

**NISHOKU TECHNOLOGY INC.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021
(With Independent Auditors' Review Report Thereon)

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The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Nishoku Technology Inc.:

Introduction

We have reviewed the consolidated financial statements of Nishoku Technology Inc. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of June 30, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three months and six months ended June 30, 2022 and 2021. Management are 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 the International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued by the Financial Supervisory Commission of the Republic of China. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

Scope of Review

Except as described in basis of opinion, we conducted our reviews in accordance with Statement on Auditing Standard 65, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Group's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

Basis of opinion

Included in the accompanying consolidated interim financial statements are the financial statements of certain consolidated subsidiaries, which were not reviewed by independent accountants. These consolidated subsidiaries had total assets of \$114,446 thousand and \$153,592 thousand constituting 1% and 2% of the Group's consolidated total assets as of June 30, 2022 and 2021, respectively; total liabilities of \$1,007 thousand and \$46,455 thousand constituting 0% and 1% of the Group's consolidated total liabilities as of June 30, 2022 and 2021, respectively; comprehensive income of \$3,308 thousand and \$2,308 thousand and \$7,051 thousand and \$2,327 thousand constituting 2% and 2% and 2% and 1% of the Group's consolidated comprehensive income for the three months and six months ended June 30, 2022 and 2021, respectively.

Conclusion

Based on our reviews, except for the effects of the adjustments, if any, as might have been determined to be necessary had the financial statements of some equity method investees as described in basis of opinion above been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the Regulations Governing the

Notes to Readers

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

The auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' review report and consolidated financial statements, the Chinese version shall prevail.

Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 “ Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditor’s report are Cheng-Chien Chen and Yong-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)

August. 03, 2022

Notes to Readers

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

The auditors’ review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors’ review report and consolidated financial statements, the Chinese version shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2020 and 2019
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022, December 31, 2021 and June 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | June 30, 2022 | | December 31, 2021 | | June 30, 2021 | | Liabilities and Equity | | June 30, 2022 | | December 31, 2021 | | June 30, 2021 | |
|----------------------------|---|---------------------|------------|-------------------|------------|------------------|------------|---|--|---------------------|------------|-------------------|------------|------------------|------------|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents (note 6(a)) | \$ 3,912,196 | 43 | 3,999,433 | 44 | 3,480,826 | 39 | 2100 | Short-term borrowings (note 6(h)) | \$ 1,578,320 | 18 | 1,737,760 | 19 | 1,156,180 | 13 |
| 1110 | Financial assets at fair value through profit or loss (note 6(b)) | 391,483 | 4 | 104,006 | 1 | 652,795 | 7 | 2111 | Short term notes and bills payable (note 6(i)) | - | - | 99,971 | 1 | - | - |
| 1170 | Accounts notes and receivable, net (note 6(c)) | 998,417 | 11 | 1,352,595 | 15 | 1,325,308 | 15 | 2170 | Notes and Accounts payable | 491,124 | 5 | 588,508 | 6 | 619,585 | 7 |
| 130X | Inventories (note 6(d)) | 529,924 | 6 | 519,871 | 7 | 526,506 | 6 | 2216 | Dividend payable | 564,086 | 6 | - | - | 625,612 | 7 |
| 1470 | Other current assets | 29,717 | - | 38,966 | - | 41,996 | - | 2280 | Current lease liabilities (note 6(k)) | 17,959 | - | 31,228 | - | 33,763 | - |
| 1476 | Other current financial assets (note 8) | 2,461 | - | 56,383 | 1 | 56,771 | 1 | 2300 | Other current liabilities(note 6(q)) | 381,235 | 4 | 399,998 | 5 | 418,460 | 5 |
| | | <u>5,864,198</u> | <u>64</u> | <u>6,071,254</u> | <u>68</u> | <u>6,084,202</u> | <u>68</u> | | | <u>3,032,724</u> | <u>33</u> | <u>2,857,465</u> | <u>31</u> | <u>2,853,600</u> | <u>32</u> |
| Non-current assets: | | | | | | | | Non-Current liabilities: | | | | | | | |
| 1511 | Non-current financial assets at fair value through profit or loss (note 6(b)) | 185,112 | 2 | 197,419 | 2 | 156,848 | 2 | 2540 | Long-term borrowings (note 6(j)) | 1,050,000 | 12 | 1,150,000 | 13 | 1,250,000 | 14 |
| 1535 | Non-current financial assets at amortized cost (note 6(e)) | 1,407,048 | 15 | 1,264,067 | 14 | 1,072,737 | 12 | 2570 | Deferred tax liabilities and others | 709,553 | 8 | 667,215 | 7 | 675,226 | 8 |
| 1600 | Property, plant and equipment (note 6(f)) | 1,422,143 | 17 | 1,386,444 | 15 | 1,389,895 | 16 | 2580 | Non-current lease liabilities (note 6(k)) | 4,719 | - | 6,713 | - | 15,252 | - |
| 1755 | Right-of-use assets(note 6(g)) | 22,442 | - | 37,608 | - | 48,608 | 1 | | | <u>1,764,272</u> | <u>20</u> | <u>1,823,928</u> | <u>20</u> | <u>1,940,478</u> | <u>22</u> |
| 1840 | Deferred tax assets | 25,174 | - | 22,267 | - | 20,615 | - | | Total liabilities | <u>4,796,996</u> | <u>53</u> | <u>4,681,393</u> | <u>51</u> | <u>4,794,078</u> | <u>54</u> |
| 1915 | Prepayments for equipment | 73,988 | 1 | 36,570 | - | 10,458 | - | Equity attributable to owners of parent (note 6(n)): | | | | | | | |
| 1985 | Long-term prepaid rents | 65,597 | 1 | 63,270 | 1 | 64,279 | 1 | 3100 | Ordinary share | 626,762 | 7 | 626,712 | 7 | 625,612 | 7 |
| 1990 | Other non-current assets | 16,989 | - | 18,193 | - | 13,334 | - | 3200 | Capital surplus | 950,405 | 11 | 981,485 | 11 | 975,747 | 11 |
| | | <u>3,218,493</u> | <u>36</u> | <u>3,025,838</u> | <u>32</u> | <u>2,776,774</u> | <u>32</u> | Retained earnings: | | | | | | | |
| | | | | | | | | 3310 | Legal reserve | 670,934 | 7 | 610,265 | 7 | 610,265 | 6 |
| | | | | | | | | 3320 | Special reserve | 344,942 | 4 | 310,459 | 3 | 310,459 | 4 |
| | | | | | | | | 3350 | Unappropriated retained earnings | 1,932,192 | 21 | 2,231,720 | 25 | 1,917,819 | 22 |
| | | | | | | | | | | <u>2,948,068</u> | <u>32</u> | <u>3,152,444</u> | <u>35</u> | <u>2,838,543</u> | <u>32</u> |
| | | | | | | | | 3400 | Other equity interest | (239,540) | (3) | (344,942) | (4) | (373,004) | (4) |
| | | | | | | | | | Total equity | <u>4,285,695</u> | <u>47</u> | <u>4,415,699</u> | <u>49</u> | <u>4,066,898</u> | <u>46</u> |
| Total Assets | | <u>\$ 9,082,691</u> | <u>100</u> | <u>9,097,092</u> | <u>100</u> | <u>8,860,976</u> | <u>100</u> | Total liabilities and equity | | <u>\$ 9,082,691</u> | <u>100</u> | <u>9,097,092</u> | <u>100</u> | <u>8,860,976</u> | <u>100</u> |

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income

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For the three months and six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|--|-----------------------------|-----|-----------|-----|---------------------------|-----|-----------|-----|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| 4110 Operation Revenues (notes 6(q)) | \$ 853,764 | 102 | 1,202,147 | 102 | 1,809,882 | 102 | 2,629,496 | 102 |
| 4170 Less: Sales returns and allowance | 14,072 | 2 | 27,629 | 2 | 31,198 | 2 | 50,687 | 2 |
| Net Operating revenues | 839,692 | 100 | 1,174,518 | 100 | 1,778,684 | 100 | 2,578,809 | 100 |
| 5000 Operating costs (notes 6(d), (f),(g) ,(l),12) | 690,637 | 82 | 864,140 | 74 | 1,404,393 | 79 | 1,837,333 | 71 |
| Gross profit from operations | 149,055 | 18 | 310,378 | 26 | 374,291 | 21 | 741,476 | 29 |
| 6000 Operating expenses (notes 6(c), (f), (g) , (l) , (o),(r) and 12) | | | | | | | | |
| 6100 Selling expenses | 12,125 | 1 | 15,032 | 1 | 26,894 | 2 | 33,496 | 1 |
| 6200 Administrative expenses | 74,897 | 9 | 79,190 | 7 | 147,425 | 8 | 157,157 | 6 |
| 6300 Research and development expenses | 22,514 | 3 | 23,692 | 2 | 44,981 | 3 | 48,798 | 2 |
| 6450 Expected credit loss (gain) | 7 | - | (12) | - | (117) | - | (26) | - |
| | 109,543 | 13 | 117,902 | 10 | 219,183 | 13 | 239,425 | 9 |
| Net operating income | 39,512 | 5 | 192,476 | 16 | 155,108 | 8 | 502,051 | 20 |
| Non-operating income and expenses: | | | | | | | | |
| 7010 Other income (notes 6(s)) | 20,878 | 2 | 22,293 | 2 | 26,225 | 1 | 35,073 | 1 |
| 7020 Other gains and losses, net (notes 6(t)) | 188,266 | 22 | (90,550) | (8) | 264,945 | 15 | (64,016) | (3) |
| 7050 Finance costs, net(notes 6(k)) | (7,352) | (1) | (4,824) | - | (13,682) | (1) | (9,902) | - |
| Total non-operating income and expenses | 201,792 | 23 | (73,081) | (6) | 277,488 | 15 | (38,845) | (2) |
| 7900 Profit from continuing operations before tax | 241,304 | 28 | 119,395 | 10 | 432,596 | 23 | 463,206 | 18 |
| 7950 Less: Tax expense (note 6(m)) | 55,880 | 7 | 44,487 | 4 | 104,224 | 6 | 170,419 | 7 |
| Profit | 185,424 | 21 | 74,908 | 6 | 328,372 | 17 | 292,787 | 11 |
| 8300 Other comprehensive income: | | | | | | | | |
| 8360 Components of other comprehensive income that will be reclassified to profit or loss | | | | | | | | |
| 8361 Exchange differences on translation | (45,568) | (5) | (43,906) | (4) | 131,752 | 7 | (78,181) | (3) |
| 8399 Income tax related to | 9,114 | 1 | 8,781 | 1 | (26,350) | (1) | 15,636 | (1) |

