange contracts	JPY 269,400 thousand	2022.06～2022.08	-	-
Forward foreign exchange contracts	JPY 271,980 thousand	2022.06～2022.07	-	-
Forward foreign exchange contracts	JPY 272,320 thousand	2022.06～2022.07	-	-
Forward foreign exchange contracts	JPY 271,540 thousand	2022.06～2022.07	-	-
Forward foreign exchange contracts	JPY 271,540 thousand	2022.06～2022.07	-	-
			June 30, 2021	
Derivative Financial Liabilities			Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts			JPY 218,220 thousand	2021.05～2021.07
Forward foreign exchange contracts			JPY 218,100 thousand	2021.05～2021.07
Forward foreign exchange contracts			JPY 219,700 thousand	2021.05～2021.07
Forward foreign exchange contracts			JPY 219,700 thousand	2021.05～2021.07
Forward foreign exchange contracts			JPY 219,900 thousand	2021.05～2021.07
Forward foreign exchange contracts			JPY 219,880 thousand	2021.05～2021.07
Forward foreign exchange contracts			TWD 55,250 thousand	2021.06～2021.07
Forward foreign exchange contracts			JPY 220,120 thousand	2021.06～2021.07
Forward foreign exchange contracts			JPY 220,820 thousand	2021.06～2021.07
Forward foreign exchange contracts			TWD 41,573 thousand	2021.06～2021.07

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies whose values would be affected by the exchange rate fluctuations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

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

<u>Items</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 352,978	\$ 352,978	\$ 352,978
Valuation adjustment	(263,933)	(224,357)	(214,313)
	<u>\$ 89,045</u>	<u>\$ 128,621</u>	<u>\$ 138,665</u>

A. The Group has elected to classify equity instruments 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 \$89,045, \$128,621 and \$138,665 as at June 30, 2022, December 31, 2021 and June 30, 2021, respectively.

B. Amounts recognised 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, 2022</u>	<u>Three months ended June 30, 2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 39,576)	(\$ 2,184)
	<u>Six months ended June 30, 2022</u>	<u>Six months ended June 30, 2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 39,576)	(\$ 2,184)

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortised cost

Items	June 30, 2022	December 31, 2021	June 30, 2021
Current items:			
Escrow demand deposits	\$ -	\$ 615,853	\$ 238,794
Reserve account	194,690	-	-
Pledged deposit	2,000	14,304	14,358
Investment in debt instrument without active market	49,000	49,000	49,000
	<u>245,690</u>	<u>679,157</u>	<u>302,152</u>
Less : Accumulated impairment	(<u>49,000</u>)	(<u>49,000</u>)	(<u>49,000</u>)
	<u>\$ 196,690</u>	<u>\$ 630,157</u>	<u>\$ 253,152</u>

A. As at June 30, 2022, December 31, 2021 and June 30, 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 financial assets at amortised cost held by the Group was \$196,690, \$630,157 and \$253,152, respectively.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Accounts receivable

	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	\$ 3,155,884	\$ 2,753,241	\$ 2,698,215
Accounts receivable - related parties	9,576	10,719	57,949
Less : Allowance for sales returns and discounts	(<u>5,503</u>)	<u>-</u>	<u>-</u>
	<u>\$ 3,159,957</u>	<u>\$ 2,763,960</u>	<u>\$ 2,756,164</u>

A. The ageing analysis of accounts receivable is as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Not past due	\$ 3,165,460	\$ 2,763,960	\$ 2,756,164
Up to 30 days	-	-	-
31 to 60 days	-	-	-
61 to 90 days	-	-	-
Over 91 days	-	-	-
	<u>\$ 3,165,460</u>	<u>\$ 2,763,960</u>	<u>\$ 2,756,164</u>

The above ageing analysis was based on past due date.

B. As of June 30, 2022, December 31, 2021, June 30, 2021, and January 1, 2021, the balances of receivables from contracts with customers amounted to \$3,165,460, \$2,763,960, \$2,756,164, and \$2,662,887, respectively.

C. The Group does not hold any collateral as guarantee for accounts receivable.

D. As of June 30, 2022, December 31, 2021 and March 31, 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 Group's accounts receivable were \$3,159,957, \$2,763,960 and \$2,756,164, respectively.

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

(6) Inventories

June 30, 2022			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,492,233	(\$ 117,170)	\$ 1,375,063
Work in progress	539,230	(19,788)	519,442
Finished goods	943,690	(272,127)	671,563
	<u>\$ 2,975,153</u>	<u>(\$ 409,085)</u>	<u>\$ 2,566,068</u>
December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,336,225	(\$ 91,446)	\$ 1,244,779
Work in progress	477,093	(25,254)	451,839
Finished goods	948,178	(213,666)	734,512
	<u>\$ 2,761,496</u>	<u>(\$ 330,366)</u>	<u>\$ 2,431,130</u>
June 30, 2021			
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,578,544	(\$ 84,195)	\$ 1,494,349
Work in progress	449,197	(33,679)	415,518
Finished goods	782,190	(195,630)	586,560
	<u>\$ 2,809,931</u>	<u>(\$ 313,504)</u>	<u>\$ 2,496,427</u>

The cost of inventories recognized as expense for the three months and six months ended June 30, 2022 and 2021 were \$2,593,032, \$2,526,031, \$5,103,884 and \$5,130,153, respectively, including the amounts of \$52,493, \$28,850, \$78,719 and \$21,263 for the three months and six months ended June 30, 2022 and 2021, that the Group wrote down from cost to net realizable value accounted for as increase of cost of good sold.

(7) Prepayments

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Prepayments to suppliers	\$ 92,548	\$ 166,873	\$ 59,229
Net input VAT	1,797	1,797	1,797
Others	107,774	120,338	139,600
	<u>\$ 202,119</u>	<u>\$ 289,008</u>	<u>\$ 200,626</u>

(8) Non-current assets held for sale

On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest in CMMTI, and the related assets and liabilities were reclassified to disposal group held for sale. The transaction shall be completed within one year after the reclassification date. On December 29, 2021, the shareholders at their special meeting resolved to sell the equity interest in CMMTI. The Group has entered into a share transfer agreement with a consideration of USD \$ 175,000 thousand. As of June 30, 2022 and December 31, 2021, the assets and the liabilities of the disposal group held for sale were both \$4,477,716 and \$264, respectively.

A. Assets related to non-current assets classified as held for sale:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	\$ 5	\$ 5
Investments accounted for using equity method	4,477,711	4,477,711
	<u>\$ 4,477,716</u>	<u>\$ 4,477,716</u>

B. Liabilities directly relating to non-current assets or disposal groups classified as held for sale:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Other payables	\$ 264	\$ 264

C. Equity directly relating to non-current assets classified as held for sale:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Exchange differences on translation of foreign financial statements	(\$ 370,884)	(\$ 370,884)

D. The payment terms of the above share transfer agreement are as follows:

- (a) After the establishment of the custody account and the contract signed, the deposit (20% of total monetary amount) shall be paid to the custody account according to the date agreed by both parties.
- (b) 80% of transferred price should be paid to the Company within 10 business days (April 20, 2022) after the settlement date (March 31, 2022), the Company will transfer each controlling item to the target company after the Company confirmed the collection. The function of each controlling item is to secure the right of the Company if the settlement price could not be

collected, the transfer preparation procedures of trading target shares which was done before the settlement date could be abolished at any time, in order to secure the complete dominance of the trading target.

- (c) 10% of total monetary amount shall be paid to the account of the Company 180 days after the settlement date. The Company will refund 10% deposit to the buyer from the custody account.
- (d) 10% of total monetary amount shall be paid to the Company's account 360 days after the settlement date. The Company will refund 10% deposit to the buyer from the custody account.
- (e) The agreement may be amended by both parties.

However, the buyer was affected by Covid-19 and the physical payment procedures cannot be performed on the payment date. On April 15, 2022, the buyer sent a letter and asked for an extension of payment. On April 20, 2022, the Board of Directors approved to sign the second supplementary agreement, negotiating the amendment of aforementioned payment conditions which were described in item (b). Accordingly, the buyer will pay 80% of transfer price (US\$140 million) before May 31, 2022, the compensation was calculated at an annual rate of 5% of the Company's account and the period was starting from April 20, 2022 until the buyer paid US\$140 million.

As of June 30, 2022, the buyer had paid the prepayment to the escrow account amounting to \$989,815 (US\$35,000 thousand), and the Company received the consideration amounting to \$2,787,303 (US\$94,159 thousand) (shown as other current liabilities, other).

Given that the buyer did not make the full payment of the settlement price according to the second supplementary agreement, the Group entered into the third supplementary agreement with the buyer on July 28, 2022, on the basis that both parties are willing to actively perform the rights and obligations of the original agreement and be bound by it. The payment terms were negotiated to be modified as follows:

- (a) The buyer shall release and remit all the payments in the custody account as the settlement payment (RMB 222,982 thousand, approximately US\$35,000 thousand) before August 3, 2022 to the account designated by the Company. The Company has the right to unilaterally and freely use it immediately and unconditionally.
- (b) The buyer shall remit and pay the remaining balance (that is, RMB 302,482 thousand), calculated by deducting the abovementioned payment amount in the custody account from RMB 525,464 thousand equivalent to US\$80,841 thousand (at the exchange rate agreed by both parties), before August 3, 2022 to the account designated by the Company. The Company has the right to unilaterally and freely use it immediately and unconditionally.
- (c) When all the abovementioned RMB payments are made, the Company shall immediately perform the original agreement to transfer each controlling document of the target company. It is deemed that the settlement arrangement set out in the original agreement has been completed. In addition, the compensation calculated at an annual rate of 5% agreed in the second supplementary agreement will not be applicable.

