

**PHOENIX SILICON INTERNATIONAL
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2022 AND 2021**

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
FOR THE SIX-MONTH ENDED JUNE 30, 2022 AND 2021
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INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE
(2022) PWC22001180

To the Board of Directors and Shareholders of Phoenix Silicon International Corporation.

Introduction

We have reviewed the accompanying consolidated balance sheets of Phoenix Silicon International Corporation and subsidiaries as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and six-month then ended, as well as the consolidated statement of changes in equity and of cash flows for the six-month 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 the “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

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

Conclusion

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 of June 30, 2022 and 2021, and its consolidated financial performance for the three-month and six-month then ended, and its consolidated cash flows for the six-month periods then ended in accordance with the 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.

Liu, Chien-Yu

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

August 5, 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’ 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.

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED JUNE 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2022 AND 2021 WERE 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) | \$ 812,510 | 11 | \$ 1,081,999 | 17 | \$ 1,115,045 | 22 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | - | - | 17,750 | - | 67 | - |
| 1136 | Current financial assets at amortised cost | 6(3) and 8 | - | - | - | - | 5,000 | - |
| 1140 | Current contract assets | 6(22) | 215,837 | 3 | 77,591 | 1 | 83,558 | 2 |
| 1150 | Notes receivable, net | 6(4) | 7 | - | 185 | - | 59 | - |
| 1170 | Accounts receivable, net | 6(4) | 378,980 | 5 | 462,950 | 8 | 356,693 | 7 |
| 1180 | Accounts receivable due from related parties, net | 6(4) and 7 | - | - | 331 | - | - | - |
| 1200 | Other receivables | | 16,949 | - | 2,733 | - | 2,903 | - |
| 1210 | Other receivables due from related parties, net | 7 | 140 | - | - | - | - | - |
| 130X | Inventories | 6(5) | 194,904 | 3 | 165,659 | 3 | 262,918 | 5 |
| 1410 | Prepayments | | 25,370 | - | 16,510 | - | 14,827 | - |
| 1470 | Other current assets | | 17,838 | - | 1,578 | - | 930 | - |
| 11XX | Current Assets | | <u>1,662,535</u> | <u>22</u> | <u>1,827,286</u> | <u>29</u> | <u>1,842,000</u> | <u>36</u> |
| Non-current assets | | | | | | | | |
| 1535 | Non-current financial assets at amortised cost | 6(3) and 8 | 12,417 | - | 12,417 | - | 12,417 | - |
| 1550 | Investments accounted for under equity method | 6(6) | 94,059 | 1 | 125,503 | 2 | - | - |
| 1600 | Property, plant and equipment | 6(7)(9) and 8 | 4,438,212 | 60 | 3,635,757 | 57 | 2,805,578 | 55 |
| 1755 | Right-of-use assets | 6(8) | 340,922 | 5 | 324,312 | 5 | 238,961 | 5 |
| 1780 | Intangible assets | 6(9) | 26,051 | - | 30,184 | 1 | 38,048 | 1 |
| 1840 | Deferred income tax assets | | 33,132 | 1 | 31,349 | 1 | 38,995 | 1 |
| 1900 | Other non-current assets | 6(10) | 791,724 | 11 | 341,171 | 5 | 129,690 | 2 |
| 15XX | Non-current assets | | <u>5,736,517</u> | <u>78</u> | <u>4,500,693</u> | <u>71</u> | <u>3,258,689</u> | <u>64</u> |
| 1XXX | Total assets | | <u>\$ 7,399,052</u> | <u>100</u> | <u>\$ 6,327,979</u> | <u>100</u> | <u>\$ 5,100,689</u> | <u>100</u> |

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
YEARS ENDED JUNE 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

(THE CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2022 AND 2021 WERE REVIEWED, NOT AUDITED)

| | Assets | Notes | June 30, 2022 | | December 31, 2021 | | June 30, 2021 | |
|--------------------------------|--|-------------|---------------------|------------|---------------------|------------|---------------------|------------|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(12) and 8 | \$ - | - | \$ - | - | \$ 49,952 | 1 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(13) | - | - | - | - | 2,017 | - |
| 2130 | Current contract liabilities | 6(22) | 140 | - | 157 | - | 2,545 | - |
| 2170 | Accounts payable | | 167,020 | 2 | 153,441 | 3 | 177,098 | 3 |
| 2200 | Other payables | 6(14) | 681,158 | 9 | 373,734 | 6 | 296,861 | 6 |
| 2220 | Other payables to related parties | 6(14) and 7 | - | - | 5 | - | - | - |
| 2230 | Current income tax liabilities | | 22,816 | 1 | 12,440 | - | - | - |
| 2280 | Current lease liabilities | | 14,225 | - | 11,462 | - | 14,707 | - |
| 2320 | Long-term liabilities, current portion | 6(15)(16) | 1,901,534 | 15 | 1,156,060 | 18 | 1,199,314 | 24 |
| 2399 | Other current liabilities, others | | 2,140 | - | 1,861 | - | 653 | - |
| 21XX | Current Liabilities | | <u>1,979,033</u> | <u>27</u> | <u>1,709,160</u> | <u>27</u> | <u>1,743,147</u> | <u>34</u> |
| Non-current liabilities | | | | | | | | |
| 2540 | Long-term borrowings | 6(16) and 8 | 2,473,807 | 33 | 1,734,296 | 27 | 694,750 | 14 |
| 2550 | Provisions for liabilities - non-current | 6(18) | 17,007 | - | 16,600 | - | 23,575 | - |
| 2570 | Deferred tax liabilities | | 601 | - | 1,510 | - | - | - |
| 2580 | Non-current lease liabilities | | 329,890 | 5 | 316,037 | 5 | 228,473 | 4 |
| 2600 | Other non-current liabilities | 6(17) | 33,875 | 1 | 33,320 | 1 | 32,193 | 1 |
| 25XX | Non-current liabilities | | <u>2,855,180</u> | <u>38</u> | <u>2,101,763</u> | <u>33</u> | <u>978,991</u> | <u>19</u> |
| 2XXX | Total Liabilities | | <u>4,834,213</u> | <u>65</u> | <u>3,810,923</u> | <u>60</u> | <u>2,722,138</u> | <u>53</u> |
| Equity | | | | | | | | |
| | Share capital | 6(19) | | | | | | |
| 3110 | Share capital - common stock | | 1,403,525 | 19 | 1,403,525 | 22 | 1,324,080 | 26 |
| | Capital surplus | 6(20) | | | | | | |
| 3200 | Capital surplus | | 610,258 | 9 | 610,258 | 10 | 634,768 | 12 |
| | Retained earnings | 6(21) | | | | | | |
| 3310 | Legal reserve | | 164,774 | 2 | 141,374 | 2 | 127,863 | 3 |
| 3350 | Unappropriated retained earnings | | 386,282 | 5 | 361,899 | 6 | 284,616 | 6 |
| 31XX | Equity attributable to owners of the parent | | <u>2,564,839</u> | <u>35</u> | <u>2,517,056</u> | <u>40</u> | <u>2,317,327</u> | <u>47</u> |
| 36XX | Non-controlling interest | | - | - | - | - | 7,224 | - |
| 3XXX | Total equity | | <u>2,564,839</u> | <u>35</u> | <u>2,517,056</u> | <u>40</u> | <u>2,378,551</u> | <u>47</u> |
| | Significant Contingent Liabilities and Unrecognised Contract Commitments | 9 | | | | | | |
| | Significant Disaster Loss | 11 | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 7,399,052</u> | <u>100</u> | <u>\$ 6,327,979</u> | <u>100</u> | <u>\$ 5,100,689</u> | <u>100</u> |

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED JUNE 30, 2022 AND 2021

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

(REVIEWED, NOT AUDITED)

| Items | Notes | Three-Month periods ended June 30 | | | | Six-Month periods ended June 30 | | | |
|---|--------------|-----------------------------------|-------|------------|-------|---------------------------------|-------|--------------|-------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 4000 Sales revenue | 6(22) | \$ 730,043 | 100 | \$ 636,501 | 100 | \$ 1,457,104 | 100 | \$ 1,254,234 | 100 |
| 5000 Operating costs | 6(5)(27)(28) | (532,496) | (73) | (482,420) | (76) | (1,062,921) | (73) | (957,403) | (76) |
| 5950 Net operating margin | | 197,547 | 27 | 154,081 | 24 | 394,183 | 27 | 296,831 | 24 |
| Operating expenses | 6(27)(28) | | | | | | | | |
| 6100 Selling expenses | | (9,999) | (2) | (9,122) | (1) | (18,973) | (1) | (18,553) | (1) |
| 6200 General and administrative expenses | | (90,153) | (12) | (63,412) | (10) | (168,979) | (12) | (121,737) | (10) |
| 6300 Research and development expenses | | (37,449) | (5) | (31,696) | (5) | (69,705) | (5) | (61,244) | (5) |
| 6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | 12(2) | - | - | - | - | - | - | 304 | - |
| 6000 Total operating expenses | | (137,601) | (19) | (104,230) | (16) | (257,657) | (18) | (201,230) | (16) |
| 6900 Operating profit | | 59,946 | 8 | 49,851 | 8 | 136,526 | 9 | 95,601 | 8 |
| Non-operating income and expenses | | | | | | | | | |
| 7100 Interest income | 6(23) | 445 | - | 394 | - | 585 | - | 728 | - |
| 7010 Other income | 6(24) | 2,640 | 1 | 342 | - | 5,254 | 1 | 680 | - |
| 7020 Other gains and losses | 6(25) | 52,106 | 7 | (9,535) | (1) | 63,157 | 4 | (16,177) | (1) |
| 7050 Finance costs | 6(26) | (6,244) | (1) | (5,322) | (1) | (13,757) | (1) | (11,178) | (1) |
| 7060 The share of affiliates losses recognized by the equity method | 6(6) | (5,509) | (1) | - | - | (11,576) | (1) | - | - |
| 7000 Total non-operating income and expenses | | 43,438 | 6 | (14,121) | (2) | 43,663 | 3 | (25,947) | (2) |
| 7900 Profit before income tax | | 103,384 | 14 | 35,730 | 6 | 180,189 | 12 | 69,654 | 6 |
| 7950 Income tax (expense) benefit | 6(29) | (10,680) | (1) | 17,298 | 3 | (20,124) | (1) | 14,819 | 1 |
| 8000 Profit for the year from continuing operations | | 92,704 | 13 | 53,028 | 9 | 160,065 | 11 | 84,473 | 7 |
| Discontinued operations | | | | | | | | | |
| 8100 Loss from discontinued operations | 6(11) | - | - | (17,263) | (3) | - | - | (29,818) | (3) |
| 8200 Profit for the year | | \$ 92,704 | 13 | \$ 35,765 | 6 | \$ 160,065 | 11 | \$ 54,655 | 4 |

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED JUNE 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(REVIEWED, NOT AUDITED)

| Items | Notes | Three-Month periods ended June 30 | | | | Six-Month periods ended June 30 | | | |
|-------|-------|--|---------|-----------|---------|---------------------------------|---------|-----------|---------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 8500 | | Total comprehensive income for the year | | | | | | | |
| | | \$ 92,704 | 13 | \$ 35,765 | 6 | \$ 160,065 | 11 | \$ 54,655 | 4 |
| | | Profit (loss), attributable to : | | | | | | | |
| 8610 | | \$ 92,704 | 13 | \$ 40,958 | 7 | \$ 160,065 | 11 | \$ 63,762 | 5 |
| 8620 | | - | - | (5,193) | (1) | - | - | (9,107) | (1) |
| | | Total comprehensive income for the year | | | | | | | |
| | | \$ 92,704 | 13 | \$ 35,765 | 6 | \$ 160,065 | 11 | \$ 54,655 | 4 |
| | | Comprehensive income, attributable to : | | | | | | | |
| 8710 | | \$ 92,704 | 13 | \$ 40,958 | 7 | \$ 160,065 | 11 | \$ 63,762 | 5 |
| 8720 | | - | - | (5,193) | (1) | - | - | (9,107) | (1) |
| | | Profit before income tax, net | | | | | | | |
| | | \$ 92,704 | 13 | \$ 35,765 | 6 | \$ 160,065 | 11 | \$ 54,655 | 4 |
| | | Basic earnings per share 6(30) | | | | | | | |
| 9710 | | | | | | | | | |
| | | Basic earnings (loss) per share from continuing operations | | | | | | | |
| | | \$ | 0.62 | \$ | 0.36 | \$ | 1.08 | \$ | 0.58 |
| 9720 | | | | | | | | | |
| | | Basic earnings (loss) per share from discontinued operations | | | | | | | |
| | | - | (0.08) | - | (0.15) | - | (0.15) | - | (0.15) |
| 9750 | | Total basic earnings per share | | | | | | | |
| | | \$ | 0.62 | \$ | 0.28 | \$ | 1.08 | \$ | 0.43 |
| | | Diluted earnings per share 六(三十) | | | | | | | |
| 9810 | | | | | | | | | |
| | | Diluted earnings (loss) per share from continuing operations | | | | | | | |
| | | \$ | 0.58 | \$ | 0.35 | \$ | 1.01 | \$ | 0.58 |
| 9820 | | | | | | | | | |
| | | Diluted earnings (loss) per share from discontinued operations | | | | | | | |
| | | - | (0.08) | - | (0.15) | - | (0.15) | - | (0.15) |
| 9850 | | Total diluted earnings per share | | | | | | | |
| | | \$ | 0.58 | \$ | 0.27 | \$ | 1.01 | \$ | 0.43 |

