

## **YC Inox Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2022 and 2021 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
YC Inox Co., Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of YC Inox Co., Ltd. and its subsidiaries (the "Group") as of June 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and the related notes to the consolidated financial statements, including a summary of significant accounting policies "(collectively referred to as the consolidated financial statements)". Management is responsible for the preparation and fair presentation of the 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" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and 2021, its consolidated financial performance for the three months ended June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Done-Yuin Tseng and Shu-Chin Chiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 5, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

# YC INOX CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2022 (Reviewed)		December 31, 2021 (Audited)		June 30, 2021 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash (Note 6)	\$ 1,549,600	8	\$ 1,396,077	7	\$ 959,674	6
Financial assets at fair value through profit or loss - current (Note 7)	196,039	1	267,852	1	297,500	2
Notes receivable (Note 27)	86,152	-	166,220	1	56,281	1
Trade receivables (Notes 9 and 27)	1,316,400	7	1,241,870	7	1,560,557	10
Other receivables	155,972	1	296,636	2	202,511	1
Inventories (Note 10)	6,006,518	30	6,514,836	34	4,310,750	28
Prepayments	1,276,877	6	574,375	3	273,213	2
Other current assets (Note 28)	<u>2,612</u>	<u>-</u>	<u>3,011</u>	<u>-</u>	<u>2,989</u>	<u>-</u>
Total current assets	<u>10,590,170</u>	<u>53</u>	<u>10,460,877</u>	<u>55</u>	<u>7,663,475</u>	<u>50</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Note 8)	2,695,590	14	2,666,411	14	2,292,994	15
Property, plant and equipment (Note 12)	4,868,337	24	4,789,937	25	4,704,247	31
Right-of-use assets (Note 13)	10,615	-	3,631	-	6,053	-
Computer software (Note 14)	6,258	-	6,360	-	6,929	-
Deferred tax assets (Notes 4 and 22)	485,527	3	384,474	2	128,188	1
Prepayments for equipment	1,057,554	5	536,002	3	412,271	3
Other non-current assets	<u>209,420</u>	<u>1</u>	<u>231,052</u>	<u>1</u>	<u>52,505</u>	<u>-</u>
Total non-current assets	<u>9,333,301</u>	<u>47</u>	<u>8,617,867</u>	<u>45</u>	<u>7,603,187</u>	<u>50</u>
<b>TOTAL</b>	<u>\$ 19,923,471</u>	<u>100</u>	<u>\$ 19,078,744</u>	<u>100</u>	<u>\$ 15,266,662</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 15)	\$ 5,854,760	29	\$ 5,559,180	29	\$ 2,983,696	20
Contract liabilities - current (Note 20)	443,897	2	518,204	3	292,310	2
Notes payable	416	-	14,557	-	244	-
Trade payables	349,432	2	771,356	4	531,823	3
Other payables (Note 17)	466,351	2	565,116	3	452,893	3
Dividends payable (Notes 19 and 24)	666,964	3	-	-	-	-
Current tax liabilities (Notes 4 and 22)	277,335	2	372,226	2	99,014	1
Lease liabilities - current (Note 13)	3,592	-	2,466	-	4,292	-
Current portion of long-term borrowings (Note 15)	82,143	1	119,643	1	53,571	-
Other current liabilities	<u>25,377</u>	<u>-</u>	<u>32,079</u>	<u>-</u>	<u>43,360</u>	<u>-</u>
Total current liabilities	<u>8,170,267</u>	<u>41</u>	<u>7,954,827</u>	<u>42</u>	<u>4,461,203</u>	<u>29</u>
<b>NON-CURRENT LIABILITIES</b>						
Financial liabilities at fair value through profit or loss - non-current (Note 16)	1,495	-	966	-	500	-
Bonds payable (Note 16)	762,166	4	775,775	4	958,966	6
Long-term borrowings (Note 15)	1,489,286	8	780,357	4	446,429	3
Deferred tax liabilities (Notes 4 and 22)	67,384	-	62,053	-	40,123	-
Lease liabilities - non-current (Note 13)	6,012	-	814	-	1,749	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	69,135	-	71,257	1	76,507	1
Guarantee deposits received	<u>45,565</u>	<u>-</u>	<u>30,630</u>	<u>-</u>	<u>40,440</u>	<u>-</u>
Total non-current liabilities	<u>2,441,043</u>	<u>12</u>	<u>1,721,852</u>	<u>9</u>	<u>1,564,714</u>	<u>10</u>
Total liabilities	<u>10,611,310</u>	<u>53</u>	<u>9,676,679</u>	<u>51</u>	<u>6,025,917</u>	<u>39</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital						
Ordinary shares	4,452,425	22	4,445,345	23	4,371,307	29
Registered capital (pending change)	1,120	-	1,080	-	193	-
Capital surplus	2,004,780	10	1,994,700	10	1,882,638	13
Retained earnings						
Legal reserve	1,292,961	7	1,166,385	6	1,124,194	7
Special reserve	-	-	-	-	185,661	1
Unappropriated earnings	1,284,926	6	1,276,096	7	1,030,763	7
Other equity	<u>275,949</u>	<u>2</u>	<u>518,459</u>	<u>3</u>	<u>645,989</u>	<u>4</u>
Total equity	<u>9,312,161</u>	<u>47</u>	<u>9,402,065</u>	<u>49</u>	<u>9,240,745</u>	<u>61</u>
<b>TOTAL</b>	<u>\$ 19,923,471</u>	<u>100</u>	<u>\$ 19,078,744</u>	<u>100</u>	<u>\$ 15,266,662</u>	<u>100</u>

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

# YC INOX CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 20 and 27)	\$ 4,967,150	100	\$ 4,430,592	100	\$ 9,049,030	100	\$ 7,822,314	100
OPERATING COSTS (Notes 10 and 21)	<u>4,101,290</u>	<u>82</u>	<u>3,749,891</u>	<u>84</u>	<u>7,412,106</u>	<u>82</u>	<u>6,729,987</u>	<u>86</u>
GROSS PROFIT	<u>865,860</u>	<u>18</u>	<u>680,701</u>	<u>16</u>	<u>1,636,924</u>	<u>18</u>	<u>1,092,327</u>	<u>14</u>
OPERATING EXPENSES (Note 21)								
Selling and marketing expenses	300,786	6	282,625	7	561,721	6	486,343	6
General and administrative expenses	85,257	2	56,475	1	170,180	2	107,716	2
Expect credit loss (Note 9)	<u>-</u>	<u>-</u>	<u>820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>820</u>	<u>-</u>
Total operating expenses	<u>386,043</u>	<u>8</u>	<u>339,920</u>	<u>8</u>	<u>731,901</u>	<u>8</u>	<u>594,879</u>	<u>8</u>
INCOME FROM OPERATIONS	<u>479,817</u>	<u>10</u>	<u>340,781</u>	<u>8</u>	<u>905,023</u>	<u>10</u>	<u>497,448</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	590	-	116	-	597	-	123	-
Other gains and losses, net (Note 27)	6,988	-	1,414	-	8,615	-	2,574	-
Gain (loss) on disposal of property, plant and equipment	2,910	-	(19,464)	-	223	-	(19,848)	-
Foreign exchange gain, net	132,512	3	16,442	-	258,519	3	141,236	2
Interest expense (Note 21)	(18,142)	-	(8,063)	-	(32,327)	-	(14,395)	-
Gain (loss) on fair value changes of financial instruments at fair value through profit or loss	<u>(88,366)</u>	<u>(2)</u>	<u>55,563</u>	<u>1</u>	<u>(72,343)</u>	<u>(1)</u>	<u>54,963</u>	<u>-</u>
Total non-operating income and expenses	<u>36,492</u>	<u>1</u>	<u>46,008</u>	<u>1</u>	<u>163,284</u>	<u>2</u>	<u>164,653</u>	<u>2</u>
INCOME BEFORE INCOME TAX	516,309	11	386,789	9	1,068,307	12	662,101	8
INCOME TAX EXPENSE (Notes 4 and 22)	<u>144,097</u>	<u>3</u>	<u>79,662</u>	<u>2</u>	<u>274,544</u>	<u>3</u>	<u>157,158</u>	<u>2</u>
NET INCOME	<u>372,212</u>	<u>8</u>	<u>307,127</u>	<u>7</u>	<u>793,763</u>	<u>9</u>	<u>504,943</u>	<u>6</u>