(9) Investments accounted for using the equity method

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Associates:			
Hengmei Optoelectronic Co., Ltd. ("HMO")	\$ 4,477,711	\$ 4,477,711	\$ 4,304,727
CMVT	<u>33,435</u>	<u>40,995</u>	<u>59,740</u>
	4,511,146	4,518,706	4,364,467
Less : Accumulated impairment	(12,534)	(12,534)	-
Transferred to non-current assets classified as held for sale	(<u>4,477,711</u>)	(<u>4,477,711</u>)	-
	<u>\$ 20,901</u>	<u>\$ 28,461</u>	<u>\$ 4,364,467</u>

A. The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	<u>Shareholding ratio</u>			Nature of relationship	Methods of measurement
		<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>		
HMO	China	27.15%	27.15%	28.10%	Strategic investment	Equity method
CMVT	Taiwan	23.29%	23.29%	23.29%	Strategic investment	Equity method

B. The summarised financial information of the associates that are material to the Group is as follows:

(a) HMO

Balance sheet

	<u>HMO</u>		
	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current assets	\$ 13,305,398	\$ 11,678,797	\$ 9,922,553
Non-current assets	25,628,582	22,294,070	17,528,373
Current liabilities	(14,992,582)	(11,194,963)	(10,003,717)
Non-current liabilities	(<u>4,918,887</u>)	(<u>5,791,567</u>)	(<u>2,127,077</u>)
Total net assets	<u>\$ 19,022,511</u>	<u>\$ 16,986,337</u>	<u>\$ 15,320,132</u>
Share in associate's net assets	<u>\$ 4,477,711</u>	<u>\$ 4,477,711</u>	<u>\$ 4,304,727</u>

Statement of comprehensive income

	HMO	
	Three months ended June 30, 2022	Three months ended June 30, 2021
Revenue	\$ -	\$ 3,878,971
Income for the period from discontinued operations	\$ -	\$ 543,826

	HMO	
	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue	\$ 4,290,650	\$ 7,441,906
Income for the period from discontinued operations	\$ 770,439	\$ 1,016,234

(b) CMVT

Balance sheet

	CMVT		
	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 127,041	\$ 181,531	\$ 279,759
Non-current assets	44,882	52,522	62,096
Current liabilities	(37,167)	(66,838)	(96,879)
Non-current liabilities	(7,778)	(7,778)	(10,757)
Total net assets	\$ 126,978	\$ 159,437	\$ 234,219
Share in associate's net assets	\$ 29,573	\$ 37,133	\$ 55,878
Goodwill	3,862	3,862	3,862
Less: Accumulated impairment	(12,534)	(12,534)	-
Carrying amount of the joint venture	\$ 20,901	\$ 28,461	\$ 59,740

Statement of comprehensive income

	CMVT	
	Three months ended June 30, 2022	Three months ended June 30, 2021
Revenue	\$ 43,775	\$ 41,069
Loss for the period from discontinued operations	(\$ 19,191)	(\$ 18,826)

	CMVT	
	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue	\$ 78,043	\$ 69,385
Loss for the period from discontinued operations	(\$ 44,615)	(\$ 31,610)

- (c) In February 2021, HMO increased its capital through cash infusion, however, the Group waived its right to participate in the capital increase. As a result, the shareholding ratio was decreased from 38.40% to 28.10%. Consequently, the transaction increased the equity of the Group by \$156,334.
- (d) In December 2021, HMO increased its capital through cash infusion, however, the Group waived its right to participate in the capital increase. As a result, the shareholding ratio was decreased from 28.10% to 27.15%.
- (e) The share of gain of associates and joint ventures accounted for using the equity method for the three months and six months ended June 30, 2022 and 2021 were (\$4,470), \$176,020, (\$10,391) and \$324,468, respectively, (which were based on the financial statements of the investee companies for the same periods which were not reviewed by independent auditors).
- (f) The Group assessed that there is an impairment loss at June 30, 2022 and December 31, 2021 since the net value of CMVT was continually and significantly lower than its carrying amount. The Group adjusted the carrying amount based on its recoverable amount. As of June 30, 2022 and December 31, 2021, the accumulated impairment were both \$12,534. Recoverable amount refers to the fair value of investments accounted for using equity method less its cost to sell, using a market approach valuation technique and taking into consideration price book ratio of comparable companies, which is included in Level 3.
- (g) The Group is the single largest shareholder of HMO with a 27.15% equity interest. Given that two other large shareholders (non-related parties) hold more shares than the Group, which indicate the Group has no current ability to direct the relevant activities of HMO, the Group has no control, but only has significant influence, over the investee.
- (h) On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest of CMMTI. Please refer to Note 6(8) for details of the transferred non-current assets held for sale.

(10) Property, plant and equipment

2022

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 3,911,856	\$ 5,365,100	\$ 66,038	\$ 3,726,875	\$ 193,272	\$ 128,903	\$ 14,820,587
Accumulated depreciation and impairment	- (2,146,758)	(4,953,454)	(60,074)	(3,512,987)	(165,968)	- (10,839,241)		
	<u>\$ 1,428,543</u>	<u>\$ 1,765,098</u>	<u>\$ 411,646</u>	<u>\$ 5,964</u>	<u>\$ 213,888</u>	<u>\$ 27,304</u>	<u>\$ 128,903</u>	<u>\$ 3,981,346</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,765,098	\$ 411,646	\$ 5,964	\$ 213,888	\$ 27,304	\$ 128,903	\$ 3,981,346
Additions	-	-	29,527	4,808	66,822	2,745	81,749	185,651
Disposals	-	- (2,580)	-	-	-	-	- (2,580)	
Reclassifications	-	-	28,484	2,125	59,597	460 (56,521)	34,145	
Depreciation charge	- (74,428)	(72,095)	(1,763)	(44,267)	(4,376)	- (196,929)		
Net exchange differences	-	2,948	3,808	26	12	102	560	7,456
Closing net book amount as at June 30	<u>\$ 1,428,543</u>	<u>\$ 1,693,618</u>	<u>\$ 398,790</u>	<u>\$ 11,160</u>	<u>\$ 296,052</u>	<u>\$ 26,235</u>	<u>\$ 154,691</u>	<u>\$ 4,009,089</u>
<u>At June 30</u>								
Cost	\$ 1,428,543	\$ 3,925,355	\$ 5,371,785	\$ 72,471	\$ 3,820,563	\$ 197,028	\$ 154,691	\$ 14,970,436
Accumulated depreciation and impairment	- (2,231,737)	(4,972,995)	(61,311)	(3,524,511)	(170,793)	- (10,961,347)		
	<u>\$ 1,428,543</u>	<u>\$ 1,693,618</u>	<u>\$ 398,790</u>	<u>\$ 11,160</u>	<u>\$ 296,052</u>	<u>\$ 26,235</u>	<u>\$ 154,691</u>	<u>\$ 4,009,089</u>

2021

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 3,916,545	\$ 5,299,290	\$ 67,968	\$ 3,681,618	\$ 179,753	\$ 32,899	\$ 14,606,616
Accumulated depreciation and impairment	-	(2,001,769)	(4,901,556)	(58,519)	(3,482,329)	(161,738)	-	(10,605,911)
	<u>\$ 1,428,543</u>	<u>\$ 1,914,776</u>	<u>\$ 397,734</u>	<u>\$ 9,449</u>	<u>\$ 199,289</u>	<u>\$ 18,015</u>	<u>\$ 32,899</u>	<u>\$ 4,000,705</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,914,776	\$ 397,734	\$ 9,449	\$ 199,289	\$ 18,015	\$ 32,899	\$ 4,000,705
Additions	-	-	8,060	92	17,195	1,574	52,910	79,831
Reclassifications	-	-	5,405	-	-	(4,298)	73,934	75,041
Depreciation charge	-	(74,272)	(76,855)	(1,943)	(31,174)	(2,835)	-	(187,079)
Net exchange differences	-	(2,326)	(2,900)	(3)	(11)	(73)	(74)	(5,387)
Closing net book amount as at June 30	<u>\$ 1,428,543</u>	<u>\$ 1,838,178</u>	<u>\$ 331,444</u>	<u>\$ 7,595</u>	<u>\$ 185,299</u>	<u>\$ 12,383</u>	<u>\$ 159,669</u>	<u>\$ 3,963,111</u>
<u>At June 30</u>								
Cost	\$ 1,428,543	\$ 3,906,883	\$ 5,297,307	\$ 67,634	\$ 3,693,462	\$ 176,049	\$ 159,669	\$ 14,729,547
Accumulated depreciation and impairment	-	(2,068,705)	(4,965,863)	(60,039)	(3,508,163)	(163,666)	-	(10,766,436)
	<u>\$ 1,428,543</u>	<u>\$ 1,838,178</u>	<u>\$ 331,444</u>	<u>\$ 7,595</u>	<u>\$ 185,299</u>	<u>\$ 12,383</u>	<u>\$ 159,669</u>	<u>\$ 3,963,111</u>

