

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

---

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

## INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

### **Introduction**

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

### **Scope of review**

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

### **Basis for qualified conclusion**

As explained in Note 4(3), the financial statements and related information disclosed in Note 13 of an insignificant consolidated subsidiary, Nanmat Technology Co., Ltd., were not reviewed by independent auditors. Total assets of the subsidiary amounted to NT\$1,811,007 thousand and NT\$1,391,254 thousand, constituting 10.33% and 6.99% of the consolidated total assets, and total liabilities amounted to NT\$466,423 thousand and NT\$484,157 thousand, constituting 20.65% and 12.49% of the consolidated total liabilities as at September 30, 2022 and 2021, respectively, and the total

comprehensive income amounted to NT\$94,247 thousand, NT\$79,061 thousand, NT\$243,569 thousand, and NT\$191,880 thousand, constituting 22.97%, 5.24%, 13.07% and 2.85% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

### **Qualified conclusion**

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

Lin, Yung-Chih

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

November 10, 2022

---

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

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

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

Assets	Notes	September 30, 2022		December 31, 2021		September 30, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 9,890,571	56	\$ 10,997,019	53	\$ 8,312,375	42
1110	Current financial assets at fair value through profit or loss	6(2)	30,390	-	31,080	-	-	-
1136	Current financial assets at amortised cost	6(1)(3) and 8	384,326	2	2,377,272	11	3,343,227	17
1150	Notes receivable, net	6(4)	188,901	1	235,769	1	273,643	1
1170	Accounts receivable, net	6(4)	790,391	5	1,586,109	8	2,123,929	11
1200	Other receivables		66,847	-	104,447	-	121,150	1
130X	Inventories	6(5)	1,678,764	10	1,152,031	6	1,297,216	6
1410	Prepayments		356,362	2	328,456	2	630,390	3
11XX	<b>Total current assets</b>		<u>13,386,552</u>	<u>76</u>	<u>16,812,183</u>	<u>81</u>	<u>16,101,930</u>	<u>81</u>
<b>Non-current assets</b>								
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	631,241	4	478,240	2	492,763	2
1600	Property, plant and equipment	6(7) and 8	2,780,796	16	2,854,958	14	2,736,685	14
1755	Right-of-use assets	6(8) and 7	88,538	1	105,702	1	111,020	1
1780	Intangible assets	6(9)	13,725	-	14,945	-	10,935	-
1840	Deferred income tax assets	6(24)	50,006	-	65,920	-	58,815	-
1915	Prepayments for equipment	6(7)	114,935	1	33,228	-	54,769	-
1920	Guarantee deposits paid	8	6,931	-	1,100	-	655	-
1975	Net defined benefit asset	6(14)	43,336	-	20,917	-	-	-
1990	Other non-current assets		418,100	2	364,377	2	347,266	2
15XX	<b>Total non-current assets</b>		<u>4,147,608</u>	<u>24</u>	<u>3,939,387</u>	<u>19</u>	<u>3,812,908</u>	<u>19</u>
1XXX	<b>Total assets</b>		<u>\$ 17,534,160</u>	<u>100</u>	<u>\$ 20,751,570</u>	<u>100</u>	<u>\$ 19,914,838</u>	<u>100</u>

(Continued)

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

	Liabilities and Equity	Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	<b>Current liabilities</b>							
2100	Short-term borrowings	6(10)	\$ 120,000	1	\$ 170,000	1	\$ 90,000	-
2110	Short-term notes and bills payable	6(11)	9,993	-	9,999	-	9,994	-
2130	Current contract liabilities	6(17)	92,533	-	96,793	-	135,818	1
2150	Notes payable		-	-	-	-	65	-
2170	Accounts payable		281,769	2	414,794	2	480,473	2
2200	Other payables	6(12)	1,028,492	6	1,674,668	8	1,594,154	8
2230	Current income tax liabilities	6(24)	241,578	1	1,162,401	6	1,095,480	6
2280	Current lease liabilities	6(8) and 7	9,831	-	22,009	-	21,245	-
2320	Long-term liabilities, current portion	6(13) and 8	20,000	-	20,000	-	20,000	-
2365	Current refund liabilities		-	-	20,418	-	-	-
21XX	<b>Total current liabilities</b>		<u>1,804,196</u>	<u>10</u>	<u>3,591,082</u>	<u>17</u>	<u>3,447,229</u>	<u>17</u>
	<b>Non-current liabilities</b>							
2540	Long-term borrowings	6(13) and 8	15,000	-	21,667	-	26,667	-
2570	Deferred income tax liabilities	6(24)	380,462	2	320,475	2	318,994	2
2580	Non-current lease liabilities	6(8) and 7	47,063	1	51,721	-	57,644	-
2640	Net defined benefit liabilities	6(14)	<u>11,728</u>	<u>-</u>	<u>13,892</u>	<u>-</u>	<u>26,957</u>	<u>-</u>
25XX	<b>Total non-current liabilities</b>		<u>454,253</u>	<u>3</u>	<u>407,755</u>	<u>2</u>	<u>430,262</u>	<u>2</u>
2XXX	<b>Total liabilities</b>		<u>2,258,449</u>	<u>13</u>	<u>3,998,837</u>	<u>19</u>	<u>3,877,491</u>	<u>19</u>
	<b>Equity</b>							
	<b>Equity attributable to owners of parent</b>							
	Share capital							
3110	Common stock	6(15)	4,924,167	28	4,924,167	24	4,924,167	25
	Capital surplus							
3200	Capital surplus		862	-	608	-	608	-
	Retained earnings	6(16)						
3310	Legal reserve		2,420,743	14	1,683,582	8	1,683,582	8
3320	Special reserve		433,442	3	433,442	2	433,442	2
3350	Unappropriated retained earnings		6,490,343	37	9,564,596	46	8,891,466	45
	Other equity interest							
3400	Other equity interest	6(6)	<u>219,317</u>	<u>1</u>	<u>(399,196)</u>	<u>(2)</u>	<u>(402,078)</u>	<u>(2)</u>
31XX	<b>Total equity attributable to owners of the parent</b>		<u>14,488,874</u>	<u>83</u>	<u>16,207,199</u>	<u>78</u>	<u>15,531,187</u>	<u>78</u>
36XX	Non-controlling interest		<u>786,837</u>	<u>4</u>	<u>545,534</u>	<u>3</u>	<u>506,160</u>	<u>3</u>
3XXX	<b>Total equity</b>		<u>15,275,711</u>	<u>87</u>	<u>16,752,733</u>	<u>81</u>	<u>16,037,347</u>	<u>81</u>
	Significant contingent liabilities and unrecognised contract commitments	7 and 9						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 17,534,160</u>	<u>100</u>	<u>\$ 20,751,570</u>	<u>100</u>	<u>\$ 19,914,838</u>	<u>100</u>