See accompanying notes to consolidated financial statements.

| | | Three months ended June 30, | | | | Six months ended June 30, | | | |
|------|--|-----------------------------|-----------|---------------|----------|---------------------------|-----------|----------------|-----------|
| | | 2022 | | 2021 | | 2022 | | 2021 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| | components of other comprehensive income that will be reclassified to profit or loss (note 6(m)) | | | | | | | | |
| 8300 | Other comprehensive income, net | (36,454) | (4) | (35,125) | (3) | 105,402 | 6 | (62,545) | (2) |
| 8500 | Total comprehensive income | \$ 148,970 | 17 | 39,783 | 3 | 433,774 | 23 | 230,242 | 9 |
| | Profit, attributable to: | | | | | | | | |
| 8610 | Profit, attributable to owners of parent | \$ 185,424 | 21 | 74,908 | 6 | 328,372 | 17 | 292,787 | 11 |
| | Comprehensive income attributable to: | | | | | | | | |
| 8710 | Comprehensive income, attributable to owners of parent | \$ 148,970 | 17 | 39,783 | 3 | 433,774 | 23 | 230,242 | 9 |
| | Basic earnings per share | | | | | | | | |
| 9750 | Basic earnings per share (NT dollars) (note 6(p)) | \$ 2.96 | | 1.20 | | 5.24 | | 4.68 | |
| 9850 | Diluted earnings per share (NT dollars) (note 6(p)) | \$ 2.94 | | 1.19 | | 5.21 | | 4.67 | |

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the six months ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | Total equity attributable to owners of parent | Total equity |
|---|---|--|-------------------|---------------|-----------------|--|--|--|--------------|
| | Share capital | | Retained earnings | | | Unappropriated retained earnings | Total other equity interest Exchange differences on translation of foreign financial statements | | |
| | Ordinary shares | Advance receipts for share capital | Capital surplus | Legal reserve | Special reserve | | | | |
| Balance at January 1, 2021 | \$ 624,462 | 2,993 | 968,882 | 538,129 | 337,817 | 2,295,422 | (310,459) | 4,457,246 | 4,457,246 |
| Profit for the six months ended June 30, 2021 | - | - | - | - | - | 292,787 | - | 292,787 | 292,787 |
| Other comprehensive income for the six months ended June 30, 2021 | - | - | - | - | - | - | (62,545) | (62,545) | (62,545) |
| Total comprehensive income for the six months ended June 30, 2021 | - | - | - | - | - | 292,787 | (62,545) | 230,242 | 230,242 |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve appropriated | - | - | - | 72,136 | - | (72,136) | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | (625,612) | - | (625,612) | (625,612) |
| Special reserve appropriated | - | - | - | - | (27,358) | 27,358 | - | - | - |
| Stock option compensation cost | - | - | 367 | - | - | - | - | 367 | 367 |
| Issuance of shares exercise of employee stock option | 1,150 | (2,993) | 6,498 | - | - | - | - | 4,655 | 4,655 |
| Balance at June 30, 2021 | \$ 625,612 | - | 975,747 | 610,265 | 310,459 | 1,917,819 | (373,004) | 4,066,898 | 4,066,898 |
| Balance at January 1, 2022 | \$ 626,712 | - | 981,485 | 610,265 | 310,459 | 2,231,720 | (344,942) | 4,415,699 | 4,415,699 |
| Profit for the six months ended June 30, 2022 | - | - | - | - | - | 328,372 | - | 328,372 | 328,372 |
| Other comprehensive income for the six months ended June 30, 2022 | - | - | - | - | - | - | 105,402 | 105,402 | 105,402 |
| Total comprehensive income for the six months ended June 30, 2022 | - | - | - | - | - | 328,372 | 105,402 | 433,774 | 433,774 |
| Appropriation and distribution of retained earnings: | | | | | | | | | |
| Legal reserve appropriated | - | - | - | 60,669 | - | (60,669) | - | - | - |
| Special reserve appropriated | - | - | - | - | 34,483 | (34,483) | - | - | - |
| Cash dividends of ordinary share | - | - | - | - | - | (532,748) | - | (532,748) | (532,748) |
| Capital surplus at cash dividends | - | - | (31,338) | - | - | - | - | (31,338) | (31,338) |
| Issuance of shares exercise of employee stock option | 50 | - | 258 | - | - | - | - | 308 | 308 |
| Balance at June 30, 2022 | \$ 626,762 | - | 950,405 | 670,934 | 344,942 | 1,932,192 | (239,540) | 4,285,695 | 4,285,695 |

See accompanying notes to consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30, | |
|---|--|------------------|
| | 2022 | 2021 |
| Cash flows from (used in) operating activities: | | |
| Profit before tax | \$ 432,596 | 432,206 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation and amortization | 115,295 | 124,808 |
| Expected credit loss recognized (reversal) | (117) | (26) |
| Interest expense | 13,682 | 9,902 |
| Interest income | (23,359) | (23,814) |
| Stock option compensation cost | - | 367 |
| Net loss on financial assets at fair value through profit or loss | 28,720 | 663 |
| Gain on disposal of property, plant and equipment | 280 | (5,187) |
| Recognition losses on inventory valuation and obsolescence | 23,666 | 1,043 |
| Total adjustments to reconcile profit : | 158,167 | 107,756 |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Financial assets at fair value through profit or loss | (290,069) | 13,297 |
| Accounts notes and receivable | 354,295 | 491,970 |
| Inventories | (33,719) | (4,475) |
| Other current assets and other financial assets | 7,796 | 8,467 |
| Total changes in operating assets | 38,303 | 509,259 |
| Changes in operating liabilities: | | |
| Notes and accounts payable | (97,384) | (180,843) |
| Other current liabilities | (5,964) | (47,297) |
| Total changes in operating liabilities | (103,348) | (228,140) |
| Total adjustments | 93,122 | 388,875 |
| Cash inflow(outflow) generated from operations | 525,718 | 852,081 |
| Interest received | 23,489 | 23,798 |
| Interest paid | (13,226) | (9,537) |
| Income taxes paid | (103,006) | (110,493) |
| Net cash flows from operating activities | 432,975 | 755,849 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of Non-current financial assets at fair value through profit or loss | (13,820) | (44,331) |
| Proceeds from disposal of Non-current financial assets at fair value through profit or loss | - | 12,909 |
| Acquisition of financial assets at amortized cost | (87,621) | 53,464 |
| Acquisition of property, plant and equipment | (142,156) | (93,329) |
| Proceeds from disposal of property, plant and equipment | 5,544 | 15,547 |
| Increase Refundable deposits | 776 | 2,145 |
| Decrease in other financial assets | (737) | (3,183) |
| Net cash flows used in investing activities | (238,014) | (56,778) |
| Cash flows from (used in) financing activities: | | |
| Decrease in short-term loans | (159,440) | 167,260 |
| Decrease in short-term notes and bills payable | (100,000) | - |
| Proceeds from (repayments of) long-term borrowings | (100,000) | 50,000 |
| Increase (decrease) in guarantee deposits received and others | 78 | 2,033 |
| Payment of lease liabilities | (16,007) | (20,581) |
| Exercise of employee share options | 308 | 4,655 |
| Net cash flows generated by (used in) financing activities | (375,061) | 203,367 |
| Effect of exchange rate changes on cash and cash equivalents | 92,863 | (48,262) |
| Net Increase (decrease) in cash and cash equivalents | (87,237) | 854,176 |
| Cash and cash equivalents at beginning of period | 3,999,433 | 2,626,650 |

See accompanying notes to consolidated financial statements.

| | <u>For the six months ended June 30,</u> | |
|---|--|------------------|
| | <u>2022</u> | <u>2021</u> |
| Cash and cash equivalents at end of period | \$ 3,912,196 | 3,480,826 |

Reviewed only, not audited in accordance with generally accepted auditing standards

NISHOKU TECHNOLOGY INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2022 and 2021

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

(1) Company history

NISHOKU TECHNOLOGY INC. (the “Company”) was incorporated in year 1980, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company conducted an IPO on the Taiwan Stock Exchange (TWSE) on October 5, 2011. The Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) primarily are involved in the manufacture and sale of plastic injection mold, tooling manufacturing and general import and export trade, please refer to note 14.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated interim financial statements were authorized for issuance by the board of directors on August 03, 2022.

