

**NANTEX INDUSTRY CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' 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.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of NANTEX INDUSTRY CO., LTD.

Introduction

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

Scope of review

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

Basis for qualified conclusion

As explained in Note 4(3), the financial statements and related information disclosed in Note 13 of an insignificant consolidated subsidiary, Nanmat Technology Co., Ltd., were not reviewed by independent auditors. Total assets of the subsidiary amounted to NT\$1,593,939 thousand and NT\$1,284,516 thousand, constituting 9.31% and 6.89% of the consolidated total assets, and total liabilities amounted to NT\$505,458 thousand and NT\$420,853 thousand, constituting 21.14% and 10.28% of the consolidated total liabilities as at June 30, 2022 and 2021, respectively, and the total comprehensive

income amounted to NT\$85,076 thousand, NT\$59,514 thousand, NT\$149,322 thousand, and NT\$112,819 thousand, constituting 15.15%, 2.36%, 10.27% and 2.16% of the consolidated total comprehensive income for the three months and six months then ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of an insignificant consolidated subsidiary and the information disclosed in Note 13 been reviewed by independent auditors as described in the Basis for qualified conclusion section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and 2021, and of its consolidated financial performance for the three months and six months then ended and its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Yung-Chih

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

August 9, 2022

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

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

Assets		Notes	June 30, 2022		December 31, 2021		June 30, 2021				
			AMOUNT	%	AMOUNT	%	AMOUNT	%			
Current assets											
1100	Cash and cash equivalents	6(1)	\$	7,874,107	46	\$	10,997,019	53	\$	6,987,914	37
1110	Current financial assets at fair value through profit or loss	6(2)		30,750	-		31,080	-		-	
1136	Current financial assets at amortised cost	6(1)(3) and 8		1,623,617	10		2,377,272	11		2,629,576	14
1150	Notes receivable, net	6(4)		179,789	1		235,769	1		218,290	1
1170	Accounts receivable, net	6(4)		1,096,114	6		1,586,109	8		2,714,733	15
1200	Other receivables			80,240	-		104,447	-		100,290	1
130X	Inventories	6(5)		1,673,439	10		1,152,031	6		1,379,663	7
1410	Prepayments			456,895	3		328,456	2		528,928	3
11XX	Total current assets			13,014,951	76		16,812,183	81		14,559,394	78
Non-current assets											
1517	Non-current financial assets at fair value through other comprehensive income	6(6)		613,171	4		478,240	2		563,469	3
1535	Non-current financial assets at amortised cost	6(1)(3)		-	-		-	-		215,776	1
1600	Property, plant and equipment	6(7) and 8		2,816,177	16		2,854,958	14		2,623,862	14
1755	Right-of-use assets	6(8) and 7		94,394	1		105,702	1		116,501	1
1780	Intangible assets	6(9)		14,121	-		14,945	-		10,687	-
1840	Deferred income tax assets	6(24)		51,127	-		65,920	-		59,813	-
1915	Prepayments for equipment	6(7)		101,558	1		33,228	-		169,380	1
1920	Guarantee deposits paid	8		3,406	-		1,100	-		656	-
1975	Net defined benefit asset	6(14)		36,149	-		20,917	-		-	-
1990	Other non-current assets			384,751	2		364,377	2		322,469	2
15XX	Total non-current assets			4,114,854	24		3,939,387	19		4,082,613	22
1XXX	Total assets		\$	17,129,805	100	\$	20,751,570	100	\$	18,642,007	100

(Continued)

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of June 30, 2022 and 2021 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2022		December 31, 2021		June 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(10)	\$ 100,000	1	\$ 170,000	1	\$ 190,000	1
2110	Short-term notes and bills payable	6(11)	39,979	-	9,999	-	9,988	-
2130	Current contract liabilities	6(17)	60,557	-	96,793	-	195,573	1
2150	Notes payable		-	-	-	-	9	-
2170	Accounts payable		439,813	3	414,794	2	587,957	3
2200	Other payables	6(12)	901,228	5	1,674,668	8	1,454,681	8
2230	Current income tax liabilities	6(24)	363,124	2	1,162,401	6	1,168,624	7
2280	Current lease liabilities	6(8) and 7	13,937	-	22,009	-	21,202	-
2320	Long-term liabilities, current portion	6(13) and 8	30,000	-	20,000	-	20,000	-
2365	Current refund liabilities		-	-	20,418	-	-	-
21XX	Total current liabilities		<u>1,948,638</u>	<u>11</u>	<u>3,591,082</u>	<u>17</u>	<u>3,648,034</u>	<u>20</u>
	Non-current liabilities							
2540	Long-term borrowings	6(13) and 8	29,167	-	21,667	-	31,667	-
2570	Deferred income tax liabilities	6(24)	352,674	2	320,475	2	317,594	2
2580	Non-current lease liabilities	6(8) and 7	48,586	1	51,721	-	62,619	-
2640	Net defined benefit liabilities	6(14)	<u>12,458</u>	<u>-</u>	<u>13,892</u>	<u>-</u>	<u>35,070</u>	<u>-</u>
25XX	Total non-current liabilities		<u>442,885</u>	<u>3</u>	<u>407,755</u>	<u>2</u>	<u>446,950</u>	<u>2</u>
2XXX	Total liabilities		<u>2,391,523</u>	<u>14</u>	<u>3,998,837</u>	<u>19</u>	<u>4,094,984</u>	<u>22</u>
	Equity							
	Equity attributable to owners of parent							
	Share capital							
3110	Common stock	6(15)	4,924,167	29	4,924,167	24	4,924,167	26
	Capital surplus							
3200	Capital surplus		608	-	608	-	301	-
	Retained earnings	6(16)						
3310	Legal reserve		2,420,743	14	1,683,582	8	1,328,744	7
3320	Special reserve		433,442	2	433,442	2	433,442	2
3350	Unappropriated retained earnings		6,328,094	37	9,564,596	46	7,765,861	42
	Other equity interest							
3400	Other equity interest	6(6)	<u>23,855</u>	<u>-</u>	<u>(399,196)</u>	<u>(2)</u>	<u>(387,416)</u>	<u>(2)</u>
31XX	Total equity attributable to owners of the parent		<u>14,130,909</u>	<u>82</u>	<u>16,207,199</u>	<u>78</u>	<u>14,065,099</u>	<u>75</u>
36XX	Non-controlling interest		<u>607,373</u>	<u>4</u>	<u>545,534</u>	<u>3</u>	<u>481,924</u>	<u>3</u>
3XXX	Total equity		<u>14,738,282</u>	<u>86</u>	<u>16,752,733</u>	<u>81</u>	<u>14,547,023</u>	<u>78</u>
	Significant contingent liabilities and unrecognised contract commitments	7 and 9						
3X2X	Total liabilities and equity		<u>\$ 17,129,805</u>	<u>100</u>	<u>\$ 20,751,570</u>	<u>100</u>	<u>\$ 18,642,007</u>	<u>100</u>

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(Reviewed, not audited)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2022		2021		2022		2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17)	\$ 3,436,622	100	\$ 7,205,177	100	\$ 6,931,613	100	\$ 14,157,828	100
5000 Operating costs	6(5)(9)(14)(22)(23)	(2,456,166)	(72)	(3,218,001)	(45)	(4,882,281)	(71)	(5,900,145)	(41)
5900 Net operating margin		980,456	28	3,987,176	55	2,049,332	29	8,257,683	59
Operating expenses	6(9)(14)(22)(23), 7 and 12								
6100 Selling expenses		(202,894)	(6)	(210,428)	(3)	(416,949)	(6)	(425,252)	(3)
6200 General and administrative expenses		(268,248)	(8)	(358,566)	(5)	(503,034)	(7)	(900,441)	(6)
6300 Research and development expenses		(23,345)	-	(33,358)	-	(49,179)	(1)	(76,603)	(1)
6450 (Expected credit loss) impairment gain		(231)	-	(89)	-	212	-	(381)	-
6000 Total operating expenses		(494,718)	(14)	(602,441)	(8)	(968,950)	(14)	(1,402,677)	(10)
6900 Operating profit		485,738	14	3,384,735	47	1,080,382	15	6,855,006	49
Non-operating income and expenses									
7100 Interest income	6(3)(6)(18)	24,370	1	18,517	1	43,954	1	32,623	-
7010 Other income	6(6)(19)	7,268	-	5,431	-	9,552	-	7,606	-
7020 Other gains and losses	6(2)(20) and 12	232,594	7	(132,094)	(2)	420,165	6	(145,458)	(1)
7050 Finance costs	6(7)(8)(21) and 7	(771)	-	(516)	-	(1,533)	-	(1,225)	-
7000 Total non-operating income and expenses		263,461	8	(108,662)	(1)	472,138	7	(106,454)	(1)
7900 Profit before income tax		749,199	22	3,276,073	46	1,552,520	22	6,748,552	48
7950 Income tax expense	6(24)	(331,780)	(10)	(708,027)	(10)	(521,622)	(7)	(1,467,563)	(11)
8200 Profit for the period		\$ 417,419	12	\$ 2,568,046	36	\$ 1,030,898	15	\$ 5,280,989	37

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NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amount)
(Reviewed, not audited)