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

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

Items	Notes	Three months ended September 30,				Nine months ended September 30,				
		2022		2021		2022		2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(17)	\$ 2,514,805	100	\$ 5,454,948	100	\$ 9,446,418	100	\$ 19,612,776	100
5000	Operating costs	6(5)(9)(14)(22)(23)	( 1,976,997)	( 79)	( 2,958,360)	( 54)	( 6,859,278)	( 72)	( 8,858,505)	( 45)
5900	Net operating margin		537,808	21	2,496,588	46	2,587,140	28	10,754,271	55
	Operating expenses	6(9)(14)(22)(23), 7 and 12								
6100	Selling expenses		( 140,413)	( 5)	( 168,869)	( 3)	( 557,362)	( 6)	( 594,121)	( 3)
6200	General and administrative expenses		( 173,382)	( 7)	( 336,192)	( 6)	( 676,416)	( 7)	( 1,236,633)	( 6)
6300	Research and development expenses		( 23,836)	( 1)	( 15,399)	( 1)	( 73,015)	( 1)	( 92,002)	( 1)
6450	Expected credit impairment gain		115	-	666	-	327	-	285	-
6000	Total operating expenses		( 337,516)	( 13)	( 519,794)	( 10)	( 1,306,466)	( 14)	( 1,922,471)	( 10)
6900	Operating profit		200,292	8	1,976,794	36	1,280,674	14	8,831,800	45
	Non-operating income and expenses									
7100	Interest income	6(3)(6)(18)	38,369	1	18,210	1	82,323	1	50,833	-
7010	Other income	6(6)(19)	15,399	1	12,273	-	24,951	-	19,879	-
7020	Other gains and losses	6(2)(20) and 12	282,646	11	11,130	-	702,811	7	( 134,328)	( 1)
7050	Finance costs	6(7)(8)(21) and 7	( 665)	-	( 696)	-	( 2,198)	-	( 1,921)	-
7000	Total non-operating income and expenses		335,749	13	40,917	1	807,887	8	( 65,537)	( 1)
7900	<b>Profit before income tax</b>		536,041	21	2,017,711	37	2,088,561	22	8,766,263	44
7950	Income tax expense	6(24)	( 321,203)	( 13)	( 497,020)	( 9)	( 842,825)	( 9)	( 1,964,583)	( 10)
8200	<b>Profit for the period</b>		\$ 214,838	8	\$ 1,520,691	28	\$ 1,245,736	13	\$ 6,801,680	34

(Continued)

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

Items	Notes	Three months ended September 30,				Nine months ended September 30,				
		2022		2021		2022		2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Other comprehensive income (loss)</b>										
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>										
8316	Unrealised gains on financial assets measured at fair value through other comprehensive income	6(6)	(\$ 8,702)	-	\$ 85	-	\$ 95,668	1	\$ 49,658	-
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>										
8361	Financial statements translation differences of foreign operations		202,280	8	( 10,754)	-	519,805	6	( 111,960)	-
8367	Unrealised gains (losses) on valuation of investments in debt instruments measured at fair value through other comprehensive income, net	6(6)	1,884	-	( 124)	-	3,040	-	( 882)	-
8300	<b>Other comprehensive income (loss) for the period</b>		<u>\$ 195,462</u>	<u>8</u>	<u>(\$ 10,793)</u>	<u>-</u>	<u>\$ 618,513</u>	<u>7</u>	<u>(\$ 63,184)</u>	<u>-</u>
8500	<b>Total comprehensive income for the period</b>		<u>\$ 410,300</u>	<u>16</u>	<u>\$ 1,509,898</u>	<u>28</u>	<u>\$ 1,864,249</u>	<u>20</u>	<u>\$ 6,738,496</u>	<u>34</u>
Profit attributable to:										
8610	Owners of the parent		\$ 162,249	6	\$ 1,476,574	27	\$ 1,109,825	12	\$ 6,694,611	33
8620	Non-controlling interest		52,589	2	44,117	1	135,911	1	107,069	1
	Profit for the period		<u>\$ 214,838</u>	<u>8</u>	<u>\$ 1,520,691</u>	<u>28</u>	<u>\$ 1,245,736</u>	<u>13</u>	<u>\$ 6,801,680</u>	<u>34</u>
Comprehensive income attributable to:										
8710	Owners of the parent		\$ 357,711	14	\$ 1,465,781	27	\$ 1,728,338	19	\$ 6,631,427	33
8720	Non-controlling interest		52,589	2	44,117	1	135,911	1	107,069	1
	Total comprehensive income for the period		<u>\$ 410,300</u>	<u>16</u>	<u>\$ 1,509,898</u>	<u>28</u>	<u>\$ 1,864,249</u>	<u>20</u>	<u>\$ 6,738,496</u>	<u>34</u>
Earnings per share (in dollars)										
9750	Basic	6(25)	<u>\$ 0.33</u>		<u>\$ 3.00</u>		<u>\$ 2.25</u>		<u>\$ 13.60</u>	
9850	Diluted		<u>\$ 0.33</u>		<u>\$ 2.99</u>		<u>\$ 2.25</u>		<u>\$ 13.54</u>	