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| Notes | Equity attributable to owners of the parent | | | | | | |
|---|---|---|--|-------------------|---------------------|-----------------------------|---------------------|
| | Share capital - common stock | Total capital surplus, additional paid-in capital | Retained Earnings | | Total | Non-controlling interest | Total equity |
| Legal reserve | | | Total unappropriated retained earnings (accumulated deficit) | | | | |
| <u>Six-month period ended June 30, 2021</u> | | | | | | | |
| Balance at January 1, 2021 | \$ 1,324,080 | \$ 634,768 | \$ 127,863 | \$ 220,854 | \$ 2,307,565 | \$ 16,331 | \$ 2,323,896 |
| Profit (loss) | - | - | - | 63,762 | 63,762 | (9,107) | 54,655 |
| Total comprehensive income (loss) | - | - | - | 63,762 | 63,762 | (9,107) | 54,655 |
| Balance at June 30, 2021 | <u>\$ 1,324,080</u> | <u>\$ 634,768</u> | <u>\$ 127,863</u> | <u>\$ 284,616</u> | <u>\$ 2,371,327</u> | <u>\$ 7,224</u> | <u>\$ 2,378,551</u> |
| <u>Six-month period ended June 30, 2022</u> | | | | | | | |
| Balance at January 1, 2022 | \$ 1,403,525 | \$ 610,258 | \$ 141,374 | \$ 361,899 | \$ 2,517,056 | - | \$ 2,517,056 |
| Profit (loss) | - | - | - | 160,065 | 160,065 | - | 160,065 |
| Total comprehensive income (loss) | - | - | - | 160,065 | 160,065 | - | 160,065 |
| Appropriation and distribution of retained earnings, 2021 | 6(21) | | | | | | |
| Legal reserve | | | | | | | |
| Cash dividends | | | | | | | |
| Balance at June 30, 2022 | <u>\$ 1,403,525</u> | <u>\$ 610,258</u> | <u>\$ 164,774</u> | <u>\$ 386,282</u> | <u>\$ 2,564,839</u> | <u>\$ -</u> | <u>\$ 2,564,839</u> |

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| | Notes | Year ended June 30 | |
|---|--------------|--------------------|------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Profit from continuing operations before tax | | \$ 180,189 | \$ 69,654 |
| Loss from discontinued operations before tax | 6(11) | - | (29,818) |
| Profit before tax | | 180,189 | 39,836 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(7)(8)(27) | 284,787 | 267,973 |
| Amortization | 6(27) | 8,062 | 8,346 |
| Expected credit impairment benefit / bad debt expenses | 12(2) | - | (304) |
| Gain on financial assets at fair value through profit or loss | 6(2)(13)(25) | 3,127 | (2,612) |
| Interest expense | 6(26) | 13,757 | 12,637 |
| Interest income | 6(23) | (585) | (737) |
| Share of loss of subsidiaries accounted for under equity method | 6(6) | 11,576 | - |
| Gain on disposals of property, plant and equipment | 6(25) | (5,351) | (895) |
| Gain on disposal of investments | 6(6)(25) | (30,550) | - |
| Impairment (return benefit) loss on intangible asset | 6(25) | - | 1,960 |
| Impairment loss on property, plant and equipment | 6(25) | - | (101) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Financial asset or financial liability at fair value through profit or loss | | (1,061) | 3,899 |
| Contract assets | | (138,246) | 45,326 |
| Notes receivable | | 178 | 41 |
| Accounts receivable | | 83,970 | 3,181 |
| Accounts receivable – related parties | | 331 | - |
| Other receivables | | (14,186) | (912) |
| Other receivables - related parties | | (140) | - |
| Inventories | | (29,245) | (15,456) |
| Prepayments | | (12,269) | (620) |
| Other current assets | | (96) | 1141 |
| Other Non-current assets | | (337) | - |
| Changes in operating liabilities | | | |
| Contract liabilities | | (18) | (30,097) |
| Accounts payable | | 13,579 | 27,690 |
| Other payables | | (28,133) | (5,413) |
| Other payables- related parties | | (5) | - |
| Provision of liabilities | | - | 626 |
| Other current liabilities | | 280 | (567) |
| Net defined benefit liability | | (622) | (397) |
| Long-term payables | | 1,109 | 1,244 |
| Cash inflow generated from operations | | 340,101 | 355,789 |
| Interest received | | 555 | 769 |
| Interest paid | | (12,042) | (6,868) |
| Income tax paid | | (12,440) | (1,673) |
| Net cash flows from operating activities | | 316,174 | 348,017 |

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

| | Notes | Year ended June 30 | |
|---|-------|----------------------|---------------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of financial assets at amortized cost | | \$ - | (\$ 1,500) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | 15,683 | - |
| Proceeds from disposal investments accounted for using equity method | 6(6) | 50,418 | - |
| Acquisition of property, plant and equipment | 6(31) | (1,302,777) | (275,110) |
| Proceeds from disposal of property, plant and equipment | | 8,450 | 895 |
| Acquisition of intangible assets | 6(31) | (5,383) | (15,823) |
| Increase in refundable deposits | | (16,476) | - |
| Decrease in refundable deposits | | - | 46 |
| Net cash flows used in investing activities | | (<u>1,250,085</u>) | (<u>291,492</u>) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term borrowings | 6(32) | - | 39,954 |
| Decrease in short-term borrowings | 6(32) | - | (20,002) |
| Increase in long-term borrowings | 6(32) | 891,700 | 40,000 |
| Repayment of long-term borrowings | 6(32) | (220,965) | (134,856) |
| Increase in guarantee deposits | 6(32) | 148 | 32 |
| Decrease in guarantee deposits | 6(32) | (80) | (53) |
| Repayment of principal portion of lease liabilities | 6(32) | (<u>6,381</u>) | (<u>7,301</u>) |
| Net cash flows from (used in) financing activities | | <u>664,422</u> | (<u>82,226</u>) |
| Net decrease in cash and cash equivalents | | (269,489) | (25,701) |
| Cash and cash equivalents at beginning of year | 6(1) | <u>1,081,999</u> | <u>1,140,746</u> |
| Cash and cash equivalents at end of year | 6(1) | <u>\$ 812,510</u> | <u>\$ 1,115,045</u> |

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

PHOENIX SILICON INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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

(Unaudited)

1. History and Organisation

Phoenix Silicon International Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C) in March 1997 and has begun operations in June 1998. The Company is primarily engaged in the research, development, manufacture and sale of regenerative wafers, test wafers, product wafers, solar cells, energy storage lithium batteries and the import and export trade related to the Company's business.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

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

3. Application of New Standards, Amendments and Interpretations

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

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date issued by International Accounting Standards Board (“IASB”)</u> |
|---|---|
| Amendments to IFRS 3, “Reference to the Conceptual Framework” | January 1, 2022 |
| Amendments to IAS 16, “Property, Plant and Equipment: Proceeds before Intended Use” | January 1, 2022 |
| Amendments to IAS 37, “Onerous Contracts - Cost of Fulfilling a Contract” | January 1, 2022 |
| Annual Improvements to IFRS Standards 2018-2020 | January 1, 2022 |

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

(2) Effect of new, revised or amended IFRSs as endorsed by the FSC that has not yet adopted

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date issued by IASB</u> |
|--|--------------------------------------|
| Amendments to IAS 1, “Disclosure of Accounting Policies” | January 1, 2023 |
| Amendments to IAS 8, “Definition of Accounting Estimates” | January 1, 2023 |
| Amendments to IAS 12, “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” | January 1, 2023 |

Based on the Group’s assessment, the above standards and interpretations have no significant impact on the Group’s financial position and financial performance.

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

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

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date issued by IASB</u> |
|---|--------------------------------------|
| Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB |
| 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 |

Based on the Group’s assessment, the above standards and interpretations have no significant impact on the Group’s financial position and financial performance.

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

- 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 IAS 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 financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of the consolidated financial statements in conformity with IFRSs, IASs, International Financial Reporting Interpretations Committee interpretations, and SIC interpretations as endorsed by the FSC requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment 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 those for the year ended December 31, 2021.

B. Subsidiaries included in the consolidated financial statements:

| <u>Name of investor</u> | <u>Name of subsidiary</u> | <u>Main business activities</u> | <u>Ownership(%)</u> | | | <u>Description</u> |
|---|-----------------------------|---------------------------------|----------------------|--------------------------|----------------------|--------------------|
| | | | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> | |
| Phoenix Silicon International Corporation | Phoenix Battery Corporation | Battery manufacturing business | - | - | 71.51% | Note |

Note: Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest from 71.51% to 33.42%. The company re-elected the directors and supervisors as resolved at the first shareholders' special meeting on December 29, 2021. The Group is the single largest shareholder of the company. However, the new directors and supervisors have not been appointed by the Group and the combined ownership of other substantial shareholders exceeds that of the Group, which indicates that the Group has no current ability to direct the relevant activities. Therefore, the Group lost control over the company from that date, and the relationship with the Group was changed from a subsidiary to an associate and the company was no longer included in the Group's consolidated financial statements.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of June 30, 2021, the non-controlling interest amounted to \$7,224. The information of non-controlling interest and respective subsidiaries is as follows:

| <u>Name of subsidiary</u> | <u>Principal place of business</u> | <u>Non-controlling interest</u> | | <u>Description</u> |
|-----------------------------|------------------------------------|---------------------------------|---------------------|--------------------|
| | | <u>Amount</u> | <u>Ownership(%)</u> | |
| Phoenix Battery Corporation | Taiwan | <u>\$ 7,224</u> | 28.49% | None |

Summarised financial information of the subsidiaries:

Balance sheets

| | <u>Phoenix Battery Corporation</u> |
|-------------------------|------------------------------------|
| | <u>June 30, 2021</u> |
| Current assets | \$ 155,128 |
| Non-current assets | 110,652 |
| Current liabilities | (158,403) |
| Non-current liabilities | (82,019) |
| Total net assets | <u>\$ 25,358</u> |

Statements of comprehensive income

| | <u>Phoenix Battery Corporation</u> |
|--|---|
| | <u>Three months ended June 30, 2021</u> |
| Revenue | <u>\$ 71,870</u> |
| Loss before income tax | (18,227) |
| Income tax expense | - |
| Loss for the year | (18,227) |
| Other comprehensive income ,net of tax | - |
| Total comprehensive income for the year | <u>(\$ 18,227)</u> |
| Comprehensive income attributable to noncontrolling interest | <u>(\$ 5,193)</u> |

| | <u>Phoenix Battery Corporation</u> |
|--|---------------------------------------|
| | <u>Six months ended June 30, 2021</u> |
| Revenue | \$ 125,880 |
| Loss before income tax | (31,965) |
| Income tax expense | - |
| Loss for the year | (31,965) |
| Other comprehensive income ,net of tax | - |
| Total comprehensive income for the year | (\$ 31,965) |
| Comprehensive income attributable to noncontrolling interest | (\$ 9,107) |

Statements of cash flows

| | <u>Phoenix Battery Corporation</u> |
|--|---------------------------------------|
| | <u>Six months ended June 30, 2021</u> |
| Net cash provided by operating activities | (\$ 17,521) |
| Net cash used in investing activities | (3,885) |
| Net cash used in financing activities | 32,468 |
| Decrease in cash and cash equivalents | 11,062 |
| Cash and cash equivalents, beginning of year | 16,167 |
| Cash and cash equivalents, end of year | \$ 27,229 |

(4) Employee benefits

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

(5) Income tax

The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

There have been no significant changes during the period. 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 31, 2021 |
|-----------------------------|-------------------|----------------------|---------------------|
| Cash on hand and petty cash | \$ 320 | \$ 322 | \$ 525 |
| Checking accounts | - | - | 1,266 |
| Demand deposits | 662,190 | 1,081,677 | 773,554 |
| Time deposits | 150,000 | - | 339,700 |
| | <u>\$ 812,510</u> | <u>\$ 1,081,999</u> | <u>\$ 1,115,045</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. The Group has no cash and cash equivalents pledged to others. For pledged time deposits that were accounted as financial assets at amortised cost, please refer to Note 8.