Items	Notes	Three months ended June 30				Six months ended June 30			
		2022		2021		2022		2021	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)									
Components of other comprehensive income (loss) that will not be reclassified to profit or loss									
8316 Unrealised gains on financial assets measured at fair value through other comprehensive income	6(6)	\$ 119,067	3	\$ 42,007	-	\$ 104,370	1	\$ 49,573	1
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations		24,334	1	(87,367)	(1)	317,525	5	(101,206)	(1)
8367 Unrealised gains (losses) on valuation of investments in debt instruments measured at fair value through other comprehensive income, net	6(6)	897	-	(758)	-	1,156	-	(758)	-
8300 Other comprehensive income (loss) for the period		<u>\$ 144,298</u>	<u>4</u>	<u>(\$ 46,118)</u>	<u>(1)</u>	<u>\$ 423,051</u>	<u>6</u>	<u>(\$ 52,391)</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 561,717</u>	<u>16</u>	<u>\$ 2,521,928</u>	<u>35</u>	<u>\$ 1,453,949</u>	<u>21</u>	<u>\$ 5,228,598</u>	<u>37</u>
Profit attributable to:									
8610 Owners of the parent		\$ 369,946	11	\$ 2,534,838	36	\$ 947,576	14	\$ 5,218,037	37
8620 Non-controlling interest		<u>47,473</u>	<u>1</u>	<u>33,208</u>	<u>-</u>	<u>83,322</u>	<u>1</u>	<u>62,952</u>	<u>-</u>
Profit for the period		<u>\$ 417,419</u>	<u>12</u>	<u>\$ 2,568,046</u>	<u>36</u>	<u>\$ 1,030,898</u>	<u>15</u>	<u>\$ 5,280,989</u>	<u>37</u>
Comprehensive income attributable to:									
8710 Owners of the parent		\$ 514,244	15	\$ 2,488,720	35	\$ 1,370,627	20	\$ 5,165,646	37
8720 Non-controlling interest		<u>47,473</u>	<u>1</u>	<u>33,208</u>	<u>-</u>	<u>83,322</u>	<u>1</u>	<u>62,952</u>	<u>-</u>
Total comprehensive income for the period		<u>\$ 561,717</u>	<u>16</u>	<u>\$ 2,521,928</u>	<u>35</u>	<u>\$ 1,453,949</u>	<u>21</u>	<u>\$ 5,228,598</u>	<u>37</u>
Earnings per share (in dollars)	6(25)								
9750 Basic		<u>\$ 0.75</u>		<u>\$ 5.15</u>		<u>\$ 1.92</u>		<u>\$ 10.60</u>	
9850 Diluted		<u>\$ 0.75</u>		<u>\$ 5.14</u>		<u>\$ 1.92</u>		<u>\$ 10.57</u>	

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

		Equity attributable to owners of the parent										
		Capital Surplus	Retained Earnings			Other Equity Interest						
			Changes in equity of associates and joint ventures accounted for using equity method				Financial statements translation differences of foreign operations	Unrealised gains from financial assets measured at fair value through other comprehensive income		Non-controlling interest	Total equity	
Notes		Common stock		Legal reserve	Special reserve	Unappropriated retained earnings			Total			
<u>Six months ended June 30, 2021</u>												
		\$ 4,924,167	\$ -	\$ 1,328,744	\$ 433,442	\$ 4,517,491	(\$ 377,414)	\$ 42,389	\$ 10,868,819	\$ 418,591	\$ 11,287,410	
		-	-	-	-	5,218,037	-	-	5,218,037	62,952	5,280,989	
	6(6)	-	-	-	-	-	(101,206)	48,815	(52,391)	-	(52,391)	
		-	-	-	-	5,218,037	(101,206)	48,815	5,165,646	62,952	5,228,598	
Distribution of 2020 net income:												
	6(16)	-	-	-	-	(1,969,667)	-	-	(1,969,667)	-	(1,969,667)	
		-	301	-	-	-	-	-	301	381	682	
		\$ 4,924,167	\$ 301	\$ 1,328,744	\$ 433,442	\$ 7,765,861	(\$ 478,620)	\$ 91,204	\$ 14,065,099	\$ 481,924	\$ 14,547,023	
<u>Six months ended June 30, 2022</u>												
		\$ 4,924,167	\$ 608	\$ 1,683,582	\$ 433,442	\$ 9,564,596	(\$ 453,613)	\$ 54,417	\$ 16,207,199	\$ 545,534	\$ 16,752,733	
		-	-	-	-	947,576	-	-	947,576	83,322	1,030,898	
	6(6)	-	-	-	-	-	317,525	105,526	423,051	-	423,051	
		-	-	-	-	947,576	317,525	105,526	1,370,627	83,322	1,453,949	
Distribution of 2021 net income:												
		-	-	737,161	-	(737,161)	-	-	-	-	-	
	6(16)	-	-	-	-	(3,446,917)	-	-	(3,446,917)	-	(3,446,917)	
		-	-	-	-	-	-	-	-	(21,483)	(21,483)	
		\$ 4,924,167	\$ 608	\$ 2,420,743	\$ 433,442	\$ 6,328,094	(\$ 136,088)	\$ 159,943	\$ 14,130,909	\$ 607,373	\$ 14,738,282	

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

		Six months ended June 30,	
	Notes	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,552,520	\$ 6,748,552
Adjustments			
Adjustments to reconcile profit (loss)			
Losses on valuation of financial assets at fair value through profit or loss	6(2)(20)	330	-
(Impairment gain) expected credit loss	12	(212)	381
Reversal of inventory market price decline	6(5)	(1,002)	(2,226)
Depreciation	6(7)(8)(22)	182,730	140,396
Losses on disposals of property, plant and equipment	6(20)	873	549
Property, plant and equipment transferred to expenses	6(7)	394	3,362
Amortisation	6(9)(22)	1,311	1,118
Interest income	6(18)	(43,954)	(32,623)
Dividend income	6(6)(19)	(720)	(648)
Interest expense	6(21)	1,533	1,225
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		55,980	(47,689)
Accounts receivable		490,186	(470,568)
Other receivables		9,105	(17,722)
Inventories		(520,406)	(423,856)
Prepayments		(128,439)	(41,505)
Net defined benefit assets		(15,232)	-
Other non-current assets		(20,374)	(26,928)
Changes in operating liabilities			
Current contract liabilities		(36,236)	34,218
Notes payable		-	9
Accounts payable		25,019	195,789
Other payables		(785,607)	253,055
Current refund liabilities		(20,418)	-
Net defined benefit liabilities		(1,434)	(13,751)
Cash inflow generated from operations		745,947	6,301,138
Interest received		59,056	24,555
Dividends received		720	648
Interest paid		(1,553)	(1,225)
Income tax paid		(1,273,907)	(972,569)
Net cash flows (used in) from operating activities		(469,737)	5,352,547

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NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Six months ended June 30, 2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash paid for acquisition of current financial assets at amortised cost		(\$ 666,025)	(\$ 2,627,576)
Proceeds from disposal of current financial assets at amortised cost		1,517,694	1,755,208
Acquisition of financial assets at fair value through other comprehensive income		(22,395)	(69,419)
Cash paid for acquisition of property, plant and equipment	6(26)	(90,281)	(195,755)
Interest paid for acquisition of property, plant and equipment	6(7)(21)(26)	(67)	(191)
Proceeds from disposal of property, plant and equipment		971	174
Increase in intangible assets	6(9)	(216)	(210)
Increase in prepayments for equipment		(77,094)	(48,274)
Increase in guarantee deposits paid		(2,306)	(74)
Net cash flows from (used in) investing activities		660,281	(1,186,117)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(27)	(70,000)	-
Increase in short-term notes and bills payable	6(27)	30,000	-
Payment of lease liabilities	6(27)	(11,207)	(10,774)
Increase in long-term borrowings	6(27)	60,000	30,000
Decrease in long-term borrowings	6(27)	(42,500)	(5,833)
Payment of cash dividends	6(16)	(3,446,917)	(1,969,667)
Decrease in non-controlling interest		(21,483)	-
Net cash flows used in financing activities		(3,502,107)	(1,956,274)
Effect of foreign exchange rate changes		188,651	(63,433)
Net (decrease) increase in cash and cash equivalents		(3,122,912)	2,146,723
Cash and cash equivalents at beginning of period	6(1)	10,997,019	4,841,191
Cash and cash equivalents at end of period	6(1)	\$ 7,874,107	\$ 6,987,914

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

(1) NANTEX INDUSTRY CO., LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on January 10, 1979. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture, processing and sales of various types of latex, rubbers and related products.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since October 27, 1992.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on August 9, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.
- B. The consolidated financial statements of the Group should be read together with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit assets or 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 as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for preparation of these consolidated financial statements is consistent with those for the preparation of consolidated financial statements for the year ended December 31, 2021.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			June 30, 2022	December 31, 2021	
NANTEX INDUSTRY CO., LTD.	INTERMEDIUM INTERNATIONAL LIMITED	General investments	100.00%	100.00%	—
	Nanmat Technology Co., Ltd.	CVD materials and metal surface treatment chemicals	44.20%	44.20%	(Note)
INTERMEDIUM INTERNATIONAL LIMITED	Zhenjiang Nantex Chemical Industry, Ltd.	Manufacture and sales of rubber and latex	100.00%	100.00%	—

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			June 30, 2021		
NANTEX INDUSTRY CO., LTD.	INTERMEDIUM INTERNATIONAL LIMITED	General investments		100.00%	—
	Nanmat Technology Co., Ltd.	CVD materials and metal surface treatment chemicals		44.20%	(Note)
INTERMEDIUM INTERNATIONAL LIMITED	Zhenjiang Nantex Chemical Industry, Ltd.	Manufacture and sales of rubber and latex		100.00%	—

(Note) The Group has control over Nanmat Technology Co., Ltd. as the Group holds more than half of the voting rights of the Board of Directors.

The financial statements and related information disclosed in Note 13 of an insignificant consolidated subsidiary, Nanmat Technology Co., Ltd., were not reviewed by independent auditors.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: The Group's non-controlling interests was immaterial, therefore, it is not applicable.