- A. For the three months and six months ended June 30, 2022 and 2021, there were no borrowing costs capitalized as part of property, plant and equipment.
- B. As of June 30, 2022, December 31, 2021 and March 31, 2021, the accumulated impairment of property, plant and equipment was \$266,477, \$260,775 and \$258,673, respectively, and the reportable segment was in Mainland China.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(11) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, transportation equipment and other equipment. Rental contracts are typically made for periods of 1 to 50 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 and parts of lease are not allowed to be sublet, leased, sold or any methods for others to use.
- B. Short-term leases with a lease term of 12 months or less comprise of buildings 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>
Land	\$ 29,479	\$ 29,276	\$ 29,465
Buildings	-	93	183
Transportation equipment	2,272	2,814	-
Other equipment	60	87	115
	<u>\$ 31,811</u>	<u>\$ 32,270</u>	<u>\$ 29,763</u>

	<u>Three months ended</u>	<u>Three months ended</u>
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 222	\$ 213
Buildings	46	46
Transportation equipment	271	-
Other equipment	13	14
	<u>\$ 552</u>	<u>\$ 273</u>

	Six months ended June 30, 2022	Six months ended June 30, 2021
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 438	\$ 429
Buildings	93	92
Transportation equipment	542	-
Other equipment	27	28
	<u>\$ 1,100</u>	<u>\$ 549</u>

D. The information on income and expense accounts relating to lease contracts is as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 16	\$ -
Expense on short-term lease contracts	4	444
	<u>Six months ended June 30, 2022</u>	<u>Six months ended June 30, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 34	\$ 1
Expense on short-term lease contracts	156	624

E. For the three months and six months ended June 30, 2022 and 2021, the Group's total cash outflow for leases were \$300, \$458, \$750 and \$652, respectively.

(12) Intangible assets

	2022	2021
	<u>Computer Software</u>	<u>Computer Software</u>
<u>At January 1</u>		
Cost	\$ 103,900	\$ 89,132
Accumulated amortisation and impairment	(91,263)	(80,624)
	\$ 12,637	\$ 8,508
At January 1	\$ 12,637	\$ 8,508
Additions-acquired separately	1,172	8,144
Reclassifications	171	-
Amortisation charge	(5,736)	(4,899)
At June 30	\$ 8,244	\$ 11,753
<u>At June 30</u>		
Cost	\$ 104,231	\$ 97,261
Accumulated amortisation and impairment	(95,987)	(85,508)
	\$ 8,244	\$ 11,753

Details of amortisation on intangible assets are as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2021
Cost of sales	\$ 339	\$ 319
General and administrative expenses	2,051	2,548
Research and development expenses	34	-
	\$ 2,424	\$ 2,867
	Six months ended June 30, 2022	Six months ended June 30, 2021
Cost of sales	\$ 633	\$ 485
General and administrative expenses	5,034	4,414
Research and development expenses	69	-
	\$ 5,736	\$ 4,899

(13) Short-term borrowings

Type of borrowings	June 30, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 149,721	1.40%	-
Secured borrowings	905,984	0.95%	Land, buildings and structures
	<u>\$ 1,055,705</u>		
Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 696,631	1.10% ~ 1.20%	-
Secured borrowings	2,211,435	0.54% ~ 3.70%	Land, buildings and structures
	<u>\$ 2,908,066</u>		
Type of borrowings	June 30, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 1,678,904	0.42% ~ 3.70%	-
Secured borrowings	908,487	0.85% ~ 2.57%	Land, buildings and structures
Other short-term borrowings	46,176	3.85% ~ 4.75%	Machinery, office, factory and miscellaneous
	<u>\$ 2,633,567</u>		

- A. Information about interest expense recognised in profit or loss is provided in Note 6(25).
- B. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on April 11, 2019. The resolutions of the meeting are as follows:
- (a) During the debt negotiation, the bank loans are secured by the Company's Chairman, Ho, Jau-Yang, as a joint guarantor.
 - (b) The principal is extended for one year (until the end of March 2020) and the interest is repayable monthly.
 - (c) The Company is willing to pledge additional land and plants as collateral to creditor banks for providing greater protection of creditor's rights.

(d) The Company set up an escrow account and funds are remitted into the account for a centralised management and supervision. The escrow account is set up in the largest creditor bank.

On July 26, 2019, the resolutions made during the debt negotiation meeting were approved in writing by all the creditor institutions.

C. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on February 21, 2020. The resolutions of the meeting are as follows:

(a) The principal is extended for two years (until March 31, 2022) and the interest is paid normally.

(b) Taiwan Cooperative Bank and Changhua Bank will negotiate with the headquarters for increasing facilities (issuing letters of credit and hedge amount) to support the operation cashflow of the Company. Remaining banks will extend the maturity to March 31, 2022 or extend the drawing period of drawn facilities to March 31, 2022.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from two-thirds of total claims of all creditor banks. On April 14, 2020, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that two-thirds of total claims of all creditor banks has agreed to the application for extending debt payment terms for one year (until the end of March 31, 2021).

D. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on December 30, 2020. The resolutions of the meeting are as follows:

(a) The principal repayment is extended for one year (until March 31, 2022) or the loan commitments is extended for one year (until March 31, 2022), and the interest rate is subject to the approval conditions of the creditor banks.

(b) The Company applies to creditor banks for credit line of derivative instruments (including foreign currency to foreign currency and NTD to NTD) for operating exchange rate hedging.

(c) The Company applies to creditor banks for additional credit line (including L/C and accounts receivable financing) for purchasing materials.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from half of total claims of all creditor banks. On March 31, 2021, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that half of total claims of all creditor banks has agreed to the application for extending debt payment terms for one year (until the end of June 30, 2022).

- E. On December 28, 2021, the Company entered into a syndicated loan contract with Taiwan Cooperative Bank, Chang Hwa Bank, Mega International Commercial Bank and Land Bank of Taiwan with a credit line of \$4,600,000. The loan terms start from three years after the date of first drawdown, and the Company agreed to pledge land and buildings as mortgage before the first drawdown day. The Company requested for the drawdown to be on February 21, 2022.
- F. On February 25, 2022, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that the Company's debt negotiation was officially terminated since the Company completed the syndicated loan, equivalent to \$4,600,000, and completed the first drawdown to settle all liabilities on February 21, 2022. Accordingly, the lien of collateral has been cancelled on February 25, 2022.
- G. The Group was financed by IBT Leasing Co., Ltd. and Robina Finance & Leasing Corp. through sales with buyback agreements. As of June 30, 2022, December 31, 2021 and March 31, 2021, the Group issued unexpired notes in the amounts of \$0, \$0 and \$48,258 for the aforementioned transaction, respectively.
- H. Information about the collateral for short-term borrowings is provided in Note 8.
- I. For details of the aforementioned financial ratio commitments of secured borrowings, please refer to Note 9(4) for details.

(14) Other payables

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Payables for cash dividends from capital surplus	\$ 337,767	\$ -	\$ -
Payables for salaries or bonuses	217,966	185,077	124,424
Payables for annual leave	39,461	38,645	38,787
Payables for purchase of equipment	25,641	68,437	25,063
Payables for insurance premiums	14,452	13,854	14,577
Accrued taxes payable	6,032	30,227	5,854
Payables for interest	3,720	5,814	4,373
Others	223,085	213,825	184,194
	<u>\$ 868,124</u>	<u>\$ 555,879</u>	<u>\$ 397,272</u>

(15) Long-term borrowings

Type of borrowings	June 30, 2022	December 31, 2021	June 30, 2021	Footnote
Secured borrowings - Repayable monthly on interest from February 21, 2022; repayable from August 21, 2022 to February 21, 2025.	\$ 2,026,777	\$ -	\$ -	Note 1
Secured borrowings - Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date which was formerly December 17, 2020 was extended to March 31, 2022 because of debt negotiation.	-	200,000	200,000	Note 2
Secured borrowings - Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.	-	281,250	300,000	Note 2
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to February 4, 2026.	-	175,368	180,000	Note 2
Secured borrowings - sale with buy back agreements - Repayable from April 27, 2021 to April 27, 2023.	22,917	36,667	50,417	
Secured borrowings - sale with buy back agreements - Repayable from September 28, 2021 to September 28, 2024.	50,112	64,167	-	
Secured borrowings - sale with buy back agreements - Repayable from December 31, 2021 to June 10, 2023.	40,000	60,000	-	
Secured borrowings - sale with buy back agreements - Repayable from October 28, 2021 to September 28, 2024.	52,500	61,278	-	
Secured borrowings - sale with buy back agreements - Repayable from October 28, 2021 to September 28, 2024.	38,548	47,137	-	
Secured borrowings - sale with buy back agreements - Repayable from January 21, 2022 to January 21, 2025.	64,416	-	-	
Secured borrowings - sale with buy back agreements - Repayable from May 11, 2022 to May 11, 2025.	33,055	-	-	
	<u>2,328,325</u>	<u>925,867</u>	<u>730,417</u>	
Less: Current portion	(365,174)	(448,456)	(327,500)	
Deferred expenses-syndicated loan arrangement fees	(14,375)	-	-	
	<u>\$ 1,948,776</u>	<u>\$ 477,411</u>	<u>\$ 402,917</u>	
Interest rate range	<u>2.57%~3.62%</u>	<u>2.57%~3.62%</u>	<u>2.57%~3.02%</u>	

Note 1: For details of the aforementioned financial ratio commitments of secured borrowings, please refer to Note 9(4) for details.