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# YC INOX CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	\$ 354,358	7	\$ 311,613	7	\$ 41,711	-	\$ (155,699)	(2)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(227,789)	(5)	(82,124)	(2)	(344,517)	(4)	(247,941)	(3)
Income tax related to items that may be reclassified subsequently to profit or loss	45,558	1	16,425	-	68,903	1	49,588	1
Other comprehensive income (loss) for the period, net of income tax	172,127	3	245,914	5	(233,903)	(3)	(354,052)	(4)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 544,339	11	\$ 553,041	12	\$ 559,860	6	\$ 150,891	2
EARNINGS PER SHARE (Note 23)								
Basic	\$ 0.84		\$ 0.70		\$ 1.78		\$ 1.16	
Diluted	\$ 0.78		\$ 0.65		\$ 1.66		\$ 1.07	

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

(Concluded)

# YC INOX CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Ordinary Shares (Note 19)		Capital Surplus (Note 19)	Retained Earnings (Note 19)			Other Equity (Note 4)		Total Equity
	Capital Stock Ordinary Shares	Registered Capital Pending Change		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	\$ 4,371,307	\$ -	\$ 1,882,352	\$ 1,124,194	\$ 185,661	\$ 522,557	\$ (235,655)	\$ 1,238,959	\$ 9,089,375
Net profit for the six months ended June 30, 2021	-	-	-	-	-	504,943	-	-	504,943
Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	-	(198,353)	(155,699)	(354,052)
Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	-	504,943	(198,353)	(155,699)	150,891
Convertible bonds converted to ordinary shares	-	193	286	-	-	-	-	-	479
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	3,263	-	(3,263)	-
BALANCE AT JUNE 30, 2021	\$ 4,371,307	\$ 193	\$ 1,882,638	\$ 1,124,194	\$ 185,661	\$ 1,030,763	\$ (434,008)	\$ 1,079,997	\$ 9,240,745
BALANCE AT JANUARY 1, 2022	\$ 4,445,345	\$ 1,080	\$ 1,994,700	\$ 1,166,385	\$ -	\$ 1,276,096	\$ (1,012,464)	\$ 1,530,923	\$ 9,402,065
Appropriation of 2021 earnings									
Legal reserve	-	-	-	126,576	-	(126,576)	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	-	(666,964)	-	-	(666,964)
Net profit for the six months ended June 30, 2022	-	-	-	-	-	793,763	-	-	793,763
Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	-	(275,614)	41,711	(233,903)
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	793,763	(275,614)	41,711	559,860
Convertible bonds converted to ordinary shares	7,080	40	10,080	-	-	-	-	-	17,200
Disposal of investments in equity instruments at fair value through other comprehensive income by subsidiaries	-	-	-	-	-	8,607	-	(8,607)	-
BALANCE AT JUNE 30, 2022	\$ 4,452,425	\$ 1,120	\$ 2,004,780	\$ 1,292,961	\$ -	\$ 1,284,926	\$ (1,288,078)	\$ 1,564,027	\$ 9,312,161

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

# YC INOX CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,068,307	\$ 662,101
Adjustments for:		
Depreciation expense	140,427	137,511
Amortization expense	1,657	791
Expected credit loss	-	820
(Gain) loss on financial instruments at fair value through profit or loss, net	72,342	(54,963)
Interest expense	32,327	14,395
Interest income	(597)	(123)
(Gain) loss on disposal of property, plant and equipment	(223)	19,848
Write-down (reversal of write-down) of inventories	170,953	(9,400)
Gain on foreign currency exchange, net	(10,095)	(1,447)
Gain on lease modification	(26)	-
Changes in operating assets and liabilities:		
Notes receivable	80,068	4,052
Trade receivables	(64,270)	(594,384)
Other receivables	143,669	45,119
Inventories	307,062	(1,289,118)
Prepayments	(798,707)	(233,587)
Other current assets	397	(2)
Contract liabilities	(74,307)	1,946
Notes payable	(14,141)	63
Trade payables	(415,887)	410,480
Other payables	(106,217)	98,724
Other current liabilities	(4,937)	(1,490)
Net defined benefit liabilities	(2,122)	(2,378)
Cash generated from (used in) operations	525,680	(791,042)
Interest received	597	123
Interest paid	(27,575)	(9,674)
Income tax paid	(388,467)	(117,516)
Net cash generated from (used in) operating activities	110,235	(918,109)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(56,970)
Disposal of financial assets at fair value through other comprehensive income	12,532	5,632
Acquisition of financial assets at fair value through profit or loss	-	(290,277)
Disposal of financial assets at fair value through profit or loss	-	46,740
Acquisition of property, plant and equipment	(274,598)	(235,198)
Proceeds from disposal of property, plant and equipment	15,048	32,856
Increase in refundable deposits	(3,859)	(45)

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# YC INOX CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
Acquisition of intangible assets	\$ (1,591)	\$ (6,060)
Decrease in other non-current assets	-	581
Increase in prepayments for equipment	<u>(621,819)</u>	<u>(186,062)</u>
Net cash used in investing activities	<u>(874,287)</u>	<u>(688,803)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	10,930,917	9,356,171
Repayments of short-term borrowings	(10,638,506)	(7,889,025)
Proceeds from long-term borrowings	900,000	100,000
Repayments of long-term borrowings	(228,571)	(275,000)
Increase (decrease) in guarantee deposits received	14,935	(2,700)
Repayments of the principal portion of lease liabilities	<u>(4,874)</u>	<u>(1,816)</u>
Net cash generated from financing activities	<u>973,901</u>	<u>1,287,630</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(56,326)</u>	<u>(75,186)</u>
NET INCREASE (DECREASE) IN CASH	153,523	(394,468)
CASH AT THE BEGINNING OF THE PERIOD	<u>1,396,077</u>	<u>1,354,142</u>
CASH AT THE END OF THE PERIOD	<u>\$ 1,549,600</u>	<u>\$ 959,674</u>

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

(Concluded)

# YC INOX CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

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#### 1. GENERAL INFORMATION

YC Inox Co., Ltd. (the “Company”) was incorporated in the Republic of China (ROC) in January 1973, and is mainly engaged in the production, processing and sale of stainless steel pipes, stainless steel sheets and coils, agency services and international trading of stainless steel products.

The Company’s shares were listed and have been trading on the Taiwan Stock Exchange since September 2001.

The consolidated financial statements of the Company and its subsidiaries (referred to collectively as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 5, 2022.

#### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023

Note : Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

See Note 11 and Table 6 for the detailed information on subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty of these interim consolidated financial statements are the same as those applied to the preparation of the consolidated financial statements for the year ended December 31, 2021.