(4) Employee benefits

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

(5) 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 have been no significant changes during the period. Refer to Note 5 of the consolidated financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash:			
Cash on hand	\$ 352	\$ 352	\$ 351
Checking accounts and demand deposits	2,955,139	3,038,667	2,629,597
	<u>2,955,491</u>	<u>3,039,019</u>	<u>2,629,948</u>
Cash equivalents:			
Time deposits	4,918,616	7,958,000	4,357,966
	<u>\$ 7,874,107</u>	<u>\$ 10,997,019</u>	<u>\$ 6,987,914</u>

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

B. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's time deposits maturing in excess of three months and within one year were classified as current financial assets at amortised cost. Additionally, the time deposits maturing in excess of one year were classified as non-current financial assets at amortised cost.

C. Detail of the Group's cash and cash equivalents pledged to others are provided in Note 8.

(2) Current financial assets at fair value through profit or loss

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 30,000	\$ 30,000	\$ -
Valuation adjustment	750	1,080	-
	<u>\$ 30,750</u>	<u>\$ 31,080</u>	<u>\$ -</u>

A. For the three months and six months ended June 30, 2022 and 2021, the Group recognised net loss from changes in fair values in the amount of \$120, \$—, \$330 and \$—, respectively. The Group recognised gain from the distribution of investment income in the amount of \$374, \$—, \$374 and \$—, respectively (listed as 'Other gains and losses').

B. The Group has no financial assets at fair value through profit or loss pledged to others as of June 30, 2022, December 31, 2021 and June 30, 2021.

(3) Financial assets at amortised cost

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current items:			
Time deposits maturing over three months	\$ 1,619,617	\$ 2,373,272	\$ 2,625,576
Time deposits pledged	4,000	4,000	4,000
	<u>\$ 1,623,617</u>	<u>\$ 2,377,272</u>	<u>\$ 2,629,576</u>
Non-current items:			
Time deposits maturing in excess of one year	\$ -	\$ -	\$ 215,776

A. The Group recognised interest income in profit or loss in relation to financial assets at amortised cost in the amount of \$8,150, \$11,563, \$15,713 and \$21,306 for the three months and six months ended June 30, 2022 and 2021, respectively.

B. As at June 30, 2022, December 31, 2021 and June 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was the carrying amount.

C. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

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

(4) Notes and accounts receivable, net

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	<u>\$ 179,789</u>	<u>\$ 235,769</u>	<u>\$ 218,290</u>
Accounts receivable	\$ 1,096,865	\$ 1,587,051	\$ 2,716,216
Less: Loss allowance	(751)	(942)	(1,483)
	<u>\$ 1,096,114</u>	<u>\$ 1,586,109</u>	<u>\$ 2,714,733</u>

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

	June 30, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 920,725	\$ 179,789	\$ 1,202,609	\$ 235,769
Less than 90 days	176,123	-	384,399	-
Over 90 days	17	-	43	-
	<u>\$ 1,096,865</u>	<u>\$ 179,789</u>	<u>\$ 1,587,051</u>	<u>\$ 235,769</u>

	June 30, 2021	
	Accounts receivable	Notes receivable
Not past due	\$ 2,358,429	\$ 218,290
Less than 90 days	357,787	-
Over 90 days	-	-
	<u>\$ 2,716,216</u>	<u>\$ 218,290</u>

The above ageing analysis was based on past due date.

- B. As of June 30, 2022, December 31, 2021 and June 30, 2021, the balance of notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$2,416,249.
- C. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group holds building and structures as security for notes and accounts receivable.
- D. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.
- E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(5) Inventories

June 30, 2022			
Allowance for			
	Cost	market price decline	Book value
Merchandise	\$ 1,210	(\$ 542)	\$ 668
Raw materials	722,760	(15,089)	707,671
Supplies	58,737	(70)	58,667
Work in progress	164,105	(9,647)	154,458
Finished goods	777,316	(25,341)	751,975
	<u>\$ 1,724,128</u>	<u>(\$ 50,689)</u>	<u>\$ 1,673,439</u>

December 31, 2021			
Allowance for			
	Cost	market price decline	Book value
Merchandise	\$ 989	(\$ 543)	\$ 446
Raw materials	622,246	(15,090)	607,156
Supplies	55,866	(71)	55,795
Work in progress	159,237	(9,647)	149,590
Finished goods	365,384	(26,340)	339,044
	<u>\$ 1,203,722</u>	<u>(\$ 51,691)</u>	<u>\$ 1,152,031</u>

June 30, 2021			
Allowance for			
	Cost	market price decline	Book value
Merchandise	\$ 1,216	(\$ 633)	\$ 583
Raw materials	635,028	(17,579)	617,449
Supplies	47,154	(71)	47,083
Work in progress	138,191	(10,990)	127,201
Finished goods	613,847	(26,500)	587,347
	<u>\$ 1,435,436</u>	<u>(\$ 55,773)</u>	<u>\$ 1,379,663</u>

The cost of inventories recognised as expense for the period:

Three months ended June 30,			
	2022	2021	
Cost of goods sold	\$ 2,438,358	\$ 3,197,415	
Loss on physical inventory	1,960	1,375	
Revenue from sale of scraps	(6,804)	(5,135)	
(Reversal of) provision for inventory market price decline (Note)	(282)	1,863	
Total cost of goods sold	<u>\$ 2,433,232</u>	<u>\$ 3,195,518</u>	

	Six months ended June 30,	
	2022	2021
Cost of goods sold	\$ 4,848,942	\$ 5,860,951
Loss on physical inventory	3,279	10,006
Revenue from sale of scraps	(14,066)	(10,126)
Reversal of inventory market price decline (Note)	(1,002)	(2,226)
Total cost of goods sold	<u>\$ 4,837,153</u>	<u>\$ 5,858,605</u>

(Note) For the three months ended June 30, 2022 and six months ended June 30, 2022 and 2021, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the inventories which were previously provided with allowance were used and sold.

(6) Non-current financial assets at fair value through other comprehensive income

	June 30, 2022	December 31, 2021	June 30, 2021
Equity instruments			
Listed stocks	\$ 109,052	\$ 109,052	\$ 158,108
Unlisted stocks	<u>287,268</u>	<u>257,863</u>	<u>258,480</u>
	396,320	366,915	416,588
Valuation adjustment	<u>187,461</u>	<u>83,091</u>	<u>118,043</u>
	<u>583,781</u>	<u>450,006</u>	<u>534,631</u>
Debt instrument			
Corporate bond	30,904	30,904	30,904
Valuation adjustments	(1,514)	(2,670)	(2,066)
	<u>29,390</u>	<u>28,234</u>	<u>28,838</u>
	<u>\$ 613,171</u>	<u>\$ 478,240</u>	<u>\$ 563,469</u>

A. The Group has elected to classify equity investments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments was equivalent to its book value as at June 30, 2022, December 31, 2021 and June 30, 2021.

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

		Three months ended June 30,	
		2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>			
Fair value change recognised in other comprehensive income	\$	119,067	\$ 42,007
Dividend income recognised in profit or loss			
Held at end of period	\$	720	\$ 648
<u>Debt instruments at fair value through other comprehensive income</u>			
Fair value change recognised in other comprehensive income	\$	897	(\$ 758)
Interest income recognised in profit or loss	\$	352	\$ 332
		Six months ended June 30,	
		2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>			
Fair value change recognised in other comprehensive income	\$	104,370	\$ 49,573
Dividend income recognised in profit or loss			
Held at end of period	\$	720	\$ 648
<u>Debt instruments at fair value through other comprehensive income</u>			
Fair value change recognised in other comprehensive income	\$	1,156	(\$ 758)
Interest income recognised in profit or loss	\$	352	\$ 332

C. As at June 30, 2022, December 31, 2021 and June 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was the carrying amount.

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

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.

(7) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
At January 1, 2022								
Cost	\$ 461,888	\$ 18,064	\$ 1,707,576	\$ 5,795,517	\$ 7,960	\$ 730,743	\$ 330,457	\$ 9,052,205
Accumulated depreciation	-	(14,175)	(1,144,597)	(4,525,276)	(4,426)	(508,773)	-	(6,197,247)
	<u>\$ 461,888</u>	<u>\$ 3,889</u>	<u>\$ 562,979</u>	<u>\$ 1,270,241</u>	<u>\$ 3,534</u>	<u>\$ 221,970</u>	<u>\$ 330,457</u>	<u>\$ 2,854,958</u>
Six months ended June 30, 2022								
At January 1	\$ 461,888	\$ 3,889	\$ 562,979	\$ 1,270,241	\$ 3,534	\$ 221,970	\$ 330,457	\$ 2,854,958
Additions - cost	-	-	4,112	31,706	-	22,418	44,279	102,515
Transferred after acceptance inspection	-	-	63,358	205,801	-	230	(269,389)	-
Transferred from prepayments for equipment	-	-	-	8,764	-	-	-	8,764
Disposal - cost	-	-	-	(8,497)	-	(6,761)	-	(15,258)
- accumulated depreciation	-	-	-	8,098	-	5,316	-	13,414
Depreciation	-	(963)	(27,632)	(116,721)	(366)	(24,966)	-	(170,648)
Reclassification (Note)	-	-	-	196	-	(590)	-	(394)
Net exchange differences	-	-	5,823	11,712	-	1,229	4,062	22,826
At June 30	<u>\$ 461,888</u>	<u>\$ 2,926</u>	<u>\$ 608,640</u>	<u>\$ 1,411,300</u>	<u>\$ 3,168</u>	<u>\$ 218,846</u>	<u>\$ 109,409</u>	<u>\$ 2,816,177</u>
At June 30, 2022								
Cost	\$ 461,888	\$ 18,064	\$ 1,787,579	\$ 6,090,506	\$ 7,960	\$ 750,316	\$ 109,409	\$ 9,225,722
Accumulated depreciation	-	(15,138)	(1,178,939)	(4,679,206)	(4,792)	(531,470)	-	(6,409,545)
	<u>\$ 461,888</u>	<u>\$ 2,926</u>	<u>\$ 608,640</u>	<u>\$ 1,411,300</u>	<u>\$ 3,168</u>	<u>\$ 218,846</u>	<u>\$ 109,409</u>	<u>\$ 2,816,177</u>

(Note) Transferred from other equipment to machinery and equipment and reclassified to expenses in the amount of \$196 and \$394, respectively.