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

| Items | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|------------------|----------------------|------------------|
| Current items: | | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Listed stocks | \$ - | \$ 10,400 | \$ - |
| Derivative instruments | - | 550 | 67 |
| Convertible bonds/ put options | - | (199) | - |
| Value adjustment - Listed stocks | - | 6,700 | - |
| Value adjustment – Convertible bonds/ put options | - | 299 | - |
| Total | <u>\$ -</u> | <u>\$ 17,750</u> | <u>\$ 67</u> |

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

| Financial assets mandatorily measured at fair value through profit or loss | Three months ended June 30 | |
|--|----------------------------|-----------------|
| | 2022 | 2021 |
| Listed stocks | \$ - | \$ - |
| Derivative instruments | - | 2,996 |
| Total | <u>\$ -</u> | <u>\$ 2,996</u> |

| | | |
|---|----------------------------------|-----------------|
| Financial assets mandatorily measured | <u>Sixs months ended June 30</u> | |
| <u>at fair value through profit or loss</u> | <u>2022</u> | <u>2021</u> |
| Listed stocks | (\$ 1,417) | \$ - |
| Derivative instruments | 107 | 5,478 |
| Total | <u>(\$ 1,310)</u> | <u>\$ 5,478</u> |

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

June 30,2022 : None.

(units: in thousands of shares)

| | | |
|-----------------------------|-----------------------------|------------------------|
| | <u>December 31, 2021</u> | |
| Derivative financial assets | Contract amount | |
| <u>for non-hedging</u> | <u>(notional principal)</u> | <u>Contract period</u> |
| Current items: | | |
| Forward exchange contracts | <u>USD 5,900</u> | 2021.11.24~2022.02.11 |

The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

(3) Financial assets at amortised cost

| | | | |
|--------------------------|--------------------------------|------------------------------------|--------------------------------|
| Items | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 31,</u> <u>2021</u> |
| Current items: | | | |
| Restricted bank deposits | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,000</u> |
| Non-current: | | | |
| Pledged time deposits | <u>\$ 12,417</u> | <u>\$ 12,417</u> | <u>\$ 12,417</u> |

- A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

| | | |
|-----------------|-----------------------------------|--------------|
| | <u>Three months ended June 30</u> | |
| | <u>2022</u> | <u>2021</u> |
| Interest income | <u>\$ 33</u> | <u>\$ 20</u> |
| | <u>Sixs months ended June 30</u> | |
| | <u>2022</u> | <u>2021</u> |
| Interest income | <u>\$ 56</u> | <u>\$ 45</u> |

B. Information about the financial assets at amortized cost that were pledged to others as collateral is provided in Note 8.

C. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

(4) Notes and accounts receivable

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|-------------------|----------------------|-------------------|
| Notes receivable | <u>\$ 7</u> | <u>\$ 185</u> | <u>\$ 59</u> |
| Accounts receivable | \$ 378,980 | \$ 462,950 | \$ 356,693 |
| Less: Allowance for uncollectible accounts | - | - | - |
| | 378,980 | 462,950 | 356,693 |
| Accounts receivable – related parties | - | 331 | - |
| | <u>\$ 378,980</u> | <u>\$ 463,281</u> | <u>\$ 356,693</u> |

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

| | <u>June 30,2022</u> | | <u>December 31,2021</u> | | <u>June 30, 2021</u> | |
|----------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| | <u>Accounts receivable</u> | <u>Notes receivable</u> | <u>Accounts receivable</u> | <u>Notes receivable</u> | <u>Accounts receivable</u> | <u>Notes receivable</u> |
| Not past due | \$373,911 | \$ 7 | \$462,366 | \$ 185 | \$355,598 | \$ 59 |
| Up to 30 days | 4,919 | - | 915 | - | 964 | - |
| 31 to 90 days | 150 | - | - | - | 131 | - |
| 91 to 180 days | - | - | - | - | - | - |
| Over 180 days | - | - | - | - | - | - |
| | <u>\$378,980</u> | <u>\$ 7</u> | <u>\$463,281</u> | <u>\$ 185</u> | <u>\$ 408,134</u> | <u>\$ 59</u> |

The above ageing analysis was based on past due date.

B. As of June 30, 2022, December 31, 2021 and June 30, 2021, accounts and notes receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$359,670.

C. The Group has no notes and accounts receivable pledged to others as collateral.

D. 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 Group's notes and accounts receivable was \$7、\$185 and \$59；\$378,980、\$463,281 and \$356,693, respectively.

E. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group held commercial papers provided by customers as collaterals for accounts receivable credit limits, both amounting to \$11,000.

F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note12(2).

(5) Inventories

| | June 30, 2022 | | |
|------------------|-------------------|------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 227,135 | (\$ 49,134) | \$ 178,001 |
| Work in progress | 2,437 | (11) | 2,426 |
| Finished goods | 14,484 | (7) | 14,477 |
| Total | <u>\$ 244,056</u> | <u>(\$ 49,152)</u> | <u>\$ 194,904</u> |

| | December 31, 2021 | | |
|------------------|-------------------|------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Raw materials | \$ 191,551 | (\$ 44,582) | \$ 146,969 |
| Work in progress | 2,717 | (4) | 2,713 |
| Finished goods | 16,184 | (207) | 15,977 |
| Total | <u>\$ 210,452</u> | <u>(\$ 44,793)</u> | <u>\$ 165,659</u> |

| | June 30, 2021 | | |
|------------------|-------------------|------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Products | \$ 12,130 | (\$ 6,074) | \$ 6,056 |
| Raw materials | 206,847 | (47,323) | 159,524 |
| Work in progress | 40,688 | (3,214) | 37,474 |
| Finished goods | 112,924 | (53,060) | 59,864 |
| Total | <u>\$ 372,589</u> | <u>(\$ 109,671)</u> | <u>\$ 262,918</u> |

The cost of inventories recognised as expense for the period:

| | Three months ended June 30, | |
|--|-----------------------------|-------------------|
| | 2022 | 2021 |
| Cost of goods sold | \$ 535,107 | \$ 557,677 |
| Loss on decline in market value | 2,820 | 1,945 |
| Revenue from sales of scraps | (35) | (217) |
| Others | <u>(5,396)</u> | <u>(5,109)</u> |
| | 532,496 | 550,406 |
| Less: Cost of goods from discontinued operations | <u>-</u> | <u>(67,986)</u> |
| | <u>\$ 532,496</u> | <u>\$ 482,420</u> |

| | <u>Six months ended June 30,</u> | |
|--|----------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Cost of goods sold | \$ 1,067,047 | \$ 1,079,576 |
| Loss on decline in market value | 4,359 | 249 |
| Revenue from sales of scraps | (45) | (508) |
| Others | <u>(8,440)</u> | <u>(8,022)</u> |
| | 1,062,921 | 1,071,295 |
| Less: Cost of goods from discontinued operations | <u>-</u> | <u>(113,892)</u> |
| | <u>\$ 1,062,921</u> | <u>\$ 957,403</u> |

During the period from April 1 to June 30, 2011, the Group sold some of the depreciated or sluggish inventories and disposed of, resulting in a rebound in the net value of inventories, which was recognized as a decrease in cost of goods sold.

(6) Investments accounted for under equity method

| | <u>2022</u> |
|---|------------------|
| At January 1 | \$ 125,503 |
| Disposal of investments accounted for using equity method | (19,868) |
| Loss on equity method investments | <u>(11,576)</u> |
| At June 30 | <u>\$ 94,059</u> |

- A. Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest from 71.51% to 33.42%. The company re-elected the directors and supervisors as resolved at the first shareholders' special meeting on December 29, 2021. The Group is the single largest shareholder of the company. However, the new directors and supervisors have not been appointed by the Group and the combined ownership of other substantial shareholders exceeds that of the Group, which indicates that the Group has no current ability to direct the relevant activities. Therefore, the Group lost control over the company from that date but has significant influence over the company, and the relationship with the Group was changed from a subsidiary to an associate. The Group recognised the retained 33.42% share of the investment as the investment accounted for using equity method – associate at fair value on that day, and recognised gain on disposal of investments of \$53,524, and the company is no longer included in the Group's consolidated financial statements.
- B. The Group sold part of its ownership in Phoenix Battery Corporation. for proceeds of \$50,418 and resulted in gain on disposal amounting to \$30,550, the Group decreased its share interest to 27.94% during the period from January 1 to June 30, 2022.

C. As of June 30, 2022 and December 31, 2021, the carrying amount of the Group's individually immaterial associates amounted to \$94,059 and \$125,503, respectively.

(7)Property, plant and equipment

2022

| | <u>Buildings and structures</u> | <u>Machinery and equipment</u> | <u>Transportation equipment</u> | <u>Office equipment</u> | <u>Leasehold improvements</u> | <u>Other equipment</u> | <u>Unfinished construction and equipment under acceptance</u> | <u>Total</u> |
|-------------------------------|---------------------------------|--------------------------------|---------------------------------|-------------------------|-------------------------------|------------------------|---|---------------------|
| At January 1 | | | | | | | | |
| Cost | \$2,012,590 | \$3,371,258 | \$ 9,172 | \$ 21,760 | \$ 110 | \$ 72,997 | \$ 694,787 | \$6,182,674 |
| Accumulated depreciation | <u>(488,061)</u> | <u>(1,996,675)</u> | <u>(6,800)</u> | <u>(15,373)</u> | <u>(110)</u> | <u>(39,898)</u> | <u>-</u> | <u>(2,546,917)</u> |
| | <u>\$1,524,529</u> | <u>\$1,374,583</u> | <u>\$ 2,372</u> | <u>\$ 6,387</u> | <u>\$ -</u> | <u>\$ 33,099</u> | <u>\$ 694,787</u> | <u>\$3,635,757</u> |
| At January 1 | \$1,524,529 | \$1,374,583 | \$ 2,372 | \$ 6,387 | \$ - | \$ 33,099 | \$ 694,787 | \$3,635,757 |
| Additions | 53,818 | 15,189 | - | 2,113 | - | 9,657 | 1,003,177 | 1,083,954 |
| Disposals | | (3,099) | - | - | - | - | - | (3,099) |
| Reclassifications (transfers) | 117,823 | 410,217 | - | - | - | - | (528,040) | - |
| Depreciation charge | <u>(78,053)</u> | <u>(191,828)</u> | <u>(482)</u> | <u>(1,685)</u> | <u>-</u> | <u>(6,352)</u> | <u>-</u> | <u>(278,400)</u> |
| At June 30 | <u>\$1,618,117</u> | <u>\$1,605,062</u> | <u>\$ 1,890</u> | <u>\$ 6,815</u> | <u>\$ -</u> | <u>\$ 36,404</u> | <u>\$ 1,169,924</u> | <u>\$4,438,212</u> |
| At June 30 | | | | | | | | |
| Cost | \$2,184,231 | \$3,777,684 | \$ 9,172 | \$ 23,873 | \$ 110 | \$ 82,654 | \$1,169,924 | \$7,247,648 |
| Accumulated depreciation | <u>(566,114)</u> | <u>(2,172,622)</u> | <u>(7,282)</u> | <u>(17,058)</u> | <u>(110)</u> | <u>(46,250)</u> | <u>-</u> | <u>(2,809,436)</u> |
| | <u>\$1,618,117</u> | <u>\$1,605,062</u> | <u>\$ 1,890</u> | <u>\$ 6,815</u> | <u>\$ -</u> | <u>\$ 36,404</u> | <u>\$ 1,169,924</u> | <u>\$4,438,212</u> |