## 6. CASH

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 1,043	\$ 1,010	\$ 1,177
Checking accounts and demand deposits	<u>1,548,557</u>	<u>1,395,067</u>	<u>958,497</u>
	<u>\$ 1,549,600</u>	<u>\$ 1,396,077</u>	<u>\$ 959,674</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets mandatorily measured at FVTPL			
Domestic listed shares	\$ <u>196,039</u>	\$ <u>267,852</u>	\$ <u>297,500</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON - CURRENT

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Investments in equity instruments at FVTOCI</u>			
Foreign unlisted shares	\$ 250,311	\$ 250,311	\$ 363,924
Domestic unlisted shares	<u>2,445,279</u>	<u>2,416,100</u>	<u>1,929,070</u>
	<u>\$ 2,695,590</u>	<u>\$ 2,666,411</u>	<u>\$ 2,292,994</u>

These investments in equity instruments are held for long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. TRADE RECEIVABLES

	June 30, 2022	December 31, 2021	June 30, 2021
At amortized cost			
Gross carrying amount	\$ 1,295,944	\$ 1,195,732	\$ 1,455,204
Less: Allowance for impairment loss	<u>(2,242)</u>	<u>(2,242)</u>	<u>(2,350)</u>
	1,293,702	1,193,490	1,452,854
At FVTOCI	<u>22,698</u>	<u>48,380</u>	<u>107,703</u>
	<u>\$ 1,316,400</u>	<u>\$ 1,241,870</u>	<u>\$ 1,560,557</u>

### a. At amortized cost

The credit period of sales of goods is 30 to 150 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The loss allowance of trade receivables of the Group was as follows:

	Not Past Due	Past Due 1-60 Days	Past Due 61-120 Days	Past Due 121-180 Days	Past Due More than 180 Days	Total
<u>June 30, 2022</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 1,171,476	\$ 124,468	\$ -	\$ -	\$ -	\$ 1,295,944
Loss allowance	-	(2,242)	-	-	-	(2,242)
Amortized cost	<u>\$ 1,171,476</u>	<u>\$ 122,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,293,702</u>
<u>December 31, 2021</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 1,082,811	\$ 112,921	\$ -	\$ -	\$ -	\$ 1,195,732
Loss allowance	-	(2,242)	-	-	-	(2,242)
Amortized cost	<u>\$ 1,082,811</u>	<u>\$ 110,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,490</u>
<u>June 30, 2021</u>						
Expected credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$ 1,266,456	\$ 184,980	\$ 3,632	\$ -	\$ 136	\$ 1,455,204
Loss allowance	-	(1,851)	(363)	-	(136)	(2,350)
Amortized cost	<u>\$ 1,266,456</u>	<u>\$ 183,129</u>	<u>\$ 3,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,452,854</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 2,242	\$ 1,628
Add: Net remeasurement of loss allowance	-	722
Balance at June 30	<u>\$ 2,242</u>	<u>\$ 2,350</u>

b. At FVTOCI

The Group will decide whether to sell these trade receivables to banks without recourse based on its level of working capital. These trade receivables are classified as at FVTOCI because they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

As of June 30, 2022, December 31, 2021 and June 30, 2021, all of the Group's accounts receivable were not past due, and no impairment loss was recognized within the respective aging ranges.

Refer to Note 26 for details of the factoring for trade receivables.

## 10. INVENTORIES

	June 30, 2022	December 31, 2021	June 30, 2021
Raw materials	\$ 2,545,169	\$ 3,028,253	\$ 1,545,455
Work in progress	110,996	89,175	143,027
Semi-finished goods	466,844	489,871	385,694
Finished goods	2,859,513	2,889,264	2,211,664
Merchandise	<u>23,996</u>	<u>18,273</u>	<u>24,910</u>
	<u>\$ 6,006,518</u>	<u>\$ 6,514,836</u>	<u>\$ 4,310,750</u>

The cost of inventories recognized as cost of goods sold for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 was \$4,101,290 thousand, \$3,749,891 thousand, \$7,412,106 thousand and \$6,729,987 thousand, respectively.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Write-down (reversal of write-down) of inventories	<u>\$ (234,653)</u>	<u>\$ 5,400</u>	<u>\$ (170,953)</u>	<u>\$ 9,400</u>

Inventory write-downs were reversed as a result of increased selling prices of raw materials.

## 11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	% of Ownership		
		June 30, 2022	December 31, 2021	June 30, 2021
The Company	Chi Mao Investment Co., Ltd.	100	100	100
	(Chi Mao Company)			
	YC INOX TR CELIK SANAYI	100	100	100
	VE TICARET A.S. (YC INOX TR Company)			

For the nature of activities of the subsidiaries listed above, refer to Table 6.

The Group invested an additional \$726,146 thousand, \$334,236 thousand, \$279,870 thousand and \$365,845 thousand in YC INOX TR Company in September 2020, August 2021, October 2021 and December 2021, respectively. The aforementioned investments have been approved by the Overseas Chinese and Foreign Investment Commission of the Ministry of Economic Affairs.

The Group invested an additional \$361,725 thousand, \$287,870 thousand and \$621,715 thousand in YC INOX TR Company in February 2022, April 2022 and May 2022, respectively. The aforementioned investments have been approved by the Overseas Chinese and Foreign Investment Commission of the Ministry of Economic Affairs. The Group invested an additional \$363,075 thousand in YC INOX TR Company in June 2022. As of August 5, 2022, the aforementioned investments were waiting approval by the Overseas Chinese and Foreign Investment Commission of the Ministry of Economic Affairs.

## 12. PROPERTY, PLANT AND EQUIPMENT

For the Six Months Ended June 30, 2022						
	Beginning Balance	Additions	Disposals	Reclassifications	Effect of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>						
Land	\$ 2,157,132	\$ -	\$ -	\$ -	\$ (22,191)	\$ 2,134,941
Buildings	1,482,722	3,827	-	-	-	1,486,549
Machinery and equipment	2,631,388	28,180	(57,379)	20,163	(291)	2,622,061
Other equipment	950,326	33,111	(18,587)	9,696	(1,358)	973,188
Construction in progress	393,831	232,907	-	-	(73,294)	553,444
	<u>7,615,399</u>	<u>\$ 298,025</u>	<u>\$ (75,966)</u>	<u>\$ 29,859</u>	<u>\$ (97,134)</u>	<u>7,770,183</u>
<u>Accumulated depreciation</u>						
Buildings	586,798	\$ 33,533	\$ -	\$ -	\$ -	620,331
Machinery and equipment	1,791,190	62,161	(55,130)	-	(12)	1,798,209
Other equipment	447,474	41,996	(6,011)	-	(153)	483,306
	<u>2,825,462</u>	<u>\$ 137,690</u>	<u>\$ (61,141)</u>	<u>\$ -</u>	<u>\$ (165)</u>	<u>2,901,846</u>
	<u>\$ 4,789,937</u>					<u>\$ 4,868,337</u>
For the Six Months Ended June 30, 2021						
	Beginning Balance	Additions	Disposals	Reclassifications	Effect of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>						
Land	\$ 2,290,544	\$ -	\$ -	\$ -	\$ (47,717)	\$ 2,242,827
Buildings	1,485,497	4,648	-	-	-	1,490,145
Machinery and equipment	2,568,928	37,288	(9,654)	33,683	-	2,630,245
Other equipment	887,904	65,318	(62,415)	22,844	(19)	913,632
Construction in progress	32,948	152,136	-	-	(21,081)	164,003
	<u>7,265,821</u>	<u>\$ 259,390</u>	<u>\$ (72,069)</u>	<u>\$ 56,527</u>	<u>\$ (68,817)</u>	<u>7,440,852</u>
<u>Accumulated depreciation</u>						
Buildings	532,944	\$ 33,031	\$ -	\$ -	\$ -	565,975
Machinery and equipment	1,698,531	63,673	(6,787)	-	-	1,755,417
Other equipment	390,288	38,552	(12,578)	(1,040)	(9)	415,213
	<u>2,621,763</u>	<u>\$ 135,256</u>	<u>\$ (19,365)</u>	<u>\$ (1,040)</u>	<u>\$ (9)</u>	<u>2,736,605</u>
	<u>\$ 4,644,058</u>					<u>\$ 4,704,247</u>



Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Office buildings	20-35 years
Plants	10-20 years
Machinery and equipment	2-15 years
Other equipment	2-20 years

Farmland held by the Company which is situated in No.75-1 and 75-2 (2,044 square meters) of Jiumei Section, Xizhou Township, Changhua County and No.115 (171 square meters), No.115-1 and 115-2 (3,218 square meters), and No.116(120 square meters) situated in Xinguan Section., Puxin Township, Changhua County were designated as parking lots, finished goods storage and loading areas. As registration for the transfer of ownership rights cannot currently be implemented in accordance with the law, all the farmland was registered under the name of Chairman Chang Chin Yu, and all the 6 lots of land were mortgaged to the Company for a total of \$40,000 thousand.