	Land	Land improvements	Buildings and structures	Machinery and equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2021</u>								
Cost	\$ 461,888	\$ 14,580	\$ 1,659,015	\$ 5,223,214	\$ 7,960	\$ 688,973	\$ 505,879	\$ 8,561,509
Accumulated depreciation	-	(13,783)	(1,096,240)	(4,370,590)	(3,695)	(490,093)	-	(5,974,401)
	<u>\$ 461,888</u>	<u>\$ 797</u>	<u>\$ 562,775</u>	<u>\$ 852,624</u>	<u>\$ 4,265</u>	<u>\$ 198,880</u>	<u>\$ 505,879</u>	<u>\$ 2,587,108</u>
<u>Six months ended June 30, 2021</u>								
At January 1	\$ 461,888	\$ 797	\$ 562,775	\$ 852,624	\$ 4,265	\$ 198,880	\$ 505,879	\$ 2,587,108
Additions - cost	-	-	535	35,998	-	31,162	112,890	180,585
Transferred after acceptance inspection	-	-	17,363	71,447	-	1,494	(90,304)	-
Disposal - cost	-	-	-	(10,703)	-	(6,775)	-	(17,478)
- accumulated depreciation	-	-	-	10,265	-	6,490	-	16,755
Depreciation	-	(126)	(24,605)	(84,054)	(365)	(19,468)	-	(128,618)
Reclassification	-	-	-	-	-	(3,362)	-	(3,362)
Net exchange differences	-	-	(3,346)	(6,423)	-	(646)	(713)	(11,128)
At June 30	<u>\$ 461,888</u>	<u>\$ 671</u>	<u>\$ 552,722</u>	<u>\$ 869,154</u>	<u>\$ 3,900</u>	<u>\$ 207,775</u>	<u>\$ 527,752</u>	<u>\$ 2,623,862</u>
<u>At June 30, 2021</u>								
Cost	\$ 461,888	\$ 14,580	\$ 1,670,092	\$ 5,289,288	\$ 7,960	\$ 709,247	\$ 527,752	\$ 8,680,807
Accumulated depreciation	-	(13,909)	(1,117,370)	(4,420,134)	(4,060)	(501,472)	-	(6,056,945)
	<u>\$ 461,888</u>	<u>\$ 671</u>	<u>\$ 552,722</u>	<u>\$ 869,154</u>	<u>\$ 3,900</u>	<u>\$ 207,775</u>	<u>\$ 527,752</u>	<u>\$ 2,623,862</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:

	Three months ended June 30,	
	2022	2021
Amount of interest capitalised	\$ 67	191
Interest rates for capitalisation	1.01%	0.96%
	Six months ended June 30,	
	2022	2021
Amount of interest capitalised	\$ 67	\$ 191
Interest rates for capitalisation	1.01%	0.96%

- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8, 'Pledged assets'.

(8) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, machinery and equipment and business vehicles. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
	<u>Carrying Amount</u>	<u>Carrying Amount</u>	<u>Carrying Amount</u>
Land	\$ 39,518	\$ 41,947	\$ 44,914
Buildings	45,130	47,179	49,228
Machinery and equipment	5,708	13,706	17,124
Transportation equipment (Business vehicles)	<u>4,038</u>	<u>2,870</u>	<u>5,235</u>
	<u>\$ 94,394</u>	<u>\$ 105,702</u>	<u>\$ 116,501</u>
		<u>Three months ended June 30,</u>	
		<u>2022</u>	<u>2021</u>
		<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land		\$ 1,602	\$ 1,571
Buildings		1,025	1,025
Machinery and equipment		3,142	3,089
Transportation equipment (Business vehicles)		<u>274</u>	<u>288</u>
		\$ 6,043	\$ 5,973

	Six months ended June 30,	
	2022	2021
	Depreciation charge	Depreciation charge
Land	\$ 3,202	\$ 3,133
Buildings	2,049	2,049
Machinery and equipment	6,284	6,032
Transportation equipment (Business vehicles)	547	564
	<u>\$ 12,082</u>	<u>\$ 11,778</u>

C. For the three months and six months ended June 30, 2022 and 2021, the additions to right-of-use assets were \$—, \$3,384, \$— and \$26,937, respectively.

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

	Three months ended June 30,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 310	\$ 373
Expense on short-term lease or leases of low-value assets	269	206
	Six months ended June 30,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 643	\$ 762
Expense on short-term lease or leases of low-value assets	485	289

E. For the six months ended June 30, 2022 and 2021, the Group's total cash outflow for leases were \$12,335 and \$11,825, respectively.

(9) Intangible assets

Six months ended June 30, 2022					
	Trademarks	Patents	Computer Software	Total	
<u>At January 1, 2022</u>					
Cost	\$ 2,192	\$ 1,268	\$ 19,744	\$ 23,204	
Accumulated amortisation	(1,110)	(698)	(6,035)	(7,843)	
Net exchange differences	-	-	(416)	(416)	
Net value	<u>\$ 1,082</u>	<u>\$ 570</u>	<u>\$ 13,293</u>	<u>\$ 14,945</u>	
<u>2022</u>					
At January 1	\$ 1,082	\$ 570	\$ 13,293	\$ 14,945	
Additions - acquired separately	25	-	191	216	
Amortisation	(197)	(66)	(1,048)	(1,311)	
Net exchange differences	-	-	271	271	
At June 30	<u>\$ 910</u>	<u>\$ 504</u>	<u>\$ 12,707</u>	<u>\$ 14,121</u>	
<u>At June 30, 2022</u>					
Cost	\$ 2,217	\$ 1,268	\$ 19,935	\$ 23,420	
Accumulated amortisation	(1,307)	(764)	(7,083)	(9,154)	
Net exchange differences	-	-	(145)	(145)	
Net value	<u>\$ 910</u>	<u>\$ 504</u>	<u>\$ 12,707</u>	<u>\$ 14,121</u>	
Six months ended June 30, 2021					
	Trademarks	Patents	Computer Software	Royalty	Total
<u>At January 1, 2021</u>					
Cost	\$ 2,036	\$ 1,268	\$ 25,514	\$ 1,000	\$ 29,818
Accumulated amortisation	(1,005)	(623)	(15,137)	(994)	(17,759)
Net exchange differences	-	-	(365)	-	(365)
Net value	<u>\$ 1,031</u>	<u>\$ 645</u>	<u>\$ 10,012</u>	<u>\$ 6</u>	<u>\$ 11,694</u>
<u>2021</u>					
At January 1	\$ 1,031	\$ 645	\$ 10,012	\$ 6	\$ 11,694
Additions - acquired separately	134	-	76	-	210
Disposal - cost	-	-	(326)	-	(326)
- accumulated amortisation	-	-	326	-	326
Amortisation	(182)	(76)	(854)	(6)	(1,118)
Net exchange differences	-	-	(99)	-	(99)
At June 30	<u>\$ 983</u>	<u>\$ 569</u>	<u>\$ 9,135</u>	<u>\$ -</u>	<u>\$ 10,687</u>
<u>At June 30, 2021</u>					
Cost	\$ 2,170	\$ 1,268	\$ 25,264	\$ 1,000	\$ 29,702
Accumulated amortisation	(1,187)	(699)	(15,665)	(1,000)	(18,551)
Net exchange differences	-	-	(464)	-	(464)
Net value	<u>\$ 983</u>	<u>\$ 569</u>	<u>\$ 9,135</u>	<u>\$ -</u>	<u>\$ 10,687</u>

Details of amortisation on intangible assets are as follows:

	Three months ended June 30,	
	2022	2021
Operating costs	\$ 110	\$ 43
Selling expenses	60	(50)
General and administrative expenses	410	475
Research and development expenses	1	-
	<u>\$ 581</u>	<u>\$ 468</u>
	Six months ended June 30,	
	2022	2021
Operating costs	\$ 240	\$ 159
Selling expenses	213	112
General and administrative expenses	818	789
Research and development expenses	40	58
	<u>\$ 1,311</u>	<u>\$ 1,118</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>June 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 100,000</u>	1.1%~1.35%	None
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 170,000</u>	0.85%~0.98%	None
<u>Type of borrowings</u>	<u>June 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 190,000</u>	0.85%~0.99%	None

For the three months and six months ended June 30, 2022 and 2021, the Group recognised interest expense in profit or loss. Refer to Note 6(21) for details.

(11) Short-term notes and bills payable

<u>Type of borrowings</u>	<u>June 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial papers payable	\$ 40,000	1.15%~1.26%	None
Less: Unamortised discount	(21)		
	<u>\$ 39,979</u>		
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Commercial papers payable	\$ 10,000	0.95%	None
Less: Unamortised discount	(1)		
	<u>\$ 9,999</u>		

Type of borrowings	June 30, 2021	Interest rate range	Collateral
Commercial papers payable	\$ 10,000	0.95%	None
Less: Unamortised discount	(12)		
	<u>\$ 9,988</u>		

A. The above commercial papers were issued for short-term financing and secured by Ta Ching Bills Finance Corp., etc.

B. For the three months and six months ended June 30, 2022 and 2021, the Group recognised interest expenses in profit or loss. Refer to Note 6(21) for details.