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

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

	Notes	Equity attributable to owners of the parent									
		Capital Surplus		Retained Earnings			Other Equity Interest				
		Common stock	Changes in equity of associates and joint ventures accounted for using equity method	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
<u>Nine months ended September 30, 2021</u>											
		\$ 4,924,167	\$ -	\$ 1,328,744	\$ 433,442	\$ 4,517,491	(\$ 377,414)	\$ 42,389	\$ 10,868,819	\$ 418,591	\$ 11,287,410
		-	-	-	-	6,694,611	-	-	6,694,611	107,069	6,801,680
	6(6)	-	-	-	-	-	( 111,960)	48,776	( 63,184)	-	( 63,184)
		-	-	-	-	6,694,611	( 111,960)	48,776	6,631,427	107,069	6,738,496
		Distribution of 2020 net income:									
		-	-	354,838	-	( 354,838)	-	-	-	-	-
	6(16)	-	-	-	-	( 1,969,667)	-	-	( 1,969,667)	-	( 1,969,667)
		-	608	-	-	-	-	-	608	767	1,375
	6(6)	-	-	-	-	3,869	-	( 3,869)	-	-	-
		-	-	-	-	-	-	-	-	( 20,267)	( 20,267)
		\$ 4,924,167	\$ 608	\$ 1,683,582	\$ 433,442	\$ 8,891,466	(\$ 489,374)	\$ 87,296	\$ 15,531,187	\$ 506,160	\$ 16,037,347
<u>Nine months ended September 30, 2022</u>											
		\$ 4,924,167	\$ 608	\$ 1,683,582	\$ 433,442	\$ 9,564,596	(\$ 453,613)	\$ 54,417	\$ 16,207,199	\$ 545,534	\$ 16,752,733
		-	-	-	-	1,109,825	-	-	1,109,825	135,911	1,245,736
	6(6)	-	-	-	-	-	519,805	98,708	618,513	-	618,513
		-	-	-	-	1,109,825	519,805	98,708	1,728,338	135,911	1,864,249
		Distribution of 2021 net income:									
		-	-	737,161	-	( 737,161)	-	-	-	-	-
	6(16)	-	-	-	-	( 3,446,917)	-	-	( 3,446,917)	-	( 3,446,917)
		-	254	-	-	-	-	-	254	-	254
		-	-	-	-	-	-	-	-	105,392	105,392
		\$ 4,924,167	\$ 862	\$ 2,420,743	\$ 433,442	\$ 6,490,343	\$ 66,192	\$ 153,125	\$ 14,488,874	\$ 786,837	\$ 15,275,711

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



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

	Notes	Nine months ended September 30,	
		2022	2021
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 2,088,561	\$ 8,766,263
Adjustments			
Adjustments to reconcile profit (loss)			
Losses on valuation of financial assets at fair value through profit or loss	6(2)(20)	690	-
Expected credit impairment gain	12	( 327 )	( 285 )
Reversal of inventory market price decline	6(5)	( 6,371 )	( 2,353 )
Depreciation	6(7)(8)(22)	279,758	215,358
Losses on disposals of property, plant and equipment	6(20)	890	1,514
Property, plant and equipment transferred to expenses	6(7)	818	5,900
Amortisation	6(9)(22)	1,893	1,590
Interest income	6(18)	( 82,323 )	( 50,833 )
Dividend income	6(6)(19)	( 12,338 )	( 8,794 )
Unrealised exchange gain		( 34,252 )	( 1,273 )
Interest expense	6(21)	2,198	1,921
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		46,868	( 103,042 )
Accounts receivable		796,021	120,899
Other receivables		20,342	( 36,413 )
Inventories		( 523,152 )	( 341,282 )
Prepayments		( 27,906 )	( 142,967 )
Net defined benefit assets		( 22,419 )	-
Other non-current assets		( 53,723 )	( 51,725 )
Changes in operating liabilities			
Current contract liabilities		( 4,260 )	( 25,537 )
Notes payable		-	65
Accounts payable		( 133,025 )	88,305
Other payables		( 651,525 )	405,439
Current refund liabilities		( 20,418 )	-
Net defined benefit liabilities		( 2,164 )	( 21,864 )
Cash inflow generated from operations		1,663,836	8,820,886
Interest received		99,581	40,596
Dividends received		12,338	8,794
Interest paid		( 2,204 )	( 1,915 )
Income tax paid		( 1,687,747 )	( 1,540,335 )
Net cash flows from operating activities		<u>85,804</u>	<u>7,328,026</u>

(Continued)

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

	Notes	Nine months ended September 30,	
		2022	2021
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Cash paid for acquisition of current financial assets at amortised cost		(\$ 669,607 )	(\$ 3,124,673 )
Proceeds from disposal of current financial assets at amortised cost		2,759,486	1,751,473
Acquisition of financial assets at fair value through other comprehensive income		( 40,307 )	( 69,418 )
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	71,907
Cash paid for acquisition of property, plant and equipment	6(26)	( 135,844 )	( 310,913 )
Interest paid for acquisition of property, plant and equipment	6(7)(21)(26)	( 229 )	( 227 )
Proceeds from disposal of property, plant and equipment		971	350
Increase in intangible assets	6(9)	( 341 )	( 951 )
Increase in prepayments for equipment		( 102,212 )	( 18,390 )
Increase in guarantee deposits paid		( 5,831 )	( 73 )
Net cash flows from (used in) investing activities		<u>1,806,086</u>	<u>( 1,700,915 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Decrease in short-term borrowings	6(27)	( 50,000 )	( 100,000 )
Payment of lease liabilities	6(27)	( 16,836 )	( 16,337 )
Increase in long-term borrowings	6(27)	85,000	30,000
Decrease in long-term borrowings	6(27)	( 91,667 )	( 10,833 )
Payment of cash dividends	6(16)	( 3,446,917 )	( 1,969,667 )
Increase (decrease) in non-controlling interest		<u>105,392</u>	<u>( 20,267 )</u>
Net cash flows used in financing activities		<u>( 3,415,028 )</u>	<u>( 2,087,104 )</u>
Effect of foreign exchange rate changes		<u>416,690</u>	<u>( 68,823 )</u>
Net (decrease) increase in cash and cash equivalents		( 1,106,448 )	3,471,184
Cash and cash equivalents at beginning of period	6(1)	<u>10,997,019</u>	<u>4,841,191</u>
Cash and cash equivalents at end of period	6(1)	<u>\$ 9,890,571</u>	<u>\$ 8,312,375</u>