No impairment assessment was performed for the six months ended June 30, 2022 and 2021 as there was no indication of impairment.

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Carrying amount</u>			
Land	\$ 2,787	\$ 28	\$ 125
Buildings	1,000	1,200	1,400
Transportation equipment	6,365	552	1,289
Other equipment	<u>463</u>	<u>1,851</u>	<u>3,239</u>
	<u>\$ 10,615</u>	<u>\$ 3,631</u>	<u>\$ 6,053</u>
	<b>For the Three Months Ended June 30</b>		<b>For the Six Months Ended June 30</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>
			<b>2021</b>
Additions to right-of-use assets			<u>\$ 10,397</u>
Depreciation of right-of-use assets			<u>\$ -</u>
Land	\$ 82	\$ 91	\$ 110
Buildings	100	100	200
Transportation equipment	625	224	1,039
Other equipment	<u>694</u>	<u>694</u>	<u>1,388</u>
	<u>\$ 1,501</u>	<u>\$ 1,109</u>	<u>\$ 2,737</u>
			<u>\$ 2,255</u>

The Group did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2022 and 2021.

b. Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Carrying amount</u>			
Current	\$ 3,592	\$ 2,466	\$ 4,292
Non-current	<u>6,012</u>	<u>814</u>	<u>1,749</u>
	<u>\$ 9,604</u>	<u>\$ 3,280</u>	<u>\$ 6,041</u>

Discount rates for lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Land	2.20%	1.20%	1.20%
Buildings	1.15%	1.15%	1.15%
Transportation equipment	16.50%-28.00%	16.50%	16.50%
Other equipment	0.88%	0.88%	0.88%

c. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Expenses relating short-term leases	<u>\$ 129</u>	<u>\$ 95</u>	<u>\$ 268</u>	<u>\$ 188</u>
Expenses relating to low value asset leases	<u>\$ 235</u>	<u>\$ 55</u>	<u>\$ 529</u>	<u>\$ 123</u>
Total cash outflow for leases			<u>\$ 5,671</u>	<u>\$ 2,127</u>

d. Material leasing activities and terms (the Group is lessee)

The Group leases certain land, buildings, transportation equipment and other equipment for operating uses with lease terms of 2 to 12 years. The Group does not have bargain purchase options to acquire the leasehold land, buildings, transportation equipment and other equipment at the end of the lease terms.

## 14. COMPUTER SOFTWARE

	For the Six Months Ended June 30, 2022					
	Beginning Balance	Additions	Disposals	Reclassifications	Effects of Exchange Rate Changes	Ending Balance
Cost	\$ 9,903	<u>\$ 1,591</u>	<u>\$ (1,266)</u>	<u>\$ -</u>	<u>\$ (53)</u>	\$ 10,175
Accumulated amortization	<u>3,543</u>	<u>\$ 1,657</u>	<u>\$ (1,266)</u>	<u>\$ -</u>	<u>\$ (17)</u>	<u>3,917</u>
	<u>\$ 6,360</u>					<u>\$ 6,258</u>

For the Six Months Ended June 30, 2021						
	Beginning Balance	Additions	Disposals	Reclassifications	Effects of Exchange Rate Changes	Ending Balance
Cost	\$ 192	<u>\$ 6,060</u>	<u>\$ -</u>	<u>\$ 2,514</u>	<u>\$ -</u>	\$ 8,766
Accumulated amortization	<u>5</u>	<u>\$ 791</u>	<u>\$ -</u>	<u>\$ 1,041</u>	<u>\$ -</u>	<u>1,837</u>
	<u>\$ 187</u>					<u>\$ 6,929</u>

Other intangible assets are amortized on a straight-line basis over their estimated useful lives of 1-5 years.

## 15. BORROWINGS

### a. Short-term borrowings

	June 30, 2022	December 31, 2021	June 30, 2021
Letter of credit borrowings and export bills	\$ 2,784,760	\$ 3,789,180	\$ 2,013,696
Line of credit borrowings	<u>3,070,000</u>	<u>1,770,000</u>	<u>970,000</u>
	<u>\$ 5,854,760</u>	<u>\$ 5,559,180</u>	<u>\$ 2,983,696</u>

#### Annual interest rate range (%)

Letter of credit borrowings and export bills	1.03-3.63	0.32-0.80	0.32-0.84
Line of credit borrowings	0.72-1.65	0.46-1.40	0.45-1.40

### b. Long-term borrowings

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Unsecured borrowings</u>			
Line of credit borrowings	\$ 1,571,429	\$ 900,000	\$ 500,000
Less: Current portion	<u>(82,143)</u>	<u>(119,643)</u>	<u>(53,571)</u>
	<u>\$ 1,489,286</u>	<u>\$ 780,357</u>	<u>\$ 446,429</u>
Annual interest rate range (%)	1.14-1.29	0.88-0.90	0.88-0.90

The line of credit borrowings of the Group will be repaid in New Taiwan dollars. The borrowings are repayable in installment at varying amounts from March 2024 to October 2026.

## 16. BONDS PAYABLE

	June 30, 2022	December 31, 2021	June 30, 2021
3 <sup>rd</sup> domestic unsecured convertible bonds	\$ 762,166	\$ 775,775	\$ 958,966

On December 15, 2020, the Company issued 5-year, 0% NTD-denominated unsecured convertible bonds in Taiwan for \$1,000,000 thousand, and the maturity date of the bonds is December 15, 2025. Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$26.5, which shall be later adjusted in accordance with the formula stated in the Anti-dilution provisions of the “Rules and conditions of issuance and conversion of the 3<sup>rd</sup> domestic unsecured corporate bonds” (as of June 30, 2022, the conversion price has been adjusted to \$25). For the period from the day following three months after the date of issuance of the convertible bonds (March 16, 2021) to 40 days before the maturity date (November 5, 2025), if the closing share price of the Company exceeds 30% of the prevailing conversion price for 30 consecutive business days or the outstanding balance falls lower than 10% of the original total issuance amount, the Company may redeem the bonds in cash at face value. In addition, holders may request to sell the bonds they hold back to the Company at any time within 30 days before the expiry of the third year from the date of issuance (December 15, 2023).

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.93% per annum on initial recognition.

As of June 30, 2022, the face value of the bonds payable converted by the holders was \$213,000 thousand.

Changes in the master contract of the debt and sell-back rights of derivatives (recognized as financial liabilities at FVTPL - non-current) are as follows:

	Debt Instrument for Master Contracts	
	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 775,775	\$ 954,978
Amortization of discount this period	3,591	4,468
Converted into ordinary shares this period	(17,200)	(480)
Balance at June 30	\$ 762,166	\$ 958,966
	For the Six Months Ended June 30	
	2022	2021
<u>Derivative Instrument - Call Options (Financial Liabilities)</u>		
Balance at January 1	\$ 966	\$ 1,500
Changes in fair value	529	(1,000)
Balance at June 30	\$ 1,495	\$ 500

## 17. OTHER PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Payables for salaries and bonuses	\$ 87,932	\$ 164,641	\$ 85,243
Payables for acquisition of equipment	167,857	159,166	83,733
Payables for profit sharing bonus of employees and remuneration of directors	76,034	118,683	84,373
Payables for commission	4,000	3,853	13,800
Others	<u>130,528</u>	<u>118,773</u>	<u>185,744</u>
	<u>\$ 466,351</u>	<u>\$ 565,116</u>	<u>\$ 452,893</u>

## 18. RETIREMENT BENEFIT PLANS

For the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the pension expenses of defined benefit plans were \$192 thousand, \$135 thousand, \$384 thousand and \$270 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2021 and 2020, respectively.

