

**PHOENIX SILICON INTERNATIONAL
CORPORATION
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
JUNE 30, 2023 AND 2022**

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

PHOENIX SILICON INTERNATIONAL CORPORATION
JUNE 30, 2023 AND 2022 FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REVIEW REPORT
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INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR23000098

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

Introduction

We have reviewed the accompanying balance sheets of Phoenix Silicon International Corporation (the "Company") as at June 30, 2023 and 2022, and the related statements of comprehensive income for the three-month and six-month periods then ended, as well as the statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope of review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2023 and 2022, and of its financial performance for the three-month and six-month periods then ended and its 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" that came into effect as endorsed by the Financial Supervisory Commission.

Liu, Chien-Yu

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

August 3, 2023

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' 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
BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets	Notes	June 30, 2023		December 31, 2022		June 30, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 824,432	9	\$ 1,070,340	13	\$ 812,510	11
1110	Current financial assets at fair value through profit or loss	6(2)	143,314	2	-	-	-	-
1140	Current contract assets	6(20)	443,471	5	266,439	3	215,837	3
1150	Notes receivable, net	6(4)	18	-	86	-	7	-
1170	Accounts receivable, net	6(4)	456,894	5	414,091	5	378,980	5
1200	Other receivables		2,330	-	26,034	-	16,949	-
1210	Other receivables due from related parties	7	-	-	16	-	140	-
130X	Inventories	6(5)	247,232	3	258,799	3	194,904	3
1410	Prepayments		15,614	-	14,201	-	25,370	-
1470	Other current assets		1,331	-	1,136	-	17,838	-
11XX	Current Assets		<u>2,134,636</u>	<u>24</u>	<u>2,051,142</u>	<u>24</u>	<u>1,662,535</u>	<u>22</u>
Non-current assets								
1535	Non-current financial assets at amortised cost	6(3) and 8	13,555	-	13,055	-	12,417	-
1550	Investments accounted for using equity method	6(6)	-	-	82,341	1	94,059	1
1600	Property, plant and equipment	6(7) and 8	5,927,526	68	5,611,342	65	4,438,212	60
1755	Right-of-use assets	6(8)	329,270	4	336,331	4	340,922	5
1780	Intangible assets		36,376	1	22,687	-	26,051	-
1840	Deferred income tax assets		23,443	-	26,162	1	33,132	1
1900	Other non-current assets	6(10)	255,051	3	455,894	5	791,724	11
15XX	Non-current assets		<u>6,585,221</u>	<u>76</u>	<u>6,547,812</u>	<u>76</u>	<u>5,736,517</u>	<u>78</u>
1XXX	Total assets		<u>\$ 8,719,857</u>	<u>100</u>	<u>\$ 8,598,954</u>	<u>100</u>	<u>\$ 7,399,052</u>	<u>100</u>

(Continued)

PHOENIX SILICON INTERNATIONAL CORPORATION
BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity	Notes	June 30, 2023		December 31, 2022		June 30, 2022	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
2120	Financial liabilities at fair value	6(11)					
	through profit or loss - current		\$ 2,240	-	\$ -	-	\$ -
2130	Current contract liabilities	6(20)	79	-	140	-	140
2170	Accounts payable		197,011	3	234,513	3	167,020
2200	Other payables	6(12)	687,597	8	465,019	5	681,158
2220	Other payables to related parties	6(12) and 7	-	-	1,253	-	-
2230	Current income tax liabilities		19,631	-	34,307	-	22,816
2280	Current lease liabilities		14,426	-	14,881	-	14,225
2320	Long-term liabilities, current	6(13)(14) and					
	portion	8	854,574	10	503,910	6	1,091,534
2399	Other current liabilities, others	7	286	-	367	-	2,140
21XX	Current Liabilities		<u>1,775,844</u>	<u>21</u>	<u>1,254,390</u>	<u>14</u>	<u>1,979,033</u>
Non-current liabilities							
2540	Long-term borrowings	6(14) and 8	3,669,924	42	3,985,557	47	2,473,807
2550	Provisions for liabilities - non-current	6(16)	17,830	-	17,417	-	17,007
2570	Deferred tax liabilities		10,665	-	-	-	601
2580	Non-current lease liabilities		317,921	4	324,604	4	329,890
2600	Other non-current liabilities	7	26,269	-	25,678	-	33,875
25XX	Non-current liabilities		<u>4,042,609</u>	<u>46</u>	<u>4,353,256</u>	<u>51</u>	<u>2,855,180</u>
2XXX	Total Liabilities		<u>5,818,453</u>	<u>67</u>	<u>5,607,646</u>	<u>65</u>	<u>4,834,213</u>
Equity							
	Share capital	6(17)					
3110	Share capital - common stock		1,526,280	18	1,526,280	18	1,403,525
	Capital surplus	6(18)					
3200	Capital surplus		734,756	8	744,225	8	610,258
	Retained earnings	6(19)					
3310	Legal reserve		197,755	2	164,774	2	164,774
3350	Unappropriated retained earnings		442,613	5	556,029	7	386,282
3XXX	Total equity		<u>2,901,404</u>	<u>33</u>	<u>2,991,308</u>	<u>35</u>	<u>2,564,839</u>
Significant Contingent Liabilities and 9							
Unrecognised Contract							
Commitments							
Significant Events After the Balance 11							
Sheet Date							
3X2X	Total liabilities and equity		<u>\$ 8,719,857</u>	<u>100</u>	<u>\$ 8,598,954</u>	<u>100</u>	<u>\$ 7,399,052</u>