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

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

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

(Reviewed, not audited)

**1. HISTORY AND ORGANISATION**

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

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on November 10, 2022.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

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

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

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

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

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

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under

the historical cost convention:

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit assets or liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

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

  

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

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

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

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

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

E. Significant restrictions: None.

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

(4) Employee benefits

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

(5) Income tax

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

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash:			
Cash on hand	\$ 352	\$ 352	\$ 352
Checking accounts and demand deposits	<u>4,203,750</u>	<u>3,038,667</u>	<u>2,686,323</u>
	<u>4,204,102</u>	<u>3,039,019</u>	<u>2,686,675</u>
Cash equivalents:			
Time deposits	<u>5,686,469</u>	<u>7,958,000</u>	<u>5,625,700</u>
	<u>\$ 9,890,571</u>	<u>\$ 10,997,019</u>	<u>\$ 8,312,375</u>

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

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's time deposits

maturing in excess of three months and within one year were classified as current financial assets at amortised cost.

C. The Group classified cash and cash equivalents pledged as collateral as ‘Current financial assets at amortised cost’.

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss			
Beneficiary certificates	\$ 30,000	\$ 30,000	\$ -
Valuation adjustment	<u>390</u>	<u>1,080</u>	<u>-</u>
	<u>\$ 30,390</u>	<u>\$ 31,080</u>	<u>\$ -</u>

A. For the three months and nine months ended September 30, 2022 and 2021, the Group recognised net loss from changes in fair values in the amount of \$ 360, \$—, \$690 and \$—, respectively. The Group recognised gain from the distribution of investment income in the amount of \$374, \$—, \$374 and \$—, respectively (listed as ‘Other gains and losses’).

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

(3) Current financial assets at amortised cost

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Time deposits maturing over three months	\$ 380,326	\$ 2,373,272	\$ 3,339,227
Time deposits pledged	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	<u>\$ 384,326</u>	<u>\$ 2,377,272</u>	<u>\$ 3,343,227</u>

A. The Group recognised interest income in profit or loss in relation to financial assets at amortised cost in the amount of \$4,374, \$12,962, \$20,087 and \$34,268 for the three months and nine months ended September 30, 2022 and 2021, respectively.

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

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

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

(4) Notes and accounts receivable, net

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	<u>\$ 188,901</u>	<u>\$ 235,769</u>	<u>\$ 273,643</u>
Accounts receivable	\$ 791,030	\$ 1,587,051	\$ 2,124,749
Less: Loss allowance	<u>( 639)</u>	<u>( 942)</u>	<u>( 820)</u>
	<u>\$ 790,391</u>	<u>\$ 1,586,109</u>	<u>\$ 2,123,929</u>

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

	<u>September 30, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 719,375	\$ 188,901	\$ 1,202,609	\$ 235,769
Less than 90 days	70,633	-	384,399	-
Over 90 days	<u>1,022</u>	<u>-</u>	<u>43</u>	<u>-</u>
	<u>\$ 791,030</u>	<u>\$ 188,901</u>	<u>\$ 1,587,051</u>	<u>\$ 235,769</u>

  

	<u>September 30, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 1,743,339	\$ 273,643
Less than 90 days	381,410	-
Over 90 days	<u>-</u>	<u>-</u>
	<u>\$ 2,124,749</u>	<u>\$ 273,643</u>

The above ageing analysis was based on past due date.

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



(5) Inventories

September 30, 2022			
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 1,105	(\$ 543)	\$ 562
Raw materials	813,405	( 18,365)	795,040
Supplies	72,745	( 71)	72,674
Work in progress	155,194	( 9,647)	145,547
Finished goods	684,425	( 19,484)	664,941
	<u>\$ 1,726,874</u>	<u>(\$ 48,110)</u>	<u>\$ 1,678,764</u>

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

September 30, 2021			
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 1,177	(\$ 633)	\$ 544
Raw materials	644,785	( 16,210)	628,575
Supplies	56,655	( 71)	56,584
Work in progress	134,822	( 10,990)	123,832
Finished goods	515,423	( 27,742)	487,681
	<u>\$ 1,352,862</u>	<u>(\$ 55,646)</u>	<u>\$ 1,297,216</u>

The cost of inventories recognised as expense for the period:

	Three months ended September 30,	
	2022	2021
Cost of goods sold	\$ 1,837,521	\$ 2,936,049
Loss on physical inventory	550	3,556
Revenue from sale of scraps	( 3,938)	( 4,424)
Reversal of inventory market price decline (Note)	( 5,369)	( 127)
Loss on discarding inventory	-	499
Total cost of goods sold	<u>\$ 1,828,764</u>	<u>\$ 2,935,553</u>

	Nine months ended September 30,	
	2022	2021
Cost of goods sold	\$ 6,686,463	\$ 8,797,000
Loss on physical inventory	3,829	13,562
Revenue from sale of scraps	( 18,004)	( 14,550)
Reversal of inventory market price decline (Note)	( 6,371)	( 2,353)
Loss on discarding inventory	-	499
Total cost of goods sold	<u>\$ 6,665,917</u>	<u>\$ 8,794,158</u>