## 19. EQUITY

### a. Capital stock

	June 30, 2022	December 31, 2021	June 30, 2021
Authorized shares (in thousands of shares)	<u>660,000</u>	<u>499,000</u>	<u>499,000</u>
Authorized capital	<u>\$ 6,600,000</u>	<u>\$ 4,990,000</u>	<u>\$ 4,990,000</u>
Issued and paid shares (in thousands of shares)	<u>445,243</u>	<u>444,535</u>	<u>437,131</u>
Issued capital	<u>\$ 4,452,425</u>	<u>\$ 4,445,345</u>	<u>\$ 4,371,307</u>
Registered capital (pending change)	<u>\$ 1,120</u>	<u>\$ 1,080</u>	<u>\$ 193</u>

A holder of issued common share with par value of NT\$10 is entitled to vote and to receive dividends.

### b. Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to capital</u>			
Additional paid-in capital	\$ 1,466,300	\$ 1,466,300	\$ 1,466,300
Conversion of bonds	501,042	490,234	370,206
Interest premium payable on convertible bonds	5,239	5,239	5,239

(Continued)

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Not allowed to be used for any purpose</u>			
Share warrants of convertible bonds	\$ 32,199	\$ 32,927	\$ 40,893
	<u>\$ 2,004,780</u>	<u>\$ 1,994,700</u>	<u>\$ 1,882,638</u> (Concluded)

The capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended articles of incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for the distribution of dividends and bonuses to stockholders. For the policies on the distribution of profit sharing bonus of employees and compensation of directors, please refer to Note 21.

In line with the current and future development plans, the Company's dividend policy stipulates that at least 50% of the accumulated unappropriated earnings should be distributed as dividends to shareholders, taking into consideration the investment environment, funding needs, and foreign and domestic competition. However, when the dividend is less than 0.5 dollars per share, the Company reserves the right to not distribute any dividends. As the Company belongs to the traditional industry, and current operations have entered into a mature and stable phase, cash dividends should take precedence over share dividends. In the case of distribution of share and cash dividends, the amount of cash dividends distributed should not be lower than 20% of the total dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 issued by the FSC should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings in June 2022 and August 2021, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Legal reserve	\$ 126,576	\$ 42,191		
Reversal of special reserve	-	(185,661)		
Cash dividends	666,964	655,696	\$ 1.5	\$ 1.5

## 20. NET REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Revenue from contracts with customers				
Revenue from the sale of goods	<u>\$4,967,150</u>	<u>\$4,430,592</u>	<u>\$9,049,030</u>	<u>\$7,822,314</u>
<u>Contract liabilities</u>				
	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Contract balance				
Sale of goods	<u>\$ 443,897</u>	<u>\$ 518,204</u>	<u>\$ 292,310</u>	<u>\$ 290,364</u>

## 21. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

### a. Interest expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest on borrowings	\$ 15,766	\$ 5,814	\$ 27,453	\$ 9,874
Interest on short-term bills payable	-	-	30	26
Interest on lease liabilities	597	12	1,253	27
Interest on bonds payable	<u>1,779</u>	<u>2,237</u>	<u>3,591</u>	<u>4,468</u>
	<u>\$ 18,142</u>	<u>\$ 8,063</u>	<u>\$ 32,327</u>	<u>\$ 14,395</u>

### b. Employee benefits expense, depreciation expense and amortization expense

	For the Three Months Ended June 30					
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries expense	\$ 138,134	\$ 56,246	\$ 194,380	\$ 142,660	\$ 43,122	\$ 185,782
Post-employment benefits						
Defined contribution plans	4,905	1,310	6,215	4,281	1,220	5,501
Defined benefit plans	140	52	192	109	26	135
Remuneration of directors	-	10,957	10,957	-	8,320	8,320
Labor and health insurance expense	13,394	6,246	19,640	10,825	2,447	13,272
Other employee benefits	13,546	2,479	16,025	13,109	2,033	15,142
Depreciation expense	62,111	9,037	71,148	61,070	8,551	69,621
Amortization expense	44	744	788	29	629	658

For the Six Months Ended June 30							
	2022			2021			
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total	
Employee benefits expense							
Salaries expense	\$ 257,181	\$ 112,850	\$ 370,031	\$ 253,960	\$ 76,143	\$ 330,103	
Post-employment benefits							
Defined contribution plans	9,647	3,003	12,650	8,405	2,449	10,854	
Defined benefit plans	280	104	384	218	52	270	
Remuneration of directors	-	22,762	22,762	-	13,986	13,986	
Labor and health insurance expense	25,851	10,390	36,241	22,079	5,643	27,722	
Other employee benefits	23,850	4,523	28,373	23,899	3,826	27,725	
Depreciation expense	122,979	17,448	140,427	120,100	17,411	137,511	
Amortization expense	81	1,576	1,657	40	751	791	

c. Profit sharing bonus of employees and remuneration of directors

The shareholders' meeting resolved to amend the Articles of Incorporation of the Company in June 2022. When the Company has profit in the year, the Company should accrue profit sharing bonus of employees and remuneration of directors at the rates of 6% and no higher than 2%, respectively, of net income before income tax. In the Articles of Incorporation before the amendment, when the Company has profit in the year, the Company should accrue profit sharing bonus of employees and remuneration of directors at the rates of 5% of net income before income tax. Profit sharing bonus of employees and remuneration of directors for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 were estimated as follows:

For the Three Months Ended June 30					
2022			2021		
Accrual Rate	Amount		Accrual Rate	Amount	
Profit sharing bonus of employees	5%	\$ 26,145	5%	\$ 20,054	
Remuneration of directors	2%	10,457	2%	8,020	

For the Six Months Ended June 30					
2022			2021		
Accrual Rate	Amount		Accrual Rate	Amount	
Profit sharing bonus of employees	5%	\$ 54,312	5%	\$ 33,395	
Remuneration of directors	2%	21,722	2%	13,356	

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

The appropriations of profit sharing bonus of employees and remuneration of directors for 2021 and 2020 that were resolved by the board of directors in March 2022 and 2021, respectively, are as shown below:

For the Year Ended December 31			
2021		2020	
Profit sharing bonus of employees	\$ 84,774	\$ 26,873	
Remuneration of directors	33,909	10,749	



There is no difference between the actual amounts of profit sharing bonus of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the profit sharing bonus of employees and remuneration of directors resolved by the board of directors of the Company is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAXES

### a. Major components of income tax expense recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$ 200,087	\$ 72,678	\$ 306,955	\$ 126,769
Adjustment for prior years	<u>(5,592)</u>	<u>3,072</u>	<u>(5,592)</u>	<u>(643)</u>
	194,495	75,750	301,363	126,126
Deferred tax				
In respect of the current period	<u>(50,398)</u>	<u>3,912</u>	<u>(26,819)</u>	<u>31,032</u>
Income tax expense recognized in profit or loss	<u>\$ 144,097</u>	<u>\$ 79,662</u>	<u>\$ 274,544</u>	<u>\$ 157,158</u>

### b. Income tax assessments

The tax returns through 2019 of the Company and through 2020 of Chi Mao Company have been assessed by the tax authorities.