2021

| | Buildings and structures | Machinery and Equipment | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Buildings and structures | Unfinished construction and equipment under acceptance | Total |
|-------------------------------|--------------------------|-------------------------|--------------------------|------------------|------------------------|-----------------|--------------------------|--|---------------------|
| At January 1 | | | | | | | | | |
| Cost | \$ 1,480,677 | \$ 3,491,861 | \$ 11,336 | \$ 22,571 | \$ 53,416 | \$ 538 | \$ 84,604 | \$ 348,180 | \$ 5,493,183 |
| Accumulated depreciation | (526,454) | (2,049,304) | (7,935) | (12,955) | (33,498) | (538) | (40,967) | - | (2,671,651) |
| At January 1 | <u>-</u> | <u>(101)</u> | <u>-</u> | <u>-</u> | <u>(1,969)</u> | <u>-</u> | <u>(73)</u> | <u>-</u> | <u>(2,143)</u> |
| | <u>\$ 954,223</u> | <u>\$ 1,442,456</u> | <u>\$ 3,401</u> | <u>\$ 9,616</u> | <u>\$ 17,949</u> | <u>\$ -</u> | <u>\$ 43,564</u> | <u>\$ 348,180</u> | <u>\$ 2,819,389</u> |
| At January 1 | \$ 954,223 | \$ 1,442,456 | \$ 3,401 | \$ 9,616 | \$ 17,949 | \$ - | \$ 43,564 | \$ 348,180 | \$ 2,819,389 |
| Additions | 62,520 | 38,255 | - | 490 | - | - | 4,136 | 142,724 | 248,125 |
| Reclassifications (transfers) | 33,768 | 170,526 | - | - | - | - | 220 | (205,514) | - |
| Depreciation charge | (57,663) | (190,640) | (518) | (1,992) | (2,372) | - | (6,791) | - | (259,976) |
| Impairment loss | <u>-</u> | <u>(906)</u> | <u>-</u> | <u>-</u> | <u>(970)</u> | <u>-</u> | <u>(84)</u> | <u>-</u> | <u>(1,960)</u> |
| At June 30 | <u>\$ 992,848</u> | <u>\$ 1,459,691</u> | <u>\$ 2,883</u> | <u>\$ 8,114</u> | <u>\$ 14,607</u> | <u>\$ -</u> | <u>\$ 41,045</u> | <u>\$ 286,390</u> | <u>\$ 2,805,578</u> |
| At June 30 | | | | | | | | | |
| Cost | \$1,574,795 | \$3,685,975 | \$ 10,107 | \$ 23,061 | \$ 53,416 | \$ 538 | \$ 88,731 | \$ 286,390 | \$5,723,013 |
| Accumulated depreciation | (581,947) | (2,225,277) | (7,224) | (14,947) | (35,870) | (538) | (47,529) | - | (2,913,332) |
| Impairment loss | <u>-</u> | <u>(1,007)</u> | <u>-</u> | <u>-</u> | <u>(2,939)</u> | <u>-</u> | <u>(157)</u> | <u>-</u> | <u>(4,103)</u> |
| | <u>\$ 992,848</u> | <u>\$ 1,459,691</u> | <u>\$ 2,883</u> | <u>\$ 8,114</u> | <u>\$ 14,607</u> | <u>\$ -</u> | <u>\$ 41,045</u> | <u>\$ 286,390</u> | <u>\$ 2,805,578</u> |

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

| | Year ended June 30 2022 | Year ended June 30 2021 |
|--|-------------------------|-------------------------|
| Range of the interest rates for capitalisation | \$ 7,143 0.87%~1.25% | \$ 2,336 0.81%~1.26% |

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8

C. Impairment information about the property, plant and equipment is provided in Note 6(9).

(8) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings and business vehicles, Rental contracts are typically made for periods of 2 to 19 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Short-term leases with a lease term of 12 months or less comprise employees' dorms, parking lots and warehouse. Low-value assets comprise furniture and fixtures and other equipment.
- 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 | \$ 330,123 | \$ 322,927 | \$ 226,649 |
| Buildings | 8,558 | - | 10,433 |
| Transportation equipment (Business vehicles) | <u>2,241</u> | <u>1,385</u> | <u>1,879</u> |
| | <u>\$ 340,922</u> | <u>\$ 324,312</u> | <u>\$ 238,961</u> |

Three months ended June 30

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | \$ 2,846 | \$ 2,109 |
| Buildings | 311 | 1,648 |
| Transportation equipment (Business vehicles) | <u>243</u> | <u>227</u> |
| | <u>\$ 3,400</u> | <u>\$ 3,984</u> |

Six months ended June 30

| | <u>2022</u> | <u>2021</u> |
|--|----------------------------|----------------------------|
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | \$ 5,585 | \$ 4,218 |
| Buildings | 311 | 3,295 |
| Transportation equipment (Business vehicles) | <u>491</u> | <u>484</u> |
| | <u>\$ 6,387</u> | <u>\$ 7,997</u> |

- D. For the six months ended June 30, 2022 and 2021, the additions to right-of-use assets were \$22,997 and 1,574 respectively.
- E. The information on profit and loss accounts relating to lease contracts is as follows:

| <u>Items affecting profit or loss</u> | <u>Three months ended June 30</u> | |
|---------------------------------------|-----------------------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| Interest expense on lease liabilities | \$ 1,096 | \$ 968 |
| Expense on short-term lease contracts | 2,019 | 763 |
| Expense on leases of low-value assets | 231 | 129 |
| | | |
| <u>Items affecting profit or loss</u> | <u>Six months ended June 30</u> | |
| | <u>2022</u> | <u>2021</u> |
| Interest expense on lease liabilities | \$ 2,332 | \$ 1,946 |
| Expense on short-term lease contracts | 4,029 | 1,366 |
| Expense on leases of low-value assets | 301 | 333 |

F. For the years ended June 30, 2022 and 2021, the Group's total cash outflow for leases were \$13,043 and \$10,946, respectively.

G. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Impairment of non-financial assets

A. The Group recognized impairment loss for the three months and six months ended June 30, 2021, was \$612 and \$1,859. Details of such loss are as follows:

| | <u>Three months ended June 30,</u> | |
|---|-------------------------------------|--------------|
| | <u>Recognised in profit or loss</u> | |
| Impairment loss – machinery | (\$ | 151) |
| Impairment loss – Leasehold improvement | | 739 |
| Impairment loss – other equipment | | 73 |
| Impairment loss – intangible assets | (| 49) |
| Impairment loss – machinery | \$ | <u>612</u> |
| | | |
| | <u>Six months ended June 30,</u> | |
| | <u>Recognised in profit or loss</u> | |
| Impairment loss – machinery | \$ | 906 |
| Impairment loss – Leasehold improvement | | 970 |
| Impairment loss – other equipment | | 84 |
| Impairment loss – intangible assets | (| 101) |
| Impairment loss – machinery | \$ | <u>1,859</u> |

B. The subsidiary, Phoenix Battery Corporation, did not meet the economic scale for the years ended June 30, 2021, that resulted in an impairment in the Phoenix Battery

Corporation's property, plant and equipment and intangible assets. Phoenix Battery Corporation wrote down the carrying amount of the asset based on the recoverable amount and recognised an impairment loss of \$1,859. The recoverable amount is the property's fair value less costs of disposal. The fair value is classified as a level 3 fair value.

(10) Other non-current assets

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---|----------------------|--------------------------|----------------------|
| Prepayments for facilities and equipments | \$ 782,707 | \$ 334,257 | \$ 117,818 |
| Prepayments for intangible assets | 5,400 | 3,946 | 4,036 |
| Refundable deposit paid | 3,280 | 2,968 | 7,836 |
| Others | <u>337</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 791,724</u> | <u>\$ 341,171</u> | <u>\$ 129,690</u> |

(11) Discounted operations

A. On December 29, 2021, the Group lost control over the Phoenix Battery Corporation (please refer to Note 4(3)B Note.). Phoenix Battery Corporation is an energy business segment (please refer to Note 14 for details), which have been reclassified as discontinued operations for meeting the definition of discontinued operations.

B. The cash flow information of the discontinued operations is as follows:

| | <u>Period from January 1, 2021 to June 30, 2021</u> |
|----------------------|---|
| Operating cash flows | (\$ 17,521) |
| Investing cash flows | (3,885) |
| Financing cash flows | <u>32,468</u> |
| Total cash flows | <u>\$ 11,062</u> |

C. Analysis of the result of discontinued operations:

| | <u>Period from April 1, 2021 to June 30, 2021</u> | <u>Period from January 1, 2021 to June 30, 2021</u> |
|--|---|---|
| Revenue | \$ 71,650 | \$ 125,660 |
| Operating costs | <u>(67,986)</u> | <u>(113,892)</u> |
| Net operating margin | 3,664 | 11,768 |
| Operating expenses | (19,397) | (37,860) |
| Non-operating revenue and expenses | <u>(1,530)</u> | <u>(3,726)</u> |
| Loss before tax of discontinued operations | (17,263) | (29,818) |
| Income tax | <u>-</u> | <u>-</u> |
| Loss after tax of discontinued operations | <u>(\$ 17,263)</u> | <u>(\$ 29,818)</u> |

D. Profit from continuing and discontinued operations attributable to owners of the parent:

Please refer to Note 6(30).

(12) Short-term borrowings

June 30, 2022 and December 31, 2021: None

| <u>Type of borrowings</u> | <u>June 30, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|--------------------------------|----------------------|----------------------------|---|
| Bank borrowings | | | |
| Bank secured borrowings (note) | <u>\$ 49,952</u> | 1.41%~2.22% | Reserve account and credit guarantee fund |

A. Interest expense recognised in profit or loss amounted to \$0,\$178,\$0 and \$1,364 for the three months and six months ended June30, 2022 and 2021, respectively.

B. Information about collateral for secured borrowing is provided in Note 8.

Note: According to the loan agreement signed by Phoenix Battery Corporation, the parent company's shareholding in the company shall not be less than 65% during the loan period.

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

| <u>Items</u> | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--|----------------------|--------------------------|----------------------|
| Current items: | | | |
| Financial liabilities held for trading | | | |
| Derivative instruments | \$ - | \$ - | \$ 917 |
| Convertible bonds call/ put options | 199 | - | 200 |
| Valuation adjustment | <u>(199)</u> | <u>-</u> | <u>700</u> |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,017</u> |

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

| | <u>Three months ended June 30</u> | |
|--|-----------------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> |
| Net gains (losses) recognised in profit; | | |
| Financial liabilities held for trading | | |
| Derivative instruments | \$ - | (\$ 42) |
| Convertible bonds call/ put options | <u>-</u> | <u>(200)</u> |
| Total | <u>\$ -</u> | <u>(\$ 242)</u> |

| | Six months ended June 30 | |
|--|--------------------------|-------------------|
| | 2022 | 2021 |
| Net gains (losses) recognised in profit; Financial liabilities held for trading | | |
| Derivative instruments | (\$ 1,717) | (\$ 1,966) |
| Convertible bonds call/ put options | (100) | (900) |
| Total | <u>(\$ 1,817)</u> | <u>(\$ 2,866)</u> |

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

June 30, 2022 and December 31, 2021: None

(units: in thousands of dollars)

| Non-derivative financial liabilities | June 30, 2021 | Contract period |
|---|---|--------------------|
| | Contract amount (Notional principal) | |
| Current items: | | 2021.5.19 |
| Forward foreign exchange | <u>USD 6,900</u> | ~2021.8.5 |

The Group entered into forward foreign exchange contracts to sell to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(14) Other payables

| | June 30 2022 | December 31, 2021 | June 30, 2021 |
|---|-------------------|-------------------|-------------------|
| Dividend payable | \$ 112,282 | \$ - | \$ - |
| Wages and salaries payable | 93,424 | 132,236 | 98,875 |
| Employees' compensation and directors' remuneration payable | 48,631 | 58,310 | 37,824 |
| Payable on machinery and equipment | 315,402 | 92,918 | 49,835 |
| Payable on repair expenses | 26,917 | 24,810 | 24,973 |
| Other accrued expenses | <u>84,502</u> | <u>65,465</u> | <u>85,354</u> |
| Total | <u>\$ 681,158</u> | <u>\$ 373,739</u> | <u>\$ 296,861</u> |

(15) Bonds payable

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|--|-------------------|-------------------|-------------------|
| Bonds payable | \$ 1,002,078 | \$ 1,002,078 | \$ 1,007,519 |
| Less: Discount on bonds payable | <u>(5,793)</u> | <u>(13,452)</u> | <u>(21,293)</u> |
| | 996,285 | 988,626 | 986,226 |
| Less: Current portion or exercise of put options | <u>(996,285)</u> | <u>(988,626)</u> | <u>(986,226)</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

A. Issuance of domestics convertible bonds by the Group

(a) The terms of the first unsecured convertible bonds issued by the Group are as follows:

The competent authority has approved the Group's first time raising and issuance of overseas unsecured corporate bonds. The bonds are with a total issuance amount of \$1,000,000 and a coupon rate of 0%, cover a 3-year period of issuance and a circulation period from November 13, 2019 to November 13, 2022. The Group will redeem the bonds at the face value and pay in full amount using cash at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2019.

(b) The bondholders have the right to ask for conversion of the bonds into common shares of the Group during the period from the date after three month of the bonds issue to the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

(c) The conversion price of the bonds is set up based on the pricing model specified in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model specified in the terms of the bonds on each effective date regulated by the terms. As of June 30, 2022, the Company adjusted the conversion price to NTD 68.60 per share.

(d) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 0.5001% of the interests compensation upon two years from the issue date.

(e) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 30 days before the maturity date.

(f) The Company may repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the issuance at any time after the following event occurs: the closing price of the Company's common shares is less than the conversion price by 10% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 30 days before the maturity date.

(g) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to

\$132,294 were separated from the liability component and were recognised in ‘capital surplus—share options’ in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective annual interest rate of the bonds after separation was 1.56%.