(12) Other payables

	June 30, 2022	December 31, 2021	June 30, 2021
Wages and salaries payable	\$ 380,994	\$ 841,670	\$ 761,585
Employees' compensation and directors' remuneration payable	67,200	487,852	317,625
Payables on equipment	18,144	5,977	19,252
Others	434,890	339,169	356,219
	<u>\$ 901,228</u>	<u>\$ 1,674,668</u>	<u>\$ 1,454,681</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>June 30, 2022</u>	<u>Interest rate</u>	<u>Collateral</u>
Installment-repayment borrowings				
Unsecured borrowings	Borrowing period is from March 9, 2022 to March 9, 2025; interest is repayable monthly; principal is repayable quarterly from June 9, 2022	\$ 27,500	1.10%	None
	Borrowing period is from July 3, 2020 to July 3, 2023; interest is repayable monthly; principal is repayable quarterly from October 3, 2020	12,500	1.35%	None
Secured borrowings	Borrowing period is from May 19, 2021 to May 19, 2024; interest is repayable monthly; principal is repayable monthly from June 19, 2021	19,167	1.26%	Buildings and structures
		59,167		
Less: Current portion		(30,000)		
		<u>\$ 29,167</u>		

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>December 31, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Installment-repayment borrowings				
Secured borrowings	Borrowing period is from May 19, 2021 to May 19, 2024; interest is repayable monthly; principal is repayable monthly from June 19, 2021	\$ 24,167	1.00%	Buildings and structures
Unsecured borrowings	Borrowing period is from July 3, 2020 to July 3, 2023; interest is repayable monthly; principal is repayable quarterly from October 3, 2020	17,500	1.35%	None
		41,667		
Less: Current portion		(20,000)		
		<u>\$ 21,667</u>		

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>June 30, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Installment-repayment borrowings				
Secured borrowings	Borrowing period is from May 19, 2021 to May 19, 2024; interest is repayable monthly; principal is repayable quarterly from June 19, 2021	\$ 29,167	1.00%	Buildings and structures
Unsecured borrowings	Borrowing period is from July 3, 2020 to July 3, 2023; interest is repayable monthly; principal is repayable quarterly from October 3, 2020	22,500	1.35%	None
		51,667		
Less: Current portion		(20,000)		
		<u>\$ 31,667</u>		

For the three months and six months ended June 30, 2022 and 2021, the Group recognised interest expenses in profit or loss. Please refer to Note 6 (21) for details.

(14) Pensions

- A. The Company and its domestic subsidiary have 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. However, those who were mandatorily retired because injury at work will receive 20% in addition. The Company and its domestic subsidiary contribute monthly an amount equal to 2%~15% 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 and its domestic subsidiary would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiary will make contributions for the deficit by next March. The relevant information is as follows:
- (a) For the aforementioned pension plan, the Group recognised pension costs of \$1,339, \$1,659, \$2,678 and \$3,319 for the three months and six months ended June 30, 2022 and 2021, respectively.
 - (b) Expected contributions to the defined benefit pension plan of the Group for the next year amount to \$25,414.
- B. Effective July 1, 2005, the Company and its domestic subsidiary have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiary contribute monthly an amount of no less than 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. The pension costs under the defined contribution pension plan of the Group for the three months and six months ended June 30, 2022 and 2021 were \$4,540, \$3,434, \$8,225 and \$6,825, respectively.
- C. The Company's mainland China subsidiary, Zhenjiang Nantex Chemical Industry., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (P.R.C.) are based on 20% of employees' monthly salaries and wages. Other than the monthly contributions, this subsidiary has no further obligations. The pension costs under the defined

contribution pension plan of this subsidiary for the three months and six months ended June 30, 2022 and 2021 were \$5,612, \$4,360, \$11,160 and \$8,813, respectively.

(15) Share capital

- A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	Six months ended June 30,	
	2022	2021
Beginning and ending balance	492,417	492,417

- B. As of June 30, 2022, the Company's authorised capital was \$6,000,000, and the paid-in-capital was \$4,924,167, consisting of 492,417 thousand shares, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(16) Retained earnings

- A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends 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.
- B. Since the Company is in a changeable industry environment tied with international macroeconomics and the Company is in the mature stage, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise at least 20% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed. Based on the regulation, the Board of Directors of the Company shall adopt a special resolution to distribute whole or a part of the dividends in the form of cash and report to the stockholders, which is not applicable to the aforementioned provisions that are subject to stockholders' resolutions.
- C. Special reserve
- (a) In accordance with the regulations, the Company shall set aside special reserve for 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.

- (b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012 was \$430,099, which shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends distributed to owners amounting to \$1,969,667 (\$4.0 (in dollars) per share) for the year ended December 31, 2021. On March 8, 2022, the Board of Directors resolved the distribution of cash dividends of \$3,446,917 (\$7.0 (in dollars) per share) from the 2021 earnings.

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

Details of the Group's revenue from the transfer of goods at a point in time are as follows:

Three months ended June 30, 2022				
	NANTEX	INTERMEDIUM	NANMAT	Total
Revenue from latex products	\$ 1,262,888	\$ 277,821	\$ -	\$ 1,540,709
Revenue from rubber products	412,092	1,069,306	-	1,481,398
Organic-inorganic materials	-	-	375,317	375,317
Others	1,438	-	37,760	39,198
	<u>\$ 1,676,418</u>	<u>\$ 1,347,127</u>	<u>\$ 413,077</u>	<u>\$ 3,436,622</u>
Three months ended June 30, 2021				
	NANTEX	INTERMEDIUM	NANMAT	Total
Revenue from latex products	\$ 4,228,768	\$ 1,237,745	\$ -	\$ 5,466,513
Revenue from rubber products	280,516	1,045,320	-	1,325,836
Organic-inorganic materials	-	-	317,754	317,754
Others	57,172	-	37,902	95,074
	<u>\$ 4,566,456</u>	<u>\$ 2,283,065</u>	<u>\$ 355,656</u>	<u>\$ 7,205,177</u>
Six months ended June 30, 2022				
	NANTEX	INTERMEDIUM	NANMAT	Total
Revenue from latex products	\$ 2,456,018	\$ 614,446	\$ -	\$ 3,070,464
Revenue from rubber products	812,589	2,209,458	-	3,022,047
Organic-inorganic materials	-	-	722,430	722,430
Others	44,590	-	72,082	116,672
	<u>\$ 3,313,197</u>	<u>\$ 2,823,904</u>	<u>\$ 794,512</u>	<u>\$ 6,931,613</u>
Six months ended June 30, 2021				
	NANTEX	INTERMEDIUM	NANMAT	Total
Revenue from latex products	\$ 8,240,356	\$ 2,668,060	\$ -	\$ 10,908,416
Revenue from rubber products	576,024	1,931,206	-	2,507,230
Organic-inorganic materials	-	-	613,914	613,914
Others	59,324	-	68,944	128,268
	<u>\$ 8,875,704</u>	<u>\$ 4,599,266</u>	<u>\$ 682,858</u>	<u>\$ 14,157,828</u>

B. Contract liabilities

- (a) On June 30, 2022, December 31, 2021 and June 30, 2021, the Group has recognised the revenue-related contract liabilities amounting to \$60,557, \$96,793 and \$195,573, respectively.
- (b) On January 1, 2022 and 2021, the contract liabilities were \$96,793 and \$161,355, respectively, and the contract liabilities at the beginning of 2022 and 2021 of \$4,364, (\$386), \$90,203 and \$154,014 were recognised as revenue for the three months and six months ended June 30, 2022 and 2021, respectively.

(18) Interest income

	Three months ended June 30,	
	2022	2021
Interest income from bank deposits	\$ 15,868	\$ 6,622
Interest income from financial assets at amortised cost	8,150	11,563
Interest income from financial assets at fair value through other comprehensive income	352	332
	<u>\$ 24,370</u>	<u>\$ 18,517</u>
	Six months ended June 30,	
	2022	2021
Interest income from bank deposits	\$ 27,889	\$ 10,985
Interest income from financial assets at amortised cost	15,713	21,306
Interest income from financial assets at fair value through other comprehensive income	352	332
	<u>\$ 43,954</u>	<u>\$ 32,623</u>

(19) Other income

	Three months ended June 30,	
	2022	2021
Dividend income	\$ 720	\$ 648
Other income	6,548	4,783
	<u>\$ 7,268</u>	<u>\$ 5,431</u>
	Six months ended June 30,	
	2022	2021
Dividend income	\$ 720	\$ 648
Other income	8,832	6,958
	<u>\$ 9,552</u>	<u>\$ 7,606</u>

(20) Other gains and losses

		Three months ended June 30,	
		2022	2021
Net currency exchange gains (losses)	\$	233,766	(\$ 128,830)
Gains on financial assets at fair value through profit or loss		254	-
Losses on disposal of property, plant and equipment	(	723)	(404)
Other losses	(	703)	(2,860)
	\$	<u>232,594</u>	<u>(\$ 132,094)</u>
		Six months ended June 30,	
		2022	2021
Net currency exchange gains (losses)	\$	422,714	(\$ 140,386)
Gains on financial assets at fair value through profit or loss (Note)		44	-
Losses on disposal of property, plant and equipment	(	873)	(549)
Other losses	(	1,720)	(4,523)
	\$	<u>420,165</u>	<u>(\$ 145,458)</u>

(Note) Includes the distribution of fund income of \$374 and unrealized evaluation loss of (\$330).