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

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Equity instruments			
Listed stocks	\$ 125,434	\$ 109,052	\$ 90,112
Unlisted stocks	295,774	257,863	258,447
	<u>421,208</u>	<u>366,915</u>	<u>348,559</u>
Valuation adjustment	178,759	83,091	115,490
	<u>599,967</u>	<u>450,006</u>	<u>464,049</u>
Debt instrument			
Corporate bond	30,904	30,904	30,904
Valuation adjustments	370	( 2,670)	( 2,190)
	<u>31,274</u>	<u>28,234</u>	<u>28,714</u>
	<u>\$ 631,241</u>	<u>\$ 478,240</u>	<u>\$ 492,763</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments was equivalent to its book value as at September 30, 2022, December 31, 2021 and September 30, 2021.
- B. Due to the investment strategy, the Group sold \$71,907 of equity investments at fair value resulting to a cumulative gain on disposal of \$3,869, which was transferred to retained earnings during the three months and nine months ended September 30, 2021. There was no such transaction for the three months and nine months ended September 30, 2022.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ <u>8,702</u> )	<u>\$ 85</u>
Dividend income recognised in profit or loss Held at end of period	<u>\$ 11,618</u>	<u>\$ 8,146</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 1,884</u>	<u>(\$ 124)</u>
Interest income recognised in profit or loss	<u>\$ -</u>	<u>\$ -</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 95,668</u>	<u>\$ 49,658</u>
Dividend income recognised in profit or loss Held at end of period	<u>\$ 12,338</u>	<u>\$ 8,794</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	<u>\$ 3,040</u>	<u>(\$ 882)</u>
Interest income recognised in profit or loss	<u>\$ 352</u>	<u>\$ 332</u>

- C. As at September 30, 2022, December 31, 2021 and September 30, 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was the carrying amount.
- D. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.

(7) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Leaselod improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2022</u>								
Cost	\$ 461,888	\$ 18,064	\$ 1,707,576	\$ 5,795,517	\$ 7,960	\$ 730,743	\$ 330,457	\$ 9,052,205
Accumulated depreciation	-	(14,175)	(1,144,597)	(4,525,276)	(4,426)	(508,773)	-	(6,197,247)
	<u>\$ 461,888</u>	<u>\$ 3,889</u>	<u>\$ 562,979</u>	<u>\$ 1,270,241</u>	<u>\$ 3,534</u>	<u>\$ 221,970</u>	<u>\$ 330,457</u>	<u>\$ 2,854,958</u>
<u>Nine months ended September 30, 2022</u>								
At January 1	\$ 461,888	\$ 3,889	\$ 562,979	\$ 1,270,241	\$ 3,534	\$ 221,970	\$ 330,457	\$ 2,854,958
Additions - cost	-	-	23,931	40,225	-	33,350	43,916	141,422
Transferred after acceptance inspection	-	-	63,358	213,713	-	230	(277,301)	-
Transferred from prepayments for equipment	-	-	-	8,764	-	-	11,741	20,505
Disposal - cost	-	-	-	(19,686)	-	(8,315)	-	(28,001)
- accumulated depreciation	-	-	-	19,287	-	6,853	-	26,140
Depreciation	-	(1,444)	(42,250)	(179,746)	(548)	(37,647)	-	(261,635)
Reclassification (Note)	-	-	38	780	-	(1,636)	-	(818)
Net exchange differences	-	-	7,226	15,068	-	1,532	4,399	28,225
At September 30	<u>\$ 461,888</u>	<u>\$ 2,445</u>	<u>\$ 615,282</u>	<u>\$ 1,368,646</u>	<u>\$ 2,986</u>	<u>\$ 216,337</u>	<u>\$ 113,212</u>	<u>\$ 2,780,796</u>
<u>At September 30, 2022</u>								
Cost	\$ 461,888	\$ 18,064	\$ 1,810,566	\$ 6,111,095	\$ 7,960	\$ 759,732	\$ 113,212	\$ 9,282,517
Accumulated depreciation	-	(15,619)	(1,195,284)	(4,742,449)	(4,974)	(543,395)	-	(6,501,721)
	<u>\$ 461,888</u>	<u>\$ 2,445</u>	<u>\$ 615,282</u>	<u>\$ 1,368,646</u>	<u>\$ 2,986</u>	<u>\$ 216,337</u>	<u>\$ 113,212</u>	<u>\$ 2,780,796</u>

(Note) Transferred from other equipment to buildings and structures, machinery and equipment and reclassified to expenses in the amount of \$38, \$780 and \$818, respectively.

	Land	Land improvements	Buildings and structures	Machinery and equipment	Leashelod improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2021</u>								
Cost	\$ 461,888	\$ 14,580	\$ 1,659,015	\$ 5,223,214	\$ 7,960	\$ 688,973	\$ 505,879	\$ 8,561,509
Accumulated depreciation	-	( 13,783)	( 1,096,240)	( 4,370,590)	( 3,695)	( 490,093)	-	( 5,974,401)
	<u>\$ 461,888</u>	<u>\$ 797</u>	<u>\$ 562,775</u>	<u>\$ 852,624</u>	<u>\$ 4,265</u>	<u>\$ 198,880</u>	<u>\$ 505,879</u>	<u>\$ 2,587,108</u>
<u>Nine months ended September 30, 2021</u>								
At January 1	\$ 461,888	\$ 797	\$ 562,775	\$ 852,624	\$ 4,265	\$ 198,880	\$ 505,879	\$ 2,587,108
Additions - cost	-	-	2,369	56,184	-	42,898	182,110	283,561
Transferred from prepayments for equipment	-	-	-	-	-	-	84,727	84,727
Transferred after acceptance inspection	-	-	38,428	502,374	-	5,449	( 546,251)	-
Disposal - cost	-	-	-	( 14,425)	-	( 14,172)	-	( 28,597)
- accumulated depreciation	-	-	-	13,812	-	12,921	-	26,733
Depreciation	-	( 190)	( 36,937)	( 129,674)	( 548)	( 30,199)	-	( 197,548)
Reclassified to expenses	-	-	-	-	-	( 4,439)	( 1,461)	( 5,900)
Net exchange differences	-	-	( 3,903)	( 7,440)	-	( 754)	( 1,302)	( 13,399)
At September 30	<u>\$ 461,888</u>	<u>\$ 607</u>	<u>\$ 562,732</u>	<u>\$ 1,273,455</u>	<u>\$ 3,717</u>	<u>\$ 210,584</u>	<u>\$ 223,702</u>	<u>\$ 2,736,685</u>
<u>At September 30, 2021</u>								
Cost	\$ 461,888	\$ 14,580	\$ 1,691,778	\$ 5,731,120	\$ 7,960	\$ 716,055	\$ 223,702	\$ 8,847,083
Accumulated depreciation	-	( 13,973)	( 1,129,046)	( 4,457,665)	( 4,243)	( 505,471)	-	( 6,110,398)
	<u>\$ 461,888</u>	<u>\$ 607</u>	<u>\$ 562,732</u>	<u>\$ 1,273,455</u>	<u>\$ 3,717</u>	<u>\$ 210,584</u>	<u>\$ 223,702</u>	<u>\$ 2,736,685</u>