## 23. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the Three Months Ended June 30, 2022</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 372,212	445,005	<u>\$0.84</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	2,030	
Convertible bonds	<u>1,925</u>	<u>31,480</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 374,137</u>	<u>478,515</u>	<u>\$0.78</u>

	<b>Net Profit Attributable to Owners of the Company</b>	<b>Number of Shares (In Thousands)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the Three Months Ended June 30, 2021</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 307,127	437,131	<u>\$0.70</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	777	
Convertible bonds	<u>1,789</u>	<u>38,461</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 308,916</u>	<u>476,369</u>	<u>\$0.65</u>
<u>For the Six Months Ended June 30, 2022</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 793,763	445,005	<u>\$1.78</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	3,068	
Convertible bonds	<u>3,297</u>	<u>31,480</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 797,060</u>	<u>479,553</u>	<u>\$1.66</u>
<u>For the Six Months Ended June 30, 2021</u>			
Basic earnings per share			
Net income for the period attributable to owners of the Company	\$ 504,943	437,131	<u>\$1.16</u>
Effect of potentially dilutive ordinary shares:			
Profit sharing bonus of employees	-	1,246	
Convertible bonds	<u>3,574</u>	<u>38,461</u>	
Diluted earnings per share			
Net income for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 508,517</u>	<u>476,838</u>	<u>\$1.07</u>

If the Group offers to settle the compensation or bonuses paid to employees in cash or shares, the Group has to assume that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potentially dilutive shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. CASH FLOW INFORMATION

### a. Non-cash transactions

In addition to those disclosed in other notes, the amount of cash paid for the acquisition of property, plant and equipment for the six months ended June 30, 2022 and 2021 are as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Purchase of property, plant and equipment	\$ 298,025	\$ 259,390
Net changes in payables for acquisition of equipment	(8,691)	(22,793)
Foreign exchange movements	<u>(14,736)</u>	<u>(1,399)</u>
Payments for property, plant and equipment	<u>\$ 274,598</u>	<u>\$ 235,198</u>

As of June 30, 2022, there were the unsettled payments for the distribution of cash dividends approved in the shareholders' meeting (refer to Note 19).

### b. Changes in liabilities arising from financing activities

#### For the six months ended June 30, 2022

	<b>Beginning Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>					<b>Ending Balance</b>
			<b>Exercise of Conversion Option</b>	<b>Discount Amortization</b>	<b>New Lease</b>	<b>Amortized Interest Expense</b>	<b>Change in Exchange Rate</b>	
Short-term borrowings	\$ 5,559,180	\$ 292,411	\$ -	\$ -	\$ -	\$ -	\$ 3,169	\$ 5,854,760
Bonds payable	775,775	-	(17,200)	3,591	-	-	-	762,166
Long-term borrowings								
(including current portion)	900,000	671,429	-	-	-	-	-	1,571,429
Guarantee deposits received	30,630	14,935	-	-	-	-	-	45,565
Lease liabilities	<u>3,280</u>	<u>(4,874)</u>	<u>-</u>	<u>-</u>	<u>10,397</u>	<u>1,253</u>	<u>(452)</u>	<u>9,604</u>
	<u>\$ 7,268,865</u>	<u>\$ 973,901</u>	<u>\$ (17,200)</u>	<u>\$ 3,591</u>	<u>\$ 10,397</u>	<u>\$ 1,253</u>	<u>\$ 2,717</u>	<u>\$ 8,243,524</u>

#### For the six months ended June 30, 2021

	<b>Beginning Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>					<b>Ending Balance</b>
			<b>Exercise of Conversion Option</b>	<b>Discount Amortization</b>	<b>Amortized Interest Expense</b>	<b>Change in Exchange Rate</b>		
Short-term borrowings	\$ 1,516,550	\$ 1,467,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,983,696
Bonds payable	954,978	-	(480)	4,468	-	-	-	958,966
Long-term borrowings								
(including current portion)	675,000	(175,000)	-	-	-	-	-	500,000
Guarantee deposits received	43,140	(2,700)	-	-	-	-	-	40,440
Lease liabilities	<u>8,074</u>	<u>(1,816)</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>(244)</u>		<u>6,041</u>
	<u>\$ 3,197,742</u>	<u>\$ 1,287,630</u>	<u>\$ (480)</u>	<u>\$ 4,468</u>	<u>\$ 27</u>	<u>\$ (244)</u>		<u>\$ 4,489,143</u>

## 25. CAPITAL MANAGEMENT

The goal, policy and procedures of the capital risk management of the Group and the capital structure of the Group are the same with the consolidated financial statements for the year ended December 31, 2021.

## 26. FINANCIAL INSTRUMENTS

### a. Fair value

#### 1) Fair value of financial instruments not measured at fair value

Management of the Group considers the carrying amounts of the Group's financial instruments that are not measured at fair value as close to their fair values or their fair values could not be reasonably measured.

#### 2) Fair value of financial instruments measured at fair value on a recurring basis

##### a) Fair value hierarchy

The following analysis details measurement of financial instruments since initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs, are observable are as follows:

	Level 1	Level 2	Level 3	Total
<u>June 30, 2022</u>				
Financial assets at FVTPL				
Listed shares	\$ 196,039	\$ -	\$ -	\$ 196,039
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	2,445,279	-	250,311	2,695,590
Investment in debt instruments				
Trade receivables	-	-	22,698	22,698
	<u>\$ 2,641,318</u>	<u>\$ -</u>	<u>\$ 273,009</u>	<u>\$ 2,914,327</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,495</u>	<u>\$ 1,495</u>
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Listed shares	\$ 267,852	\$ -	\$ -	\$ 267,852
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	2,416,100	-	250,311	2,666,411
Investment in debt instruments				
Trade receivables	-	-	48,380	48,380
	<u>\$ 2,683,952</u>	<u>\$ -</u>	<u>\$ 298,691</u>	<u>\$ 2,982,643</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 966</u>	<u>\$ 966</u>

	Level 1	Level 2	Level 3	Total
<u>June 30, 2021</u>				
Financial assets at FVTPL				
Listed shares	\$ 297,500	\$ -	\$ -	\$ 297,500
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic and foreign unlisted shares	1,929,070	-	363,924	2,292,994
Investment in debt instrument				
Trade receivables	<u>-</u>	<u>-</u>	<u>107,703</u>	<u>107,703</u>
	<u>\$ 2,226,570</u>	<u>\$ -</u>	<u>\$ 471,627</u>	<u>\$ 2,698,197</u>
Financial liabilities at FVTPL				
Derivatives	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 500</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

b) Reconciliation of Level 3 fair value measurements of financial instruments

For the six months ended June 30, 2022

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instruments	Debt Instruments	
Balance at January 1, 2022	\$ 250,311	\$ 48,380	\$ 298,691
Net decrease in trade receivables	-	(9,428)	(9,428)
Trade receivables factoring	<u>-</u>	<u>(16,254)</u>	<u>(16,254)</u>
Balance at June 30, 2022	<u>\$ 250,311</u>	<u>\$ 22,698</u>	<u>\$ 273,009</u>

For the six months ended June 30, 2021

Financial Assets	Financial Assets at FVTOCI		Total
	Equity Instruments	Debt Instruments	
Balance at January 1, 2021	\$ 306,954	\$ 103,970	\$ 410,924
Recognized in other comprehensive income (Unrealized valuation gain (loss) on financial assets at FVTOCI)	56,970	-	56,970
Net increase in trade receivables	-	112,041	112,041
Trade receivables factoring	<u>-</u>	<u>(108,308)</u>	<u>(108,308)</u>
Balance at June 30, 2021	<u>\$ 363,924</u>	<u>\$ 107,703</u>	<u>\$ 471,627</u>