(21) Finance costs

		Three months ended June 30,	
		2022	2021
Interest expense			
Bank loans	\$	528	\$ 334
Lease liabilities		<u>310</u>	<u>373</u>
		838	707
Less: Capitalisation of qualifying assets	(	67)	(191)
	\$	<u>771</u>	<u>\$ 516</u>
		Six months ended June 30,	
		2022	2021
Interest expense			
Bank loans	\$	957	\$ 654
Lease liabilities		<u>643</u>	<u>762</u>
		1,600	1,416
Less: Capitalisation of qualifying assets	(	67)	(191)
	\$	<u>1,533</u>	<u>\$ 1,225</u>

(22) Expenses by nature

Three months ended June 30, 2022			
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 119,956	\$ 257,363	\$ 377,319
Depreciation	72,673	19,979	92,652
Amortisation	110	471	581
	<u>\$ 192,739</u>	<u>\$ 277,813</u>	<u>\$ 470,552</u>
Three months ended June 30, 2021			
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 150,527	\$ 285,196	\$ 435,723
Depreciation	53,340	17,521	70,861
Amortisation	43	425	468
	<u>\$ 203,910</u>	<u>\$ 303,142</u>	<u>\$ 507,052</u>
Six months ended June 30, 2022			
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 243,896	\$ 483,152	\$ 727,048
Depreciation	142,971	39,759	182,730
Amortisation	240	1,071	1,311
	<u>\$ 387,107</u>	<u>\$ 523,982</u>	<u>\$ 911,089</u>
Six months ended June 30, 2021			
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 359,730	\$ 851,162	\$ 1,210,892
Depreciation	105,177	35,219	140,396
Amortisation	159	959	1,118
	<u>\$ 465,066</u>	<u>\$ 887,340</u>	<u>\$ 1,352,406</u>

(23) Employee benefit expense

Three months ended June 30, 2022			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 100,320	\$ 178,651	\$ 278,971
Labour and health insurance expenses	7,832	10,436	18,268
Pension costs	6,667	4,824	11,491
Other personnel expenses	5,137	63,452	68,589
	<u>\$ 119,956</u>	<u>\$ 257,363</u>	<u>\$ 377,319</u>
Three months ended June 30, 2021			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 134,085	\$ 163,738	\$ 297,823
Labour and health insurance expenses	6,816	6,018	12,834
Pension costs	5,230	4,223	9,453
Other personnel expenses	4,396	111,217	115,613
	<u>\$ 150,527</u>	<u>\$ 285,196</u>	<u>\$ 435,723</u>
Six months ended June 30, 2022			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 205,171	\$ 350,443	\$ 555,614
Labour and health insurance expenses	16,118	18,621	34,739
Pension costs	12,661	9,402	22,063
Other personnel expenses	9,946	104,686	114,632
	<u>\$ 243,896</u>	<u>\$ 483,152</u>	<u>\$ 727,048</u>
Six months ended June 30, 2021			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 325,948	\$ 594,728	\$ 920,676
Labour and health insurance expenses	13,964	17,857	31,821
Pension costs	10,521	8,436	18,957
Other personnel expenses	9,297	230,141	239,438
	<u>\$ 359,730</u>	<u>\$ 851,162</u>	<u>\$ 1,210,892</u>

A. Under the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and

shall not be higher than 3% for directors' remuneration.

- B. For the three months and six months ended June 30, 2022 and 2021, the Company's employees' compensation was accrued at \$14,700, \$61,740, \$26,880 and \$127,050, respectively; while directors' and supervisors' remuneration was accrued at \$22,050, \$92,610, \$40,320 and \$190,575, respectively. The aforementioned amounts were recognised in salary expenses and other expenses. The expenses recognised for the six months ended June 30, 2022 and 2021 were accrued based on the earnings of current period and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' and supervisors' remuneration for 2021 as resolved by the Board of Directors amounted to \$456,152. The difference of \$314 between the amounts resolved at the Board meeting and the amounts recognised in the 2021 financial statements of \$455,838 had been adjusted in the profit or loss for 2022.

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

(24) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended June 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 318,943	\$ 718,538
Prior year income tax under (over) estimation	2,232	(1,353)
Total current tax	321,175	717,185
Deferred tax:		
Origination and reversal of temporary differences	10,605	(9,158)
Income tax expense	\$ 331,780	\$ 708,027
	Six months ended June 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 465,227	\$ 1,456,592
Prior year income tax under (over) estimation	9,403	(7,983)
Total current tax	474,630	1,448,609
Deferred tax:		
Origination and reversal of temporary differences	46,992	18,954
Income tax expense	\$ 521,622	\$ 1,467,563

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of August 9, 2022.

(25) Earnings per share

Three months ended June 30, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 369,946</u>	492,417	<u>\$ 0.75</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 369,946		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>756</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 369,946</u>	<u>493,173</u>	<u>\$ 0.75</u>
Three months ended June 30, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 2,534,838</u>	492,417	<u>\$ 5.15</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 2,534,838		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>911</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 2,534,838</u>	<u>493,328</u>	<u>\$ 5.14</u>

Six months ended June 30, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 947,576</u>	492,417	<u>\$ 1.92</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 947,576		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>1,711</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 947,576</u>	<u>\$ 494,128</u>	<u>\$ 1.92</u>
Six months ended June 30, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 5,218,037</u>	492,417	<u>\$ 10.60</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 5,218,037		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>1,386</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 5,218,037</u>	<u>\$ 493,803</u>	<u>\$ 10.57</u>

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Six months ended June 30,	
	2022	2021
Purchase of property, plant and equipment	\$ 102,515	\$ 180,585
Add: Beginning balance of payable on equipment (listed as 'other payables')	5,977	34,613
Less: Ending balance of payable on equipment (listed as 'other payables')	(18,144)	(19,252)
Interest capitalisation	(67)	(191)
Cash paid for purchase of property, plant and equipment	<u>\$ 90,281</u>	<u>\$ 195,755</u>

B. Investing activities with no cash flow effects:

	Six months ended June 30,	
	2022	2021
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 8,764</u>	<u>\$ -</u>

(27) Changes in liabilities from financing activities

Six months ended June 30, 2022	Short-term borrowings	Short-term notes and bills payable	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 170,000	\$ 9,999	\$ 73,730	\$ 41,667	\$ 295,396
Changes in cash flow from financing activities	(70,000)	30,000	(11,207)	17,500	(33,707)
Changes in unamortised discount or premium	-	(20)	-	-	(20)
At June 30	<u>\$ 100,000</u>	<u>\$ 39,979</u>	<u>\$ 62,523</u>	<u>\$ 59,167</u>	<u>\$ 261,669</u>

Six months ended June 30, 2021	Short-term borrowings	Short-term notes and bills payable	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 190,000	\$ 9,988	\$ 67,658	\$ 27,500	\$ 295,146
Changes in cash flow from financing activities	-	-	(10,774)	24,167	13,393
Changes in other non-cash items	-	-	26,937	-	26,937
At June 30	<u>\$ 190,000</u>	<u>\$ 9,988</u>	<u>\$ 83,821</u>	<u>\$ 51,667</u>	<u>\$ 335,476</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Tainan Spinning Co., Ltd. (Tainan Spinning)	The entity with significant influence to the Group
Lushun Warehouse Co., Ltd. (Lushun Warehouse)	The Company is the key management of this entity
Bao Minh Textile & Garment (Bao Minh)	The Company is the key management of this entity

(2) Significant related party transactions

A. Lease transactions — lessee

(a) The Group leases raw material tanks and office space from Lushun Warehouse and Tainan Spinning. Rental contracts are typically made for periods of 2 and 20 years, respectively. Rents are paid monthly.

(b) Acquisition of right-of-use assets

	<u>June 30, 2021</u>
Lushun Warehouse	<u>\$ 22,832</u>

For the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022: None.

(c) Lease liabilities

(i) Outstanding balance

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Tainan Spinning	\$ 47,169	\$ 48,594	\$ 50,000
Lushun Warehouse	5,745	11,466	17,162
	<u>\$ 52,914</u>	<u>\$ 60,060</u>	<u>\$ 67,162</u>

(ii) Interest expense

	<u>Three months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Tainan Spinning	\$ 258	\$ 272
Lushun Warehouse	17	41
	<u>\$ 275</u>	<u>\$ 313</u>
	<u>Six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Tainan Spinning	\$ 525	\$ 554
Lushun Warehouse	40	89
	<u>\$ 565</u>	<u>\$ 643</u>

B. Endorsements and guarantees

Details of provision of endorsements and guarantees to related parties are provided in Note 9.

(3) Key management compensation

	Three months ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 103,902	\$ 197,400
	Six months ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 193,550	\$ 450,911

8. PLEDGED ASSETS

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

Pledged asset	June 30, 2022	December 31, 2021	June 30, 2021	Purpose
Pledged time deposits (Note 1)	\$ 4,000	\$ 4,000	\$ 4,000	Customs guarantee
Land (Note 2)	461,888	448,185	448,185	Collateral for borrowing facilities
Buildings and structures, net (Note 2)	27,040	41,276	36,379	Collateral for borrowing facilities
Guarantee deposits paid	413	413	413	Performance guarantee
	<u>\$ 493,341</u>	<u>\$ 493,874</u>	<u>\$ 488,977</u>	

Note 1: Listed as 'Current financial assets at amortised cost'.

Note 2: Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's remaining balance due for construction in progress and prepayment for equipment were \$46,745, \$16,237 and \$39,101, respectively.

B. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's unused letters of credit amounted to \$32,856, \$13,782 and \$65,026, respectively.