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

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Notes	Three months ended June 30				Six months ended June 30				
		2023		2022		2023		2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(20)	\$ 934,082	100	\$ 730,043	100	\$ 1,786,333	100	\$ 1,457,104	100
5000	Operating costs	6(5)(25)(26)	(679,989)	(73)	(532,496)	(73)	(1,328,115)	(74)	(1,062,921)	(73)
5950	Gross profit from operating		<u>254,093</u>	<u>27</u>	<u>197,547</u>	<u>27</u>	<u>458,218</u>	<u>26</u>	<u>394,183</u>	<u>27</u>
	Operating expenses	6(25)(26)								
6100	Selling expenses		(11,860)	(1)	(9,999)	(2)	(22,624)	(1)	(18,973)	(1)
6200	Administrative expenses		(104,760)	(11)	(90,153)	(12)	(193,603)	(11)	(168,979)	(12)
6300	Research and development expenses		(37,343)	(4)	(37,449)	(5)	(71,903)	(4)	(69,705)	(5)
6000	Total operating expenses		(<u>153,963</u>)	(<u>16</u>)	(<u>137,601</u>)	(<u>19</u>)	(<u>288,130</u>)	(<u>16</u>)	(<u>257,657</u>)	(<u>18</u>)
6900	Operating profit		<u>100,130</u>	<u>11</u>	<u>59,946</u>	<u>8</u>	<u>170,088</u>	<u>10</u>	<u>136,526</u>	<u>9</u>
	Non-operating income and expenses									
7100	Interest income	6(21) and 7	2,753	-	445	-	3,488	-	585	-
7010	Other income	6(22) and 7	2,923	-	2,640	1	3,932	-	5,254	1
7020	Other gains and losses	6(6)(23)	70,864	8	52,106	7	82,978	5	63,157	4
7050	Finance costs	6(24)	(14,697)	(2)	(6,244)	(1)	(24,816)	(2)	(13,757)	(1)
7060	Share of loss of associates and joint ventures accounted for using equity method	6(6)	-	-	(5,509)	(1)	(3,415)	-	(11,576)	(1)
7000	Total non-operating income and expenses		<u>61,843</u>	<u>6</u>	<u>43,438</u>	<u>6</u>	<u>62,167</u>	<u>3</u>	<u>43,663</u>	<u>3</u>
7900	Profit before income tax		<u>161,973</u>	<u>17</u>	<u>103,384</u>	<u>14</u>	<u>232,255</u>	<u>13</u>	<u>180,189</u>	<u>12</u>
7950	Income tax expense	6(27)	(29,267)	(3)	(10,680)	(1)	(37,960)	(2)	(20,124)	(1)
8200	Profit for the period		<u>\$ 132,706</u>	<u>14</u>	<u>\$ 92,704</u>	<u>13</u>	<u>\$ 194,295</u>	<u>11</u>	<u>\$ 160,065</u>	<u>11</u>
8500	Total comprehensive income for the period		<u>\$ 132,706</u>	<u>14</u>	<u>\$ 92,704</u>	<u>13</u>	<u>\$ 194,295</u>	<u>11</u>	<u>\$ 160,065</u>	<u>11</u>
	Basic earnings per share	6(28)								
9750	Total basic earnings per share		<u>\$ 0.87</u>		<u>\$ 0.62</u>		<u>\$ 1.27</u>		<u>\$ 1.08</u>	
	Diluted earnings per share	6(28)								
9850	Total diluted earnings per share		<u>\$ 0.87</u>		<u>\$ 0.58</u>		<u>\$ 1.26</u>		<u>\$ 1.01</u>	

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

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Total capital surplus, additional paid- in capital	Legal reserve	Retained Earnings Total unappropriated retained earnings (accumulated deficit)	Total equity
<u>Six months ended June 30, 2022</u>						
Balance at January 1, 2022		\$ 1,403,525	\$ 610,258	\$ 141,374	\$ 361,899	\$ 2,517,056
Profit for the period		-	-	-	160,065	160,065
Total comprehensive income		-	-	-	160,065	160,065
Distribution of 2021 earnings:	6(19)					
Legal reserve		-	-	23,400	(23,400)	-
Cash dividends		-	-	-	(112,282)	(112,282)
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>Six months ended June 30, 2023</u>						
Balance at January 1, 2023		\$ 1,526,280	\$ 744,225	\$ 164,774	\$ 556,029	\$ 2,991,308
Profit for the period		-	-	-	194,295	194,295
Total comprehensive income		-	-	-	194,295	194,295
Distribution of 2022 earnings:	6(19)					
Legal reserve		-	-	32,981	(32,981)	-
Cash dividends		-	-	-	(274,730)	(274,730)
Changes in equity of associate	6(6)(18)	-	102	-	-	102
Loss of significant influence over investments accounted for using equity method	6(6)(18)	-	(9,571)	-	-	(9,571)
Balance at June 30, 2023		<u>\$ 1,526,280</u>	<u>\$ 734,756</u>	<u>\$ 197,755</u>	<u>\$ 442,613</u>	<u>\$ 2,901,404</u>

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

PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Six months ended June 30	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 232,255	\$ 180,189
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(7)(8)(25)	364,913	284,787
Amortization	6(25)	7,173	8,062
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	6(2)(21)(23)	(46,178)	3,127
Interest expense	6(24)	24,816	13,757
Interest income	6(21)	(3,488)	(585)
Share of loss of associates accounted for using equity method	6(6)	3,415	11,576
Gain on disposals of property, plant and equipment	6(23)	(229)	(5,351)
Gain on disposal of investments	6(6)(23)	(29,707)	(30,550)
Profit from lease modification	6(23)	(5)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss, mandatorily measured at fair value		531 (	1,061)
Contract assets		(177,032 ) (	138,246)
Notes receivable		68	178
Accounts receivable		(42,803)	83,970
Accounts receivable due from related parties		-	331
Other receivables		21,177 (	14,186)
Other receivables due from related parties		- (	140)
Inventories		11,567 (	29,245)
Prepayments		(1,413 ) (	12,269)
Other current assets		- (	96)
Other non-current assets		163 (	337)
Changes in operating liabilities			
Financial liabilities held for trading		(3,343)	-
Contract liabilities		(61 ) (	18)
Accounts payable		(37,502)	13,579
Other payables		(10,233 ) (	28,133)
Other payables to related parties		- (	5)
Other current liability		(81)	280
Net defined benefit liability		(525 ) (	622)
Long-term payables		1,140	1,109
Cash inflow generated from operations		314,618	340,101
Interest received		3,434	555
Interest paid		(21,235 ) (	4,899)
Income tax paid		(36,656) (12,440)
Net cash flows from operating activities		260,161	323,317

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PHOENIX SILICON INTERNATIONAL CORPORATION
STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Six months ended June 30	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortized cost		(\$ 500)	\$ -
Proceeds from disposal of financial assets at fair value through profit or loss		7,080	15,683
Proceeds from disposal of investments accounted for using equity method	6(6)	-	50,418
Acquisition of property, plant and equipment	6(29)	(532,608)	(1,302,777)
Capitalisation of interest paid	6(7)(29)	(15,814)	(7,143)
Proceeds from disposal of property, plant and equipment		14,192	8,450
Acquisition of intangible assets	6(29)	(5,519)	(5,383)
Increase in refundable deposits		(894)	(16,476)
Decrease in refundable deposits		699	-
Net cash flows used in investing activities		(533,364)	(1,257,228)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in long-term borrowings	6(30)	100,000	891,700
Repayment of long-term borrowings	6(30)	(65,441)	(220,965)
Increase in guarantee deposits received	6(30)	56	148
Decrease in guarantee deposits received	6(30)	(80)	(80)
Repayment of principal portion of lease liabilities	6(30)	(7,240)	(6,381)
Net cash flows from financing activities		27,295	664,422
Net decrease in cash and cash equivalents		(245,908)	(269,489)
Cash and cash equivalents at beginning of period	6(1)	1,070,340	1,081,999
Cash and cash equivalents at end of period	6(1)	\$ 824,432	\$ 812,510

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

PHOENIX SILICON INTERNATIONAL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2023 AND 2022

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

(Reviewed, not audited)

1. History and Organisation

Phoenix Silicon International Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C) 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 financial statements were authorised for issuance by the Board of Directors on August 3, 2023.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024
Amendments to IAS 12, 'International tax reform - pillar two model rules'	May 23, 2023