Financial Liabilities at FVTPL	For the Six Months Ended June 30	
	2022	2021
<u>Derivatives</u>		
Balance at January 1	\$ 966	\$ 1,500
Recognized in profit or loss (included in other gains and losses)	<u>529</u>	<u>(1,000)</u>
Balance at June 30	<u>\$ 1,495</u>	<u>\$ 500</u>

c) Valuation techniques and inputs applied for Level 3 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Foreign unlisted equity instruments	<p>Discounted cash flow:</p> <p>Future cash flows are discounted at a rate that reflects current borrowing interest rates of bond issuers at the end of the reporting period.</p> <p>Market approach:</p> <p>In the market approach, the selling price of comparable companies was used to estimate the fair value of the target asset through comparison, analysis and adjustments.</p>
Factored trade receivables	As the effect of discounting is not significant, the fair value is measured based on the original invoice amount.
Financial liabilities at FVTPL	<p>The binomial tree evaluation model of convertible bonds:</p> <p>Consideration of the duration, the share price and volatility of the convertible bond object, conversion price, risk-free interest rate, discount rate, liquidity risk of the convertible bonds and other factors</p>

b. Categories of financial instruments

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 196,039	\$ 267,852	\$ 297,500
Financial assets at amortized cost	3,091,817	3,055,665	2,674,550
Financial assets at FVTOCI			
Equity instruments	2,695,590	2,666,411	2,292,994
Trade receivables	22,698	48,380	107,703

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial liabilities</u>			
Amortized cost	\$ 9,050,119	\$ 8,616,614	\$ 5,468,062
FVTPL			
Derivatives	1,495	966	500

The balances include financial assets at amortized cost, which comprise cash, notes receivable, trade receivables, other receivables, other current assets and refundable deposits.

The balances include financial liabilities at amortized cost, which comprise short-term and long-term borrowings (including current portion of long-term borrowings), notes payable, trade payables, other payables, bonds payable and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity, trade receivables, trade payables, borrowings, and lease liabilities. The Group's finance department provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The finance department reports quarterly to the management, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There is no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group enters into foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the period are set out in Note 30.

### Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the NTD against the relevant foreign currency. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in income before income tax associated with the NTD strengthening 1% against the relevant currency. For a 1% weakening of the NTD against the relevant currency, there would be an equal and opposite impact on income before income tax, and the balances below would be negative.

	<b>For the Six Months Ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Sell NTD/Buy USD	\$ 13,141	\$ 10,666
Sell TRY/Buy USD	2,331	5,505

#### b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetites ensuring that most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the period were as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Fair value interest rate risk			
Financial assets	\$ 2,585	\$ 2,985	\$ 2,985
Financial liabilities	771,770	779,055	965,007
Cash flow interest rate risk			
Financial assets	1,205,971	713,781	388,711
Financial liabilities	7,426,189	6,459,180	3,483,696

### Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the period was outstanding for the whole year. A 0.1% increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.



If interest rates had been 0.1% higher or lower and all other variables were held constant, the Group's income before income tax for the six months ended June 30, 2022 and 2021 would have changed by \$3,110 thousand and \$1,547 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group manages this exposure by maintaining a portfolio of investments with different risk levels.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the period.

Had equity prices been 1% higher or lower, pre-tax profit for the six months ended June 30, 2022 and 2021 would have changed by \$1,960 thousand and \$2,975 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information and its own trading records to rate its major customers. The Group continuously monitors its exposure to credit risk and the credit ratings of its counterparties, and allocates the total transaction amount among the creditworthy customers. The management also controls credit risk by reviewing the credit limits of its counterparties on an annual basis.

The Group also continuously evaluates the financial status of the customers of the trade receivables, and purchases credit guarantee insurance contracts when necessary.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of June 30, 2022, December 31, 2021 and June 30, 2021, the amount of unused financing facilities was as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Amount unused	<u>\$ 14,014,731</u>	<u>\$ 11,874,500</u>	<u>\$ 12,384,684</u>

Liquidity and interest rate risk tables for non-derivative financial liabilities

As the Group has sufficient operating capital, there is no liquidity risk from inability to raise funds to satisfy performance obligations.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods.

	<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>Total</b>
<u>June 30, 2022</u>			
Non-interest bearing liabilities	\$ 1,927,060	\$ -	\$ 1,927,060
Lease liabilities	4,295	6,225	10,520
Floating interest rate liabilities	<u>5,936,903</u>	<u>1,489,286</u>	<u>7,426,189</u>
	<u>\$ 7,868,258</u>	<u>\$ 1,495,511</u>	<u>\$ 9,363,769</u>
<u>December 31, 2021</u>			
Non-interest bearing liabilities	\$ 1,869,233	\$ -	\$ 1,869,233
Lease liabilities	2,482	823	3,305
Floating interest rate liabilities	<u>5,678,823</u>	<u>780,357</u>	<u>6,459,180</u>
	<u>\$ 7,550,538</u>	<u>\$ 781,180</u>	<u>\$ 8,331,718</u>
<u>June 30, 2021</u>			
Non-interest bearing liabilities	\$ 1,277,270	\$ -	\$ 1,277,270
Lease liabilities	4,360	1,764	6,124
Floating interest rate liabilities	<u>3,037,267</u>	<u>446,429</u>	<u>3,483,696</u>
	<u>\$ 4,318,897</u>	<u>\$ 448,193</u>	<u>\$ 4,767,090</u>

d. Transfers of financial assets

Factored trade receivables that are not yet overdue at the end of the period were as follows:

<b>Counterparty</b>	<b>Receivables Factoring Proceeds</b>	<b>Amount Reclassified to Other Receivables</b>	<b>Advances Received Unused</b>	<b>Advances Received Used</b>	<b>Annual Interest Rates on Advances Received</b>
<u>June 30, 2022</u>					
Fubon Bank	\$ 736,651 (USD 24,786)	\$ 113,441 (USD 3,817)	\$ 14,593 (USD 491)	\$ 623,210 (USD 20,969)	2M TAIFX3 +0.25%
<u>December 31, 2021</u>					
Fubon Bank	\$ 737,877 (USD 26,657)	\$ 206,800 (USD 7,471)	\$ 98,130 (USD 3,545)	\$ 531,077 (USD 19,186)	2M TAIFX3 +0.25%
<u>June 30, 2021</u>					
Fubon Bank	\$ 596,888 (USD 21,425)	\$ 167,947 (USD 6,029)	\$ 89,910 (USD 3,227)	\$ 428,941 (USD 15,396)	2M TAIFX3 +0.25%

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks (receivables factoring proceeds are classified as other receivables).

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### a. Categories of related parties categories

Related Party	Relationship with the Company
Tai Chyang Investment Co. Ltd.	Other related party
Chin Ying Fa Mechanical Ind. Co., Ltd.	Other related party

### b. Sales of goods

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Other related parties	\$ 811	\$ 854	\$ 1,503	\$ 1,419

### c. Receivables from related parties

Line Item	Related Party Category	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	Other related parties	\$ -	\$ 238	\$ -
Trade receivables	Other related parties	673	1,252	422
		\$ 673	\$ 1,490	\$ 422

### d. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Other related parties	\$ 7	\$ 7	\$ 15	\$ 15

### e. Remuneration of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 18,472	\$ 19,064	\$ 40,568	\$ 33,315
Post-employment benefits	95	129	194	257
	\$ 18,567	\$ 19,193	\$ 40,762	\$ 33,572

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for usage of gas and construction:

	June 30, 2022	December 31, 2021	June 30, 2021
Pledged time deposits (classified as other current assets)	\$ <u>2,585</u>	\$ <u>2,985</u>	\$ <u>2,985</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingencies and unrecognized commitments of the Group as of June 30, 2022 and 2021 were as follows:

- As of June 30, 2022, December 31, 2021 and June 30, 2021, unused letters of credit for purchases of raw materials amounted to \$327,442 thousand, \$879,998 thousand and \$973,398 thousand, respectively.
- As of June 30, 2022, December 31, 2021 and June 30, 2021, unpaid contracts for purchases of raw materials and equipment amounted to \$1,962,765 thousand, \$2,664,920 thousand and \$1,577,677 thousand, respectively.