Note 2: As the debt negotiation was discharged, the Company paid off the borrowings in advance on February 25, 2022. Please refer Note 6(13) 6. for details.

A. Information on interest expense recognised in profit or loss is provided in Note 6(25).

B. Due to the difficulty of repayment, the Group started a debt negotiation meeting with creditor banks to negotiate the debt repayment, please refer to Note 6(13) for details.

- C. The Group was financed by FCB Leasing Co., Ltd., IBT Leasing Co. Ltd., Robina Finance & Leasing Corp., Hotai Finance Co., Ltd., and Taichung Bank Leasing Co., Ltd through sale with buy back agreements. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group issued unexpired notes in the amounts of \$326,453, \$289,281 and \$53,460 for the aforementioned transaction, respectively.
- D. As of June 30, 2022, the Consolidated Company's unamortised deferred syndicated loan arrangement fees amounted to \$14,375, which were recognised as a deduction of initial measurement of long-term secured borrowings and amortised as interest expense during the borrowing period. For the three months and six months ended June 30, 2022, the amortization of syndicated loan arrangement fees amounted to \$1,438 and \$2,875, respectively.
- E. Information about the collateral for long-term borrowings is provided in Note 8.

(16) Pensions

- A. The Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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. NBCMMT makes monthly contributions based on certain percentages of the basic salaries of their employees.
- C. The pension costs under defined contribution pension plans of the Group for the three months and six months ended June 30, 2022 and 2021, were \$14,504, \$13,493, \$28,625 and \$27,950, respectively.

(17) Share-based payment

- A. For the six months ended June 30, 2022, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Number of share granted (in thousands)	Contract period	Vesting conditions
Restricted stocks to employees	2021.6.10	5,000	3 years	Note
Restricted stocks to employees	2021.11.1	5,000	3 years	Note

Note: The selected employees who have been granted Restricted Stock Awards in compliance with the Measurement, continued to work on the following vested terms from the record date of grant (the record date of cash capital increase), and had met the performance criteria will receive new shares respectively on the basis of the following schedule and the proportion of shares subscribed.

Seniority	Performance Criteria			
	A+	A	B+	B and below
6 months after granting	10%	80% of 10%	50% of 10%	0
1 year after granting	20%	80% of 20%	50% of 20%	0
2 years after granting	30%	80% of 30%	50% of 30%	0
3 years after granting	40%	80% of 40%	50% of 40%	0

Restricted rights before employees meet the vesting conditions:

- (a) Before the vesting conditions are fulfilled, the employee shall not sell, pledge, transfer, donate, set, or otherwise dispose of RSA that they subscribe to in accordance with the Measurement.
- (b) During the vesting period, the RSA can participate in a distribution of share or cash dividends.
- (c) During the vesting period, if the Company carries out a capital reduction, RSA will be cancelled proportionally. If the capital reduction is done by cash return, the returned cash should be kept under Company's custody, and be paid to the employees when vesting condition is fulfilled; if the employee does not meet the vesting condition, all shares the employees subscribed in accordance with the Measurement shall be bought back by the Company based on the original subscription price and cancelled accordingly.
- (d) The RSA shall be delivered to the trust immediately after issuance. Employees may not ask the trustee to return the RSA for any reasons or by any method prior to the fulfillment of vesting conditions.
- (e) Employees who subscribe to RSA pursuant to the present measures during the period of the trust issuance, the discretionary staff of the Company and the stock trust institution shall discuss, sign, amend, extend, terminate, terminate, and transfer the trust custody contract (shares and cash), and other behaviors pursuant to this measurement.

B. Details of the share-based payment arrangements are as follows: (Shares in thousands)

	2022	2021
Employee restricted shares as at January 1	9,305	-
Issued for the period	-	5,000
Unrestricted for the period	(1,319)	-
Withdrawn but not be cancelled for the period	(162)	-
Employee restricted shares as at June 30	7,824	5,000

C. The Group issued restricted shares for employees on June 10, 2021 and November 1, 2021. The share price at grant date was NT\$11.8 (in dollars) and NT\$12.15 (in dollars) per share, respectively, which were equal to the stock prices at the grant date.

D. Expenses incurred on share-based payment transactions amounted to \$12,833, \$2,048, \$27,817 and \$2,048 for the three months and six months ended June 30, 2022 and 2021, respectively.

(18) Share capital

- A. As of June 30, 2022, the Company's authorised capital was \$12,000,000, consisting of 1,200,000 thousand shares including 360,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company. The paid-in capital was \$6,755,335, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Units: in thousand shares)	
	2022	2021
At January 1	675,534	665,729
Employee restricted shares	-	5,000
Withdrawn and cancelled employee restricted shares	(287)	-
At June 30	675,534	670,729

B. GDRS

On December 20, 2016, the Company's Board of Directors approved to increase its capital by the issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDRs), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD 64,913 thousand. As of June 30, 2022, the outstanding 3 thousand units of GDRs represented 116 thousand common shares. The agreement clause of a GDR purchase stipulates the following:

(a) Voting rights

Unless stipulated otherwise by applicable laws and regulations, the Bank of New York Mellon (the "Depositary") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Deposit Agreement (the "Deposit Agreement") entered into by the Company, the Depositary, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

(b) Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depositary to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement.

(c) Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on their distributions as the holders of common shares of the Company. If the Company distributes share dividends or makes other share distributions in the future, the Depositary will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

The Company terminated the listing of the GDRs on the SGX as resolved by the Board of Directors on August 4, 2022.

- C. On April 30, 2021, the Company's shareholders resolved to issue 20,000 thousand shares of Restricted Stock Awards for employees. The shares are issued to employees free of charge when they meet the vesting conditions. Depending on the actual needs, the issuance should be processed in one time or several times within a year starting from the date of receipt of the notice of effective registration. The Chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

On May 10, 2021, the Company reported the issuance of employee restricted ordinary shares amounting to 10 million shares to the regulatory authority as resolved by the Board of Directors. This issuance was approved by the Financial Supervisory Commission on June 3, 2021.

The Board of Directors during its meeting on June 10, 2021 and November 1, 2021 adopted a resolution to issue 5,000 thousand shares of employee restricted ordinary shares in tranches (see Note 6(17)) with the effective dates set on June 28, 2021 and November 29, 2021, respectively. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as others issued. The registration has been completed on July 13, 2021 and December 14, 2021, respectively.

On September 25, 2021, the Company reported the issuance of employee restricted ordinary shares amounting to 10 million shares to the regulatory authority as resolved by the Board of Directors. This issuance was approved by the Financial Supervisory Commission on November 3, 2021.

(19) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2022						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Changes in equity of associates and joint ventures accounted for using equity method	Employee restricted shares	Total
At January 1	\$ 803,878	\$ 6,776	\$ 128,672	\$ 156,797	\$ 3,082	\$ 1,099,205
Cash dividends from capital surplus	(337,767)	-	-	-	-	(337,767)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	480	-	480
Employee restricted shares	2,525	-	-	-	343	2,868
At June 30	<u>\$ 468,636</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 157,277</u>	<u>\$ 3,425</u>	<u>\$ 764,786</u>

2021						
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Changes in equity of associates and joint ventures accounted for using equity method	Employee restricted shares	Total
At January 1	\$ 803,494	\$ 6,776	\$ 128,672	\$ -	\$ -	\$ 938,942
Changes in ownership interests in subsidiaries	-	-	-	156,334	-	156,334
Employee restricted shares	-	-	-	-	3,903	3,903
At June 30	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 156,334</u>	<u>\$ 3,903</u>	<u>\$ 1,099,179</u>

B. On June 27, 2022, the shareholders resolved to distribute cash dividends amounting to \$337,767 (NT 0.5 per share) by capital surplus.

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the Company's earnings distribution or deficit compensation may be conducted after the end of each fiscal half year. If there is a surplus after account settlement at the end of each fiscal half year, the Company shall estimate and reserve an amount for paying applicable taxes and covering loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, unless the legal reserve has reached the Company's paid-in capital amount; then, the Company shall set aside an amount for or reversing a special reserve in accordance with laws and regulations and the regulations of the competent authority. Any remaining profit, together with any undistributed retained earnings, shall be adopted by the Company's Board of Directors as the basis for making an earnings distribution proposal, which shall then be resolved as per law before distribution. When all or part of the dividends and bonuses to be distributed is distributed by issuing new shares, a resolution shall be adopted by

the shareholders' meeting. When the distribution is made in cash, a resolution shall be adopted by more than half of the directors present at a board meeting attended by more than two-thirds of all directors and then reported to the shareholders' meeting. The Company shall distribute dividends and bonuses at a percentage not higher than 80% of the distributable earnings during the distribution period, and the percentage of cash dividends to be distributed shall not be lower than 10% of the total distributable dividends during the distribution period. However, if the distributable earnings are less than 50% of the paid-in capital, cash dividends may not be distributed.