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

4. Summary of Significant Accounting Policies

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2022, except for the compliance statement, basis of preparation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' that came into effect as endorsed by the FSC.
- B. These financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

(2) Basis of preparation

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

(3) Employee benefits

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

(4) Income tax

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

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

There was no significant change in the reporting period. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash on hand and petty cash	\$ 219	\$ 310	\$ 320
Demand deposits	584,213	830,030	662,190
Time deposits	240,000	240,000	150,000
	<u>\$ 824,432</u>	<u>\$ 1,070,340</u>	<u>\$ 812,510</u>

- A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Company has no cash and cash equivalents pledged to others. 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

<u>items</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current items:			
Financial assets			
mandatorily measured at			
fair value through profit			
or loss			
Derivative instruments	\$ -	\$ -	\$ -
Unlisted stocks	95,060	-	-
Value adjustment	48,254	-	-
Total	<u>\$ 143,314</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair		
value through profit or loss		
Listed stocks	\$ -	\$ -
Unlisted stocks	51,230	-
Derivative instruments	7	-
Total	<u>\$ 51,237</u>	<u>\$ -</u>

	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily measured at fair		
value through profit or loss		
Listed stocks	\$ -	(\$ 1,417)
Unlisted stocks	51,230	-
Derivative instruments	531	107
Total	<u>\$ 51,761</u>	<u>(\$ 1,310)</u>

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

<u>Items</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Non-current items :			
Pledged time deposits	<u>\$ 13,555</u>	<u>\$ 13,055</u>	<u>\$ 12,417</u>

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

	Three months ended June 30,	
	2023	2022
Interest income	\$ 28	\$ 33

	Six months ended June 30,	
	2023	2022
Interest income	\$ 50	\$ 56

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

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

(4) Notes and accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Notes receivable	\$ 18	\$ 86	\$ 7
Accounts receivable	\$ 456,894	\$ 414,091	\$ 378,980
Less: Allowance for uncollectible accounts	-	-	-
	<u>\$ 456,894</u>	<u>\$ 414,091</u>	<u>\$ 378,980</u>

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

	June 30, 2023		December 31, 2022		June 30, 2022	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 451,383	\$ 18	\$ 409,898	\$ 86	\$ 373,911	\$ 7
Up to 30 days	5,511	-	3,767	-	4,919	-
31 to 90 days	-	-	426	-	150	-
	<u>\$ 456,894</u>	<u>\$ 18</u>	<u>\$ 414,091</u>	<u>\$ 86</u>	<u>\$ 378,980</u>	<u>\$ 7</u>

The above ageing analysis was based on past due date.

B. As of June 30, 2023, December 31, 2022 and June 30, 2022, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$463,466.

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

- D. As of June 30, 2023, December 31, 2022 and June 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable were \$18, \$86 and \$7; \$456,894, \$414,091 and \$378,980, respectively.
- E. As of June 30, 2023, December 31, 2022 and June 30, 2022, the Company held commercial papers provided by customers as collaterals for accounts receivable credit limits amounting to \$0, \$0 and \$11,000, respectively.
- F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

	June 30, 2023		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 302,131	(\$ 69,202)	\$ 232,929
Work in progress	1,575	(32)	1,543
Finished goods	13,263	(503)	12,760
Total	<u>\$ 316,969</u>	<u>(\$ 69,737)</u>	<u>\$ 247,232</u>
	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 299,044	(\$ 58,553)	\$ 240,491
Work in progress	4,218	(37)	4,181
Finished goods	14,363	(236)	14,127
Total	<u>\$ 317,625</u>	<u>(\$ 58,826)</u>	<u>\$ 258,799</u>
	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>

The cost of inventories recognised as expense for the period:

	Three months ended June 30,	
	2023	2022
Cost of goods sold	\$ 679,918	\$ 535,107
Loss on decline in market value	4,220	2,820
Revenue from sales of scraps	(25)	(35)
Others	(4,124)	(5,396)
	<u>\$ 679,989</u>	<u>\$ 532,496</u>

	Six months ended June 30,	
	2023	2022
Cost of goods sold	\$ 1,323,526	\$ 1,067,047
Loss on decline in market value	10,911	4,359
Revenue from sales of scraps	(58)	(45)
Others	(6,264)	(8,440)
	<u>\$ 1,328,115</u>	<u>\$ 1,062,921</u>

(6) Investments accounted for using equity method

	2023	2022
At January 1	\$ 82,341	\$ 125,503
Disposal of investments accounted for using equity method	(79,028)	(19,868)
Share of profit or loss of investments accounted for using the equity method	(3,415)	(11,576)
Changes in equity of associates	102	-
At June 30	<u>\$ -</u>	<u>\$ 94,059</u>

A. For the six months ended June 30, 2022, the Company disposed some equity interests at a disposal price of \$50,418 with a gain on disposal of \$30,550 and the ownership was decreased to 27.94%.

B. On February 1, 2023, the convertible bonds which were issued by Phoenix Battery Corporation were all converted into common stocks. As a result, the Company's ownership of Phoenix Battery Corporation dropped from 25.28% to 18.07%. Thus, starting from the date, the Company did not have significant influence on Phoenix Battery Corporation. The Company recognised current financial assets at fair value through profit or loss on the ownership investment of 18.07% according to the fair value at that date in the amount of \$96,072, reclassified all of the amounts previously recognised in capital surplus from equity to profit or loss in the amount of \$9,571 due to changes in ownership interests in the associate, and then recognised gains on disposal of investments in the amount of \$26,615.

C. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the operating results are summarised below:

As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amount of the Company's individually immaterial associates amounted to \$0, \$82,341 and \$94,059, respectively.

	<u>Three months ended June 30, 2022</u>	
Loss for the period from continuing operations	(\$	<u>38,360)</u>
Total comprehensive loss	(\$	<u><u>38,360)</u></u>

	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Loss for the period from continuing operations	(\$ 13,509)	(\$ 18,651)
Total comprehensive loss	<u>(\$ 13,509)</u>	<u>(\$ 18,651)</u>

Note: Phoenix Battery Corporation was no longer an associate since February 1, 2023, and accordingly, it only disclosed the operating result from January 1, 2023 to January 31, 2023.