## 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than the functional currencies of the entities in the Group and the exchange rates between the foreign currencies and respective functional currencies were disclosed. The significant financial assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2022		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 63,500	29.72(USD : NTD)	\$ 1,887,225
USD	10,951	16.67(USD : TRY)	325,516
Financial liabilities			
USD	19,285	29.72(USD : NTD)	573,164
USD	3,110	16.67(USD : TRY)	92,454

December 31, 2021			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 41,044	27.68(USD : NTD)	\$ 1,136,088
USD	23,278	12.98(USD : TRY)	627,136
Financial liabilities			
USD	416	27.68(USD : NTD)	11,520

June 30, 2021			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
Financial assets			
USD	\$ 41,138	27.86(USD : NTD)	\$ 1,146,113
USD	19,721	8.71(USD : TRY)	550,521
Financial liabilities			
USD	2,853	27.86(USD : NTD)	79,471

For the Three Months Ended June 30, 2022			For the Three Months Ended June 30, 2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.0000 (NTD:NTD)	\$ 49,457	1.0000 (NTD:NTD)	\$ (17,391)
TRY	1.8645 (TRY:NTD)	<u>83,055</u>	3.3377 (TRY:NTD)	<u>33,833</u>
		<u>\$ 132,512</u>		<u>\$ 16,442</u>

For the Six Months Ended June 30, 2022			For the Six Months Ended June 30, 2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1.0000 (NTD:NTD)	\$ 87,360	1.0000 (NTD:NTD)	\$ (35,390)
TRY	1.9303 (TRY:NTD)	<u>171,159</u>	3.5750 (TRY:NTD)	<u>176,626</u>
		<u>\$ 258,519</u>		<u>\$ 141,236</u>

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)
- 10) Intercompany relationships and significant intercompany transactions (Table 5)
- 11) Information on investees (Table 6)

b. Information on investments in mainland China (None)

c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

## 32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as stainless steel sheets/coils, stainless steel tubes/pipes, and others.

### Segment revenue and operating results

	For the Six Months Ended June 30			
	Segment Revenue		Segment Profit or Loss	
	2022	2021	2022	2021
Stainless steel tubes/pipes	\$ 5,057,953	\$ 4,510,797	\$ 604,062	\$ 384,450
Stainless steel sheets/coils	3,826,510	3,200,827	279,987	109,848
Others	<u>164,567</u>	<u>110,690</u>	<u>20,974</u>	<u>3,150</u>
Generated from continuing operating segment	<u>\$ 9,049,030</u>	<u>\$ 7,822,314</u>	905,023	497,448
Interest income			597	123
Other gains and losses, net			8,615	2,574
Gain (loss) on disposal of property, plant and equipment			223	(19,848)
Net foreign exchange gain			258,519	141,236
Interest expense			(32,327)	(14,395)
Gain (loss) on financial instruments at FVTPL			<u>(72,343)</u>	<u>54,963</u>
Income before income tax			<u>\$ 1,068,307</u>	<u>\$ 662,101</u>

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for six months ended June 30, 2022 and 2021.

Segment profit represents the gains and losses earned by each segment excluding interest income, net other gains and losses, gain (loss) on disposal of property, plant and equipment, net foreign exchange gain, interest expense, gain (loss) on financial instruments at FVTPL and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

TABLE 1

YC INOX CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 3)	Ending Balance (Note 3)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	The Company	YC INOX TR Company	Other receivables-related party	Yes	\$ 1,486,000 (USD 50,000)	\$ 1,486,000 (USD 50,000)	\$ -	4.7%	Short-term financing	\$ -	Operation	\$ -	-	\$ -	\$ 1,862,432	\$ 3,724,864	

Note 1: 0 represents the parent company.

Note 2: The financing limit for each borrower and aggregate financing limit are 20% and 40%, respectively, of the net assets of the Company.

Note 3: If the relevant figures in this table involve foreign currencies, they shall be converted into the New Taiwan dollar at the exchange rate on the balance sheet date.



TABLE 2

YC INOX CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE SIX MONTHS ENDED JUNE 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 3)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 3)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	The Company	YC INOX TR Company	Subsidiary	\$ 1,862,432	\$ 297,200 (USD 10,000)	\$ 297,200 (USD 10,000)	\$ -	\$ -	3.19	\$ 3,724,864	Y	-	-	-

Note 1: 0 represents the parent company.

Note 2: The endorsement/guarantee limit for each entity and aggregate endorsement/guarantee limit are 20% and 40%, respectively, of the net assets of the Company.

Note 3: Figures in foreign currency in the table above were converted into New Taiwan dollars at the exchange rate on the balance sheet date.

**YC INOX CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**  
**JUNE 30, 2022**  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2022			
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value
The Company	<u>Ordinary Shares</u>						
	Ta Chen Stainless Pipe Co., Ltd.	None	Financial assets at FVTPL - current	5,791	\$ 196,039	0.29	\$ 196,039
	AltruBio Inc.	None	Financial assets at FVTOCI - non-current	11,051	57,688	9.33	57,688
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at FVTOCI - non-current	7,720	2,202,748	7.02	2,202,748
	<u>Preference Shares</u>						
	AltruBio Inc. - Series A-2	None	Financial assets at FVTOCI - non-current	20,426	106,623	23.00	106,623
Chi Mao Company	<u>Ordinary Shares</u>						
	AltruBio Inc.	None	Financial assets at FVTOCI - non-current	560	2,923	0.47	2,923
	Gongwin Biopharm Holdings Co., Ltd.	None	Financial assets at FVTOCI - non-current	850	242,531	0.77	242,531
	<u>Preference Shares</u>						
	AltruBio Inc. - Series A-1	None	Financial assets at FVTOCI - non-current	15,915	83,077	4.74	83,077

**TABLE 4**

**YC INOX CO., LTD AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 2)		Acquisition (Note 3)		Disposal				Ending Balance (Note 2)	
					Number of Shares (Note)	Amount	Number of Shares (Note)	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
The Company	YC INOX TR Company (Note 1)	Investment accounted for using the equity method	YC INOX TR Company	Subsidiary	720	\$ 1,678,553	856	\$ 1,634,385	-	\$ -	\$ -	\$ -	1,576	\$ 2,958,301

Note 1: YC INOX TR Company’s ordinary shares have a par value of TRY1,000 thousand.

Note 2: The balance included the share of profit or loss from investments in subsidiaries accounted for using the equity method and exchange differences on translating foreign operations.

Note 3: Refer to Note 11.

Note 4: Eliminated.

YC INOX CO., LTD AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Relationship	Transaction Details			
				Financial Statements Accounts	Amount (Note)	Payment Terms	Percentage of Consolidated Net Revenue or Total Assets (%)
0	The Company	YC INOX TR Company	Subsidiary	Sales revenue	\$ 89,599	O/A 120 days	0.99

Note: Eliminated.

TABLE 6

YC INOX CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE SIX MONTHS ENDED JUNE 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company (Note)	Location	Main Businesses and Products	Original Investment Amount		Ending Balance			Net Income (Loss) of the Investee	Share of Profit (Loss)
				June 30, 2022	December 31, 2021	Number of Shares	%	Carrying Amount		
The Company	Chi Mao Company	Xizhou Township, Changhua County, Taiwan	Investment	\$ 100,120	\$ 100,120	10,000,000	100	\$ 274,779	\$ (555)	\$ (555)
	YC INOX TR Company	Turkey	Manufacturing and distribution of stainless steel tubes/pipes and sheets/coils	4,281,465	2,647,080	1,576	100	2,958,301	6,632	6,632

Note: Eliminated.

**TABLE 7****YC INOX CO., LTD****INFORMATION OF MAJOR SHAREHOLDERS  
JUNE 30, 2022**

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Name of Major Shareholder	Shares	
	Number of Shares Held	Percentage of Ownership (%)
Tai Chyang Investment Co. Ltd.	59,909,508	13.45%
Shun Chyang Investment Co. Ltd.	25,317,298	5.68%

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.