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

	Three months ended September 30,	
	2022	2021
Amount of interest capitalised	\$ 162	36
Interest rates for capitalisation	1.01% ~ 1.08%	0.96%
	Nine months ended September 30,	
	2022	2021
Amount of interest capitalised	\$ 229	\$ 227
Interest rates for capitalisation	1.01% ~ 1.08%	0.96%

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

(8) Leasing arrangements — lessee

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
	Carrying Amount	Carrying Amount	Carrying Amount
Land	\$ 38,101	\$ 41,947	\$ 43,241
Buildings	44,106	47,179	48,204
Machinery and equipment	2,854	13,706	14,270
Transportation equipment (Business vehicles)	3,477	2,870	5,305
	<u>\$ 88,538</u>	<u>\$ 105,702</u>	<u>\$ 111,020</u>

	Three months ended September 30,	
	2022	2021
	Depreciation charge	Depreciation charge
Land	\$ 1,602	\$ 1,592
Buildings	1,024	1,024
Machinery and equipment	3,142	3,142
Transportation equipment (Business vehicles)	273	274
	<u>\$ 6,041</u>	<u>\$ 6,032</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 4,804	\$ 4,725
Buildings	3,073	3,073
Machinery and equipment	9,426	9,174
Transportation equipment (Business vehicles)	820	838
	<u>\$ 18,123</u>	<u>\$ 17,810</u>

C. For the three months and nine months ended September 30, 2022 and 2021, the additions to right-of-use assets were \$—, \$631, \$— and \$27,568, respectively.

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

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 296	\$ 363
Expense on short-term lease or leases of low-value assets	173	134
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 939	\$ 1,125
Expense on short-term lease or leases of low-value assets	658	423

E. For the nine months ended September 30, 2022 and 2021, the Group's total cash outflow for leases were \$18,433 and \$17,885, respectively.

(9) Intangible assets

	Nine months ended September 30, 2022				
	Trademarks	Patents	Computer Software	Total	
<u>At January 1, 2022</u>					
Cost	\$ 2,192	\$ 1,268	\$ 19,744	\$ 23,204	
Accumulated amortisation	( 1,110)	( 698)	( 6,035)	( 7,843)	
Net exchange differences	-	-	( 416)	( 416)	
Net value	<u>\$ 1,082</u>	<u>\$ 570</u>	<u>\$ 13,293</u>	<u>\$ 14,945</u>	
<u>2022</u>					
At January 1	\$ 1,082	\$ 570	\$ 13,293	\$ 14,945	
Additions - acquired separately	58	-	283	341	
Amortisation	( 245)	( 66)	( 1,582)	( 1,893)	
Net exchange differences	-	-	332	332	
At September 30	<u>\$ 895</u>	<u>\$ 504</u>	<u>\$ 12,326</u>	<u>\$ 13,725</u>	
<u>At September 30, 2022</u>					
Cost	\$ 2,250	\$ 1,268	\$ 20,027	\$ 23,545	
Accumulated amortisation	( 1,355)	( 764)	( 7,617)	( 9,736)	
Net exchange differences	-	-	( 84)	( 84)	
Net value	<u>\$ 895</u>	<u>\$ 504</u>	<u>\$ 12,326</u>	<u>\$ 13,725</u>	
<u>Nine months ended September 30, 2021</u>					
	Trademarks	Patents	Computer Software	Royalty	Total
<u>At January 1, 2021</u>					
Cost	\$ 2,036	\$ 1,268	\$ 25,514	\$ 1,000	\$ 29,818
Accumulated amortisation	( 1,005)	( 623)	( 15,137)	( 994)	( 17,759)
Net exchange differences	-	-	( 365)	-	( 365)
Net value	<u>\$ 1,031</u>	<u>\$ 645</u>	<u>\$ 10,012</u>	<u>\$ 6</u>	<u>\$ 11,694</u>
<u>2021</u>					
At January 1	\$ 1,031	\$ 645	\$ 10,012	\$ 6	\$ 11,694
Additions - acquired separately	304	-	647	-	951
Disposal - cost	-	-	( 326)	-	( 326)
- accumulated amortisation	-	-	326	-	326
Amortisation	( 231)	( 75)	( 1,278)	( 6)	( 1,590)
Net exchange differences	-	-	( 120)	-	( 120)
At September 30	<u>\$ 1,104</u>	<u>\$ 570</u>	<u>\$ 9,261</u>	<u>\$ -</u>	<u>\$ 10,935</u>
<u>At September 30, 2021</u>					
Cost	\$ 2,340	\$ 1,268	\$ 25,835	\$ 1,000	\$ 30,443
Accumulated amortisation	( 1,236)	( 698)	( 16,089)	( 1,000)	( 19,023)
Net exchange differences	-	-	( 485)	-	( 485)
Net value	<u>\$ 1,104</u>	<u>\$ 570</u>	<u>\$ 9,261</u>	<u>\$ -</u>	<u>\$ 10,935</u>



Details of amortisation on intangible assets are as follows:

	Three months ended September 30,	
	2022	2021
Operating costs	\$ 110	\$ 69
Selling expenses	56	4
General and administrative expenses	416	399
Research and development expenses	-	-
	<u>\$ 582</u>	<u>\$ 472</u>