(3) New standards, amendments and interpretations adopted:

- a. Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already taken effect.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

- b. The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred income tax relating to assets and liabilities arising from a single transaction”

- c. The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”
- Amendments to IFRS 17 "Comparative information on initial application of IFRS 17 and IFRS 9"

(4) Summary of significant accounting policies:

a. Statement of compliance

The consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated interim financial statements, the Chinese version shall prevail.

These consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

b. Basis of consolidation

Principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2021. The financial statements of insignificant consolidated subsidiaries, NISHOKU BOUEKI were not reviewed by independent accountants, and the financial statements of insignificant consolidated subsidiaries, SAME SRART (Anguilla), were reviewed by independent accountants for the six months ended June 30, 2022..

c. Income Tax

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

on its proportionate size).

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated interim financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated financial statements, critical accounting judgments and key sources of estimation uncertainty used by management in the application of accounting policies are consistent with those described in note 5 of the consolidated financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts:

In addition to the following, there is no significant difference between the notes on the significant accounting items of the consolidated interim financial statements and the consolidated financial statements for the year ended December 31, 2021. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2021.

(a) Cash and cash Equivalents

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|----------------------------|------------------------------|--------------------------|
| Cash, and demand deposits | \$ 1,658,288 | 2,497,999 | 2,386,000 |
| Time deposits | 2,194,468 | 920,154 | 621,206 |
| Bond acquired under repurchase agreement | 59,440 | 581,280 | 473,620 |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>\$ 3,912,196</u> | <u>3,999,433</u> | <u>3,480,826</u> |

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

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|---|--------------------------|------------------------------|--------------------------|
| Financial assets at fair value through profit or loss | | | |
| Fund investments-current | \$ 36,270 | 38,861 | 49,403 |
| Fixed income financial product | 355,213 | 65,145 | 603,392 |
| Total | <u>\$ 391,483</u> | <u>104,006</u> | <u>652,795</u> |
| Fund investments non-current | <u>\$ 185,112</u> | <u>197,419</u> | <u>156,848</u> |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

(i) Please refer to note 6(e) for fund investments-non-current.

(ii) Please refer to note 6(u) for credit risk and market risk.

(iii) As of June 30, 2022, and December 31, 2021, and June 30, 2021, the Group did not provide any financial assets as collateral for its loans.

(c) Notes and accounts receivable

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---------------------------------|--------------------------|------------------------------|--------------------------|
| Notes receivable | \$ 3,814 | 2,823 | 734 |
| Accounts receivable | 994,610 | 1,349,896 | 1,325,077 |
| Less : allowance for impairment | (7) | (124) | (503) |
| | <u>\$ 998,417</u> | <u>\$ 1,352,595</u> | <u>1,325,308</u> |

The Group measures the loss allowance for notes and accounts receivable using the simplified approach with the lifetime expected credit losses. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporate forward-looking information.

Analysis of expected credit losses were as follows:

| | <u>June 30, 2022</u> | | |
|-----------------------------|---|---------------------------------------|---|
| | <u>Carrying amount of accounts receivable</u> | <u>Weighted-average loss rate</u> | <u>Loss allowance for lifetime expected credit losses</u> |
| Not past due | \$ 958,169 | -% | - |
| Past due less than 120 days | 36,418 | 0%~1% | 2 |
| Past due 121~270 days | <u>23</u> | 0%~30% | <u>5</u> |
| Total | <u>\$ 994,610</u> | | <u>7</u> |

| | <u>December 31, 2021</u> | | |
|-----------------------------|---|---------------------------------------|---|
| | <u>Carrying amount of accounts receivable</u> | <u>Weighted-average loss rate</u> | <u>Loss allowance for lifetime expected credit losses</u> |
| Not past due | \$ 1,334,126 | -% | - |
| Past due less than 120 days | 15,657 | 0%~1% | 11 |
| Past due 121~270 days | <u>113</u> | 0%~100% | <u>113</u> |
| Total | <u>\$ 1,349,896</u> | | <u>124</u> |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

| | June 30, 2021 | | |
|-----------------------------|---|---------------------------------------|---|
| | Carrying amount of accounts receivable | Weighted-average loss rate | Loss allowance for lifetime expected credit losses |
| Not past due | \$ 1,274,279 | -% | - |
| Past due less than 120 days | 50,309 | 0%~1% | 14 |
| Past due over 1 year | 489 | 100% | 489 |
| Total | \$ 1,325,077 | | 503 |

The movement of the loss allowance for notes and accounts receivable were as follows:

| | Six months ended June 30, | |
|-------------------|----------------------------------|-------------|
| | 2022 | 2021 |
| Beginning balance | \$ 124 | 529 |
| Impairment loss | (117) | (26) |
| Ending balance | \$ 7 | 503 |

(d) Inventories

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-----------------|--------------------------|------------------------------|--------------------------|
| Raw materials | \$ 180,440 | 196,059 | 218,257 |
| Work in process | 209,755 | 197,865 | 177,604 |
| Finished goods | 139,729 | 125,947 | 130,645 |
| | \$ 529,924 | 519,871 | 526,506 |

For the three months ended June 30, 2022 and 2021, raw material, consumables, and changes in the finished goods and work in progress recognized as cost of sale amounted to \$690,637 thousand and \$864,140 thousand, and \$1,404,393 thousand, and \$1,837,333 thousand, respectively. For the three months ended June 30, 2022 and June 30, 2021, and for the six months ended June 30, 2022 and June 30, 2021 the Group recognized the losses (reversal) on inventory valuation and obsolescence as cost of goods sold amounting to \$19,757 thousand and \$(14,688) thousand, and \$23,666 thousand and 1,043 thousand, respectively.

As of June 30, 2022, December 31, 2021, and June 30, 2021, the Group did not provide any inventories as collateral.

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

(e) Non-current financial assets at amortized cost

| | June 30, 2022 | December 31, 2021 | June 30, 2021 |
|-------------------------|---------------------|----------------------|------------------|
| Restricted bank deposit | <u>\$ 1,347,998</u> | <u>1,264,067</u> | <u>1,072,737</u> |
| Corporate bonds | <u>\$ 59,050</u> | <u>-</u> | <u>-</u> |

In June, 2021 and May and July, 2020, the Group applied to IRS for the application of “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” (hereinafter referred to as the “Act”), and the remittance was approved within one month. According to the Act, the funds need to be deposited in a special-purpose account for five years, and 5% of the funds can be used without restriction, 25% can be used on financial investment, and 70%, at least, can be used for substantive investment; Otherwise, the funds can only be redeemed within 3 consecutive years on average after the five years maturity. Please refer to note 6(b) relating to the information “ Fund investments non-current”.

The Group's assessment is holding these assets to the maturity date to collect contractual cash flows, and the cash flows of these financial assets are solely for the payment of the principal and interest on the outstanding principal amount. Therefore, it was presented as financial assets at amortized cost.

As of June 30, 2022, December 31, 2021, and June 30, 2021, the Group did not provide any financial assets as collateral.

(f) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the Group for the years ended June 30, 2022 and 2021, were as follows.

| | Land | Building | Machinery and equipment | Office and other equipment | Construction in progress and testing equipment | Total |
|---------------------------------------|-------------------|------------------|-------------------------------|----------------------------------|---|------------------|
| Cost or deemed cost: | | | | | | |
| Balance on January 1, 2022 | \$ 179,672 | 1,065,232 | 1,846,008 | 464,528 | 114,685 | 3,670,125 |
| Additions | - | 4,521 | 65,160 | 3,748 | 29,492 | 102,921 |
| Reclassifications | - | 2,813 | 3,908 | 859 | (7,580) | - |
| Disposals | - | - | (20,065) | (1,916) | - | (21,981) |
| Effect of movements in exchange rates | - | 27,834 | 53,128 | 12,507 | 7,760 | 101,229 |
| Balance on June 30, 2022 | <u>\$ 179,672</u> | <u>1,100,400</u> | <u>1,948,139</u> | <u>479,726</u> | <u>144,357</u> | <u>3,852,294</u> |
| Balance on January 1, 2021 | \$ 179,672 | 1,048,926 | 1,955,334 | 479,442 | 56,056 | 3,719,430 |
| Additions | - | 4,326 | 41,008 | 8,428 | 32,146 | 85,908 |
| Reclassifications | - | 5,832 | 6,241 | 483 | (12,310) | 246 |
| Disposals | - | (91) | (124,909) | (14,393) | - | (139,393) |
| Effect of movements in exchange rates | - | (13,844) | (36,107) | (7,298) | 19,182 | (38,067) |
| Balance on June 30, 2021 | <u>\$ 179,672</u> | <u>1,045,149</u> | <u>1,841,567</u> | <u>466,662</u> | <u>95,074</u> | <u>3,628,124</u> |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