C. The significant purchase contracts entered by the Group are as follows:

Suppliers	Items	Price	Quantity of purchase (in tonnes)		
			Purchase quantity (t)		
			June 30, 2022	December 31, 2021	June 30, 2021
CPC Corporation, Taiwan	Butadiene (BD)	Floating	20,646	20,646	20,646
Formosa Petrochemical Corp.	Butadiene (BD)	Floating	46,800	46,800	46,800
BASF-YPC Company Limited	Butadiene (BD)	Floating	28,000	28,000	28,000
NanJing GongXi Chemical Limited Company	Butadiene (BD)	Floating	13,200	13,200	13,200
SINOPEC CHEMICAL COMMERCIAL HOLDING COMPANY LIMITED (EAST CHINA)	Butadiene (BD)	Floating	2,000	-	-
China Petrochemical Development Corp.	Acrylonitrile (AN)	Floating	18,000	18,000	18,000
Formosa Plastics Corp.	Acrylonitrile (AN)	Floating	4,800	4,800	4,800
YUGE (SHANGHAI) CHEMICAL CO., LTD.	Acrylonitrile (AN)	Floating	10,800	10,800	10,800
Shanghai Legend Petrochemical Co., Ltd.	Acrylonitrile (AN)	Floating	5,100	5,100	5,100
WeiQiang International Trade (SHANGHAI) Co., Ltd.	Acrylonitrile (AN)	Floating	2,760	2,760	2,760
Taiwan Styrene Monomer Corp.	Styrene (SM)	Floating	1,800	1,800	1,800

As of June 30, 2022, 49,981 tonnes of BD, 25,660 tonnes of AN and 800 tonnes of SM were purchased.

D. Details of the Group's endorsements and guarantees are as follows:

Endorser/guarantor	Party being		Purpose	June 30, 2022	December 31, 2021	June 30, 2021
	endorsed/	guaranteed				
INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment		Guarantee for borrowings	\$ 95,034	\$ 88,511	\$ 89,087

As of June 30, 2022, December 31, 2021 and June 30, 2021, Bao Minh Textile & Garment has drawn from the endorsements and guarantees in the amount of \$69,471, \$64,702 and \$65,123, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a

going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ 30,750</u>	<u>\$ 31,080</u>	<u>\$ -</u>
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 583,781	\$ 450,006	\$ 534,631
Qualifying debt instrument	<u>29,390</u>	<u>28,234</u>	<u>28,838</u>
	<u>\$ 613,171</u>	<u>\$ 478,240</u>	<u>\$ 563,469</u>
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	\$ 7,874,107	\$ 10,997,019	\$ 6,987,914
Financial assets at amortised cost	1,623,617	2,377,272	2,845,352
Notes receivable	179,789	235,769	218,290
Accounts receivable	1,096,114	1,586,109	2,714,733
Other receivables	80,240	104,447	100,290
Guarantee deposits paid	<u>3,406</u>	<u>1,100</u>	<u>656</u>
	<u>\$ 10,857,273</u>	<u>\$ 15,301,716</u>	<u>\$ 12,867,235</u>

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 100,000	\$ 170,000	\$ 190,000
Short-term notes and bills payable	39,979	9,999	9,988
Notes payable	-	-	9
Accounts payable	439,813	414,794	587,957
Other payables	901,228	1,674,668	1,454,681
Current refund liabilities	-	20,418	-
Long-term borrowings (including current portion)	59,167	41,667	51,667
	<u>\$ 1,540,187</u>	<u>\$ 2,331,546</u>	<u>\$ 2,294,302</u>
Lease liabilities	<u>\$ 62,523</u>	<u>\$ 68,138</u>	<u>\$ 83,821</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on unpredictable events in the financial market and seeks to reduce potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

- (i) The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- (ii) Management has set up a policy to require the group companies to manage its foreign exchange risk against the functional currency. The group companies are required to hedge the entire foreign exchange risk exposure with the Group treasury. Foreign exchange rate risk arises when future commercial transactions or recognised assets or

liabilities are denominated in a currency that is not the entity's functional currency.

- (iii) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.
- (iv) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB) The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2022		December 31, 2021	
	Foreign currency amount		Foreign currency amount	
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(in thousands)</u>	<u>Exchange rate</u>
<u>Financial assets</u>				
Monetary items				
USD : NTD	\$ 115,023	29.72	\$ 275,882	27.68
USD : RMB	56,086	6.71	52,932	6.38
JPY : NTD	152,793	0.2182	25,048	0.2405
<u>Financial liabilities</u>				
Monetary items				
USD : NTD	2,301	29.72	3,284	27.68
USD : RMB	31	6.71	765	6.38
			June 30, 2021	
			Foreign currency amount	
			<u>(in thousands)</u>	<u>Exchange rate</u>
<u>Financial assets</u>				
Monetary items				
USD : NTD			\$ 205,019	27.86
USD : RMB			48,276	6.46
<u>Financial liabilities</u>				
Monetary items				
USD : NTD			2,548	27.86
USD : RMB			961	6.46
JPY : NTD			16,523	0.2521

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If NTD had appreciated/depreciated by 1% against USD, RMB and JPY, the Group's net profit after tax for the six months ended June 30, 2022 and 2021 would have increased/decreased by \$39,562 and \$55,706, respectively.

- (v) The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the

three months and six months ended June 30, 2022 and 2021 amounted to \$233,766, (\$128,830), \$422,714 and (\$140,386), respectively.

II. Price risk

- (i) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- (ii) The Group's investments in equity securities comprise shares issued by the domestic and foreign 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, 2022 and 2021 would have increased/decreased by \$308 and \$—, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$5,838 and \$5,346, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

III. Cash flow and fair value interest rate risk

- (i) The Group's main interest rate risk arises from bank borrowings with floating rates, which expose the Group to cash flow interest rate risk. During the six months ended June 30, 2022 and 2021, the Group's borrowings at floating rate were mainly denominated in New Taiwan dollars.
- (ii) The Group's borrowings are long-term and short-term borrowings with floating interest rates. Therefore, changes in market interest rates will change the effective interest rates of the borrowings and cause fluctuations in their future cash flows. However, there is no significant effect on profit after tax.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through other comprehensive income.
- II. The Group manages its credit risk taking into consideration the entire Group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of its 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 management. The utilisation of credit limits is regularly

monitored.

- III. The Group adopts the assumption under IFRS 9, that is, 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.
- IV. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- V. The Group classifies customer's accounts receivable in accordance with credit rating of customer and customer types. The Group applies the modified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- VI. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable as the Group's counterparties are all with high credit quality and have no default record after assessment.
- VII. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	Six months ended June 30,	
	2022	2021
At January 1	\$ 942	\$ 1,119
Expected credit (gain) loss	(212)	381
Effect of foreign exchange	21	(17)
At June 30	<u>\$ 751</u>	<u>\$ 1,483</u>

- VIII. The Group's investments in debt instruments at fair value through other comprehensive income are all rated as investment grade by any external credit rating agency at the balance sheet date, therefore its loss allowance is financial instruments measured at 12 months expected credit losses.

(c) Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.
- II. Surplus cash held by the operating entities over and above the balance required for working capital management are invested in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, that are expected to readily generate cash inflows for managing liquidity risk.
- III. The Group has the following undrawn borrowing facilities:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Floating rate:			
Expiring within one year	<u>\$ 3,836,300</u>	<u>\$ 3,889,460</u>	<u>\$ 3,876,480</u>

IV. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>June 30, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities				
Short-term borrowings	\$ 100,506	\$ -	\$ -	\$ -
Short-term notes and bills payable	40,000	-	-	-
Accounts payable	439,813	-	-	-
Other payables	901,228	-	-	-
Lease liability	15,031	6,509	14,152	34,425
Long-term borrowings (including current portion)	30,498	21,885	7,541	-
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities				
Short-term borrowings	\$ 170,157	\$ -	\$ -	\$ -
Short-term notes and bills payable	10,000	-	-	-
Accounts payable	414,794	-	-	-
Other payables	1,674,668	-	-	-
Lease liability	23,262	7,177	14,779	36,750
Current refund liability	20,418	-	-	-
Long-term borrowings (including current portion)	20,316	17,646	4,177	-

<u>June 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities				
Short-term borrowings	\$ 190,059	\$ -	\$ -	\$ -
Short-term notes and bills payable	10,000	-	-	-
Notes payable	9	-	-	-
Accounts payable	587,957	-	-	-
Other payables	1,454,681	-	-	-
Lease liability	23,417	14,967	15,682	39,032
Long-term borrowings (including current portion)	20,417	20,264	11,721	-

V. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

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

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

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

B. The carrying amounts of financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, accounts payable, other payables, current refund liabilities, long-term borrowings (including current portion) are approximate to their fair values.

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

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 30,750	\$ -	\$ -	\$ 30,750
Financial assets at fair value through other comprehensive income				
Equity securities	108,400	-	475,381	583,781
Debt securities	29,390	-	-	29,390
	<u>\$ 168,540</u>	<u>\$ -</u>	<u>\$ 475,381</u>	<u>\$ 643,921</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 31,080	\$ -	\$ -	\$ 31,080
Financial assets at fair value through other comprehensive income				
Equity securities	116,140	-	333,866	450,006
Debt securities	28,234	-	-	28,234
	<u>\$ 175,454</u>	<u>\$ -</u>	<u>\$ 333,866</u>	<u>\$ 509,320</u>
<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 171,228	\$ -	\$ 363,403	\$ 534,631
Debt securities	28,838	-	-	28,838
	<u>\$ 200,066</u>	<u>\$ -</u>	<u>\$ 363,403</u>	<u>\$ 563,469</u>

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

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

	<u>Listed shares</u>	<u>Closed-end fund</u>	<u>Corporate bonds</u>
Market quoted price	Closing price	Closing price	Weighted average quoted price

- (b) Except for financial instruments with active markets, the fair value of other 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 consolidated balance sheet date.