(16) Long-term borrowings

| <u>Type of Borrowing</u> | <u>Borrowing period and repayment term</u> | <u>Interest rate rang</u> | <u>Collateral</u> | <u>June 30, 2022</u> |
|--|--|---------------------------|--------------------------|----------------------|
| Plant syndicated loan (Note 1) | 2022.04.15~2029.04.15 Repayment by installments and installments over the agreed period | Floating rate | Buildings and structures | \$ 385,600 |
| Plant loan | 2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period | Floating rate | Buildings and structures | 202,533 |
| Mid-term syndicated secured loan (Note 1) | 2022.06.15~2029.06.15 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment | 302,400 |
| Mid-term secured loan (Note 2) | 2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment | 21,875 |
| Mid-term secured borrowings | 2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment | 1,293,390 |
| Unsecured borrowings | 2019.12.28~2024.12.08 Repayment by installments and installments over the agreed period | Floating rate | None | 366,667 |
| | | | | 2,572,465 |
| Less: Current portion | | | | (95,249) |
| Less: Joint loan sponsorship fee | | | | (3,409) |
| | | | | \$ 2,473,807 |
| Annual interest rate range | | | | 0.93%~1.80% |

| <u>Type of Borrowing</u> | <u>Borrowing period and repayment term</u> | <u>Interest rate rang</u> | <u>Collateral</u> | <u>December 31, 2021</u> |
|-----------------------------------|--|---------------------------|--------------------------|--------------------------|
| Plant loan (Note 2) | 2019.04.25~2022.04.25 Repayment by installments and installments over the agreed period | Floating rate | Buildings and structures | \$ 37,600 |
| Plant loan | 2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period | Floating rate | Buildings and structures | 219,190 |
| Mid-term secured loan (Note 2) | 2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment | 35,250 |
| Mid-term secured borrowings | 2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment | 1,089,690 |

| | | | | |
|----------------------------|--|---------------|------|--------------|
| Unsecured borrowings | 2019.06.27~2024.12.08 Repayment by installments and installments over the agreed period | Floating rate | None | 520,000 |
| | | | | 1,901,730 |
| Less: Current portion | | | | (167,434) |
| | | | | \$ 1,734,296 |
| Annual interest rate range | | | | 0.55%~1.20% |

| Type of Borrowing | Borrowing period and repayment term | Interest rate rang | Collateral | June 30, 2021 |
|---|---|-----------------------|--|---------------|
| Plant loan (Note 2) | 2019.04.25~2022.04.25 Repayment by installments and installments over the agreed period | Floating rate | Buildings and structures | \$ 75,200 |
| Plant loan | 2017.12.08~2035.07.24 Repayment by installments and installments over the agreed period | Floating rate | Buildings and structures | 235,843 |
| Mid-term secured loan (Note 2) | 2019.04.15~2024.08.14 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment | 48,625 |
| Mid-term secured borrowings | 2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment | 403,000 |
| Mid-term secured borrowings (Note 3) | 2018.12.20~2024.12.20 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment and credit guarantee fund | 43,705 |
| Mid-term secured borrowings | 2017.11.28~2021.11.28 Repayment by installments and installments over the agreed period | Floating rate | Machinery and equipment and credit guarantee fund | 2,625 |
| Mid-term secured borrowings (Note 4) | 2018.09.28~2024.09.28 Repayment by installments and installments over the agreed period | Floating rate | Credit guarantee fund | 13,219 |
| Mid-term secured borrowings | 2021.01.12~2026.01.12 Repayment by installments and installments over the agreed period | Floating rate | Credit guarantee fun | 30,000 |
| Unsecured borrowings | 2019.06.27~2022.06.27 Repayment by installments and installments over the agreed period | Floating rate | None | 52,500 |
| Unsecured borrowings | 2018.03.30~2022.05.14 Repayment by installments and installments over the agreed period | Fixed rate | None | 3,076 |
| | | | | 907,838 |
| Less: Current portion | | | | (213,088) |
| | | | | \$ 694,750 |
| Annual interest rate range | | | | 0.55%~3.57% |

Information about collateral for long-term borrowing is provided in Note 8.

Note 1: According to the agreement, the Company should maintain a specific current ratio, debt ratio, interest coverage ratio and amount of shareholders' equity every year during the loan period.

Note 2: According to the agreement, the Company should maintain a specific net liabilities ratio and ability of interest repayment every six months during the loan period.

Note 3: According to the loan agreement signed by Phoenix Battery Corporation, the parent company's shareholding in the company shall not be less than 65% during the loan period.

Note 4: In May 2020, the Group applied for and obtained consent from the bank to extend the principal repayment period for one year in response to the relief package provided by the bank in connection with the Covid-19.

(17) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) For the aforementioned pension plan, the Group recognised pension costs of \$46, \$44, \$91 and \$88 for the three months and six months ended June 30, 2022 and 2021, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$1,428.

B.(a) Effective July 1, 2005, 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) For the aforementioned pension plan, the Group recognised pension costs of \$7,168, \$7,510, \$13,823 and \$14,890 for the three months and six months ended June 30, 2022

and 2021, respectively.

(18) Provisions

| | <u>Decommissioning liabilities</u> |
|-----------------------|------------------------------------|
| At January 1, 2022 | \$ 16,600 |
| Unwinding of discount | <u>407</u> |
| At June 30, 2022 | <u>\$ 17,007</u> |

Analysis of total provisions:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|-------------|----------------------|--------------------------|----------------------|
| Non-current | <u>\$ 17,007</u> | <u>\$ 16,600</u> | <u>\$ 23,575</u> |

Decommissioning liabilities

According to the policy published, applicable agreement or the law/regulation requirement, the Group bears dismantling, removing the asset and restoring the site obligations for certain property, plant and equipment in the future. A provision is recognised for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will start to be used within the next 5 to 40 years.

(19) Share capital

A. As of June 30, 2022, the Company's authorised capital was \$4,000,000, consisting of 400,000 thousand shares of ordinary stock (including 40,000 thousand shares reserved for employee stock options), and the paid-in capital was \$1,403,525 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:

| | Unit: share | |
|--------------------|--------------------|--------------------|
| | 2022 | 2021 |
| January 1/ June 30 | <u>140,352,480</u> | <u>132,408,000</u> |

B. The capitalisation of capital surplus amounting to \$79,445 was proposed by the Board of Directors on April 13, 2021, resolved by the shareholders on July 5, 2021 and approved by the regulatory authority on July 29, 2021. Its effective date was set on September 8, 2021 as resolved by the Board of Directors on August 6, 2021.

C. The capitalisation of capital surplus amounting to \$84,211 was proposed by the Board of Directors on April 14, 2022, resolved by the shareholders on May 27, 2022 and approved by the regulatory authority on June 16, 2022. Its effective date was set on July 29, 2022 as resolved by the Board of Directors on June 24, 2022.

(20) Capital surplus

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.

| | <u>2022</u> | | |
|--------------------|--------------------------|---|----------------------|
| | <u>Share premium</u> | <u>Changes in ownership interests in subsidiaries</u> | <u>stock options</u> |
| January 1/ June 30 | <u>\$ 407,171</u> | <u>\$ 70,793</u> | <u>\$ 132,294</u> |

| | <u>2021</u> | | |
|--------------------|--------------------------|---|----------------------|
| | <u>Share Premium</u> | <u>Changes in ownership interests in subsidiaries</u> | <u>stock options</u> |
| January 1/ June 30 | <u>\$ 486,616</u> | <u>\$ 15,858</u> | <u>\$ 132,294</u> |

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the paid-in capital. After that, special reserve shall be set aside or reversed and the remainder, if any, along with prior year's undistributed earnings shall be resolved by the shareholders.
- B. The Company's dividend distribution policy aligns with the current and future development plan by taking into account of factors such as investment environment, capital needs, domestic and overseas competition, along with the consideration of shareholders' interest. Each year, at least 10% of the Company's distributable earnings shall be appropriated as dividends and bonuses, and cash dividends and bonuses shall account for at least 50% of the total dividends and bonuses distributed.
- C. 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.
- D. 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.
- E. The appropriations of 2021 and 2020 earnings as resolved by the shareholders at their

meetings on May 27, 2022 and July 5, 2021 are as follows:

| | 2021 | | 2020 | |
|----------------|-------------------|--------------------------------------|------------------|-------------------------------------|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve | \$ 23,400 | \$ - | \$ 13,511 | \$ - |
| cash dividends | <u>112,282</u> | <u>0.80</u> | <u>79,445</u> | <u>0.60</u> |
| Total | <u>\$ 135,682</u> | <u>\$ 0.80</u> | <u>\$ 92,956</u> | <u>\$ 0.60</u> |

(22) Operating revenue

| | Three months ended June 30 | |
|---------------------------------------|----------------------------|-------------------|
| | 2022 | 2021 |
| Revenue from contracts with customers | <u>\$ 730,043</u> | <u>\$ 636,501</u> |

| | Six months ended June 30 | |
|---------------------------------------|--------------------------|---------------------|
| | 2022 | 2021 |
| Revenue from contracts with customers | <u>\$ 1,457,104</u> | <u>\$ 1,254,234</u> |

A. Disaggregation of revenue from contracts with customers

Revenue of the Company can be disaggregated as follows:

| | Three months ended June 30 | |
|--|----------------------------|-------------------|
| | 2022 | 2021 |
| Segment revenue- Semiconductor business | \$ 730,043 | \$ 637,509 |
| Inter-segment revenue | - | (1,008) |
| Revenue from external customer contracts | <u>\$ 730,043</u> | <u>\$ 636,501</u> |
| Timing of revenue recognition | | |
| At a point in time | \$ 23,319 | \$ 32,991 |
| Over time | <u>706,724</u> | <u>603,510</u> |
| | <u>\$ 730,043</u> | <u>\$ 636,501</u> |

| | Six months ended June 30 | |
|---|--------------------------|---------------------|
| | 2022 | 2021 |
| <u>Segment revenue- Semiconductor business</u> | \$ 1,457,104 | \$ 1,257,384 |
| <u>Inter-segment revenue</u> | - | (3,150) |
| <u>Revenue from external customer contracts</u> | <u>\$ 1,457,104</u> | <u>\$ 1,254,234</u> |
| <u>Timing of revenue recognition</u> | | |
| <u>At a point in time</u> | \$ 60,884 | \$ 73,771 |
| <u>Over time</u> | <u>1,396,220</u> | <u>1,180,463</u> |
| | <u>\$ 1,457,104</u> | <u>\$ 1,254,234</u> |

B. Contract assets and liabilities

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

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> | <u>January 1, 2021</u> |
|---|----------------------|--------------------------|----------------------|------------------------|
| Contract assets | \$ 215,837 | \$ 77,591 | \$ 83,558 | \$ 128,884 |
| Contract liabilities - advance sales receipts | <u>\$ 140</u> | <u>\$ 157</u> | <u>\$ 2,545</u> | <u>\$ 32,642</u> |

| | <u>Three months ended June 30</u> | |
|---|-----------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | <u>\$ -</u> | <u>\$ 16,000</u> |

| | <u>Six months ended June 30</u> | |
|---|---------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | <u>\$ 17</u> | <u>\$ 32,606</u> |

(23) Interest income

| | <u>Three months ended June 30</u> | |
|--|-----------------------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| Interest income from bank deposits | \$ 412 | \$ 378 |
| Interest income from financial assets measured at amortised cost | 33 | 20 |
| Other interest income | <u>-</u> | <u>3</u> |
| | 445 | 401 |
| Less: Interest income from discontinued units | <u>-</u> | <u>(7)</u> |
| | <u>\$ 445</u> | <u>\$ 394</u> |
| | <u>Six months ended June 30</u> | |
| | <u>2022</u> | <u>2021</u> |
| Interest income from bank deposits | \$ 529 | \$ 689 |
| Interest income from financial assets measured at amortised cost | 56 | 45 |
| Other interest income | <u>-</u> | <u>3</u> |
| | 585 | 737 |
| Less: Interest income from discontinued units | <u>-</u> | <u>(9)</u> |
| | <u>\$ 585</u> | <u>\$ 728</u> |

(24) Other income

| | Three months ended June 30 | |
|--|----------------------------|---------------|
| | 2022 | 2021 |
| Rent income | \$ 1,283 | \$ 304 |
| Other income, others | 1,357 | 38 |
| | 2,640 | 342 |
| Less: : Other income from the discontinued operation | - | - |
| | <u>\$ 2,640</u> | <u>\$ 342</u> |
| | Six months ended June 30 | |
| | 2022 | 2021 |
| Rent income | \$ 2,565 | \$ 608 |
| Other income, others | 2,689 | 72 |
| | 5,254 | 680 |
| Less: : Other income from the discontinued operation | - | - |
| | <u>\$ 5,254</u> | <u>\$ 680</u> |