| | <u>Land</u> | <u>Building</u> | <u>Machinery and equipment</u> | <u>Office and other equipment</u> | <u>Construction in progress and testing equipment</u> | <u>Total</u> | |
|---|-------------|-----------------|--|---|---|------------------|------------------|
| Depreciation and impairments loss: | | | | | | | |
| Balance on January 1, 2022 | \$ | 488,757 | 1,398,990 | 395,934 | - | 2,283,681 | |
| Depreciation for the period | - | 20,093 | 60,634 | 15,838 | - | 96,565 | |
| Disposals | - | - | (14,628) | (1,529) | - | (16,157) | |
| Effect of movements in exchange rates | - | 12,226 | 43,419 | 10,417 | - | 66,062 | |
| Balance on June 30, 2022 | \$ | 521,076 | 1,488,415 | 420,660 | - | 2,430,151 | |
| Balance on January 1, 2021 | \$ | 453,394 | 1,435,367 | 386,140 | - | 2,274,901 | |
| Depreciation for the period | - | 20,050 | 59,868 | 21,704 | - | 101,622 | |
| Reclassifications | - | - | 246 | - | - | 246 | |
| Disposals | - | (91) | (115,185) | (13,757) | - | (129,033) | |
| Effect of movements in exchange rates | - | (5,999) | 2,432 | (5,940) | - | (9,507) | |
| Balance on June 30, 2021 | \$ | 467,354 | 1,382,728 | 388,147 | - | 2,238,229 | |
| Carrying amounts: | | | | | | | |
| Balance on June 30, 2022 | \$ | 179,672 | 579,324 | 459,724 | 59,066 | 144,357 | 1,422,143 |
| Balance on January 1, 2022 | \$ | 179,672 | 576,475 | 447,018 | 68,594 | 114,685 | 1,386,444 |
| Balance on June 30, 2021 | \$ | 179,672 | 577,795 | 458,839 | 78,515 | 95,074 | 1,389,895 |

As of June 30, 2022, December 31, 2021 and June 30, 2022, the property, plant and equipment of the Group had not been pledged as collateral.

(g) Right-of-use assets

The Group leases many assets including land and buildings, vehicles and machinery equipment. Information about leases for which the Group as a lessee were presented below

| | <u>Buildings and structures</u> | <u>Machinery and equipment</u> | <u>Transportat ion equipment</u> | <u>Total</u> | |
|------------------------------|---|--|--|---------------|---------------|
| Carrying amount: | | | | | |
| Balance on June 30, 2022 | \$ | 13,776 | - | 8,666 | 22,442 |
| Balance on December 31, 2021 | \$ | 26,950 | - | 10,658 | 37,608 |
| Balance on June 30, 2021 | \$ | 46,280 | 2,328 | - | 48,608 |

The amounts of depreciation expense for the six months ended June 30, 2022 and 2021 were \$15,727 thousand and \$20,261 thousand, respectively.

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

(h) Short-term borrowings

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|-------------------------|--------------------------------|------------------------------------|--------------------------------|
| Secured loan | \$ - | 44,000 | 44,000 |
| Credit loans, no pledge | <u>1,578,320</u> | <u>1,693,760</u> | <u>1,112,180</u> |
| Total: | <u>\$ 1,578,320</u> | <u>1,737,760</u> | <u>1,156,180</u> |
| Interest rate range | <u>0.855%~1.91%</u> | <u>0.40%~0.83%</u> | <u>0.36%~0.82%</u> |

For the collateral for short term borrowings, please refer to note 8.

(i) Short-term notes and bills payable

The short-term notes and bills payable were summarized as follows:

| | <u>December 31, 2021</u> |
|--|--------------------------|
| Commercial paper payable | \$ 100,000 |
| Less: Discount on short-term notes and bills payable | <u>(29)</u> |
| Total | <u>\$ 99,971</u> |
| Interest rate range | <u>0.59%</u> |

(j) Long-term borrowings

The details were as follows:

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|---------------------|--------------------------------|------------------------------------|--------------------------------|
| Unsecured loans | <u>\$ 1,050,000</u> | <u>1,150,000</u> | <u>1,250,000</u> |
| Interest rate range | <u>1.151987%~1.275%</u> | <u>0.92%~0.96%</u> | <u>0.93%~0.96%</u> |

(k) Lease liabilities

The details were as follows:

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|--------------------------------|--------------------------------|------------------------------------|--------------------------------|
| Lease liabilities - Current | <u>\$ 17,959</u> | <u>31,228</u> | <u>33,763</u> |
| Lease liabilities -Non-current | <u>4,719</u> | <u>6,713</u> | <u>15,252</u> |

For the maturity analysis, please refer to note 6(u).

The amounts recognized in profit or loss during the lease term were as follows:

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

| | Three months ended June 30,2022 | Three months ended June 30,2021 | Six months ended June 30,2022 | Six months ended June 30,2021 |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Interests of lease liabilities | \$ 78 | 162 | 177 | 355 |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | \$ 133 | 183 | 327 | 368 |

The amounts recognized in the statement of cash flows were as follows:

| | Six months ended June 30, 2022 | Six months ended June 30, 2021 |
|------------------------------|--------------------------------------|--------------------------------------|
| Total cash out flow of lease | \$ 16,334 | 21,304 |

(l) Employee benefits

The pension costs incurred from the contributions to the Labor Insurance were as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|--------------------|-----------------------------|---------------|---------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating Costs | \$ 9,713 | 8,177 | 18,964 | 16,662 |
| Operating Expenses | 2,394 | 2,103 | 4,719 | 4,275 |
| Total | \$ 12,107 | 10,280 | 23,683 | 20,937 |

(m) Income tax

- (i) The amounts of income tax expense for the three months and six months ended June 30, 2022 and 2021 were \$55,880 thousand, \$44,487 thousand, \$104,224 thousand and \$170,419 thousand respectively.
- (ii) The amounts of income tax expense (profit) under other comprehensive income or loss for the three months and six months ended June 30, 2022 and 2021 were as follows:

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

| | <u>Three months ended June 30,</u> | | <u>Six months ended June 30,</u> | |
|---|------------------------------------|----------------|----------------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Foreign currency translation differences for foreign operations | <u>\$ (9,114)</u> | <u>(8,781)</u> | <u>26,350</u> | <u>(15,636)</u> |

(iii) The Company and NISHOKU BOUEKI income tax returns have been examined by the tax authority through the years up to 2020, respectively.

(n) Capital and other equity

In addition to the following, there is no material change in capital and other equity of the Group for the six months ended June 30, 2022 and 2021. For the related information, please refer to Note 6(n) of the consolidated financial statements for the year ended December 31, 2021.

(i) Issuance of capital stock

The Company issued 5 thousand shares and 70 thousand shares, with par value of \$10 per share for the exercise of employee stock options were completed the legal registration procedures for the six months ended June 30, 2022 and June 30, 2021.

(ii) Capital surplus

The balances of capital surplus as of June 30, 2022, December 31, 2021, and June 30, 2021 were as follows:

| | <u>June 30,</u> <u>2022</u> | <u>December 31,</u> <u>2021</u> | <u>June 30,</u> <u>2021</u> |
|-------------------------|--------------------------------|------------------------------------|--------------------------------|
| Additional paid-capital | \$ 939,513 | 970,593 | 964,917 |
| Employee share options | 10,892 | 10,892 | 10,830 |
| Total | <u>\$ 950,405</u> | <u>981,485</u> | <u>975,747</u> |

The Board of directors' meeting held on April 28, 2022 approved to distribute cash from additional paid-in capital, the summary were as follows:

| | <u>2021</u> | |
|---|-----------------------------------|---------------|
| | <u>Payout</u> <u>per share</u> | <u>Amount</u> |
| Distribute cash from additional paid-in capital | \$ 0.5 | <u>31,338</u> |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

(iii) Retained earnings

The Group's article of incorporation stipulate that, when allocating the profit for each fiscal year, the Company shall first offset its losses in previous years. Of the remaining profit, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid in capital. Aside from the aforesaid legal reserve, the Company shall appropriate or reverse another sum as special earnings reserve in accordance with relevant laws or regulations or requested by the authorities in charge. The remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

According to the amendment of the of Article 240 and Article 241 of the ROC Company Act, the Company authorized the distributable dividends and bonuses in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long term interests of stockholders, as well as its programs to maintain operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. The dividend to be distributed shall be no less than 10% of the current year retained earnings available for distribution only if the current year retained earnings available for distribution does not reach \$0.5 per share, the Company may decide not to distribute dividend. The dividend to be distributed may be in the form of cash and stock, and cash dividend in the distribution should not be less than 30%.

Dividend distribution for 2021 and 2020 were decided via board of directors' meeting held on April 28, 2022, and April 28, 2021. The relevant dividend distributions to shareholders were as follows:

| | 2021 | | 2020 | |
|---------------------------|---------------------|---------|---------------------|---------|
| | Payout per share | Amount | Payout per share | Amount |
| Dividend to shareholders: | | | | |
| Cash | \$ 8.5 | 532,748 | 10 | 625,612 |

(o) Share-based payment

For the six months ended June 30, 2022 and 2021, there were no significant changes in share-based payment except for the following: (Please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2021 for other related information).

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

- (i) Information about the Company's outstanding employee stock options are described as follows:

| | Six months ended June 30, 2022 | | Six months ended June 30, 2021 | |
|---|---|----------------------------|---|----------------------------|
| | Weighted-average Exercise Price(NT\$) | Number of Stock Options | Weighted-average Exercise Price(NT\$) | Number of Stock Options |
| Outstanding at beginning of the period | \$ 61.60(note) | 5 | 66.50(note) | 235 |
| Options granted | - | - | - | - |
| Options forfeited | - | - | - | (50) |
| Options exercised | 61.60 | (5) | 66.50 | (70) |
| Outstanding at end of the period | - | - | 66.50(note) | 115 |
| Exercisable at end of the period | | - | | 35 |
| The weighted average price of the stock options | | \$ 18.15 | | 18.15 |

(Note) The Company adjusted the exercise price of stock options in accordance with the plans.