- 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. On April 30, 2021, the shareholders resolved not to appropriate dividends and reversed provisioned special reserves amounting to \$53,493.
- E. On June 27, 2022, the shareholders resolved not to appropriate dividends and provisioned legal reserve and special reserve amounting to \$76,320 and \$91,039, respectively.

(21) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from contracts with customers, divided into the following major geographical regions:

<u>Three months ended June 30, 2022</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,501,989	\$ 1,435,536	\$ 2,937,525
Inter-segment revenue	1,072,530	75,088	1,147,618
Elimination of internal transaction	(1,072,530)	(75,088)	(1,147,618)
Revenue from external customer	<u>\$ 1,501,989</u>	<u>\$ 1,435,536</u>	<u>\$ 2,937,525</u>
<u>Three months ended June 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 1,360,935	\$ 1,386,691	\$ 2,747,626
Inter-segment revenue	1,255,409	82,341	1,337,750
Elimination of internal transaction	(1,255,409)	(82,341)	(1,337,750)
Revenue from external customer	<u>\$ 1,360,935</u>	<u>\$ 1,386,691</u>	<u>\$ 2,747,626</u>

<u>Six months ended June 30, 2022</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 2,808,999	\$ 2,913,146	\$ 5,722,145
Inter-segment revenue	2,461,461	147,159	2,608,620
Elimination of internal transaction	(2,461,461)	(147,159)	(2,608,620)
Revenue from external customer	<u>\$ 2,808,999</u>	<u>\$ 2,913,146</u>	<u>\$ 5,722,145</u>
<u>Six months ended June 30, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 2,884,048	\$ 2,609,939	\$ 5,493,987
Inter-segment revenue	2,262,045	108,373	2,370,418
Elimination of internal transaction	(2,262,045)	(108,373)	(2,370,418)
Revenue from external customer	<u>\$ 2,884,048</u>	<u>\$ 2,609,939</u>	<u>\$ 5,493,987</u>

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>	<u>January 1, 2021</u>
Contract liabilities –				
sale of goods	<u>\$ 13,077</u>	<u>\$ 23,915</u>	<u>\$ 56,947</u>	<u>\$ 51,627</u>

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	<u>Three months ended June 30, 2022</u>	<u>Three months ended June 30, 2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 140</u>	<u>\$ 1,972</u>
	<u>Six months ended June 30, 2022</u>	<u>Six months ended June 30, 2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sale of goods	<u>\$ 21,930</u>	<u>\$ 51,405</u>

(22) Interest income

	Three months ended June 30, 2022	Three months ended June 30, 2021
Interest income from bank deposits	\$ 7,564	\$ 2,260
	Six months ended June 30, 2022	Six months ended June 30, 2021
Interest income from bank deposits	\$ 8,918	\$ 4,021

(23) Other income

	Three months ended June 30, 2022	Three months ended June 30, 2021
Rental income	\$ 1,090	\$ 1,008
Royalty income	13,430	12,726
Others	25,535	4,172
	\$ 40,055	\$ 17,906
	Six months ended June 30, 2022	Six months ended June 30, 2021
Rental income	\$ 2,174	\$ 1,998
Royalty income	26,155	26,276
Others	30,532	8,173
	\$ 58,861	\$ 36,447

(24) Other gains and losses

	Three months ended June 30, 2022	Three months ended June 30, 2021
Gains on disposals of property, plant and equipment	\$ 1,851	\$ -
Foreign exchange gains (losses)	161,276	(6,192)
Net (losses) gains on financial assets or liabilities at fair value through profit or loss	(93,938)	5,631
Others	(44)	(402)
	\$ 69,145	(\$ 963)

	Six months ended June 30, 2022	Six months ended June 30, 2021
Gains on disposals of property, plant and equipment	\$ 1,851	\$ -
Foreign exchange gains	261,402	126,170
Net losses on financial assets or liabilities at fair value through profit or loss	(133,721)	(25,177)
Others	(153)	(469)
	<u>\$ 129,379</u>	<u>\$ 100,524</u>

(25) Finance costs

	Three months ended June 30, 2022	Three months ended June 30, 2021
Interest expense - bank borrowings	\$ 22,855	\$ 17,337
Interest expense - lease liabilities	16	-
	<u>\$ 22,871</u>	<u>\$ 17,337</u>
	Six months ended June 30, 2022	Six months ended June 30, 2021
Interest expense - bank borrowings	\$ 45,239	\$ 33,008
Interest expense - lease liabilities	34	1
	<u>\$ 45,273</u>	<u>\$ 33,009</u>

(26) Expenses by nature

	Three months ended June 30, 2022	Three months ended June 30, 2021
Employee benefit expense	\$ 394,771	\$ 341,549
Depreciation charges on property, plant and equipment	99,756	92,704
Depreciation charges on right-of-use assets	552	273
Amortisation charges on intangible assets	2,424	2,867
	Six months ended June 30, 2022	Six months ended June 30, 2021
Employee benefit expense	\$ 77,168	\$ 653,662
Depreciation charges on property, plant and equipment	196,929	187,079
Depreciation charges on right-of-use assets	1,100	549
Amortisation charges on intangible assets	5,736	4,899

(27) Employee benefit expense

	Three months ended June 30, 2022	Three months ended June 30, 2021
Wage and salaries	\$ 312,921	\$ 277,724
Labour and health insurance fees	21,840	22,904
Pension costs	14,504	13,493
Employee restricted shares	12,833	2,048
Other personnel expenses	32,673	25,380
	<u>\$ 394,771</u>	<u>\$ 341,549</u>
	Six months ended June 30, 2022	Six months ended June 30, 2021
Wage and salaries	\$ 608,566	\$ 531,790
Labour and health insurance fees	45,278	44,343
Pension costs	28,625	27,950
Employee restricted shares	27,817	2,048
Other personnel expenses	60,882	47,531
	<u>\$ 771,168</u>	<u>\$ 653,662</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 1% for directors' remuneration.
- B. For the three months and six months ended June 30, 2022 and 2021, employees' compensation was accrued at \$4,626, \$0, \$7,314 and \$0, respectively, and no directors' remuneration were accrued for all periods. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current period for the three months ended June 30, 2022 and the percentage as prescribed in the Company's Articles of Incorporation.

The difference of \$451 and \$8,476 between the amounts of employees' compensation and directors' remuneration resolved by the Board of Directors and the respective amounts of employees' compensation and directors' remuneration of \$16,500 and \$0 recognised in the 2021 financial statements, mainly resulting from change in estimates, had been adjusted in the profit or loss for the three months ended June 30, 2022. Employees' compensation was distributed in the form of cash. As of June 30, 2022, employees' compensation and directors' remuneration for the year ended December 31, 2021 has not been actually distributed.

Information about employees' compensation and directors' 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.

(28) Income tax

A. Income tax expense

	Three months ended June 30, 2022	Three months ended June 30, 2021
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Tax on undistributed surplus earnings	29,792	-
Total current tax	29,792	-
Deferred tax:		
Origination and reversal of temporary differences	(21,625)	13,426
Income tax expense	\$ 8,167	\$ 13,426
	Six months ended June 30, 2022	Six months ended June 30, 2021
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Tax on undistributed surplus earnings	29,792	-
Prior period income tax over estimation	-	(8)
Total current tax	29,792	(8)
Deferred tax:		
Origination and reversal of temporary differences	(20,083)	26,854
Income tax expense	\$ 9,709	\$ 26,846

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	Three months ended June 30, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 215,775	666,441	\$ 0.32
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 215,775	666,441	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	3,465	
Employees' compensation	-	457	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	215,775	670,363	\$ 0.32

Three months ended June 30, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic and diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 226,445	665,729	\$ 0.34
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 226,445	665,729	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	267	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 226,445	665,996	\$ 0.34
Six months ended June 30, 2022			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 337,049	666,192	\$ 0.51
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 337,049	666,192	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	3,975	
Employees' compensation	-	1,232	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 337,049	671,399	\$ 0.50

Six months ended June 30, 2021			
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax</u>	<u>(share in thousands)</u>	<u>(in dollars)</u>
<u>Basic and diluted profit per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 475,663	665,729	\$ 0.71
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 475,663	665,729	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	112	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 475,663	665,841	\$ 0.71

(30) Supplemental cash flow information

A. Investing activities with partial cash payments

	Six months ended June 30, 2022	Six months ended June 30, 2021
Purchase of property, plant and equipment	\$ 185,651	\$ 79,831
Add: Opening balance of payable on equipment	68,437	21,136
Less: Ending balance of payable on equipment	(25,641)	(25,063)
Cash paid	\$ 228,447	\$ 75,904

B. Investing and financing activities with no cash flow effects

	Six months ended June 30, 2022	Six months ended June 30, 2021
(a) Prepayments for equipment transferred to property, plant and equipment	\$ 34,145	\$ 75,041
(b) Prepayments for equipment transferred to intangible assets	\$ 171	\$ -
(c) Announcement of cash dividends	\$ 337,767	\$ -