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

F. The following chart is the movement of Level 3 for the six months ended June 30, 2022 and 2021:

	<u>Equity securities</u>
At January 1, 2022	\$ 333,866
Additions	22,395
Gains recognised in other comprehensive income	112,110
Net exchange differences	<u>7,010</u>
At June 30, 2022	<u>\$ 475,381</u>
	<u>Equity securities</u>
At January 1, 2021	\$ 317,902
Gains recognised in other comprehensive income	47,632
Net exchange differences	(2,131)
At June 30, 2021	<u>\$ 363,403</u>

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

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

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

		Fair value at June 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	\$	475,381	Discounted cash flow	Weighted average cost of capital	4.5%~9.88%	The higher the weighted average cost of capital, the lower the fair value
				Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
		Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	\$	333,866	Discounted cash flow	Weighted average cost of capital	7.92%~9.89%	The higher the weighted average cost of capital, the lower the fair value
				Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
		Fair value at June 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	\$	363,403	Discounted cash flow	Weighted average cost of capital	5.87%~9.71%	The higher the weighted average cost of capital, the lower the fair value
				Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

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

changed:

			Six months ended June 30, 2022			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Weighted average cost of capital	±10%	\$ -	\$ -	\$ 48,333	(\$ 35,343)
	Discount for lack of marketability	±10%	-	-	6,745	(6,745)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,078</u>	<u>(\$ 42,088)</u>
			Six months ended June 30, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Weighted average cost of capital	±10%	\$ -	\$ -	\$ 25,721	(\$ 19,681)
	Discount for lack of marketability	±10%	-	-	4,723	(4,723)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,444</u>	<u>(\$ 24,404)</u>

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the six months ended June 30, 2022.

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: 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 financial instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 6.

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on pretax income excluding non-recurring income or expenses. For details of operating segments' accounting policies, refer to Note 4.

(3) Segment information

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

	Six months ended June 30, 2022			
	<u>NANTEX</u>	<u>INTERMEDIUM</u>	<u>Nanmat</u>	<u>Total</u>
Segment revenue	\$ 3,353,235	\$ 2,823,904	\$ 794,512	\$ 6,971,651
Inter-segment revenue	40,038	-	-	40,038
Revenue from external customers	3,313,197	2,823,904	794,512	6,931,613
Interest income	9,639	34,150	165	43,954
Depreciation and amortisation	94,142	62,627	27,272	184,041
Finance cost	583	-	950	1,533
Segment income before tax	1,227,902	777,696	186,653	2,192,251
Capital expenditure for non-current assets	54,645	26,245	86,768	167,658

	Six months ended June 30, 2021			
	NANTEX	INTERMEDIUM	Nanmat	Total
Segment revenue	\$ 8,956,293	\$ 4,599,266	\$ 682,858	\$ 14,238,417
Inter-segment revenue	80,589	-	-	80,589
Revenue from external customers	8,875,704	4,599,266	682,858	14,157,828
Interest income	2,600	29,920	103	32,623
Depreciation and amortisation	62,489	55,536	23,489	141,514
Finance cost	670	-	555	1,225
Segment income before tax	6,107,724	2,170,785	141,023	8,419,532
Capital expenditure for non-current assets	181,813	28,013	34,604	244,430

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. 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.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the six months ended June 30, 2022 and 2021 is provided as follows:

	Six months ended June 30,	
	2022	2021
Reportable operating segments income before income tax	\$ 2,192,251	\$ 8,419,532
Write-offs of inter-segment income (loss)	(639,731)	(1,670,980)
Profit before income tax	<u>\$ 1,552,520</u>	<u>\$ 6,748,552</u>

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Six months ended June 30, 2022

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount during the period	Outstanding endorsement/ guarantee amount at June 30, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote				
				accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company																
1	INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	(Note 1)	\$	1,741,780	\$	95,034	\$	95,034	\$	69,471	\$	-	1%	\$	4,354,450	N	N	N	-

(Note 1) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(Note 2) Ceiling on total amount of endorsements/ guarantees provided by INTERMEDIUM INTERNATIONAL LIMITED to others is 50% of the company's net worth, and limit on endorsements/guarantees provided for a single party is 20% of the company's net worth. The relevant endorsements/guarantees have been reported to the shareholders.

(Note 3) The accounts denominated in foreign currencies in the table are translated into New Taiwan dollars at spot exchange rates (USD 1 : NTD 29.72) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

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

June 30, 2022

Table 2

Expressed in thousands of NTD

				As of June 30, 2022				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account					
				Number of shares (shares or units in thousands)	Book value	Ownership (%)	Fair value	Footnote
NANTEX INDUSTRY CO., LTD.	Beneficiary certificates:							
	MILLERFUL NO.1 REIT	—	Current financial assets at fair value through profit or loss	3,000	\$ 30,750	-	\$ 30,750	—
	Stocks:							
	Lushun Warehouse Co., Ltd.	—	Non-current financial assets at fair value through other comprehensive income	2,700	262,474	15.00%	262,474	—
	President International Development Corp.	—	"	8,820	80,754	0.67%	80,754	—
	Micro Sava Co., Ltd.	—	"	1,021	298	0.52%	298	—
	Grand Bills Finance Corp.	—	"	720	7,327	0.13%	7,327	—
	Formosa Chemicals & Fibre Corp.	—	"	1,200	89,640	0.02%	89,640	—
	Formosa Petrochemical Corp.	—	"	200	18,760	0.00%	18,760	—
	Bonds:							
	NATWEST MARKETS PLC.	—	"	-	29,390	-	29,390	—
INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	—	"	-	124,528	8.50%	124,528	—

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Six months ended June 30, 2022

Table 3

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	
0	NANTEX INDUSTRY CO., LTD.	Zhenjiang Nantex Chemical Industry., Ltd.	1	Sales revenue	\$ 40,038	Cash payment within 3 months —
				Royalty income	15,246	Cash payment within 1 year —
				Accounts receivable	1,458	— —
				Other receivables	12,833	— —
				Contract liabilities	40,154	— —

(Note 1) If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, one side of then are disclosed.

(Note 2) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1. Parent company is '0'.
2. The subsidiaries are numbered in order starting from '1'.

(Note 3) Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Information on investees (not including investees in China)

Six months ended June 30, 2022

Table 4

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
				June 30, 2022	December 31, 2021				the six months ended	for the six months ended	
									June 30, 2022	June 30, 2022	
NANTEX INDUSTRY CO., LTD.	INTERMEDIUM INTERNATIONAL LIMITED	British Virgin Islands	General investments	\$ 1,799,716	\$ 1,799,716	55,503,757	100.00%	8,708,900	\$ 573,730	\$ 573,730	Subsidiary
	Nanmat Technology Co., Ltd.	Taiwan	CVD materials and metal surface treatment chemicals	172,400	172,400	18,719,241	44.20%	481,109	149,322	66,000	Subsidiary

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Six months ended June 30, 2022

Table 5

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated	Amount remitted from Taiwan		Accumulated	Net income of	Ownership held by the Company	Investment income (loss) recognised by the Company	Book value of investments in	Accumulated	Footnote
				amount of	to Mainland China/		amount					amount	
				remittance from Taiwan to	Amount remitted back to Taiwan for the six months ended		of remittance from Taiwan to					of investment income	
				Mainland China	June 30, 2022		Mainland China	investee for the	Company	for the six months ended	Mainland China	remitted back to	
				as of January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan	as of June 30, 2022	six months ended June 30, 2022		June 30, 2022 (Note 3)	as of June 30, 2022	Taiwan as of June 30, 2022	
Zhenjiang Nantex Chemical Industry., Ltd.	Manufacture and sales of rubber and latex	\$ 2,009,072	Note 2	\$ 1,643,516	\$ -	\$ -	\$ 1,643,516	\$ 593,288	100.00	\$ 593,041	\$ 5,753,719	\$ -	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
NANTEX INDUSTRY CO., LTD.	\$ 1,643,516	\$ 2,009,072	\$ 8,842,969

(Note 1) Including capital increase out of earnings amounting to \$365,556.

(Note 2) Through investing in an existing company in the third area INTERMEDIUM INTERNATIONAL LIMITED, which then invested in the investee in Mainland China.

(Note 3) It was recognised based on the financial statements reviewed by R.O.C. parent company's CPA.

(Note 4) It was calculated based 60% of net worth or consolidated net worth (whichever is higher).

(Note 5) Foreign currencies were translated into New Taiwan Dollars.

Ending balances and book value are translated using the exchange rate as of report date as follows: USD 1 : TWD 29.72, RMB 1 : USD 0.1494.

Profit or loss are translated using the average exchange rate for the six-month period ended June 30, 2022 as follows: USD 1 : TWD 28.73, RMB 1 : USD 0.1543.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

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

Six months ended June 30, 2022

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				(Note)
	Amount	%	Amount	%	Balance at June 30, 2022	%	Balance at June 30, 2022	Purpose	Maximum balance during the six months ended June 30, 2022	Balance at June 30, 2022	Interest rate	Interest during the the six months ended June 30, 2022	
Zhenjiang Nantex Chemical Industry., Ltd.	\$ 40,038	1%	\$ -	-	\$ 1,458	-	\$ -	-	\$ -	\$ -	-	\$ -	(Note)

(Note) It refers to royalty revenue amounting to \$15,246. As of June 30, 2022, the outstanding amount was \$12,833 after deducting the relevant tax payable of \$2,413; the remaining \$40,154 was contract liabilities.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Major shareholders information

June 30, 2022

Table 7

Name of major shareholders	Number of shares held		Ownership (%)	Footnote
	Common share	Preferred share		
Tainan Spinning Co., Ltd.	105,549,052	-	21.43%	—
Nan Fan Housing Development Co., Ltd.	27,362,884	-	5.56%	—

(Note) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.