  

	Nine months ended September 30,	
	2022	2021
Operating costs	\$ 350	\$ 228
Selling expenses	269	116
General and administrative expenses	1,234	1,188
Research and development expenses	40	58
	<u>\$ 1,893</u>	<u>\$ 1,590</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 120,000</u>	1.20%~1.35%	None

  

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 170,000</u>	0.85%~0.98%	None

  

<u>Type of borrowings</u>	<u>September 30, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 90,000</u>	0.85%~0.99%	None

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

(11) Short-term notes and bills payable

<u>Type of borrowings</u>	<u>September 30, 2022</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial papers payable	\$ 10,000	1.44%	None
Less: Unamortised discount	( 7)		
	<u>\$ 9,993</u>		

  

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial papers payable	\$ 10,000	0.95%	None
Less: Unamortised discount	( 1)		
	<u>\$ 9,999</u>		

<u>Type of borrowings</u>	<u>September 30, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Commercial papers payable	\$ 10,000	0.95%	None
Less: Unamortised discount	( 6)		
	<u>\$ 9,994</u>		

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

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

(12) Other payables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Wages and salaries payable	\$ 422,157	\$ 841,670	\$ 847,060
Employees' compensation and directors' remuneration payable	76,125	487,852	414,750
Payables on equipment	11,326	5,977	7,034
Others	518,884	339,169	325,310
	<u>\$ 1,028,492</u>	<u>\$ 1,674,668</u>	<u>\$ 1,594,154</u>

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>September 30, 2022</u>	<u>Interest rate</u>	<u>Collateral</u>
Installment-repayment borrowings				
Unsecured borrowings	Borrowing period is from September 1, 2022 to March 9, 2025; interest is repayable monthly; principal is repayable quarterly from December 9, 2022	\$ 25,000	1.48%	None
	Borrowing period is from July 3, 2020 to July 3, 2023; interest is repayable monthly; principal is repayable quarterly from October 3, 2020	10,000	1.48%	None
		35,000		
Less: Current portion		( 20,000)		
		<u>\$ 15,000</u>		

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

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>September 30, 2021</u>	<u>Interest rate</u>	<u>Collateral</u>
Installment-repayment borrowings				
Secured borrowings	Borrowing period is from May 19, 2021 to May 19, 2024; interest is repayable monthly; principal is repayable quarterly from June 19, 2021	\$ 26,667	1.00%	Buildings and structures
Unsecured borrowings	Borrowing period is from July 3, 2020 to July 3, 2023; interest is repayable monthly; principal is repayable quarterly from October 3, 2020	20,000	1.35%	None
		46,667		
Less: Current portion		(20,000)		
		<u>\$ 26,667</u>		

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

(14) Pensions

- A. The Company and its domestic subsidiary have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. However, those who were mandatorily retired because injury at work will receive 20% in addition. The Company and its domestic subsidiary contribute monthly an amount equal to 2%~15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiary would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiary will make contributions for the deficit by next March. The relevant information is as follows:
- (a) For the aforementioned pension plan, the Group recognised pension costs of \$1,339, \$1,660, \$4,017 and \$4,979 for the three months and nine months ended September 30, 2022 and 2021, respectively.
  - (b) Expected contributions to the defined benefit pension plan of the Group for the next year amount to \$25,414.
- B. Effective July 1, 2005, the Company and its domestic subsidiary have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiary contribute monthly an amount of no less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Group for the three months and nine months ended September 30, 2022 and 2021 were \$3,951, \$3,524, \$12,176 and \$10,349, respectively.
- C. The Company's mainland China subsidiary, Zhenjiang Nantex Chemical Industry., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (P.R.C.) are based on 20% of employees' monthly salaries and wages. Other than the monthly contributions, this subsidiary has no further obligations. The pension costs under the defined

contribution pension plan of this subsidiary for the three months and nine months ended September 30, 2022 and 2021 were \$5,649, \$4,377, \$16,809 and \$13,190, respectively.

(15) Share capital

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

	Nine months ended September 30,	
	2022	2021
Beginning and ending balance	492,417	492,417

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

(16) Retained earnings

A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Since the Company is in a changeable industry environment tied with international macroeconomics and the Company is in the mature stage, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise at least 20% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed. Based on the regulation, the Board of Directors of the Company shall adopt a special resolution to distribute whole or a part of the dividends in the form of cash and report to the stockholders, which is not applicable to the aforementioned provisions that are subject to stockholders' resolutions.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve for the debit

balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

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

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

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

	Three months ended September 30, 2022			
	NANTEX	INTERMEDIUM	NANMAT	Total
Revenue from latex products	\$ 479,928	\$ 139,999	\$ -	\$ 619,927
Revenue from rubber products	344,378	1,064,242	-	1,408,620
Organic-inorganic materials	-	-	427,206	427,206
Others	20,757	-	38,295	59,052
	<u>\$ 845,063</u>	<u>\$ 1,204,241</u>	<u>\$ 465,501</u>	<u>\$ 2,514,805</u>
	Three months ended September 30, 2021			
	NANTEX	INTERMEDIUM	NANMAT	Total
Revenue from latex products	\$ 2,599,226	\$ 899,701	\$ -	\$ 3,498,927
Revenue from rubber products	339,811	1,231,920	-	1,571,731
Organic-inorganic materials	-	-	343,242	343,242
Others	2,980	-	38,068	41,048
	<u>\$ 2,942,017</u>	<u>\$ 2,131,621</u>	<u>\$ 381,310</u>	<u>\$ 5,454,948</u>
	Nine months ended September 30, 2022			
	NANTEX	INTERMEDIUM	NANMAT	Total
Revenue from latex products	\$ 2,935,946	\$ 754,445	\$ -	\$ 3,690,391
Revenue from rubber products	1,156,967	3,273,700	-	4,430,667
Organic-inorganic materials	-	-	1,149,636	1,149,636
Others	65,347	-	110,377	175,724
	<u>\$ 4,158,260</u>	<u>\$ 4,028,145</u>	<u>\$ 1,260,013</u>	<u>\$ 9,446,418</u>
	Nine months ended September 30, 2021			
	NANTEX	INTERMEDIUM	NANMAT	Total
Revenue from latex products	\$ 10,839,582	\$ 3,567,761	\$ -	\$ 14,407,343
Revenue from rubber products	915,835	3,163,126	-	4,078,961
Organic-inorganic materials	-	-	957,156	957,156
Others	62,304	-	107,012	169,316
	<u>\$ 11,817,721</u>	<u>\$ 6,730,887</u>	<u>\$ 1,064,168</u>	<u>\$ 19,612,776</u>