The details of the stock options of the Group were as follows:

| | June 30, 2022 | December 31, 2021 | June 30 2021 |
|--|------------------|----------------------|-----------------|
| Weighted average of remaining contractual period (years) | 0 | 0.57 | 1.07 |

- (ii) The fair value of stock options granted is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

| | 2017 employee stock option |
|--|-------------------------------|
| Exercise price (in dollars) | 81.80 |
| Stock price of grant date (in dollars) | 81.80 |
| Expected dividends | -% |
| Expected price volatility | 26.78%~27.89% |
| Risk-free interest rate | 0.67%~0.73% |
| Exercise option life | 5 years |

- (iii) For the three months and six months ended June 30, 2022 and 2021, the expenses attributable to share based payment amounted to \$0 thousand and \$184 thousand and \$0 thousand, and \$367 thousand, respectively.

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

- (iv) In order to motivate employees, and improve their loyalty, for the purpose of creating the benefits of the Company and the shareholders together, the Company's shareholders' meeting held on June 15, 2022, and planned to issue 400 thousand shares, with par value of \$10 per share for restricted stock awards for employees, the total amount is \$4,000 thousand. It has been approved by FSC on July 15, 2022.

(p) Earnings per share

The calculation of basic earnings per share for the three months and six months ended June 30, 2022 and 2021 were calculated as follows:

| | <u>Three months ended June 30,</u> | | <u>Six months ended June 30,</u> | |
|---|------------------------------------|---------------|----------------------------------|----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Basic earnings per share: | | | | |
| Profit attributable to ordinary shareholders of the Company | \$ 185,424 | 74,908 | 328,372 | 292,787 |
| Weighted-average number of ordinary shares (thousand shares) | 62,675 | 62,540 | 62,673 | 62,500 |
| Basic earnings per share (NTD) | \$ 2.96 | 1.20 | 5.24 | 4.68 |
| Diluted earnings per share: | | | | |
| Profit attributable to ordinary shareholders of the Company | \$ 185,424 | 74,908 | 328,372 | 292,787 |
| Weighted average number of ordinary shares (basic, thousand shares) | 62,675 | 62,540 | 62,673 | 62,500 |
| Effect of employee stock bonuses | 292 | 174 | 403 | 251 |
| Weighted-average number of ordinary shares (diluted, thousand shares) | 69,967 | 62,714 | 63,076 | 62,751 |
| Diluted earnings per share (NTD) | \$ 2.94 | 1.19 | 5.21 | 4.67 |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

(q) Revenue from contracts with customers

(i) Details of revenue

| | Three months ended June 30, | | Six months ended June 30, | |
|-------------------------------------|-----------------------------|-------------------------|---------------------------|-------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| <u>Primary geographical markets</u> | | | | |
| United States | \$ 389,230 | 334,113 | 818,839 | 683,842 |
| Asia | 132,906 | 83,257 | 234,608 | 181,816 |
| Euro | 317,556 | 757,148 | 725,237 | 1,713,151 |
| | <u>\$ 839,692</u> | <u>1,174,518</u> | <u>1,778,684</u> | <u>2,578,809</u> |
| <u>Primary productions</u> | | | | |
| Plastic injection mold | \$ 760,435 | 1,076,240 | 1,636,217 | 2,369,350 |
| Tooling mold | 78,874 | 98,044 | 141,597 | 209,108 |
| Others | 383 | 234 | 870 | 351 |
| | <u>\$ 839,692</u> | <u>1,174,518</u> | <u>1,778,684</u> | <u>2,578,809</u> |

(ii) Contract balances

For details on accounts receivable, please refer to note 6 (c).

| | June 30, | December 31, | June 30 |
|----------------------|-------------------------|----------------------|----------------------|
| | 2022 | 2021 | 2021 |
| Contract liabilities | <u>\$ 28,442</u> | <u>27,586</u> | <u>39,637</u> |

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the six months ended June 30, 2022 and 2021, which was included in the contract liability balance at the beginning of the period, was \$13,330 thousand and \$51,775 thousand, respectively.

(r) Employee, board of directors', and supervisors' compensation

In accordance with the Articles of incorporation the Company should contribute no less than 1% of the profit as employee compensation and not exceed 5% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

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NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

For the three months and six months ended June 30, 2022 and 2021, the Company estimated its employee remuneration amounting to \$6,750 thousand, \$6,750 thousand, \$13,500 thousand and \$13,500 thousand, directors' and supervisors' remuneration amounting to \$2,295 thousand, \$2,550 thousand, \$4,590 thousand and \$5,100 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating. If the actual amount of the annual distribution and the estimated amount of differences, according to the changes in accounting estimates, and the difference recognized as the next year annual profit (loss). Such as the resolution of the board of directors to take the stock of employee compensation, the numbers of shares to be distributed would be calculated based on the closing price of the Company's ordinary shares one day before the date of the meeting of Board of Directors.

For the year ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$27,000 thousand and \$30,000 thousand, respectively, and directors' and supervisors' remuneration amounting to \$10,200 thousand and \$11,705 thousand respectively. There is no difference in the actual distribution situation, please refer to Market Observation Post System for further information.

(s) Other revenue

The other revenue for the three months ended and six months ends June 30, 2022 and 2021 were as follows:

| | <u>Three months ended June 30,</u> | | <u>Six months ended June 30,</u> | |
|--------------------|------------------------------------|----------------------|----------------------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest income | \$ 18,561 | 17,792 | 23,359 | 23,814 |
| Others | 2,317 | 4,501 | 2,866 | 11,259 |
| Total other income | <u>\$ 20,878</u> | <u>22,293</u> | <u>26,225</u> | <u>35,073</u> |

(t) Other gains and losses

| | <u>Three months ended June 30,</u> | | <u>Six months ended June 30,</u> | |
|---|------------------------------------|------------------------|----------------------------------|------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Foreign exchange gains(losses), net\$ | 207,939 | (92,048) | 293,975 | (68,377) |
| Gains (Losses) on financial assets at fair value through profit or loss | (19,416) | 1,276 | (28,720) | (663) |
| Gains (Losses) on disposal of property, plant and equipment | (237) | 221 | (280) | 5,187 |
| Others | (20) | 1 | (30) | (163) |
| Net gains(losses) | <u>\$ 188,266</u> | <u>(90,550)</u> | <u>264,945</u> | <u>(64,016)</u> |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

(u) Financial Instruments

In addition to the following, there is no material change in financial instruments of the Group for the six months ended June 30, 2022 and 2021. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2021.

(i) Credit risk

1) Credit risk exposure

As of June 30, 2022 and 2021, the Group's maximum exposure to credit risk was mainly from the carrying amount of financial assets recognized in the consolidated statements of financial position and amounted to \$6,896,717 thousand and \$6,745,285 thousand, respectively. The Groups had deposited these bank deposits in different financial institutions, and the Group believes that there is no significant credit risk from the above mentioned financial institutions.

2) Concentration of credit risk

The credit risk exposure of the Group comes from the credit of individual customers, and the industry of the customer also have effect on credit risk. For the six months ended June 30, 2022 and 2021, sales to the individual customers whose revenue constituting over 10% of net revenue are 39% and 45% of total revenues respectively. As of June 30, 2022 and 2021, 38% and 34%, respectively, of accounts receivable were for those customers.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | within 1year | 1-2 years |
|--------------------------------------|---------------------|---------------------------|------------------|------------------|
| June 30, 2022 | | | | |
| Non-derivative financial liabilities | | | | |
| Short-term borrowings | \$ 1,578,320 | 1,580,009 | 1,580,009 | - |
| Long-term borrowings | 1,050,000 | 1,068,620 | 12,120 | 1,056,500 |
| Notes and accounts payable | 491,124 | 491,124 | 491,124 | - |
| Lease liabilities | 22,678 | 22,678 | 17,959 | 4,719 |
| Other financial liabilities | 609,562 | 609,562 | 609,562 | - |
| | \$ 3,751,684 | 3,771,993 | 2,710,774 | 1,061,219 |
| December 31, 2021 | | | | |
| Non-derivative financial liabilities | | | | |
| Short-term borrowings | \$ 1,737,760 | 1,739,215 | 1,739,215 | - |
| Short-term notes and bills payable | 99,971 | 100,000 | 100,000 | - |
| Long-term borrowings | 1,150,000 | 1,169,644 | 10,805 | 1,158,839 |
| Notes and accounts payable | 588,508 | 588,508 | 588,508 | - |
| Lease liabilities | 37,941 | 37,941 | 31,228 | 6,713 |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

| | Carrying | Contractual | within | |
|--------------------------------------|---------------------|------------------|------------------|------------------|
| | amount | cash flows | 1year | 1-2 years |
| Other financial liabilities | 51,986 | 51,986 | 51,986 | - |
| | \$ 3,666,166 | 3,687,294 | 2,521,742 | 1,165,552 |
| June 30, 2021 | | | | |
| Non-derivative financial liabilities | | | | |
| Short-term borrowings | \$ 1,156,180 | 1,156,831 | 1,156,831 | - |
| Long-term borrowings | 1,250,000 | 1,266,447 | 11,930 | 1,254,517 |
| Notes and accounts payable | 619,585 | 619,585 | 619,585 | - |
| Lease liabilities | 49,015 | 49,015 | 33,763 | 15,252 |
| Other financial liabilities | 686,743 | 686,743 | 686,743 | - |
| | \$ 3,761,523 | 3,778,621 | 2,508,852 | 1,269,769 |

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Market risk

1) Exchange rate risk

The Group significant exposure to foreign currency risk on financial assets and liabilities were as follows:

| | June 30, 2022 | | | December 31, 2021 | | | June 30, 2021 | | |
|------------------------------|------------------|---------------|-----------|-------------------|---------------|-----------|------------------|---------------|-----------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| <u>Financial assets</u> | | | | | | | | | |
| <u>Monetary Items</u> | | | | | | | | | |
| USD | \$ 151,333 | 29.720 | 4,497,622 | 156,910 | 27.680 | 4,343,257 | 152,072 | 27.860 | 4,236,714 |
| CNY | 33 | 4.439 | 146 | 84 | 4.344 | 363 | 84 | 4.309 | 360 |
| EUR | 573 | 31.05 | 17,799 | 387 | 31.32 | 12,106 | - | - | - |
| <u>Financial liabilities</u> | | | | | | | | | |
| <u>Monetary Items</u> | | | | | | | | | |
| USD | 3,520 | 29.720 | 104,606 | 6,166 | 27.680 | 170,677 | 6,203 | 27.860 | 172,811 |

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and trade and other payables that are denominated in foreign currency.