(7) Property, plant and equipment

2023

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
At January 1							
Cost	\$ 2,292,667	\$ 4,280,007	\$ 11,380	\$ 25,393	\$ 87,149	\$ 2,015,824	\$ 8,712,420
Accumulated depreciation	(651,328)	(2,370,806)	(7,845)	(18,687)	(52,412)	-	(3,101,078)
	<u>\$ 1,641,339</u>	<u>\$ 1,909,201</u>	<u>\$ 3,535</u>	<u>\$ 6,706</u>	<u>\$ 34,737</u>	<u>\$ 2,015,824</u>	<u>\$ 5,611,342</u>
At January 1	\$ 1,641,339	\$ 1,909,201	\$ 3,535	\$ 6,706	\$ 34,737	\$ 2,015,824	\$ 5,611,342
Additions	88,043	391,168	-	4,030	670	212,486	696,397
Disposals	-	(13,963)	-	-	-	-	(13,963)
Reclassifications (transfers) (Note)	81,393	1,398,170	-	13,140	-	(1,501,208)	(8,505)
Depreciation charge	(99,199)	(249,436)	(637)	(2,222)	(6,251)	-	(357,745)
At June 30	<u>\$ 1,711,576</u>	<u>\$ 3,435,140</u>	<u>\$ 2,898</u>	<u>\$ 21,654</u>	<u>\$ 29,156</u>	<u>\$ 727,102</u>	<u>\$ 5,927,526</u>
At June 30							
Cost	\$ 2,461,825	\$ 6,031,340	\$ 10,338	\$ 42,564	\$ 87,818	\$ 727,102	\$ 9,360,987
Accumulated depreciation	(750,249)	(2,596,200)	(7,440)	(20,910)	(58,662)	-	(3,433,461)
	<u>\$ 1,711,576</u>	<u>\$ 3,435,140</u>	<u>\$ 2,898</u>	<u>\$ 21,654</u>	<u>\$ 29,156</u>	<u>\$ 727,102</u>	<u>\$ 5,927,526</u>

Note: Refers to the transfer to intangible assets amounting to \$8,505.

2022

	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leased assets	Other equipment	Unfinished construction and equipment pending acceptance	Total
At January 1								
Cost	\$ 2,012,590	\$ 3,371,258	\$ 9,172	\$ 21,760	\$ 110	\$ 72,997	\$ 694,787	\$ 6,182,674
Accumulated depreciation	(488,061)	(1,996,675)	(6,800)	(15,373)	(110)	(39,898)	-	(2,546,917)
	<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	(78,053)	(191,828)	(482)	(1,685)	-	(6,352)	-	(278,400)
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	(566,114)	(2,172,622)	(7,282)	(17,058)	(110)	(46,250)	-	(2,809,436)
	<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>

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:

	Six months ended June 30,	
	2023	2022
Amount capitalised	\$ 15,814	\$ 7,143
Range of the interest rates for capitalisation	1.51%~1.80%	0.87%~1.25%

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

(8) Leasing arrangements — lessee

- A. The Company leases various assets including land and business vehicles. Rental contracts are typically made for periods of 2 to 20 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 of 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, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 318,724	\$ 324,422	\$ 330,123
Buildings	10,065	10,155	8,558
Transportation equipment (Business vehicles)	481	1,754	2,241
	<u>\$ 329,270</u>	<u>\$ 336,331</u>	<u>\$ 340,922</u>

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 2,849	\$ 2,846
Buildings	567	311
Transportation equipment (Business vehicles)	131	243
	<u>\$ 3,547</u>	<u>\$ 3,400</u>

	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,698	\$ 5,585
Buildings	1,133	311
Transportation equipment (Business vehicles)	337	491
	<u>\$ 7,168</u>	<u>\$ 6,387</u>

- D. For the six months ended June 30, 2023 and 2022, the additions to right-of-use assets were \$1,043 and \$22,997, respectively.

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

	Three months ended June 30,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,083	\$ 1,096
Expense on short-term lease contracts	2,534	2,019
Expense on leases of low-value assets	208	231
Profit from lease modification	-	-
	Six months ended June 30,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 2,181	\$ 2,332
Expense on short-term lease contracts	5,157	4,029
Expense on leases of low-value assets	428	301
Profit from lease modification	5	-

F. For the six months ended June 30, 2023 and 2022, the Company's total cash outflow for leases were \$15,006 and \$13,043, respectively.

G. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Leasing arrangements – lessor

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 3 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.

B. For the three months and six months ended June 30, 2023 and 2022, the Company recognised rent income in the amounts of \$387, \$1,283, \$774 and \$2,565, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	June 30, 2023		December 31, 2022		June 30, 2022			
2023	\$	774	2023	\$	1,547	2022	\$	2,565
2024		1,547	2024		1,547	2023		1,543
2025		597	2025		597	2024		1,217
2026		150	2026		150	2025		357
After 2027		150	After 2027		150	After 2026		-
Total	\$	<u>3,218</u>	Total	\$	<u>3,991</u>	Total	\$	<u>5,682</u>

(10) Other non-current assets

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Prepayments for equipment	\$ 250,664	\$ 444,506	\$ 782,707
Prepayments for intangible assets	1,239	8,077	5,400
Guarantee deposits paid	3,040	3,040	3,280
Others	108	271	337
Total	<u>\$ 255,051</u>	<u>\$ 455,894</u>	<u>\$ 791,724</u>

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

<u>Items</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current items:			
Financial liabilities held for trading			
Derivative instruments	\$ -	\$ -	\$ -
Convertible bonds			
Call/put options	-	-	199
Valuation adjustment	2,240	-	(199)
Total	<u>\$ 2,240</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>Three months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Net losses recognised in profit or loss		
Financial liabilities held for trading		
Derivative instruments	(\$ 3,953)	\$ -
Convertible bonds		
Call/put options	-	-
Total	<u>(\$ 3,953)</u>	<u>\$ -</u>
	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Net losses recognised in profit or loss		
Financial liabilities held for trading		
Derivative instruments	(\$ 5,583)	(\$ 1,717)
Convertible bonds		
Call/put options	-	(100)
Total	<u>(\$ 5,583)</u>	<u>(\$ 1,817)</u>

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

June 30, 2023		
Derivative financial liabilities	Contract amount (Notional principal)	Contract period
Current items:		
Forward foreign exchange contracts	USD 5,700	112.05.25~112.08.04

There were no such transactions on December 31, 2022 and June 30, 2022.

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

(12) Other payables

	June 30, 2023	December 31, 2022	June 30, 2022
Dividend payable	\$ 274,730	\$ -	\$ 112,282
Wages and salaries payable	114,680	139,912	93,424
Employees' compensation and directors' remuneration payable	93,643	88,053	48,631
Payable on machinery and equipment	83,678	129,545	315,402
Payable on repair expenses	36,458	28,075	26,917
Other accrued expenses	84,408	80,687	84,502
Total	<u>\$ 687,597</u>	<u>\$ 466,272</u>	<u>\$ 681,158</u>

(13) Bonds payable

	June 30, 2023	December 31, 2022	June 30, 2022
Bonds payable	\$ -	\$ -	\$ 1,002,078
Less: Discount on bonds payable	-	-	(5,793)
			996,285
Less: Current portion or exercise of put options	-	-	(996,285)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A. The issuance of domestic convertible bonds by the Company

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

The Company issued \$1,000,000, 0% first domestic unsecured convertible bonds, as approved by regulatory authority. The bonds mature 3 years from the issued date (November 13, 2019 ~ November 13, 2022) and will be redeemed in cash value at the maturity date. The bonds were listed on the Taipei Exchange on November 13, 2019.

i. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months 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.
- ii. 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 November 13, 2022, the last conversion application date, the conversion price was adjusted to NTD 63.90 (in dollars) per share.
 - iii. The convertible bonds will be redeemed in cash at 100.7519% of face value at the maturity date.
 - iv. 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.
 - v. 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.
 - vi. 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) As of November 13, 2022, the last conversion application date, the bonds totaling \$246,300 (face value) had been converted into 3,854,404 shares of common stock. The remaining unconverted bonds amounting to \$748,300 (face value) had been redeemed in cash at 100.7519% of face value at the maturity date according to Article 6 of the regulations governing the issuance and conversion of the Company's first domestic unsecured convertible bonds.
- 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%.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2023</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	182,852
Mid-term secured syndicated loan (Note 1)	2022.06.15~2029.06.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,587,400
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	13,125
Mid-term secured loan	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,485,600
Unsecured borrowings	2021.12.28~2025.08.25 Repayment by installments and installments over the agreed period	Floating rate	None	575,000
Unsecured borrowings (Note 2)	2022.09.26~2023.12.26 Repayment by installments and installments over the agreed period	Floating rate	None	200,000
Unsecured borrowings (Note 1)	2023.02.07~2026.02.07 Repayment by installments and installments over the agreed period	Floating rate	None	100,000
				4,529,577
Less: Current portion				(854,574)
Less: Arrangement fee for the syndicated loan				(5,079)
				\$ 3,669,924
Annual interest rate range				1.30%~2.21%

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 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	193,918
Mid-term secured syndicated loan (Note 1)	2022.06.15~2029.06.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,587,400
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	17,500
Mid-term secured loan	2020.07.15~2027.12.15 Repayment by installments and installments over the agreed period	Floating rate	Machinery and equipment	1,485,600
Unsecured borrowings	2021.12.28~2025.08.25 Repayment by installments and installments over the agreed period	Floating rate	None	625,000
Unsecured borrowings (Note 2)	2022.09.26~2023.12.26 Repayment by installments and installments over the agreed period	Floating rate	None	200,000
				4,495,018
Less: Current portion				(503,910)
Less: Arrangement fee for the syndicated loan				(5,551)
				\$ 3,985,557
Annual interest rate range				1.18%~1.99%

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</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 secured syndicated 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 loan	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: Arrangement fee for the syndicated loan				(3,409)
				\$ 2,473,807
Annual interest rate range				0.93%~1.80%

A. As of June 30, 2023, the Company's unamortised arrangement fee for the syndicated loan amounting to \$5,079 was recorded as a deduction amount of initial measurement of long-term secured borrowings and amortised as interest expense over the borrowing period.

B. Details of the collateral for long-term borrowings are provided in Note 8.

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

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

(15) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of

the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The Company recognised pension costs of \$67, \$46, \$134 and \$91 for the three months and six months ended June 30, 2023 and 2022, respectively.

(c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$1,362.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plan of the Company for the three months and six months ended June 30, 2023 and 2022, were \$8,558, \$7,168, \$16,878 and \$13,823, respectively.

(16) Provisions

	<u>Decommissioning liabilities</u>
2023	
At January 1	\$ 17,417
Unwinding of discount	413
At June 30	<u>\$ 17,830</u>

Analysis of total provisions:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Non-current	<u>\$ 17,830</u>	<u>\$ 17,417</u>	<u>\$ 17,007</u>

Decommissioning liabilities

According to the policy published, applicable agreement or the law/regulation requirement, the Company bears dismantling, removing the asset and restoring the site obligations for certain property, plant and equipment and right-of-use assets 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.

(17) Share capital

A. As of June 30, 2023, 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 \$1,526,280 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:

	2023	Unit: share 2022
At January 1/June 30	<u>152,628,033</u>	<u>140,352,480</u>

B. The stock dividends from 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.

(18) 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.

	2023		
	Share premium	Changes in ownership interests in subsidiaries	Changes in equity of associates
At January 1	\$ 663,963	\$ 70,793	\$ 9,469
Changes in equity of associates			102
Loss of significant influence over investments accounted for using equity method	-	-	(9,571)
At June 30	<u>\$ 663,963</u>	<u>\$ 70,793</u>	<u>\$ -</u>

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

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's profit after tax, if any, shall first be used to offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the authorised capital. In addition, after setting aside or reversing special reserve, the remainder along with the beginning unappropriated

earnings shall be proposed by the Board of Directors as dividends and submitted to the shareholders for resolution.

Dividends and bonuses or legal reserve and capital surplus distributed in the form of cash shall be authorised to be resolved by the Board of Directors with a majority vote at its meeting attended by two-thirds of the total number of directors and reported to the shareholders' meeting and are not subject to the aforementioned regulations of resolutions from 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 2022 and 2021 earnings as resolved by the shareholders at their meetings on May 26, 2023 and May 27, 2022 are as follows:

	2022		2021	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 32,981		\$ 23,400	
Cash dividends	274,730	\$ 1.80	112,282	\$ 0.80
Total	<u>\$ 307,711</u>		<u>\$ 135,682</u>	

(20) Operating revenue

	Three months ended June 30,	
	2023	2022
Revenue from contracts with customers	<u>\$ 934,082</u>	<u>\$ 730,043</u>
	Six months ended June 30,	
	2023	2022
Revenue from contracts with customers	<u>\$ 1,786,333</u>	<u>\$ 1,457,104</u>

A. Disaggregation of revenue from contracts with customers

	Three months ended June 30,	
	2023	2022
Revenue from external customer contracts	\$ 934,082	\$ 730,043
Timing of revenue recognition		
At a point in time	\$ 8,015	\$ 23,319
Over time	926,067	706,724
	<u>\$ 934,082</u>	<u>\$ 730,043</u>
	Six months ended June 30,	
	2023	2022
Revenue from external customer contracts	\$ 1,786,333	\$ 1,457,104
Timing of revenue recognition		
At a point in time	\$ 17,372	\$ 60,884
Over time	1,768,961	1,396,220
	<u>\$ 1,786,333</u>	<u>\$ 1,457,104</u>

B. Contract assets and liabilities

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

	June 30, 2023	December 31, 2022	June 30, 2022	January 1, 2022
Contract assets	\$ 443,471	\$ 266,439	\$ 215,837	\$ 77,591
Contract liabilities				
- advance sales receipts	\$ 79	\$ 140	\$ 140	\$ 157

	Three months ended June 30,	
	2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ -	\$ -

	Six months ended June 30,	
	2023	2022
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 140	\$ 17

(21) Interest income

	Three months ended June 30,	
	2023	2022
Interest income from bank deposits	\$ 2,724	\$ 412
Interest income from financial assets measured at amortised cost	28	33
Other interest income	1	-
	<u>\$ 2,753</u>	<u>\$ 445</u>