(25) Other benefits and losses

| | Three months ended June 30 | |
|--|----------------------------|-------------------|
| | 2022 | 2021 |
| Gains on disposals of property, plant and equipment | \$ 5,351 | \$ 600 |
| Gains on disposals of investments | 30,582 | - |
| Foreign exchange losses | 16,173 | (10,676) |
| Gains on financial assets (liabilities) at fair value through profit or loss | - | 2,754 |
| Gains on disposals of property, plant and equipment | - | (661) |
| Gains on disposals of investments | - | 49 |
| Others | - | (2,362) |
| | 52,106 | (10,296) |
| Less: Other gains and losses from the discontinued operations | - | 761 |
| | <u>\$ 52,106</u> | <u>(\$ 9,535)</u> |

| | Six months ended June 30 | |
|--|--------------------------|--------------------|
| | 2022 | 2021 |
| Gains on disposals of property, plant and equipment | \$ 5,351 | \$ 895 |
| Gains on disposals of investments | 30,550 | - |
| Foreign exchange losses | 30,383 | (17,739) |
| Gains on financial assets (liabilities) at fair value through profit or loss | (3,127) | 2,612 |
| Gains on disposals of property, plant and equipment | - | (1,960) |
| Gains on disposals of investments | - | 101 |
| Others | - | (2,362) |
| | <u>63,157</u> | <u>(18,453)</u> |
| Less: Other gains and losses from the discontinued operations | - | 2,276 |
| | <u>\$ 63,157</u> | <u>(\$ 16,177)</u> |

(26) Finance costs

| | Three months ended June 30 | |
|--|----------------------------|-----------------|
| | 2022 | 2021 |
| Borrowing from financial institutions | \$ 2,581 | \$ 1,029 |
| Bonds payable | 3,859 | 3,819 |
| Lease liability | 1,096 | 968 |
| Provisions - unwinding of discount | 204 | 283 |
| Other financial costs | (1,496) | - |
| | <u>6,244</u> | <u>6,099</u> |
| Less: Finance costs of the discontinued operations | - | (777) |
| | <u>\$ 6,244</u> | <u>\$ 5,322</u> |

| | Six months ended June 30 | |
|--|--------------------------|------------------|
| | 2022 | 2021 |
| Borrowing from financial institutions | \$ 3,359 | \$ 2,543 |
| Bonds payable | 7,659 | 7,582 |
| Lease liability | 2,332 | 1,946 |
| Provisions - unwinding of discount | 407 | 566 |
| | <u>13,757</u> | <u>12,637</u> |
| Less: Finance costs of the discontinued operations | - | (1,459) |
| | <u>\$ 13,757</u> | <u>\$ 11,178</u> |

(27) Expenses by nature

| | <u>Three months ended June 30</u> | |
|---|-----------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Employee benefit expense | \$ 229,549 | \$ 206,152 |
| Depreciation charges | 145,678 | 134,750 |
| Amortisation charges on intangible assets | <u>3,939</u> | <u>4,381</u> |
| | 379,166 | 345,283 |
| Less: Expenses of the discontinued operations | <u>-</u> | <u>(28,419)</u> |
| | <u>\$ 379,166</u> | <u>\$ 316,864</u> |

| | <u>Six months ended June 30</u> | |
|---|---------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Employee benefit expense | \$ 440,724 | \$ 415,246 |
| Depreciation charges | 284,787 | 267,973 |
| Amortisation charges on intangible assets | <u>8,062</u> | <u>8,346</u> |
| | 733,573 | 691,565 |
| Less: Expenses of the discontinued operations | <u>-</u> | <u>(59,492)</u> |
| | <u>\$ 733,573</u> | <u>\$ 632,073</u> |

(28) Employee benefit expense

| | <u>Three months ended June 30</u> | |
|---|-----------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Wages and salaries | \$ 194,174 | \$ 170,285 |
| Labour and health insurance fees | 16,740 | 16,627 |
| Pension costs | 7,214 | 7,554 |
| Other personnel expenses | <u>11,421</u> | <u>11,686</u> |
| | 229,549 | 206,152 |
| Less: Expenses of the discontinued operations | <u>-</u> | <u>(20,232)</u> |
| | <u>\$ 229,549</u> | <u>\$ 185,920</u> |

| | <u>Six months ended June 30</u> | |
|---|---------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Wages and salaries | \$ 372,595 | \$ 343,729 |
| Labour and health insurance fees | 32,170 | 33,246 |
| Pension costs | 13,914 | 14,978 |
| Other personnel expenses | <u>22,045</u> | <u>23,293</u> |
| | 440,724 | 415,246 |
| Less: Expenses of the discontinued operations | <u>-</u> | <u>(43,002)</u> |
| | <u>\$ 440,724</u> | <u>\$ 372,244</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 be 10%~15% for employees' compensation and shall not be higher than 2% for directors' remuneration.
- B. The company from the three months and six months ended June 30, 2022 and 2021, employees' compensation was accrued at \$18,684, \$2,689, \$32,564 and \$5,562, respectively; while directors' remuneration was accrued at \$2,491, \$537, \$4,342 and \$1,112, respectively. The aforementioned amounts were recognised in salary expenses. January 1 to June 30, 2022, the employees' compensation and directors' remuneration were estimated and accrued based on 15% and 2% of distributable profit of current year as of the end of reporting period.
- Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. 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.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense :

| | <u>Three months ended June 30</u> | |
|---|-----------------------------------|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Current tax: | | |
| Current tax on profits for the year | \$ 12,428 | (\$ 4,417) |
| Prior year income tax overestimation | (29) | 3,942 |
| Total current tax | <u>12,399</u> | <u>(475)</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (1,719) | (16,823) |
| Total deferred tax | <u>(1,719)</u> | <u>(16,823)</u> |
| Income tax expense | <u>\$ 10,680</u> | <u>(\$ 17,298)</u> |

| | Six months ended June 30 | |
|---|--------------------------|--------------------|
| | 2022 | 2021 |
| Current tax: | | |
| Current tax on profits for the year | \$ 22,845 | \$ 5 |
| Prior year income tax overestimation | (29) | 3,942 |
| Total current tax | <u>22,816</u> | <u>3,947</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (2,692) | (18,766) |
| Total deferred tax | <u>(2,692)</u> | <u>(18,766)</u> |
| Income tax expense | <u>\$ 20,124</u> | <u>(\$ 14,819)</u> |

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows: None.

(c) The income tax charged/(credited) to equity during the period is as follows: None.

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

(30) 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 from continuing operations attributable to ordinary shareholders of the parent | \$ 92,704 | <u>148,774</u> | \$ 0.62 |
| Loss from discontinued operations attributable to the parent | - | | - |
| Profit attributable to ordinary shareholders of the parent | <u>\$ 92,704</u> | | <u>\$ 0.62</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 92,704 | 148,774 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Convertible bonds | 3,086 | 15,368 | |
| Employees' compensation | - | <u>545</u> | |
| Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | 95,790 | <u>164,687</u> | \$ 0.58 |
| Loss from discontinued operations attributable to the parent | - | | - |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 95,790</u> | | <u>\$ 0.58</u> |

| | <u>Three months ended June 30, 2021</u> | | |
|---|---|--|--|
| | <u>Amount</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 53,992 | <u>148,774</u> | \$ 0.36 |
| Loss from discontinued operations attributable to the parent | (13,034) | | (0.08) |
| Profit attributable to ordinary shareholders of the parent | <u>\$ 40,958</u> | | <u>\$ 0.28</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 53,992 | 148,774 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Convertible bonds | 3,215 | 15,266 | |
| Employees' compensation | <u>-</u> | <u>64</u> | |
| Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | 57,207 | <u>164,104</u> | \$ 0.35 |
| Loss from discontinued operations attributable to the parent | (13,034) | | (0.08) |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 44,173</u> | | <u>\$ 0.27</u> |

| | <u>Six months ended June 30, 2022</u> | | |
|---|---------------------------------------|--|--|
| | <u>Amount</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 160,065 | <u>148,774</u> | \$ 1.08 |
| Loss from discontinued operations attributable to the parent | - | | - |
| Profit attributable to ordinary shareholders of the parent | <u>\$ 160,065</u> | | <u>\$ 1.08</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 160,065 | 148,774 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Convertible bonds | 6,207 | 15,368 | |
| Employees' compensation | - | <u>818</u> | |
| Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | 166,272 | <u>164,960</u> | \$ 1.01 |
| Loss from discontinued operations attributable to the parent | - | | - |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 166,272</u> | | <u>\$ 1.01</u> |

| | <u>Six months ended June 30, 2021</u> | | |
|---|---------------------------------------|--|--|
| | <u>Amount</u> | <u>Weighted average number of ordinary shares outstanding (share in thousands)</u> | <u>Earnings per Share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 86,620 | 148,774 | \$ 0.58 |
| Loss from discontinued operations attributable to the parent | <u>(22,858)</u> | | <u>(0.15)</u> |
| Profit attributable to ordinary shareholders of the parent | <u>\$ 63,762</u> | | <u>\$ 0.43</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent | \$ 86,620 | 148,774 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| employee compensation | - | <u>212</u> | |
| Employees' compensation | | | |
| Profit from continuing operations attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | 86,620 | <u>148,986</u> | \$ 0.58 |
| Loss from discontinued operations attributable to the parent | <u>(22,858)</u> | | <u>(0.15)</u> |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 63,762</u> | | <u>\$ 0.43</u> |

January 1-June 30,2021 Convertible corporate bonds are not included because of the anti-dilution effect. The above weighted average of outstanding shares has been tracked according to the ratio of capital reserve to capital increase in 2022.

(31) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | Six months ended June 30 | |
|--|--------------------------|-------------------|
| | 2022 | 2021 |
| Purchase of property, plant and equipment | \$ 1,083,954 | \$ 248,125 |
| Add: Opening balance of payable on equipment | 92,918 | 48,390 |
| Add: Ending balance of prepayments for equipment | 782,707 | 117,818 |
| Less: Ending balance of payable on equipment | (315,402) | (49,835) |
| Less: Opening balance of prepayments for equipment | (334,257) | (87,052) |
| Less: Capitalisation of interest | (7,143) | (2,336) |
| Cash paid during the period | <u>\$ 1,302,777</u> | <u>\$ 275,110</u> |

| | Six months ended June 30 | |
|--------------------------------------|--------------------------|------------------|
| | 2022 | 2021 |
| Purchase of intangible assets | \$ 3,929 | \$ 11,787 |
| Add: Ending balance of prepayments | 5,400 | 4,036 |
| Less: Opening balance of prepayments | (3,946) | - |
| Cash paid during the period | <u>\$ 5,383</u> | <u>\$ 15,823</u> |

B. Financing activities with no cash flow effects

| | Six months ended June 30 | |
|-------------------------|--------------------------|-------------|
| | 2022 | 2021 |
| Declared cash dividends | <u>\$ 112,282</u> | <u>\$ -</u> |

(32) Changes in liabilities from financing activities

| | 2022 | | | | | |
|---|-------------------|-------------------|----------------------|-------------------|-----------------------------|---|
| | dividends payable | Bonds payable | Long-term borrowings | Lease liabilities | Guarantee deposits received | Liabilities from financing activities-gross |
| At January 1 | \$ - | \$ 988,626 | \$ 1,901,730 | \$ 327,499 | \$ 1,010 | \$ 3,218,865 |
| Changes in cash flow from financing activities | - | - | 670,735 | (6,381) | 68 | 664,422 |
| Interest paid on lease liabilities | - | - | - | (2,332) | - | (2,332) |
| Amortisation of interest expense on lease liabilities | - | - | - | 2,332 | - | 2,332 |
| Increase in lease liabilities | - | - | - | 22,997 | - | 22,997 |
| Amortisation of interest expense on bonds payable | - | 7,659 | - | - | - | 7,659 |
| Arrangement fee paid on syndicated loans | - | - | (6,779) | - | - | (6,779) |
| Amortisation of arrangement fee on syndicated loans | - | - | 3,370 | - | - | 3,370 |
| Declared cash dividends | 112,282 | - | - | - | - | 112,282 |
| At June 30 | <u>\$ 112,282</u> | <u>\$ 996,285</u> | <u>\$ 2,569,056</u> | <u>\$ 344,115</u> | <u>\$ 1,078</u> | <u>\$ 4,022,816</u> |

| | 2021 | | | | | |
|--|---------------------------------|-------------------------|--------------------------------|-----------------------------|---------------------------------------|--|
| | Short-term <u>borrowings</u> | Bonds <u>payable</u> | Long-term <u>borrowings</u> | Lease <u>liabilities</u> | Guarantee <u>deposits received</u> | Liabilities from financing <u>activities-gross</u> |
| At January 1 | \$ 30,000 | \$ 978,644 | \$ 1,002,694 | \$ 248,945 | \$ 1,032 | \$ 2,261,315 |
| Changes in cash flow from financing activities | 19,952 | - | (94,856) | (7,301) | (21) | (82,226) |
| Interest paid on lease liabilities | - | - | - | (1,946) | - | (1,946) |
| Amortisation of interest expense on lease liabilities | - | - | - | 1,946 | - | 1,946 |
| Increase in lease liabilities | - | - | - | 1,574 | - | 1,574 |
| Lease modification reductions | - | - | - | (38) | - | (38) |
| Amortisation of interest expense on bonds payable | - | 7,582 | - | - | - | 7,582 |
| At June 30 | <u>\$ 49,952</u> | <u>\$ 986,226</u> | <u>\$ 907,838</u> | <u>\$ 243,180</u> | <u>\$ 1,011</u> | <u>\$ 2,188,207</u> |

7. Related Party Transactions

(1) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Group</u> |
|---|------------------------------------|
| Phoenix Battery Corporation (Note) | Associate |
| All directors, president, vice presidents | Key management compensation |

Note: Phoenix Battery Corporation increased its capital by issuing new shares on November 15, 2021. The Company did not acquire shares proportionally to its interest. As a result, the Company decreased its share interest from 71.51% to 33.42%. In addition, the investee re-elected its directors and supervisors at its first shareholders' special meeting on December 29, 2021. Although the Company is the single largest shareholder of the investee, its new directors and supervisors were not appointed by the Company and other major shareholders hold more shares than the Company, which indicates that the Company has no current ability to direct the relevant activities of the investee, the Company has no control over the investee and the relationship of the investee with the Company is changed from a subsidiary to an associate.