A weakening (strengthening) of 1% of the NTD against the USD and EUR and CNY at June 30, 2022 and 2021, would have increased or decreased the net profit before tax by \$44,110 thousand and \$40,643 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

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NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the six months ended June 30, 2022 and 2021, foreign exchange gain (including realized and unrealized portions) amounted to \$293,975 thousand and \$(68,377) thousand, respectively.

2) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$801 thousand and \$1,794 thousand for the six months ended June 30, 2022 and 2021, respectively, assuming all other variable factors were constant. This mainly resulted from borrowings and bank deposits at variable interest rates.

(iv) Fair value of financial instruments

1) Fair value of financial instruments

The Group's management considers its financial assets and financial liabilities measured at amortized cost to be the approximation of the fair value.

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

| | June 30, 2022 | | | | |
|---|---------------------|----------------|---------|----------------|----------------|
| | Carrying amounts | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Financial assets at fair value through profit or loss-current | <u>\$ 391,483</u> | <u>36,270</u> | - | <u>355,213</u> | <u>391,483</u> |
| Financial assets at fair value through profit or loss-non-current | <u>\$ 185,112</u> | <u>185,112</u> | - | - | <u>185,112</u> |
| Financial assets carried at amortized cost | | | | | |
| Cash and cash equivalents | \$ 3,912,196 | | | | |
| Notes and accounts receivable, net | 998,417 | | | | |
| Other financial assets-current | 2,461 | | | | |
| Refundable deposits | 11,599 | | | | |
| Non-current financial assets measured at amortized cost | <u>1,407,048</u> | | | | |
| | <u>\$ 6,331,721</u> | | | | |
| Financial liabilities carried at amortized cost | | | | | |
| Long and short term borrowings | \$ 2,628,320 | | | | |
| Notes and accounts payable | 491,124 | | | | |

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NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

| | June 30, 2022 | | | | |
|---|----------------------------|----------------|---------|----------------|----------------|
| | Carrying amounts | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Lease liability | 22,678 | | | | |
| Other payables | 609,562 | | | | |
| | <u>\$ 3,751,684</u> | | | | |
| | | | | | |
| | December 31, 2021 | | | | |
| | Carrying amounts | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Financial assets at fair value through profit or loss-current | \$ 104,006 | 38,861 | - | 65,145 | 104,006 |
| Financial assets at fair value through profit or loss-non-current | \$ 197,419 | 197,419 | - | - | 197,419 |
| Financial assets carried at amortized cost | | | | | |
| Cash and cash equivalents | \$ 3,999,433 | | | | |
| Notes and accounts receivable, net | 1,352,595 | | | | |
| Other financial assets-current | 1,023 | | | | |
| Refundable deposits | 12,375 | | | | |
| Current financial assets measured at amortized cost | 55,360 | | | | |
| Non-current financial assets measured at amortized cost | 1,264,067 | | | | |
| | <u>\$ 6,684,853</u> | | | | |
| Financial liabilities carried at amortized cost | | | | | |
| Long and short term borrowings | \$ 2,887,760 | | | | |
| Short term notes and bills payable | 99,971 | | | | |
| Notes and accounts payable | 588,508 | | | | |
| Lease liability | 37,941 | | | | |
| Other payables | 51,986 | | | | |
| | <u>\$ 3,666,166</u> | | | | |
| | | | | | |
| | June 30, 2021 | | | | |
| | Carrying amounts | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Non-derivative financial assets measured at fair value through profit or loss | \$ 652,795 | 49,403 | - | 603,392 | 652,795 |
| Financial assets carried at amortized cost | | | | | |
| Cash and cash equivalents | \$ 3,480,826 | | | | |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

| | June 30, 2021 | | | | |
|--|---------------------|------------|---------|---------|-------|
| | Carrying amounts | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Notes and accounts receivable, net | 1,325,308 | | | | |
| Other financial assets-current | 1,051 | | | | |
| Refundable deposits | 12,954 | | | | |
| Current financial assets measured at amortized cost | 55,720 | | | | |
| Non-current financial assets measured at amortized cost | 1,072,737 | | | | |
| | \$ 5,948,596 | | | | |
| | | | | | |
| Financial liabilities carried at amortized cost | | | | | |
| Long and short term borrowings | \$ 2,406,180 | | | | |
| Notes and accounts payable | 619,585 | | | | |
| Lease liability | 49,015 | | | | |
| Other payables | 686,743 | | | | |
| | \$ 3,761,523 | | | | |

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Reconciliation of Level 3 fair values

The following table shows a reconciliation of the beginning balances to the ending balances for the fair value measurements in Level 3 of the fair value hierarchy:

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

| | Financial assets measured at fair value through profit or loss | |
|--|---|--------------------------------------|
| | Six months ended June 30,2022 | Six months ended June 30,2021 |
| | 30,2022 | 30,2021 |
| Balance in the beginning of the period | \$ 65,145 | 612,833 |
| Recognized in profit or loss | 10,593 | 15,572 |
| Purchase | 710,426 | 603,392 |
| Disposal | (430,951) | (628,405) |
| Balance in the ending of the period | <u>\$ 355,213</u> | <u>603,392</u> |

The aforementioned total gains and losses were recognized in “other income”.

There have been no transfers from each level for the six months ended June 30, 2022 and 2021.

- 4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value are financial instrument” and derivative financial assets. The financial assets’ fair value are using the prior transaction price before adjustments or third-party pricing information. The unobservable inputs are not set up as the Group measures fair value, therefore the quantified information of significant unobservable inputs are not disclosed.

- (v) Financial risk management

The Group’s risk management policies are no material change in financial instruments of the Group for the six months ended June 30, 2022 and 2021. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2021.

- (w) Capital management

As of June 30, 2022, there were no changes in the Group’s approach to capital management. For the related information, please refer to Note 6(w) of the consolidated financial statements for the year ended December 31, 2021.

- (x) Investing and financing activities not affecting current cash flow

The Group’s investing and financing activities which did not affect the current cash flow for the six months ended June 30, 2022 and 2021, were as follows:

- (i) For acquisition of right-of-use assets, please refer to note 6(g).
(ii) Reconciliation of liabilities arising from financing activities were as follows:

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

| | January 1,2022 | Cash flows | Foreign exchange movement and others | June30,2022 |
|--|-----------------------|-------------------|---|--------------------|
| Short term borrowings | \$ 1,737,760 | (159,440) | - | 1,578,320 |
| Short-term notes and bills payable | 99,971 | (100,000) | 29 | - |
| Long term borrowings | 1,150,000 | (100,000) | - | 1,050,000 |
| Lease liability | 37,941 | (16,007) | 744 | 22,678 |
| Total liabilities from financing activities | \$ 3,025,672 | (375,447) | 773 | 2,650,998 |

| | January 1,2021 | Cash flows | Foreign exchange movement and others | June 30,2021 |
|--|-----------------------|-------------------|---|---------------------|
| Short term borrowings | \$ 988,920 | 167,260 | - | 1,156,180 |
| Long term borrowings | 1,200,000 | 50,000 | - | 1,250,000 |
| Lease liability | 70,115 | (20,581) | (519) | 49,015 |
| Total liabilities from financing activities | \$ 2,259,035 | 196,679 | (519) | 2,455,195 |

(7) Related-party transactions:

(a) Key management personnel compensation

Key management personnel compensation comprised:

| | Three months ended June 30, | | Six months ended June 30, | |
|------------------------------|------------------------------------|---------------|----------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Short-term employee benefits | \$ 12,456 | 10,908 | 24,768 | 21,782 |
| Post-employment benefits | 81 | 81 | 162 | 162 |
| | \$ 12,537 | 10,989 | 24,930 | 21,944 |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

(8) Pledged assets:

The carrying values of pledged assets were as follows:

| <u>Pledged assets</u> | <u>Object</u> | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|--|-----------------------------------|--------------------------|------------------------------|--------------------------|
| Demand deposits (classified under other current financial assets) | Long and short term borrowings | \$ - | 55,360 | 55,720 |
| " | Guarantee for litigation | 1,757 | 1,704 | - |
| " | Guarantee for Carbon emission | 26 | 25 | 25 |
| | | <u>\$ 1,783</u> | <u>57,089</u> | <u>55,745</u> |