	Six months ended June 30,	
	2023	2022
Interest income from bank deposits	\$ 3,437	\$ 529
Interest income from financial assets measured at amortised cost	50	56
Other interest income	1	-
	<u>\$ 3,488</u>	<u>\$ 585</u>

(22) Other income

	Three months ended June 30,	
	2023	2022
Rent income	\$ 387	\$ 1,283
Other income, others	2,536	1,357
	<u>\$ 2,923</u>	<u>\$ 2,640</u>

	Six months ended June 30,	
	2023	2022
Rent income	\$ 774	\$ 2,565
Other income, others	3,158	2,689
	<u>\$ 3,932</u>	<u>\$ 5,254</u>

(23) Other gains and losses

	Three months ended June 30,	
	2023	2022
Gains on disposals of property, plant and equipment	\$ 192	\$ 5,351
Gains on disposals of investments	12,663	30,582
Profit from lease modification	-	-
Net foreign exchange gains	10,725	16,173
Gains on financial assets (liabilities) at fair value through profit or loss	47,284	-
	<u>\$ 70,864</u>	<u>\$ 52,106</u>

	Six months ended June 30,	
	2023	2022
Gains on disposals of property, plant and equipment	\$ 229	\$ 5,351
Gains on disposals of investments	29,707	30,550
Profit from lease modification	5	-
Net foreign exchange gains	6,859	30,383
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	46,178	(3,127)
	<u>\$ 82,978</u>	<u>\$ 63,157</u>

(24) Finance costs

	Three months ended June 30,	
	2023	2022
Borrowings from financial institutions	\$ 13,406	\$ 2,581
Bonds payable	-	3,859
Lease liabilities	1,083	1,096
Provisions - unwinding of discount	207	204
Other financial cost	1	(1,496)
	<u>\$ 14,697</u>	<u>\$ 6,244</u>

	Six months ended June 30,	
	2023	2022
Borrowings from financial institutions	\$ 22,221	\$ 3,359
Bonds payable	-	7,659
Lease liabilities	2,181	2,332
Provisions - unwinding of discount	413	407
Other financial cost	1	-
	<u>\$ 24,816</u>	<u>\$ 13,757</u>

(25) Expenses by nature

	Three months ended June 30,	
	2023	2022
Employee benefit expense	\$ 284,298	\$ 229,549
Depreciation charges	198,520	145,678
Amortisation charges on intangible assets	3,652	3,939

	Six months ended June 30,	
	2023	2022
Employee benefit expense	\$ 539,134	\$ 440,724
Depreciation charges	364,913	284,787
Amortisation charges on intangible assets	7,173	8,062

(26) Employee benefit expense

	Three months ended June 30,	
	2023	2022
Wages and salaries	\$ 240,867	\$ 194,174
Labour and health insurance fees	20,474	16,740
Pension costs	8,625	7,214
Other personnel expenses	14,332	11,421
	<u>\$ 284,298</u>	<u>\$ 229,549</u>

	Six months ended June 30,	
	2023	2022
Wages and salaries	\$ 453,936	\$ 372,595
Labour and health insurance fees	39,811	32,170
Pension costs	17,012	13,914
Other personnel expenses	28,375	22,045
	<u>\$ 539,134</u>	<u>\$ 440,724</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. For the three months and six months ended June 30, 2023 and 2022, employees' compensation were accrued at \$32,874, \$18,684, \$41,963 and \$32,564, respectively; while directors' remuneration were accrued at \$3,975, \$2,491, \$5,595 and \$4,342, respectively. The aforementioned amounts were recognised in salary expenses. For the six months ended June 30, 2023, 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 2022 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2022 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.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended June 30,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 12,564	\$ 12,428
Prior year income tax (over) understimation	4,705	(29)
Total current tax	<u>17,269</u>	<u>12,399</u>
Deferred tax:		
Origination and reversal of temporary differences	11,998	(1,719)
Total deferred tax	<u>11,998</u>	<u>(1,719)</u>
Income tax expense	<u>\$ 29,267</u>	<u>\$ 10,680</u>

	Six months ended June 30,	
	2023	2022
Current tax:		
Current tax on profits for the period	\$ 19,871	\$ 22,845
Prior year income tax (over) understimation	4,705	(29)
Total current tax	<u>24,576</u>	<u>22,816</u>
Deferred tax:		
Origination and reversal of temporary differences	13,384	(2,692)
Total deferred tax	<u>13,384</u>	<u>(2,692)</u>
Income tax expense	<u>\$ 37,960</u>	<u>\$ 20,124</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 2021 have been assessed and approved by the Tax Authority.

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

The abovementioned weighted average number of ordinary shares outstanding had been modified retrospectively according to the ratio of stock dividends from capital surplus for the year ended December 31, 2022.

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Six months ended June 30,	
	2023	2022
Purchase of property, plant and equipment	\$ 696,397	\$ 1,083,954
Add: Opening balance of payable on machinery and equipment	129,545	92,918
Add: Ending balance of prepayments for business facilities	250,664	782,707
Less: Ending balance of payable on machinery and equipment	(83,678)	(315,402)
Less: Opening balance of prepayments for business facilities	(444,506)	(334,257)
Less: Capitalisation of interest	(15,814)	(7,143)
Cash paid during the period	\$ 532,608	\$ 1,302,777
	Six months ended June 30,	
	2023	2022
Purchase of intangible assets	\$ 12,357	\$ 3,929
Add: Ending balance of prepayments	1,239	5,400
Less: Opening balance of prepayments	(8,077)	(3,946)
Cash paid during the period	\$ 5,519	\$ 5,383

B. Financing activities with no cash flow effects

	Six months ended June 30,	
	2023	2022
Declared cash dividends	\$ 274,730	\$ 112,282

(30) Changes in liabilities from financing activities

	2023				Liabilities from financing activities-gross
	Dividends payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	
At January 1	\$ -	\$ 4,489,467	\$ 339,485	\$ 1,068	\$ 4,830,020
Changes in cash flow from financing activities	-	34,559	(7,240)	(24)	27,295
Interest paid on lease liabilities	-	-	(2,181)	-	(2,181)
Amortisation of interest expense on lease liabilities	-	-	2,181	-	2,181
Increase in lease liabilities	-	-	1,043	-	1,043
Decrease in lease modification	-	-	(941)	-	(941)
Payment of arrangement fee for the syndicated loan	(200)	-	-	-	(200)
Amortisation of arrangement fee for the syndicated loan	-	672	-	-	672
Declared cash dividends	274,730	-	-	-	274,730
At June 30	<u>\$ 274,730</u>	<u>\$ 4,524,498</u>	<u>\$ 332,347</u>	<u>\$ 1,044</u>	<u>\$ 5,132,619</u>

	2022					Liabilities from financing activities-gross
	Dividends payable	Bonds payable	Long-term borrowings	Lease liabilities	Guarantee deposits received	
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
Payment of arrangement fee for the syndicated loan	-	-	(6,779)	-	-	(6,779)
Amortisation of arrangement fee for the syndicated loan	-	-	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>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
All directors, president, vice presidents	Key management compensation
Phoenix Battery Corporation	Associate (Note)

Note: On February 1, 2023, the convertible bonds which were issued by Phoenix Battery Corporation were all converted into common stocks. As a result, the Company's ownership of Phoenix Battery Corporation dropped from 25.28% to 18.07%. Thus, starting from that date, the Company did not have significant effects on Phoenix Battery Corporation which was no longer an associate of the Company.