(2) Significant related party transactions

A. Receivables from related parties:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|-----------------------------|----------------------|--------------------------|----------------------|
| Purchases of goods: | | | |
| Phoenix Battery Corporation | <u>\$ -</u> | <u>\$ 331</u> | <u>\$ -</u> |
| Other receivables: | | | |
| Phoenix Battery Corporation | <u>\$ 140</u> | <u>\$ -</u> | <u>\$ -</u> |

The receivables from related parties arise mainly from sales of supplies. The receivables are unsecured in nature and bear no interest. There are no allowances for uncollectible accounts held against receivables from related parties.

B. Payables from related parties:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|-----------------------------|----------------------|--------------------------|----------------------|
| Other payables: | | | |
| Phoenix Battery Corporation | \$ - | \$ 5 | \$ - |

C. Others

| | <u>Three months ended June 30</u> | |
|-----------------------------|-----------------------------------|---------------|
| | <u>Item</u> | <u>Amount</u> |
| Phoenix Battery Corporation | rental income | \$ 978 |
| " | Other income | \$ 105 |
| | <u>Six months ended June 30</u> | |
| | <u>Item</u> | <u>Amount</u> |
| Phoenix Battery Corporation | rental income | \$ 1,956 |
| " | Other income | \$ 280 |

April 1- June 30 and January 1-June 30,2021 : None ◦

(3) Key management compensation

| | <u>Three months ended June 30</u> | |
|------------------------------|-----------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Short-term employee benefits | \$ 9,921 | \$ 5,926 |
| Post-employment benefits | 148 | 257 |
| Total | <u>\$ 10,069</u> | <u>\$ 6,183</u> |
| | <u>Six months ended June 30</u> | |
| | <u>2022</u> | <u>2021</u> |
| Short-term employee benefits | \$ 18,397 | \$ 11,902 |
| Post-employment benefits | 294 | 503 |
| Total | <u>\$ 18,691</u> | <u>\$ 12,405</u> |

8. Pledged Assets

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

| | <u>Book value</u> | | | |
|--|----------------------|--------------------------|----------------------|---|
| <u>Pledged asset</u> | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> | <u>Purpose</u> |
| Time deposits (shown as 'non-current financial assets at amortised cost') | \$ 2,000 | \$ 2,000 | \$ 2,000 | Guarantee for duty paid after customs release |
| Time deposits (shown as 'non-current financial assets at amortised cost') | 10,417 | 10,417 | 10,417 | Guarantee for land lease in science park |

| | | | | |
|---|---------------------|---------------------|---------------------|--------------------------|
| Reserve account (shown as 'current financial assets at amortised cost') | - | - | 5,000 | Short-term borrowings |
| Buildings and structures | 1,154,769 | 1,038,803 | 992,848 | Long-term borrowings |
| Machinery and equipment (including 'equipment under acceptance') | <u>176,363</u> | <u>301,547</u> | <u>338,829</u> | Long-term borrowings |
| | <u>\$ 1,343,549</u> | <u>\$ 1,352,767</u> | <u>\$ 1,349,094</u> | |

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|-------------------------------|----------------------|--------------------------|----------------------|
| Property, plant and equipment | <u>\$ 2,599,785</u> | <u>\$ 2,386,646</u> | <u>\$ 935,385</u> |

B. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's total unused letters of credit for the import of equipment and inventory were approximately \$0, \$0 and \$21,218, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

Please refer notes 6(19).

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

During the year ended December 31, 2022, the Group's strategy, which was unchanged from 2021, was to maintain the gearing ratio at a reasonable level of risks and to adjust according to the future operating strategy. The gearing ratios at June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---------------------------------|----------------------|--------------------------|----------------------|
| Total borrowings | \$ 3,565,341 | \$ 2,890,356 | \$ 1,944,016 |
| Less: Cash and cash equivalents | (812,510) | (1,081,999) | (1,115,045) |
| Net debt | 2,752,831 | 1,808,357 | 828,971 |
| Total equity | <u>2,564,839</u> | <u>2,517,056</u> | <u>2,378,551</u> |
| Total capital | <u>\$ 5,317,670</u> | <u>\$ 4,325,413</u> | <u>\$ 3,207,522</u> |
| Gearing ratio | <u>51.77%</u> | <u>41.81%</u> | <u>25.84%</u> |

(2) Financial instruments

A. Financial instruments by category

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--|----------------------|--------------------------|----------------------|
| <u>Financial assets</u> | | | |
| Financial assets at fair value through profit or loss | | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ - | \$ 17,750 | \$ 67 |
| Financial assets at amortised cost | | | |
| Cash and cash equivalents | \$ 812,510 | \$ 1,081,999 | \$ 1,115,045 |
| Financial assets at amortised cost | 12,417 | 12,417 | 17,417 |
| Notes receivable | 7 | 185 | 59 |
| Accounts receivable (including related parties) | 378,980 | 463,281 | 356,693 |
| Other receivables | 17,089 | 2,733 | 2,903 |
| Guarantee deposits paid | <u>19,444</u> | <u>2,968</u> | <u>7,836</u> |
| | <u>\$ 1,240,447</u> | <u>\$ 1,563,583</u> | <u>\$ 1,499,953</u> |
| <u>Financial liabilities</u> | | | |
| Financial liabilities at fair value through profit or loss | | | |
| Financial liabilities held for trading | \$ - | \$ - | \$ 2,017 |
| Financial liabilities at amortised cost | | | |
| Short-term borrowings | \$ - | \$ - | \$ 49,952 |
| Accounts payable | 167,020 | 153,441 | 177,098 |
| Other payables (including related parties) | 681,158 | 373,739 | 296,861 |
| Bonds payable (including current portion) | 996,285 | 988,626 | 986,226 |
| Long-term borrowings (including current portion) | 2,569,056 | 1,901,730 | 907,838 |
| Guarantee deposits received | <u>1,078</u> | <u>1,010</u> | <u>1,011</u> |
| | <u>\$ 4,414,597</u> | <u>\$ 3,418,546</u> | <u>\$ 2,418,986</u> |
| Lease liabilities (including current portion) | <u>\$ 344,115</u> | <u>\$ 327,499</u> | <u>\$ 243,180</u> |

B. Financial risk management policies

No major changes in this period, please refer December 31,2021

Consolidated Financial Statements Notes 12.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- ii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and 6(13).
- iii. The Group's businesses involve some non-functional currency operations. 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 <u>(In thousands)</u> | <u>Exchange rate</u> | Book value <u>(NTD)</u> |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 15,837 | 29.71 | \$ 470,532 |
| <u>Non-monetary items:</u> | | | |
| None | | | |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 1,942 | 29.71 | \$ 57,701 |
| JPY:NTD | 124,931 | 0.2184 | 27,279 |
| <u>Non-monetary items:</u> | | | |
| None | | | |

| 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 | \$ 20,158 | 27.67 | \$ 557,772 |
| JPY:NTD | 1,983 | 0.2406 | 477 |
| <u>Non-monetary items:</u> | | | |
| None | | | |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 1,697 | 27.67 | \$ 46,956 |
| JPY:NTD | 117,384 | 0.2406 | 28,243 |
| <u>Non-monetary items:</u> | | | |
| None | | | |

| June 30, 2021 | | | |
|---|-------------------------|---------------|------------------|
| | Foreign currency amount | | Book value (NTD) |
| | (In thousands) | Exchange rate | (NTD) |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 18,245 | 27.86 | \$508,311 |
| JPY:NTD | 34,422 | 0.2522 | 8,680 |
| <u>Non-monetary items:</u> | | | |
| None | | | |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 2,021 | 27.86 | \$ 56,291 |
| JPY:NTD | 5,638 | 0.2522 | 1,423 |
| <u>Non-monetary items:</u> | | | |
| None | | | |

iv. The total exchange gain (loss), including realised and unrealised, 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 \$16,173, (\$10,676), \$30,383 and (\$17,739), respectively.

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

| | <u>Year ended June 30, 2022</u> | | |
|--|---------------------------------|---------------------------------|--------------------------------------|
| | <u>Sensitivity analysis</u> | | |
| | <u>Degree of variation</u> | <u>Effect on profit or loss</u> | <u>Effect on other comprehensive</u> |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 4,705 | \$ - |
| <u>Non-monetary items</u> : None | | | |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | (\$ 577) | \$ - |
| JPY:NTD | 1% | (273) | - |
| <u>Non-monetary items</u> : None | | | |

| | <u>Year ended June 30, 2021</u> | | |
|--|---------------------------------|---------------------------------|--------------------------------------|
| | <u>Sensitivity analysis</u> | | |
| | <u>Degree of variation</u> | <u>Effect on profit or loss</u> | <u>Effect on other comprehensive</u> |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 5,083 | \$ - |
| JPY:NTD | 1% | 87 | - |
| <u>Non-monetary items</u> : None | | | |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | (\$ 563) | \$ - |
| JPY:NTD | 1% | (14) | - |
| <u>Non-monetary items</u> : None | | | |

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term and short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2022 and 2021 1 January to 30 June, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars. The long-term corporate bonds with fixed rate issued by the Group are not exposed to interest rate risk and fair value interest rate risk.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of

future changes in market interest rates.

iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended June 30, 2022 and 2021 would have increased/decreased by \$3,216 and \$1,197, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients and other counterparties 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 regularly monitors and reviews its credit limits based on market conditions and the credit status of its counterparties and makes timely adjustments to manage credit risk. The Group only transacts with banks and financial institutions with high credit quality, so it does not expect to be exposed to credit risk.

iii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iv. The Group considers that a default has occurred when the contract payments are not expected to be recovered and are transferred to overdue receivables.

v. The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with credit risk on trade. The Group applies the modified approach using loss rate methodology to estimate the expected credit loss.

vi. 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 reorganisation 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.

vii. The Group used the forecastability to adjust historical and timely information to assess

the default possibility of accounts receivable, contract assets, notes receivable and other receivables. On June 30, 2022, December 31, 2021 and June 30, 2021, the loss rate methodology is as follows:

| | Not past due and up to 90 days past due | 91~180 days past due | 181~270 days past due | 271~360 days past due | Over 361 days past due | Total |
|--------------------------|---|----------------------------|-----------------------------|-----------------------------|---------------------------|------------|
| <u>June 30, 2022</u> | | | | | | |
| Expected loss rate | 0~1% | 25% | 50% | 75% | 100% | |
| Total book value | \$ 611,913 | \$ - | \$ - | \$ - | \$ - | \$611,913 |
| Loss allowance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | Not past due and up to 90 days past due | 91~180 days past due | 181~270 days past due | 271~360 days past due | Over 361 days past due | Total |
| <u>December 31, 2021</u> | | | | | | |
| Expected loss rate | 0~1% | 25% | 50% | 75% | 100% | |
| Total book value | \$ 543,790 | \$ - | \$ - | \$ - | \$ - | \$543,790 |
| Loss allowance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | Not past due and up to 90 days past due | 91~180 days past due | 181~270 days past due | 271~360 days past due | Over 361 days past due | Total |
| <u>June 30, 2021</u> | | | | | | |
| Expected loss rate | 0~1% | 25% | 50% | 75% | 100% | |
| Total book value | \$ 443,213 | \$ - | \$ - | \$ - | \$ - | \$ 443,213 |
| Loss allowance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

viii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, contract assets and other receivables are as follows:

| | <u>2022</u> |
|-----------------------------|----------------------------|
| | <u>Accounts receivable</u> |
| At January 1/ At June 30 | <u>\$ -</u> |
| | <u>2021</u> |
| | <u>Accounts receivable</u> |
| At January 1 | \$ 304 |
| Provision for impairment | 101 |
| Reversal of impairment loss | (405) |
| At June 30 | <u>\$ -</u> |

ix . For investments in debt instruments at amortised cost, the credit rating levels are presented below:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|------------------------------------|----------------------|--------------------------|----------------------|
| | <u>12 months</u> | <u>12 months</u> | <u>12 months</u> |
| Financial assets at amortised cost | <u>\$ 12,417</u> | <u>\$ 12,417</u> | <u>\$ 17,417</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Group treasury invests surplus cash held by the Group over and above balance required for working capital management in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As at June 30, 2022, December 31, 2021 and at June 30, 2021, the Group held money market position of \$812,190, \$1,081,677 and \$1,113,254, respectively, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group has the following undrawn borrowing facilities:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--------------------------|----------------------|--------------------------|----------------------|
| Floating rate: | | | |
| Expiring within one year | \$ 757,525 | \$ 780,635 | \$ 1,527,418 |
| Expiring beyond one year | 2,597,600 | 618,110 | 1,188,800 |
| Fixed rate: | | | |
| Expiring within one year | - | - | - |
| Expiring beyond one year | - | - | - |
| | <u>\$ 3,355,125</u> | <u>\$ 1,398,745</u> | <u>\$ 2,716,218</u> |