(31) Changes in liabilities from financing activities

	At January 1, 2022	Changes in cash flow from financing activities	Changes in other non-cash items	Effect of foreign exchange	At June 30, 2022
Short-term borrowings	\$ 2,908,066	(\$ 1,881,107)	\$ -	\$ 28,746	\$ 1,055,705
Lease liabilities	2,919	(560)	-	-	2,359
Long-term borrowings	925,867	1,402,458	(14,375)	-	2,313,950
Guarantee deposits received	40	(5)	-	-	35
Liabilities from financing activities-gross	<u>\$ 3,836,892</u>	<u>(\$ 479,214)</u>	<u>(\$ 14,375)</u>	<u>\$ 28,746</u>	<u>\$ 3,372,049</u>

	At January 1, 2021	Changes in cash flow from financing activities	Effect of foreign exchange	At June 30, 2021
Short-term borrowings	\$ 2,548,884	\$ 115,386	(\$ 30,703)	\$ 2,633,567
Lease liabilities	145	(27)	-	118
Long-term borrowings	546,940	183,477	-	730,417
Guarantee deposits received	40	-	-	40
Liabilities from financing activities-gross	<u>\$ 3,096,009</u>	<u>\$ 298,836</u>	<u>(\$ 30,703)</u>	<u>\$ 3,364,142</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
HMO	Associate
CMVT	Associate

(2) Significant related party transactions

A. Operating revenue

	Three months ended June 30, 2022	Three months ended June 30, 2021
Sales of goods:		
Associates	<u>\$ 4,172</u>	<u>\$ 44,087</u>
	Six months ended June 30, 2022	Six months ended June 30, 2021
Sales of goods:		
Associates	<u>\$ 17,250</u>	<u>\$ 61,931</u>

The selling prices and collection terms are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

B. Purchases

	<u>Three months ended June 30, 2022</u>	<u>Three months ended June 30, 2021</u>
Purchases of goods:		
Associates	\$ <u>12</u>	\$ <u>350</u>
	<u>Six months ended June 30, 2022</u>	<u>Six months ended June 30, 2021</u>
Purchases of goods:		
Associates	\$ <u>1,830</u>	\$ <u>918</u>

Because there is no similar counterparty or transaction, the purchase prices and payment terms with related parties are conducted by mutual agreement.

C. Receivables from related parties

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts receivable:			
Associates	\$ <u>9,576</u>	\$ <u>10,719</u>	\$ <u>57,949</u>
Other receivables:			
HMO	\$ 13,792	\$ -	\$ 50,775
Associates	<u>810</u>	<u>3,282</u>	<u>4,032</u>
	\$ <u>14,602</u>	\$ <u>3,282</u>	\$ <u>54,807</u>

D. Contract liabilities

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
HMO	\$ <u>-</u>	\$ <u>12,726</u>	\$ <u>38,177</u>

E. Payables to related parties

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts payable:			
Associates	\$ <u>1,777</u>	\$ <u>1,976</u>	\$ <u>352</u>

F. Other revenue

	Three months ended June 30, 2022	Three months ended June 30, 2021
HMO	\$ 13,430	\$ 12,726
Associates	3,878	3,435
	<u>\$ 17,308</u>	<u>\$ 16,161</u>
	Six months ended June 30, 2022	Six months ended June 30, 2021
HMO	\$ 26,155	\$ 26,276
Associates	7,625	5,295
	<u>\$ 33,780</u>	<u>\$ 31,571</u>

G. Endorsements and guarantees provided by the Group to the related parties:

There was no endorsements and guarantee provided by the Group to the related parties on June 30, 2022 and December 31, 2021.

	June 30, 2021	
	Outstanding endorsements / guarantee amount	Actual amount drawn down
HMO	<u>\$ 2,808,175</u>	<u>\$ 2,036,518</u>

(3) Key management compensation

	Three months ended June 30, 2022	Three months ended June 30, 2021
Salaries and other short-term employee benefits	\$ 9,505	\$ 9,354
Post-employment benefits	143	132
Share-based payments	1,807	-
	<u>\$ 11,455</u>	<u>\$ 9,486</u>
	Six months ended June 30, 2022	Six months ended June 30, 2021
Salaries and other short-term employee benefits	\$ 22,702	\$ 25,660
Post-employment benefits	278	285
Share-based payments	5,839	-
	<u>\$ 28,819</u>	<u>\$ 25,945</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	June 30, 2022	December 31, 2021	June 30, 2021	
Demand deposit (Note)	\$ -	\$ 615,853	\$ 238,794	An escrow account for debt negotiation procedures
Demand deposit (Note)	194,690	-	-	Long-term and short-term loan
Pledged deposits (Note)	2,000	14,304	14,358	Provided as collateral for the post release duty payment and derivatives quota
Property, plant and equipment - land	1,428,543	1,428,543	1,428,543	Long-term and short-term loan
Property, plant and equipment - buildings and structures	1,564,155	1,629,075	1,693,993	Long-term and short-term loan
Property, plant and equipment - machinery and equipment	169,112	179,512	85,777	Long-term and short-term loan
Property, plant and equipment - office equipment	1,880	2,965	2,896	Long-term and short-term loan
Property, plant and equipment - factory equipment	210,461	135,619	68,364	Long-term and short-term loan
Property, plant and equipment - miscellaneous equipment	17,950	5,025	3,774	Long-term and short-term loan
Property, plant and equipment - construction in progress and equipment under acceptance	-	-	79,853	Long-term loan
	<u>\$ 3,588,791</u>	<u>\$ 4,010,896</u>	<u>\$ 3,616,352</u>	

Note: It is shown as “current financial assets at amortised cost”.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those disclosed in other notes to the consolidated financial statements, significant commitments and contingencies of the Group as of June 30, 2022, December 31, 2021 and March 31, 2021, were as follows:

(1) As of June 30, 2022, December 31, 2021 and March 31, 2021, unused letters of credit for purchases of raw materials and equipment were as follows:

	Units: Foreign currency (in thousand)		
	June 30, 2022	December 31, 2021	June 30, 2021
JPY	\$ 1,914,694	\$ 2,712,682	\$ 2,582,405
USD	-	1,479	59

(2) As of June 30, 2022, December 31, 2021 and March 31, 2021, the amounts of guarantees provided by financial institutions for the purpose of importing goods and facilities of derivative financial instruments were \$139,609, \$105,528 and \$104,847, respectively.

(3) As of June 30, 2022, December 31, 2021 and March 31, 2021, the unpaid amounts of the construction contracts that the Group entered into for the expansion of factories and machinery equipment were \$202,454, \$134,222 and \$148,245, respectively.

(4) On December 28, 2021, the Company entered into a syndicated credit contract with Taiwan Cooperative Bank, Chang Hwa Bank, Mega International Commercial Bank and Land Bank of Taiwan with a credit line of \$4,600,000. The Company committed to maintain the following financial ratios and standards in the credit period:

A. Debt ratio could not be higher than 100%.

B. Current ratio could not be less than 120%.

C. Equity could not be lower than \$7,000,000.

The above financial ratios and standards are reviewed semi-annually, and calculated based on the audited annual consolidated financial statements and the reviewed semi-annual consolidated financial statements for the duration of the contracts.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company terminated the listing of the GDRs on the SGX as resolved by the Board of Directors on August 4, 2022.

12. OTHERS

(1) Capital management

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

(2) Financial instruments

A. Financial instruments by category

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 100	\$ -	\$ 674
Financial assets at fair value through other comprehensive income			
Designation of equity instruments	\$ 89,045	\$ 128,621	\$ 138,665
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents (Note)	\$ 3,391,145	\$ 610,287	\$ 591,989
Financial assets at amortised cost	196,690	630,157	253,152
Accounts receivable	3,159,957	2,763,960	2,756,164
Other receivables	61,493	60,913	115,048
Refundable deposits	14,820	8,790	8,790
	<u>\$ 6,824,105</u>	<u>\$ 4,074,107</u>	<u>\$ 3,725,143</u>
	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 25,359	\$ 2,382	\$ 3,649
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,055,705	\$ 2,908,066	\$ 2,633,567
Accounts payable	806,849	575,776	1,018,179
Other payables (Note)	868,388	556,143	397,272
Long-term borrowings (including current portion)	2,313,950	925,867	730,417
Guarantee deposits received	35	40	40
	<u>\$ 5,044,927</u>	<u>\$ 4,965,892</u>	<u>\$ 4,779,475</u>
Lease liabilities	<u>\$ 2,359</u>	<u>\$ 2,919</u>	<u>\$ 118</u>

Note : Including non-current assets classified as held for sale, net and liabilities related to non-current assets classified as held for sale.