(2) Significant related party transactions

A. Receivables from related parties:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Other receivables:			
Phoenix Battery Corporation	\$ -	\$ 16	\$ 140

The receivables from related parties arise mainly from sale transactions. The receivables are due three months after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

B. Payables to related parties:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Other payables - acquisition of property, plant and equipment			
Phoenix Battery Corporation	\$ -	\$ 1,253	\$ -

C. Revenues and expenses

		<u>Three months ended June 30,</u>	
		<u>2023</u>	<u>2022</u>
	<u>Item</u>		
Phoenix Battery Corporation	Rent income	\$ -	\$ 978
Phoenix Battery Corporation	Other income	\$ -	\$ 105

		<u>Six months ended June 30,</u>	
		<u>2023</u>	<u>2022</u>
	<u>Item</u>		
Phoenix Battery Corporation	Rent income	\$ 15	\$ 1,956
Phoenix Battery Corporation	Other income	\$ -	\$ 280

D. Other transactions

	<u>Item</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Phoenix Battery Corporation	Advance rent receipts	\$ -	\$ 15	\$ -
Phoenix Battery Corporation	Guarantee deposits received	\$ -	\$ 30	\$ -

(3) Key management compensation

	Three months ended June 30,	
	2023	2022
Short-term employee benefits	\$ 18,871	\$ 13,135
Post-employment benefits	163	146
Total	<u>\$ 19,034</u>	<u>\$ 13,281</u>

	Six months ended June 30,	
	2023	2022
Short-term employee benefits	\$ 31,281	\$ 25,641
Post-employment benefits	311	294
Total	<u>\$ 31,592</u>	<u>\$ 25,935</u>

8. Pledged Assets

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

Pledged asset	Book value			Purpose
	June 30, 2023	December 31, 2022	June 30, 2022	
Time deposits (shown as 'non-current financial assets at amortised cost')	\$ 3,000	\$ 2,500	\$ 2,000	Guarantee for duty paid after customs release
Time deposits (shown as 'non-current financial assets at amortised cost')	10,555	10,555	10,417	Guarantee for land lease in science park
Buildings and structures	1,186,808	1,074,712	1,154,769	Long-term borrowings
Machinery and equipment (including 'equipment pending acceptance')	404,718	438,190	176,363	Long-term borrowings
	<u>\$ 1,605,081</u>	<u>\$ 1,525,957</u>	<u>\$ 1,343,549</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

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

	June 30, 2023	December 31, 2022	June 30, 2022
Property, plant and equipment	<u>\$ 1,890,043</u>	<u>\$ 1,809,163</u>	<u>\$ 2,599,785</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On August 3, 2023, the Company's Board of Directors resolved to increase its capital by issuing 20,000 thousand shares of common stock with a par value of NT\$10 per share, and the issuing price is expected to be \$50 per share, with an estimated total amount of \$1,000,000.

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company 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 six months ended June 30, 2023, the Company's strategy, which was unchanged from 2022, 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, 2023, December 31, 2022 and June 30, 2022 were as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Total borrowings	\$ 4,524,498	\$ 4,489,467	\$ 3,565,341
Less: Cash and cash equivalents	(824,432)	(1,070,340)	(812,510)
Net debt	3,700,066	3,419,127	2,752,831
Total equity	2,901,404	2,991,308	2,564,839
Total capital	<u>\$ 6,601,470</u>	<u>\$ 6,410,435</u>	<u>\$ 5,317,670</u>
Gearing ratio	<u>56.05%</u>	<u>53.33%</u>	<u>51.77%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 143,314	\$ -	\$ -
<u>Financial assets at amortised cost</u>			
Cash and cash equivalents	\$ 824,432	\$ 1,070,340	\$ 812,510
Financial assets at amortised cost	13,555	13,055	12,417
Notes receivable	18	86	7
Accounts receivable	456,894	414,091	378,980
Other receivables (including related parties)	2,330	26,050	17,089
Guarantee deposits paid (including current portion)	4,371	4,176	19,444
	<u>\$ 1,301,600</u>	<u>\$ 1,527,798</u>	<u>\$ 1,240,447</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 2,240	\$ -	\$ -
<u>Financial liabilities at amortised cost</u>			
Accounts payable	\$ 197,011	\$ 234,513	\$ 167,020
Other payables (including related parties)	687,597	466,272	681,158
Bonds payable (including current portion)	-	-	996,285
Long-term borrowings (including current portion)	4,524,498	4,489,467	2,569,056
Guarantee deposits received	1,044	1,068	1,078
	<u>\$ 5,410,150</u>	<u>\$ 5,191,320</u>	<u>\$ 4,414,597</u>
Lease liabilities (including current portion)	<u>\$ 332,347</u>	<u>\$ 339,485</u>	<u>\$ 344,115</u>

B. Financial risk managements policies

No major changes in this period, please refer to Note 12 of the December 31, 2022 Consolidated Financial Statements.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Management has set up a policy to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company 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 Company hedges foreign exchange rate by using forward exchange contracts. However, the Company 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(11).
- iii. The Company'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, 2023		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 19,340	31.13	\$ 602,043
JPY:NTD	85,145	0.2151	18,310
<u>Non-monetary items:</u> None			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 1,877	31.13	\$ 58,429
JPY:NTD	10,785	0.2151	2,319
<u>Non-monetary items:</u> None			

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 18,031	30.70	\$ 553,557
<u>Non-monetary items: None</u>			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,642	30.70	\$ 81,107
JPY:NTD	11,002	0.2326	2,559
<u>Non-monetary items: None</u>			
June 30, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 15,837	29.71	\$ 470,532
<u>Non-monetary items: None</u>			
<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: None</u>			

- iv. The total exchange (loss) gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the three months and six months ended June 30, 2023 and 2022, amounted to \$10,725, \$16,173, \$6,859 and \$30,383, respectively.