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

| June 30, 2022 | Less than <u>6 months</u> | Between 6 months and 1 year | Between 1 and 2 years | <u>Over 2 years</u> |
|---|------------------------------|-----------------------------------|--------------------------|---------------------|
| <u>Non-derivative financial liabilities:</u> | | | | |
| Accounts payable | \$167,020 | \$ - | \$ - | \$ - |
| Other payables | 537,185 | 1,918 | - | - |
| Lease liability | 9,312 | 9,312 | 18,579 | 370,387 |
| Bonds payable | 1,002,078 | - | - | - |
| Long-term borrowings(including current portion) | 62,435 | 61,247 | 563,260 | 2,002,977 |
| Guarantee deposits received | - | - | 865 | 213 |
| <u>Derivative financial liabilities: None</u> | | | | |

| December 31, 2021 | Less than <u>6 months</u> | Between 6 months and 1 year | Between 1 and 2 years | <u>Over 2 years</u> |
|---|------------------------------|-----------------------------------|--------------------------|---------------------|
| <u>Non-derivative financial liabilities:</u> | | | | |
| Accounts payable | \$153,441 | \$ - | \$ - | \$ - |
| Other payables | 182,031 | 1,162 | - | - |
| Lease liability | 8,189 | 8,189 | 16,258 | 372,115 |
| Bonds payable | - | 1,002,078 | - | - |
| Long-term borrowings(including current portion) | 127,818 | 52,755 | 477,239 | 1,287,578 |
| Guarantee deposits received | - | - | 874 | 136 |
| <u>Derivative financial liabilities: None</u> | | | | |

| June 30, 2021 | Less than <u>6 months</u> | Between 6 months and 1 year | Between 1 and 2 years | <u>Over 2 years</u> |
|---|------------------------------|-----------------------------------|--------------------------|---------------------|
| <u>Non-derivative financial liabilities:</u> | | | | |
| Short-term borrowings | \$ 50,280 | \$ - | \$ - | \$ - |
| Accounts payable | 177,098 | - | - | - |
| Other payables | 161,862 | 70 | - | - |
| Lease liability | 9,210 | 9,268 | 15,223 | 262,680 |
| Bonds payable | - | 1,007,519 | - | - |
| Long-term borrowings(including current portion) | 117,512 | 102,915 | 58,274 | 668,309 |
| Guarantee deposits | - | - | 885 | 126 |

| | | | | |
|--|-------|---|---|---|
| received | | | | |
| <u>Derivative financial liabilities:</u> | | | | |
| Forward exchange contracts | 917 | - | - | - |
| Convertible bonds | 1,100 | - | - | - |
| Call/put options | | | | |

(d) The impact of the Covid-19 pandemic on the Group's operation

The Covid-19 pandemic had no significant impact on the Group's ability to continue as a going concern, impairment of assets and financing risks based on the Group's assessment of relevant operational and financial information.

(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.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

| | | | | |
|--|----------------|----------------|----------------|--------------|
| June 30, 2022 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets : None | | | | |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Convertible bonds | | | | |
| Call/put options | \$ - | \$ - | \$ - | \$ - |
| December 31, 2021 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | \$ 17,100 | \$ - | \$ - | \$17,100 |

| | | | | |
|----------------------------|------------------|---------------|---------------|-----------------|
| Forward exchange contracts | - | 550 | - | 550 |
| Convertible bonds | | | | |
| Call/put options | - | - | 100 | 100 |
| Total | <u>\$ 17,100</u> | <u>\$ 550</u> | <u>\$ 100</u> | <u>\$17,750</u> |

Liabilities : None.

| | | | | |
|--|----------------|----------------|-----------------|-----------------|
| June 30, 2021 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward exchange contracts | <u>\$ -</u> | <u>\$ 67</u> | <u>\$ -</u> | <u>\$ 67</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward exchange contracts | \$ - | \$ 917 | \$ - | \$ 917 |
| Convertible bonds | | | | |
| Call/put options | - | - | 1,100 | 1,100 |
| | <u>\$ -</u> | <u>\$ 917</u> | <u>\$ 1,100</u> | <u>\$ 2,017</u> |

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

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

| | |
|---------------------|----------------------|
| | <u>Listed shares</u> |
| Market quoted price | Closing price |

- ii. The fair value of financial instruments 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 balance sheet date.
- iii. Forward exchange contracts are usually valued based on the current forward exchange rate.

C. For the years ended June 30, 2022 and 2021, there was no transfer between Level 1 and Level

D. The following chart is the movement of Level 3 for the years ended June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|--------------------------|--------------------------|
| | <u>Convertible bonds</u> | <u>Convertible bonds</u> |
| At January 1 | (\$ 100) | \$ 200 |
| Gains and losses recognized in profit or loss Recorded as non-operating income and expenses | <u>100</u> | <u>900</u> |
| At June 30 | <u>\$ -</u> | <u>\$ 1,100</u> |
| Movement of unrealized gain or loss in profit or loss of assets and liabilities held as at June 30, 2022 (Note) | <u>\$ 100</u> | <u>\$ 900</u> |

Note: Recorded as non-operating income and expenses.

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

F. Group treasury is in charge of valuation procedures for fair value measurements being categorised within Level 3 by the external valuer, 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, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. 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:

| | <u>Fair value at June 30, 2022</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of <u>inputs</u> to fair value</u> |
|---------------------------------------|---|-----------------------------------|---|---|--|
| Convertible bonds Call/put options | \$ - | Binary tree valuation model | Volatility | 49.22% | The higher the stock price volatility, the higher the fair value |
| | <u>Fair value at <u>December</u> 31, 2021</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of <u>inputs</u> to fair value</u> |
| Convertible bonds Call/put options | (\$ 100) | Binary tree valuation model | Volatility | 45.15% | The higher the stock price volatility, the higher the fair value |
| | <u>Fair value at June 30, 2021</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of <u>inputs</u> to fair value</u> |
| Convertible bonds Call/put options | \$ 1,100 | Binary tree valuation model | Volatility | 38.62% | The higher the stock price volatility, the higher the fair value |

H. The Group has carefully assessed the valuation models and assumptions used to measure fair

value. However, 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 | | | | |
|-------------------|-----------------|-------------------------------------|--------------------|---|--------------------|--|
| | | <u>Recognized in profit or loss</u> | | <u>Recognized in other comprehensive income</u> | | |
| | | <u>Favorable</u> | <u>Unfavorable</u> | <u>Favorable</u> | <u>Unfavorable</u> | |
| | | <u>change</u> | <u>change</u> | <u>change</u> | <u>change</u> | |
| <u>Input</u> | <u>Change</u> | | | | | |
| Financial assets | | | | | | |
| Convertible bonds | Volatility ±10% | \$ 10 | \$ - | \$ - | \$ - | |
| Call/put options | | | | | | |
| | | December 31, 2021 | | | | |
| | | <u>Recognized in profit or loss</u> | | <u>Recognized in other comprehensive income</u> | | |
| | | <u>Favorable</u> | <u>Unfavorable</u> | <u>Favorable</u> | <u>Unfavorable</u> | |
| | | <u>change</u> | <u>change</u> | <u>change</u> | <u>change</u> | |
| <u>Input</u> | <u>Change</u> | | | | | |
| Financial assets | | | | | | |
| Convertible bonds | Volatility ±5% | \$ 10 | \$ - | \$ - | \$ - | |
| Call/put options | | | | | | |
| | | June 30, 2021 | | | | |
| | | <u>Recognized in profit or loss</u> | | <u>Recognized in other comprehensive income</u> | | |
| | | <u>Favorable</u> | <u>Unfavorable</u> | <u>Favorable</u> | <u>Unfavorable</u> | |
| | | <u>change</u> | <u>change</u> | <u>change</u> | <u>change</u> | |
| <u>Input</u> | <u>Change</u> | | | | | |
| Financial assets | | | | | | |
| Convertible bonds | Volatility ±5% | \$ 40 | (\$ 60) | \$ - | \$ - | |
| Call/put options | | | | | | |

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others : None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): : None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: The Group entered into a forward foreign exchange contract with financial institution for the year ended June 30, 2022 to buy NTD and sell USD. Hedging was the main purpose of the contract. Net profit arising from trading in forward foreign exchange contract for the year ended June 30, 2022 was approximately \$1,061.

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

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 1.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to table 2.

14. Segment Information

(1) General information

The Management of the Group has reviewed the information used by the Board of Directors in making decisions to identify the reportable segments. The Group's reportable segments are strategic business units that provide different products and services. Since each strategic business unit requires different technology and marketing strategies, they must be managed separately. The Company has a single reporting department from January 1, 2022 to June 30, 2022. The Group has two reporting departments from January 1, 2021 to June 30, 2021: Semiconductor Business and Battery Business.

(2) Measurement of segment information

The Board of Directors evaluates the performance of individual operating segment based on profit (loss) after tax of individual strategic business unit. This measurement basis is in agreement with the significant accounting policies summarized in Note 4.

(3) Information about segment profit or loss, assets and liabilities

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

| | |
|---------------------------------------|-----------------------------------|
| <u>Six months ended June 30, 2022</u> | <u>Semiconductor Business</u> |
| Segment revenue | <u>\$ 1,457,104</u> |
| Segment income (loss) | <u>\$ 160,065</u> |
| Segment assets | <u>\$ 7,399,052</u> |

| | | | |
|---------------------------------------|-----------------------------------|--|---------------------|
| <u>Six months ended June 30, 2021</u> | <u>Semiconductor business</u> | <u>Battery business (discontinued operation)</u> | <u>Total</u> |
| Segment revenue | <u>\$ 1,254,234</u> | <u>\$ 125,660</u> | <u>\$ 1,379,894</u> |
| Segment income (loss) | <u>\$ 84,473</u> | <u>(\$ 29,818)</u> | <u>\$ 54,655</u> |
| Segment assets | <u>\$ 4,841,379</u> | <u>\$ 259,310</u> | <u>\$ 5,100,689</u> |

(4) Reconciliation for segment income (loss), assets and liabilities

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

PHOENIX SILICON INTERNATIONAL CORPORATION
 INFORMATION ON INVESTEES
 Six MONTHS ENDED June 30, 2022

Table 1

Expressed in thousands to NTD
 (Except as otherwise indicated)

| Investor | Name of investor | Location | Main business Activities | Initial investment amount | | Shares held as at June 30, 2022 | | | Net income of investee as of June 30, 2022 | Investment income (loss) recognised by the Company for the six months ended June 30, 2022 | Note |
|---|-----------------------------|----------|--------------------------------|-----------------------------|---------------------------------|---------------------------------|---------------|------------|--|---|------------|
| | | | | Balance as at June 30, 2022 | Balance as at December 31, 2021 | Shares | Ownership (%) | Book value | | | |
| PHOENIX SILICON INTERNATIONAL CORPORATION | Phoenix Battery Corporation | Taiwan | Battery manufacturing business | \$ 104,933 | \$ 125,500 | 10,493,302 | 27.94 | \$ 94,059 | (\$38,360) | (\$11,576) | Associates |

PHOENIX SILICON INTERNATIONAL CORPORATION
MAJOR SHAREHOLDERS INFORMATION
June 30, 2022

Table 2

| <u>Name of major shareholders</u> | <u>Share</u> | |
|-----------------------------------|--------------------------------|--------|
| <u>Name of shares held</u> | <u>Percentage of ownership</u> | |
| Applied Materials, Inc. | 16,140,909 | 11.50% |