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

C. Significant financial risks and degrees of financial risks

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021, except for the items explained below:

(a) Market risk

Foreign exchange risk

- i. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currencies: USD and RMB). 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	\$ 184,238	29.72	\$ 5,475,553
JPY:NTD	1,371,553	0.218	298,999
USD:RMB	45,198	6.695	1,343,244
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5,342	29.72	158,764
JPY:NTD	7,015,388	0.218	1,529,355
RMB:NTD	429	4.439	1,904
USD:RMB	54,157	6.695	1,609,498

	December 31, 2021		
	Foreign currency		
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 82,590	27.68	\$ 2,286,091
JPY:NTD	1,555,177	0.241	374,798
USD:RMB	41,918	6.372	1,160,290
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	8,077	27.68	223,571
JPY:NTD	7,337,652	0.241	1,768,374
RMB:NTD	400	4.344	1,738
USD:RMB	53,250	6.372	1,473,960
EUR:NTD	171	31.32	5,356

	June 30, 2021		
	Foreign currency		
	amount		Book value
	(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 83,672	27.86	\$ 2,331,102
JPY:NTD	655,092	0.2521	165,149
USD:RMB	40,339	6.466	1,123,925
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	6,322	27.86	176,131
JPY:NTD	6,490,708	0.2521	1,636,307
RMB:NTD	392	4.309	1,689
USD:RMB	60,959	6.466	1,698,439

- ii. Total exchange gains (losses), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2022 and 2021, amounted to \$161,276, (\$6,192), \$261,402 and \$126,170, 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	0.5%	\$ 27,378	-
JPY:NTD	0.5%	1,495	-
USD:RMB	0.5%	6,716	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	794	-
JPY:NTD	0.5%	7,647	-
RMB:NTD	0.5%	10	-
USD:RMB	0.5%	8,047	-

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	0.5%	\$ 11,656	-
JPY:NTD	0.5%	826	-
USD:RMB	0.5%	5,620	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	881	-
JPY:NTD	0.5%	8,181	-
RMB:NTD	0.5%	8	-
USD:RMB	0.5%	8,492	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group invests mainly in equity instruments issued by domestic companies. The equity's price will be affected by the uncertainty of the future value of the investment target. If the equity instrument price had increased/decreased by 1% with all other variables held constant, other comprehensive income classified as equity investment at fair value through other comprehensive income for the six months ended June 30, 2022 and 2021, would have increased/decreased by \$890 and \$1,387, respectively.

Interest rate risk

The Group's main interest rate risk arises from borrowings with variable rates. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, net profit for the six months ended June 30, 2022 and 2021, would have increased/decreased by \$15,413 and \$16,337, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group 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 debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Group's concentration of credit risk, was related to the Group's five largest customers. The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of the investment grade or higher. Credit rating information used to rate the Group's major customers is obtained from other publicly available financial information or the Group's own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.
- iii. When the trade parties have major financial difficulties, or overdue amount exists for period of time that will obviously not be recovered, it is deemed that a default has occurred.

- iv. The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base. The Group's credit risk of other receivables is assessed individually.
- 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 Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On June 30, 2022, December 31, 2021 and June 30, 2021, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 361 days
June 30, 2022	0.08%	0.32%	0.64%~0.96%	1.29%~1.93%	100%	100%	100%
December 31, 2021	0.08%	0.32%	0.64%~0.96%	1.29%~1.93%	100%	100%	100%
June 30, 2021	0.00%	0.00%	0.00%	0.00%~0.02%	0.14%~1.65%	4.07%~29.71%	100%

As of June 30, 2022, December 31, 2021 and March 31, 2021, the Group had no accounts receivable which were past due over 31 days.

vii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2022	2021
January 1	\$ -	\$ 6,184
Reversal of impairment	-	(6,150)
Effects on exchange rate	-	(34)
June 30	<u>\$ -</u>	<u>\$ -</u>

viii. For provisioned loss for the three months and six months ended June 30, 2022 and 2021, the impairment losses arising from customers' contract amounts to \$0, \$5,356, \$0 and \$6,150, respectively.

(c) Liquidity risk

- i. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. The forecast considers the debt financing plan, debt clauses, and financial ratio targets which compare to the internal balance sheet of the Group.
- ii. Group treasury invests surplus cash in interest bearing current accounts, check deposit, time deposits and repurchase agreements, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of June 30, 2022, December 31, 2021 and March 31, 2021, the Group held money market position of \$3,390,680, \$609,831 and \$591,465, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group relies on bank loans as a significant source of liquidity, the Group had available unutilized short-term bank loan facilities as below:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Unsecured bank overdraft facility			
Amount unused	\$ 2,417,594	\$ 1,621,973	\$ 1,481,218
Secured bank overdraft facility			
Amount unused	<u>772,618</u>	<u>1,733,554</u>	<u>46,900</u>
	<u>\$ 3,190,212</u>	<u>\$ 3,355,527</u>	<u>\$ 1,528,118</u>

iv. Liquidity and interest rate risk table for non-derivative and derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative and derivative financial liabilities are based on the agreed repayment dates.

June 30, 2022

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 1,057,287	\$ -	\$ -
Accounts payable	806,849	-	-
Other payables (Note)	868,388	-	-
Long-term borrowings (including current portion)	429,597	2,064,057	-
Lease liabilities	1,185	1,240	-

Note: Including liabilities related to non-current assets classified as held for sale.

Derivative financial liabilities

Forward foreign exchange contracts	25,359	-	-
------------------------------------	--------	---	---

December 31, 2021

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,917,101	\$ -	\$ -
Accounts payable	575,776	-	-
Other payables (Note)	556,143	-	-
Long-term borrowings (including current portion)	463,619	500,980	-
Lease liabilities	1,185	1,832	-

Note: Including liabilities related to non-current assets classified as held for sale.

Derivative financial liabilities

Forward foreign exchange contracts	2,382	-	-
------------------------------------	-------	---	---

June 30, 2021

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,657,178	\$ -	\$ -
Accounts payable	1,018,179	-	-
Other payables	397,272	-	-
Long-term borrowings	342,401	420,170	-
(including current portion)			
Lease liabilities	57	62	-
<u>Derivative financial liabilities</u>			
Forward foreign exchange contracts	3,649	-	-

(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 Group's investment in listed stocks 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 Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

C. Fair value of financial instruments measured at fair value on a recurring basis

(a) Fair value hierarchy

June 30, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL	\$ -	\$ 100	\$ -	\$ 100
Derivative instruments				
Financial assets at FVOCI				
Equity securities	-	-	89,045	89,045
	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 89,045</u>	<u>\$ 89,145</u>
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 25,359</u>	<u>\$ -</u>	<u>\$ 25,359</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVOCI				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,621</u>	<u>\$ 128,621</u>
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 2,382</u>	<u>\$ -</u>	<u>\$ 2,382</u>

June 30, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 674	\$ -	\$ 674
Financial assets at FVOCI				
Equity securities	-	-	138,665	138,665
	<u>\$ -</u>	<u>\$ 674</u>	<u>\$ 138,665</u>	<u>\$ 139,339</u>
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 3,649</u>	<u>\$ -</u>	<u>\$ 3,649</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. 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 spot exchange rate.

- ii. The fair value of financial instruments without active market is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

Financial Instruments	Listed shares
Derivatives-foreign exchange forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates.

D. For the six months ended June 30, 2022 and 2021, there was no transfer between level 1 and level 2.

E. The following chart is the movement of Level 3:

	Six months ended June 30, 2022	Six months ended June 30, 2021
	Equity instrument	Equity instrument
At January 1	\$ 128,621	\$ 140,849
Losses recognised in other comprehensive income	(39,576)	(2,184)
At June 30	\$ 89,045	\$ 138,665

F. For the six months ended June 30, 2022 and 2021, there was no transfer into or out from Level 3.

G. Either the financial department segment or the external appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at June 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments						
Unlisted shares	\$	74,623	Market comparable companies	Multiple price-book ratio	0.63 ~ 4.58	The higher the price-book ratio, the higher the fair value
		14,422	Market comparable companies	Multiple price-book ratio	0.45 ~ 1.12	The higher the price-book ratio, the higher the fair value
		Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments						
Unlisted shares	\$	114,199	Market comparable companies	Multiple price-book ratio	0.71 ~ 3.54	The higher the price-book ratio, the higher the fair value
		14,422	Market comparable companies	Multiple price-book ratio	0.45 ~ 1.12	The higher the price-book ratio, the higher the fair value
		Fair value at June 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments						
Unlisted shares	\$	124,927	Market comparable companies	Multiple price-book ratio	0.74 ~ 3.25	The higher the price-book ratio, the higher the fair value
		13,738	Market comparable companies	Multiple price-book ratio	0.55 ~ 1.14	The higher the price-book ratio, the higher the fair value

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			June 30, 2022	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price-book ratio	±1%	\$ 890	(\$ 890)
			December 31, 2021	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price-book ratio	±1%	\$ 1,286	(\$ 1,286)
			June 30, 2021	
			Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price-book ratio	±1%	\$ 977	(\$ 977)

(4) Other

The major product of the Group is polarizing film, which is the key raw material of the panel industry. There has been no curtailment in the scale of operations or significant reduction in terminal consumer demand due to the Covid-19 pandemic. The Group has also complied with the pandemic prevention guidelines of the Taiwan Centers for Disease Control, including measures such as personnel access control and rotating work schedules in the office and work from home according to production areas and shifts. The Covid-19 pandemic had no significant impact to the Group's operating condition and financial performance based on the Group's assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- 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): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- 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: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group considers the business and formulates the strategies from a geographic perspective, therefore the management identifies the reportable segments with the same approach.

The Group has two reportable segments and the operation is located in Taiwan and Mainland China. Both are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).