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

	Six months ended June 30, 2023		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 6,020	\$ -
JPY:NTD	1%	183	-
<u>Non-monetary items</u> : None			
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	(\$ 584)	\$ -
JPY:NTD	1%	(23)	-
<u>Non-monetary items</u> : None			

	Six months ended June 30, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive
(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			

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the six months ended June 30, 2023 and 2022 would have increased/decreased by \$1,433 and \$0, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. For the six months ended June 30, 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.
- ii. The Company'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 six months ended June 30, 2023 and 2022 would have increased/decreased by \$5,662 and \$3,216, 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 Company 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 Company 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 Company only transacts with banks and financial institutions with high credit quality, so it does not expect to be exposed to credit risk.
- iii. The Company manages their credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, each local unit in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

- iv. The Company considers that a default has occurred when the contract payments are not expected to be recovered and are transferred to overdue receivables.
- v. The Company adopts the following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- vi. The Company classifies customers' accounts receivable, contract assets and rents receivable in accordance with credit risk on trade. The Company applies the modified approach using loss rate methodology to estimate the expected credit loss.
- vii. 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.
- viii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of notes receivable, accounts receivable and contract assets. On June 30, 2023, December 31, 2022 and June 30, 2022, 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 360 days past due	Total
<u>June 30, 2023</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 900,383	\$ -	\$ -	\$ -	\$ -	\$ 900,383
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>December 31, 2022</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 680,616	\$ -	\$ -	\$ -	\$ -	\$ 680,616
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>June 30, 2022</u>						
Expected loss rate	0~1%	25%	50%	75%	100%	
Total book value	\$ 594,824	\$ -	\$ -	\$ -	\$ -	\$ 594,824
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- ix. Movements in relation to the Company applying the modified approach to provide loss allowance for notes receivable, accounts receivable, accounts receivable due from related parties and contract assets are as follows:

	<u>2023</u>	<u>2022</u>
	Accounts receivable	Accounts receivable
At January 1 / June 30	\$ -	\$ -

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	12 months	12 months	12 months
Financial assets at amortised cost	\$ 13,555	\$ 13,055	\$ 12,417

(c) Liquidity risk

- i. Cash flow forecasting is performed by Company treasury. Company treasury monitors rolling forecasts of the Company'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 Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.
- ii. Company treasury invests surplus cash held by the Company 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, 2023, December 31, 2022 and June 30, 2022, the Company held money market position of \$824,213, \$1,070,030 and \$812,190, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii The Company has the following undrawn borrowing facilities:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Floating rate:			
Expiring within one year	\$ 725,000	\$ 700,000	\$ 757,525
Expiring beyond one year	1,312,600	1,362,600	2,597,600
Fixed rate:			
Expiring within one year	-	-	-
Expiring beyond one year	-	-	-
	<u>\$ 2,037,600</u>	<u>\$ 2,062,600</u>	<u>\$ 3,355,125</u>

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

	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Over 2 years
June 30, 2023				
<u>Non-derivative financial liabilities:</u>				
Accounts payable	\$ 197,011	\$ -	\$ -	\$ -
Other payables	477,023	2,251	-	-
Lease liability	9,319	9,319	18,138	356,325
Long-term borrowings (including current portion)	302,513	626,321	858,871	2,959,760
Guarantee deposits received	-	-	764	280
<u>Derivative financial liabilities:</u>				
Financial liabilities at fair value through profit or loss	\$ 2,240	\$ -	\$ -	\$ -
December 31, 2022				
<u>Non-derivative financial liabilities:</u>				
Accounts payable	\$ 234,513	\$ -	\$ -	\$ -
Other payables	236,408	1,899	-	-
Lease liability	9,569	9,569	18,820	363,124
Long-term borrowings (including current portion)	124,353	446,471	842,745	3,297,527
Guarantee deposits received	-	-	778	290
<u>Derivative financial liabilities:</u> None				
June 30, 2022				
<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:</u> None				

(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. The fair value of the Group's investment in derivative instrument is included in Level 2.

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

B. The carrying amounts of the Company's cash and cash equivalents, accounts receivable, other receivables (including related parties), guarantee deposits paid, accounts payable, other payables (including related parties), long-term borrowings, lease liabilities and guarantee deposits received are approximate to their fair values.

C. 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 at June 30, 2023, December 31, 2022 and June 30, 2022 are as follows:

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

June 30, 2023	<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	\$ -	\$ -	\$ 143,314	\$ 143,314
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 2,240	\$ -	\$ 2,240

There were no such transactions on December 31, 2022.

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	\$ -	\$ -	\$ -	\$ -

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

i. 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.

ii. Forward exchange contracts are usually valued based on the current forward exchange rate.

D. For the six months ended June 30, 2023 and 2022, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the six months ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	<u>Equity securities</u>	<u>Convertible bonds</u>
At January 1	\$ -	(\$ 100)
Gains and losses recognised in profit or loss		
Recorded as non-operating income and expenses	48,254	100
Transfer into for the period	96,072	-
Sold in the period	(1,012)	-
At June 30	<u>\$ 143,314</u>	<u>\$ -</u>
Movement of unrealised gain or loss in profit or loss of assets and liabilities held as at June 30, 2023 (Note)	<u>\$ 51,230</u>	<u>\$ 100</u>

Note: Recorded as non-operating income and expenses.

F. Company 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:

	Fair value at June 30, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument: Unlisted stocks	\$ 143,314	Income approach	Discount rate	10.82%	The higher the discount rate, the lower the fair value

There were no such transactions on December 31, 2022.

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

H. The Company 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 categorised within Level 3 if the inputs used to valuation models have changed:

	Input	Change	June 30, 2023			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Financial assets						
Equity securities	Discount rate	±0.25%	\$ 5,260	(\$ 4,978)	\$ -	\$ -

There were no such transactions on December 31, 2022.

		June 30, 2022				
		Recognised in profit or loss			Recognised in other comprehensive income	
		Unfavourable			Unfavourable	
	Input	Change	Favourable	change	Favourable	change
Financial assets						
Convertible						
bonds	Volatility	±10%	\$ 10	\$ -	\$ -	\$ -
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): Refer to table 1.
- 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 Company entered into a forward foreign exchange contract with financial institution for the six months ended June 30, 2023 to buy NTD and sell USD. Hedging was the main purpose of the contract. Net loss arising from trading in forward foreign exchange contract for the six months ended June 30, 2023 was approximately \$2,812.
- 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) : None.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to Note 2.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Company was identified as the single reportable segment.

(2) 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,</u>	
	<u>2023</u>	<u>2022</u>
Total segment revenue	<u>\$ 1,786,333</u>	<u>\$ 1,457,104</u>
Segment income	<u>\$ 194,295</u>	<u>\$ 160,065</u>
Segment assets	<u>\$ 8,719,857</u>	<u>\$ 7,399,052</u>

(3) 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
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
June 30, 2023

Table 1

Expressed in thousands to NTD
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Ending Balance				
				Shares	Book value	Percentage of ownership	Fair Value	Note
PHOENIX SILICON INTERNATIONAL CORPORATION	Stock of Phoenix battery Corporation	NO	Current financial assets at fair value through profit or loss	9,393,302	\$ 143,314	14.08%	\$ 143,314	

PHOENIX SILICON INTERNATIONAL CORPORATION
MAJOR SHAREHOLDERS INFORMATION
June 30, 2023

Table 2

Name of major shareholders	Share	
	Name of shares held	Percentage of ownership
Applied Materials, Inc.	17,109,363	11.20%