(9) Significant Commitments and Contingencies:

(a) Unrecognized contractual commitments:

(i) The Group's unrecognized contractual commitments to the purchase of plant and equipment were as follows:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|---|----------------------|--------------------------|----------------------|
| Acquisition of property, plant and equipment | <u>\$ 55,589</u> | <u>79,739</u> | <u>41,934</u> |

(ii) For the necessary to bank loan and operating capital, the Company and its subsidiaries provide guarantee and endorsement for other parties were as follows:

| | <u>June 30, 2022</u> | <u>December 31, 2021</u> | <u>June 30, 2021</u> |
|-----------------------------|----------------------|--------------------------|----------------------|
| Outstanding guarantee notes | <u>\$ 1,401,456</u> | <u>1,360,064</u> | <u>1,368,128</u> |
| Actual usage amount | <u>\$ 178,320</u> | <u>193,760</u> | <u>362,180</u> |

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statement

(12) Other:

- (a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

| By function By item | For the three-month periods ended June 30 | | | | | |
|----------------------------|---|--------------------|---------|----------------|--------------------|---------|
| | 2022 | | | 2021 | | |
| | Operating cost | Operating expenses | Total | Operating cost | Operating expenses | Total |
| Employee benefit expenses | | | | | | |
| Salaries | 177,233 | 49,722 | 226,955 | 219,887 | 50,123 | 270,010 |
| Labor and health insurance | 6,625 | 2,423 | 9,048 | 5,662 | 2,030 | 7,692 |
| Pension | 9,713 | 2,394 | 12,107 | 8,177 | 2,103 | 10,280 |
| Others | 6,641 | 7,327 | 13,968 | 5,389 | 8,717 | 14,106 |
| Depreciation | 42,917 | 13,451 | 56,368 | 46,868 | 13,561 | 60,429 |
| Amortization | 826 | 632 | 1,458 | 501 | 796 | 1,297 |

| By function By item | For the six-month periods ended June 30 | | | | | |
|----------------------------|---|--------------------|---------|----------------|--------------------|---------|
| | 2022 | | | 2021 | | |
| | Operating cost | Operating expenses | Total | Operating cost | Operating expenses | Total |
| Employee benefit expenses | | | | | | |
| Salaries | 372,250 | 98,291 | 470,541 | 444,848 | 99,534 | 544,382 |
| Labor and health insurance | 12,902 | 5,248 | 18,150 | 11,598 | 4,896 | 16,494 |
| Pension | 18,964 | 4,719 | 23,683 | 16,662 | 4,275 | 20,937 |
| Others | 12,535 | 15,282 | 27,817 | 10,964 | 18,604 | 29,568 |
| Depreciation | 85,374 | 26,918 | 112,292 | 94,902 | 26,981 | 121,883 |
| Amortization | 1,619 | 1,384 | 3,003 | 1,335 | 1,590 | 2,925 |

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

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NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

(i) Loans to other parties:

| No. | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period (Note 3) | Ending balance (Note 3) | Actual usage amount during the period | Interest rate | Nature of financing | Transaction amounts | Reason for short-term financing | Allowance for bad debt | Collateral | | Financing limit for each borrowing company | Maximum financing limit for the lender |
|-----|----------------|------------------|---------------------------|---------------|--|-------------------------|---------------------------------------|---------------|---------------------------------|---------------------|---------------------------------|------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | The Company | NISHOKU VIETNAM | Other accounts receivable | Yes | 297,200 | 297,200 | 267,480 | 0.63-0.72% | Necessary to loan other parties | - | Operating capital | - | - | - | 428,569 (Note 1) | 1,714,278 (Note 1) |

Note 1: The individual amount and the total amount for lending to a company shall not exceed 10% and 40% of the lending company's net worth in the latest financial statement, respectively. The Company for lending to the Company directly or indirectly holds 100% of their shares, with the loan amount not limited and the total amounts not exceeding the lending company's net worth in the last financial statement.

Note 2: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date (Note 3) | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties of companies in Mainland China |
|-----|-------------------|--|--|--|---|--|---------------------------------------|---|---|--|--|--|--|
| | | Name | Relationship with the Company (Note 2) | | | | | | | | | | |
| 0 | The Company | NISHOKU VIETNAM | 2 | 4,285,695 | 1,272,016 | 1,272,016 | 178,320 | - | 29.68% | 4,285,695 | Y | N | N |
| " | " | NISHOKU BOUEKI | 2 | 4,285,695 | 175,650 | 129,440 | - | - | 3.02% | 4,285,695 | " | " | " |

Note 1: The amount and the total amount of the guarantee to a company shall not exceed 30% and 100%, respectively, of the Company net worth in the latest financial statements. The total amount of the guarantee that the Company and its subsidiaries to a company shall not exceed 100%, of the Company's net worth in the latest financial statement. The Company directly or indirectly holds 100% of their shares, the guarantee amounts not limited by the Company's net worth in the latest financial statement.

Note 2: The relationship of guarantor and endorsements to related parties were as follows:

- 1) Business relationship between the Company
- 2) The Company directly or indirectly holds over 50% of subsidiaries' shares;
- 3) The parent company and its subsidiaries hold over 50% of investees' shares;
- 4) A subsidiary jointed owned over 50% by the Company and the Company's directly-owned subsidiary.

Note 3: Amount actually draw in foreign currencies were translated based on the exchange rate at the reporting date.

(iii) Securities held as of June 30, 2022 (excluding investment in subsidiaries, associates and joint ventures):

| Name of holder | Nature and name of securities | Relationship with the securities issuer | Account name | Ending balance | | | Note |
|----------------|---|---|---|--------------------------|----------------|---------------|-------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of | |
| The Company | Nomura Global Financial Bond Fund Accumulate | None | Financial assets at fair value through profit or loss-current | - | 7,587 | - % | 7,587 |
| " | JPMorgan Investment Funds-Global High Yield Bond Fund | " | " | - | 7,792 | - % | 7,792 |
| " | ABITL Income Multi-asset Income | " | " | - | 5,052 | - % | 5,052 |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

| Name of holder | Nature and name of securities | Relationship with the securities issuer | Account name | Ending balance | | | Note |
|------------------|---|---|---|--------------------------|----------------|--------------------------|---------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of Fair value | |
| | Fund of Funds A2 | | | | | | |
| " | BGF ESG Multi-Asset Fund | " | " | - | 10,713 | | 10,713 |
| NISHOKU BOUEKI | PineBridge Preferred Securities | " | " | - | 5,126 | - % | 5,126 |
| | Income Fund | | | | | | |
| NISHOKU SHENZHEN | Fixed income financial product | " | " | - | 133,205 | - % | 133,205 |
| KUNSHAN | Fixed income financial product | " | " | - | 222,008 | - % | 222,008 |
| NISHOKU PLASTIC | | | | | | | |
| The Company | Allianz Global Investors Income and Growth Fund | " | Financial assets at fair value through profit or loss-non current | - | 37,685 | - % | 37,685 |
| " | PineBridge Global ESG Quantitative | " | " | - | 42,812 | - % | 42,812 |
| | Bond Fund | | | | | | |
| " | PineBridge Global Multi-Strategy High Yield Bond Fund | " | " | - | 33,565 | - % | 33,565 |
| | Nomura Global Financial Bond Fund | " | " | - | 20,292 | - % | 20,292 |
| " | FSITC GLOBAL HIGH YIELD BOND FUND | " | " | - | 10,813 | - % | 10,813 |
| " | ABITL Income Fund -Multi Asset | " | " | - | 18,352 | - % | 18,352 |
| | Income Fund of Funds N | | | | | | |
| " | Allianz Global Investors Income and Growth Fund | " | " | - | 21,593 | - % | 21,593 |
| " | FORMOSA GROUP 15/25 | " | Non-current financial assets at amortized cost | - | 14,912 | - % | 14,523 |
| " | STAND. CHART. 15/25 REGS | " | " | - | 14,649 | - % | 14,196 |
| " | FOXCONN(FAR EAST)16/26MTN | " | " | - | 7,408 | - % | 7,185 |
| " | APPLE 16/26 | " | " | - | 14,623 | - % | 14,257 |
| " | BARCLAYS 15/25 | " | " | - | 7,458 | - % | 7,293 |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

| Name of company | Category and name of security | Account name | Name of counter-party | Relationship with the company | Beginning Balance | | Purchases | | Sales | | | | Ending Balance | |
|-------------------------|--------------------------------|---|-----------------------|-------------------------------|-------------------|--------|-----------|---------|--------|---------|---------|-------------------------|----------------|---------|
| | | | | | Shares | Amount | Shares | Amount | Shares | Price | Cost | Gain (loss) on disposal | Shares | Amount |
| NISHOKU SHENZHEN | Fixed income financial product | Financial assets at fair value through profit or loss-current | National Trust | None | - | - | - | 266,410 | - | 136,348 | 133,205 | 3,143 | - | 133,205 |
| KUNSHAN NISHOKU PLASTIC | Fixed income financial product | Financial assets at fair value through profit or loss-current | National Trust | None | - | - | - | 444,016 | - | 227,247 | 222,008 | 5,239 | - | 222,008 |

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | | Notes/Accounts receivable (payable) | | Note |
|-------------------------|-------------------------|------------------------|---------------------|-----------|-------------------------------------|---------------|---|---------------|----------------|---|--|------|
| | | | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | | |
| SAME START (Anguilla) | KUNSHAN NISHOKU PLASTIC | Associate | Purchase | 108,141 | 90% | (Note1) | (Note1) | (Note1) | (57,014) | (93)% | | |
| KUNSHAN NISHOKU PLASTIC | SAME START (Anguilla) | " | (Sale) | (108,141) | (8)% | " | " | " | 57,014 | 7% | | |
| The Company | KUNSHAN NISHOKU PLASTIC | Associate | (Sale) | (246,340) | (48)% | " | " | " | 104,575 | 48% | | |
| KUNSHAN NISHOKU PLASTIC | The Company | " | Purchase | 246,340 | 41% | " | " | " | (104,575) | (23)% | | |
| SAME START (Anguilla) | The Company | Associate | (Sale) | (100,379) | (82)% | " | " | " | 47,060 | 78% | | |
| The Company | SAME START (Anguilla) | " | Purchase | 100,379 | 31% | " | " | " | (47,060) | (40)% | | |

Note 1: The subsidiaries did not purchase or sale same product from third parties, so the purchase (sale) price cannot be compared. In addition, the receipt terms of related parties were not significant different to third parties.