(2) Segment revenue and results

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Three months ended June 30, 2022				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 1,501,989	\$ 1,435,536	\$ -	\$ 2,937,525
Inter-segment revenue	1,072,530	75,088	(1,147,618)	-
Total segment revenue	<u>\$ 2,574,519</u>	<u>\$ 1,510,624</u>	<u>(\$ 1,147,618)</u>	<u>\$ 2,937,525</u>
Segment income	<u>\$ 64,756</u>	<u>\$ 69,763</u>	<u>\$ -</u>	<u>\$ 134,519</u>
Three months ended June 30, 2021				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 1,360,935	\$ 1,386,691	\$ -	\$ 2,747,626
Inter-segment revenue	1,255,409	82,341	(1,337,750)	-
Total segment revenue	<u>\$ 2,616,344</u>	<u>\$ 1,469,032</u>	<u>(\$ 1,337,750)</u>	<u>\$ 2,747,626</u>
Segment income	<u>(\$ 55,427)</u>	<u>\$ 117,412</u>	<u>\$ -</u>	<u>\$ 61,985</u>

Six months ended June 30, 2022				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 2,808,999	\$ 2,913,146	\$ -	\$ 5,722,145
Inter-segment revenue	2,461,461	147,159	(2,608,620)	-
Total segment revenue	<u>\$ 5,270,460</u>	<u>\$ 3,060,305</u>	<u>(\$ 2,608,620)</u>	<u>\$ 5,722,145</u>
Segment income	<u>\$ 80,382</u>	<u>\$ 124,882</u>	<u>\$ -</u>	<u>\$ 205,264</u>
Six months ended June 30, 2021				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 2,884,048	\$ 2,609,939	\$ -	\$ 5,493,987
Inter-segment revenue	2,262,045	108,373	(2,370,418)	-
Total segment revenue	<u>\$ 5,146,093</u>	<u>\$ 2,718,312</u>	<u>(\$ 2,370,418)</u>	<u>\$ 5,493,987</u>
Segment income (loss)	<u>(\$ 113,279)</u>	<u>\$ 183,337</u>	<u>\$ -</u>	<u>\$ 70,058</u>

Note: Refer to the internal revenue write-offs.

(3) Reconciliation for segment income (loss)

The total amounts and other significant disclosures in relation to the reportable segments mentioned in item (2) above are in agreement with those presented as related corresponding items in the Group's financial statements and are measured in a manner consistent with those thereon.

Cheng Mei Materials Technology Corporation And Subsidiaries

Loans to others

Six months ended June 30, 2022

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding	Balance at June 30, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
					Six months ended June 30, 2022								Item	Value			
1	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	\$ 28,234	\$ -	\$ -	2.20%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,049,634	\$ 2,099,269	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Mao Fong Group Co., Ltd.'s "Procedures for Provision of Loans", the limit on loans to the parent company who holds 100% voting power of Mao Fong Group Co., Ltd. and for short-term financing was 20% of the net assets of Group's parent company.

The limit on loans granted to a single party is 10% of net assets of the Group's parent company.

Cheng Mei Materials Technology Corporation And Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

June 30, 2022

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Cheng Mei Materials Technology Corporation	SHIHLIEN FINE CHEMICALS CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	16,667	\$ 74,623	6.41%	\$ 74,623	-
Cheng Hui Investment Co., Ltd.	JEOUTAI TECHNOLOGY CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	381	-	Note	-	-
Cheng Hui Investment Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	2,500	6,111	Note	6,111	-
Cheng Hui Trading Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	3,400	8,311	Note	8,311	-

Note:The shareholding ratio is less than 5% and therefore will not be disclosed.

Cheng Mei Materials Technology Corporation And Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

For the six months period ended June 30, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2022		Addition (Note 3)		Disposal (Note 3)			Gain (loss) on disposal (Note 5)	Balance as at June 30, 2022 (Note 6)	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount
Cheng Mei Materials Technology Co., Ltd.	Equity of Chi Mei Materials Technology Investment Co., Ltd.	Investments accounts for using the equity method	Blessing Well Enterprise Limited	Non-related party	146,500	\$ 4,848,336	-	\$ -	146,500	USD 175,000 thousands	4,848,336	Excepted disposal profit \$352,664	146,500	\$ 4,848,336

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.

Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT\$300 million or 20% of paid-in capital or more.

Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 5: The numbers in this table are-translated at the exchange rates of NTD 29.72 to US\$1 prevailing at the June 30, 2022.

Note 6: The equity transaction has not yet been completed.

Cheng Mei Materials Technology Corporation And Subsidiaries

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

Six months ended June 30, 2022

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		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)		
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Sales	(\$ 2,558,415)	(45%)	-	-	-	\$ 1,442,121	46%		Note

Note : The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.

The eliminated amount from January 1, 2022 to June 30, 2022, was \$96,954.

Cheng Mei Materials Technology Corporation And Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
June 30, 2022

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Accounts receivable \$ 1,442,121	5.51	\$ -	-	\$ 402,275	\$ -

Cheng Mei Materials Technology Corporation And Subsidiaries
Significant inter-company transactions during the reporting periods
Six months ended June 30, 2022

Table 6

Expressed in thousands of NTD

Details of significant inter-company transactions reaching NT\$ 10 million or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms (Note 3)	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Sales	\$ 2,558,415	-	45%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	1,442,121	-	8%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	147,159	-	3%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	45,632	-	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3:Prices and terms were determined in accordance with mutual agreements.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investees (not including investees in Mainland China)

Six months ended June 30, 2022

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2022			Net profit (loss) of the investee for the six months ended June 30, 2022	Investment income(loss) recognised by the Company six months ended June 30, 2022	Footnote
				Balance as at June 30, 2022	Balance as at December 31, 2021	Number of shares (in thousand)	Ownership (%)	Book value			
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 1,415,711	\$ 104,626	\$ 104,626	
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	289,000	6,638	22.96%	20,605 (	44,615) (	10,244)	
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	4,477,452	209,174	-	
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	151,870	15,187	100%	18,133 (	258) (	258)	
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	211,000	21,100	100%	50,539 (	568) (	568)	
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	95	0.33%	296 (	44,615)	Note 1	
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	-	30,870	-	100%	-	1	Note 1	Note 2

Note 1: According to the regulations, the amount recognised for investment profit or loss of the Company may be exempt from disclosure.

Note 2: The cancellation of refistration was completed on April 27, 2022.

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investments in Mainland China

Six months ended June 30, 2022

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from		Accumulated	Net income of investee as of June 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for six months ended June 30, 2022	Book value of investments in Mainland China as of June 30, 2022	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2022	Taiwan to Mainland China /Amount remitted back to Taiwan for six months ended June 30, 2022	amount of remittance from Taiwan to Mainland China as of June 30, 2022	amount of investment income remitted back to Taiwan as of June 30, 2022						
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 585,707	2	\$ 395,276	\$ -	\$ -	\$ 395,276	\$ 104,626	100.00	\$ 104,626	\$ 1,478,776	\$ -	Note 2
Hengmei Optoelectronic Co., Ltd.	Electronic component manufacture and sale	11,209,168	2	4,353,980	-	-	4,353,980	770,439	27.15	-	4,477,711	-	Note 3
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	28,625	2	28,625	-	(28,625)	-	-	100.00	-	-	-	Note 3, 4
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 6)										
Cheng Mei Materials Technology Corporation	\$4,749,256	\$4,749,256	\$6,297,806										

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China.

(2) Through investing in Cheng Mei Materials Techonology (Samoa) Corporation, Chi Mei Materials Technology Invesment Co., Ltd and Mao Fong Group Co., LTD. in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The financial statements that are reviewed by R.O.C parent company's CPA.

Note 3: It is calculated based on the investees' financial statements for the same reporting period which were not reviewed by other independent auditors.

Note 4: The cancellation of registration was completed on October 30, 2020 and the remaining investment funds have been remitted to Mao Fong Group Co., Ltd.

Note 5: The numbers in this table are expressed in New Taiwan dollars. Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates of NTD 28.616 to US\$1 from January 1, 2022 to June 30, 2022., otherwise are re-translated at the exchange rates of NTD 29.72 to US\$1 prevailing at the June 30, 2022.

Note 6: The Ceiling is calculated based on 60% of the consolidated net value.

Cheng Mei Materials Technology Corporation And Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Six months ended June 30, 2022

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at June 30, 2022	%	Balance at June 30, 2022	Purpose	Maximum balance during six months ended June 30, 2022	Balance at June 30, 2022	Interest rate	Interest during the six months ended June 30, 2022	Others
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 2,558,415	49%	\$ -	-	\$ 1,442,121	46%	\$ -	-	\$ -	\$ -	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	(147,159)	7%	-	-	(45,632)	5%	-	-	-	-	-	-	-

Note: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.
The eliminated amount from January 1, 2022 to June 30, 2022, was \$96,954.

Cheng Mei Materials Technology Corporation And Subsidiaries

Major shareholders information

June 30, 2022

Table 10

Name of major shareholders	Shares		Expressed in shares
	Name of shares held	Ownership (%)	
Innolux Corporation	57,211,305		8.47%
Lin Gao Huang	40,000,000		5.92%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.