Note 2: Transactions within the Group were eliminated in the consolidated financial statements.

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts |
|-----------------|-------------------------|------------------------|----------------|---------------|---------|--------------|---------------------------------------|-------------------------|
| | | | | | Amount | Action taken | | |
| The Company | KUNSHAN NISHOKU PLASTIC | Associate | 104,575 | 3.32 | - | - | 7,043 | - |

Note 1: Until July 21, 2022.

Note 2: Transactions within the Group were eliminated in the consolidated financial statements

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

The following is the information for the six months ended June 30, 2022, business relationships and significant intercompany transactions with the amounts exceeding NT\$ 10 million:

(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Name of company | Name of counter-party | Nature of Intercompany transactions, 2021 | | | | Percentage of the consolidated net revenue or total assets |
|--------------|-----------------------|-----------------------|---|--------------------|---------|---------------|--|
| | | | relationship (Note 2) | Account name | Amount | Trading terms | |
| 0 | The Company | SAME START (Anguilla) | 1 | Purchase | 100,379 | Note 3 | 6% |
| " | " | " | 1 | Account Payable | 47,060 | " | 1% |
| " | " | KUNSHAN NISHOKU | 1 | Sales | 246,340 | " | 14% |
| " | " | " | 1 | Account receivable | 104,575 | " | 1% |
| " | " | NISHOKU VIETNAM | 1 | Sales | 87,386 | " | 5% |
| " | " | " | 1 | Account receivable | 50,909 | " | 1% |
| " | " | " | 1 | Other receivables | 267,480 | Fund loan | 3% |
| 1 | SAME START (Anguilla) | NISHOKU SHENZHEN | 3 | Purchase | 11,899 | Note 3 | 1% |
| " | " | KUNSHAN NISHOKU | 3 | Purchase | 108,141 | " | 6% |
| " | " | " | 3 | Account Payable | 57,014 | " | 1% |
| " | " | NISHOKU VIETNAM | 3 | Sales | 18,041 | " | 1% |
| " | " | " | 3 | Account receivable | 11,949 | " | -% |

Note 1: "0" represents the parent company, and the others represent the subsidiaries.

Note 2: "1" represents the transactions from parent company to subsidiary.

"2" represents the transactions from subsidiary to parent company.

"3" represents the transactions between subsidiaries.

Note 3: The trading price and product that purchase or sale from related parties that did not purchase or sale from third parties, so can not be compared. The payments terms were 90 days for related parties.

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of June 30, 2021 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|-----------------------|----------|--|-------------------------------------|-------------------------------------|-----------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|------|
| | | | | June 30, 2022 | December 31, 2021 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | SUN NICE (SAMOA) | SAMOA | Holding | 738,714 | 1,096,194 | 22,468 | 100% | 4,466,013 | 160,596 | 160,596 | |
| " | NISHOKU BOUEKI | Taiwan | Purchase and sales of plastic raws and parts | 1,000 | 1,000 | 6,300 | 100% | 113,439 | 7,051 | 7,051 | |
| " | NISHOKU VIETNAM | Vietnam | Manufacture and sale of tooling and plastic products | 508,434 (USD 16,500 thousands) | 508,434 (USD 16,500 thousands) | - | 100% | 134,291 | (6,570) | (6,416) | |
| SUN NICE (SAMOA) | SAME START (Anguilla) | Anguilla | Purchase and sale of mold and plastic products | - | - | - | 100% | (28,195) | 463 | 5,056 | |
| " | NISHOKU HK | HK | Holding | 1,442,881 (USD 45,915 thousands) | 1,800,361 (USD 57,915 thousands) | 50,298 | 100% | 3,499,122 | 111,395 | 111,395 | |
| " | SUNNICE (BVI) | BVI | Holding | 585,292 (USD 17,948 thousands) | 585,292 (USD 17,948 thousands) | 15,697 | 100% | 1,048,472 | 44,010 | 44,010 | |

Note: Transactions within the Group were eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2018 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2022 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 1) | Book value (Note 1) | Accumulated remittance of earnings in current period |
|-------------------------|---|---------------------------------|--|---|------------------|----------------------------------|---|-------------------------------------|-------------------------|-------------------------------------|---------------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| NISHOKU SHENZHEN | Manufacture and sale of mold and plastic products | USD11,288 thousands | Indirect investment through third area | 703,870 (USD22,939 thousands) | - | 868,213 (USD12,000 thousands) | 335,657 (USD10,939 thousands) | 651 | 100.00% | 651 | 847,296 | 475,841 |
| KUNSHAN NISHOKU PLASTIC | Manufacture and sale of mold and plastic products | USD53,310 thousands | " | 1,674,270 (USD52,524 thousands) | - | - | 1,674,270 (USD52,524 thousands) | 177,764 | 100.00% | 175,426 | 3,475,133 | 675,359 |

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of June 30, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 2,009,927 | 2,378,140 | (Note 2) |

Note 1: The above investment income (loss) in mainland China was based on financial statements audited by the Company's auditors.

Note 2: The Company has received the certificate issue by the Industrial Development Bureau, Ministry of Economic Affairs, allowing it to start operating of its headquarters.

Note 3: Above investment amount within the Group were eliminated in the consolidated financial statements.

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NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statement

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions” .

(d) Major shareholders :

| Shareholding | Shares | Percentage |
|--|-----------|------------|
| Shareholder's Name | | |
| Yi feng Investment Limited | 4,736,000 | 7.55% |
| Ji Teng Investment Limited | 4,500,000 | 7.17% |
| Yun Ding Investment Limited | 4,050,000 | 6.46% |
| CTBC Bank Trusted Custody investment account _Gold Talent Co., Ltd. | 3,897,856 | 6.21% |
| Jin Hong Investment Limited | 3,600,000 | 5.74% |

(Continued)

NISHOKU TECHNOLOGY INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

The Group identifies its operating segments based on decision of the chief operating decision maker (CODM). The Group's operating segments are in United States, Asia and Europe, etc. Those operating segments are reportable segments. The Revenue from manufacture and supply electronic parts to clients. Since the strategy of each segment is different, it is necessary to separate them for management.

The operating segment's profit or loss is measured by net operating income, and as the basis of performance evaluation. The operating segment accounting policies are similar to those described in note 4 "significant accounting policies". The Group regards sales and transfers between operating segments as transactions with third parties.

The Group's product revenues from geographical clients were as follows:

| | | Three months ended June 30, 2022 | | | | |
|-----------------------------------|----|----------------------------------|----------------|------------------|-------------|------------------|
| | | United States | Asia | Europe | Elimination | Total |
| Revenue from external customers | \$ | <u>389,230</u> | <u>132,906</u> | <u>317,556</u> | <u>-</u> | <u>839,692</u> |
| Reportable segment profit or loss | \$ | <u>49,576</u> | <u>(1,773)</u> | <u>(8,291)</u> | <u>-</u> | <u>39,512</u> |
| | | Three months ended June 30, 2021 | | | | |
| | | United States | Asia | Europe | Elimination | Total |
| Revenue from external customers | \$ | <u>334,113</u> | <u>83,257</u> | <u>757,148</u> | <u>-</u> | <u>1,174,518</u> |
| Reportable segment profit or loss | \$ | <u>105,298</u> | <u>3,265</u> | <u>83,913</u> | <u>-</u> | <u>192,476</u> |
| | | Six months ended June 30, 2022 | | | | |
| | | United States | Asia | Europe | Elimination | Total |
| Revenue from external customers | \$ | <u>818,839</u> | <u>234,608</u> | <u>725,237</u> | <u>-</u> | <u>1,778,684</u> |
| Reportable segment profit or loss | \$ | <u>135,622</u> | <u>(1,665)</u> | <u>21,151</u> | <u>-</u> | <u>155,108</u> |
| | | Six months ended June 30, 2021 | | | | |
| | | United States | Asia | Europe | Elimination | Total |
| Revenue from external customers | \$ | <u>683,842</u> | <u>181,816</u> | <u>1,713,151</u> | <u>-</u> | <u>2,578,809</u> |
| Reportable segment profit or loss | \$ | <u>226,070</u> | <u>8,979</u> | <u>267,002</u> | <u>-</u> | <u>502,051</u> |