## B. Contract liabilities

(a) On September 30, 2022, December 31, 2021 and September 30, 2021, the Group has recognised the revenue-related contract liabilities amounting to \$ 92,533, \$96,793 and \$135,818, respectively.

(b) On January 1, 2022 and 2021, the contract liabilities were \$96,793 and \$161,355, respectively, and the contract liabilities at the beginning of 2022 and 2021 of \$1,936, (\$427), \$92,139 and \$153,587 were recognised as revenue for the three months and nine months ended September 30, 2022 and 2021, respectively.

### (18) Interest income

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 33,995	\$ 5,248
Interest income from financial assets at amortised cost	4,374	12,962
	<u>\$ 38,369</u>	<u>\$ 18,210</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 61,884	\$ 16,233
Interest income from financial assets at amortised cost	20,087	34,268
Interest income from financial assets at fair value through other comprehensive income	352	332
	<u>\$ 82,323</u>	<u>\$ 50,833</u>

### (19) Other income

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Dividend income	\$ 11,618	\$ 8,146
Other income	3,781	4,127
	<u>\$ 15,399</u>	<u>\$ 12,273</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Dividend income	\$ 12,338	\$ 8,794
Other income	12,613	11,085
	<u>\$ 24,951</u>	<u>\$ 19,879</u>

(20) Other gains and losses

	Three months ended September 30,	
	2022	2021
Net currency exchange gains	\$ 283,457	\$ 13,023
Losses on financial assets at fair value through profit or loss	( 360)	-
Losses on disposal of property, plant and equipment	( 17)	( 965)
Other losses	( 434)	( 928)
	<u>\$ 282,646</u>	<u>\$ 11,130</u>

  

	Nine months ended September 30,	
	2022	2021
Net currency exchange gains (losses)	\$ 706,171	(\$ 127,363)
Losses on financial assets at fair value through profit or loss (Note)	( 316)	-
Losses on disposal of property, plant and equipment	( 890)	( 1,514)
Other losses	( 2,154)	( 5,451)
	<u>\$ 702,811</u>	<u>(\$ 134,328)</u>

(Note) Includes the distribution of fund income of \$374 and unrealised evaluation loss of (\$690).

(21) Finance costs

	Three months ended September 30,	
	2022	2021
Interest expense		
Bank loans	\$ 531	\$ 369
Lease liabilities	296	363
	827	732
Less: Capitalisation of qualifying assets	( 162)	( 36)
	<u>\$ 665</u>	<u>\$ 696</u>

  

	Nine months ended September 30,	
	2022	2021
Interest expense		
Bank loans	\$ 1,488	\$ 1,023
Lease liabilities	939	1,125
	2,427	2,148
Less: Capitalisation of qualifying assets	( 229)	( 227)
	<u>\$ 2,198</u>	<u>\$ 1,921</u>



(22) Expenses by nature

	Three months ended September 30, 2022		
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 112,598	\$ 151,956	\$ 264,554
Depreciation	77,034	19,994	97,028
Amortisation	110	472	582
	<u>\$ 189,742</u>	<u>\$ 172,422</u>	<u>\$ 362,164</u>
	Three months ended September 30, 2021		
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 77,443	\$ 265,207	\$ 342,650
Depreciation	57,406	17,556	74,962
Amortisation	69	403	472
	<u>\$ 134,918</u>	<u>\$ 283,166</u>	<u>\$ 418,084</u>
	Nine months ended September 30, 2022		
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 356,494	\$ 635,108	\$ 991,602
Depreciation	220,005	59,753	279,758
Amortisation	350	1,543	1,893
	<u>\$ 576,849</u>	<u>\$ 696,404</u>	<u>\$ 1,273,253</u>
	Nine months ended September 30, 2021		
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 437,173	\$ 1,116,369	\$ 1,553,542
Depreciation	162,583	52,775	215,358
Amortisation	228	1,362	1,590
	<u>\$ 599,984</u>	<u>\$ 1,170,506</u>	<u>\$ 1,770,490</u>

(23) Employee benefit expense

	Three months ended September 30, 2022		
	Operating cost	Operating expense	Total
Salaries and wages	\$ 93,103	\$ 111,215	\$ 204,318
Labour and health insurance expenses	7,997	10,913	18,910
Pension costs	6,214	4,725	10,939
Other personnel expenses	5,284	25,103	30,387
	<u>\$ 112,598</u>	<u>\$ 151,956</u>	<u>\$ 264,554</u>

Three months ended September 30, 2021			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 60,326	\$ 177,532	\$ 237,858
Labour and health insurance expenses	6,959	7,967	14,926
Pension costs	5,311	4,250	9,561
Other personnel expenses	4,847	75,458	80,305
	<u>\$ 77,443</u>	<u>\$ 265,207</u>	<u>\$ 342,650</u>
Nine months ended September 30, 2022			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 298,274	\$ 461,658	\$ 759,932
Labour and health insurance expenses	24,115	29,534	53,649
Pension costs	18,875	14,127	33,002
Other personnel expenses	15,230	129,789	145,019
	<u>\$ 356,494</u>	<u>\$ 635,108</u>	<u>\$ 991,602</u>
Nine months ended September 30, 2021			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 386,274	\$ 772,260	\$ 1,158,534
Labour and health insurance expenses	20,923	25,824	46,747
Pension costs	15,832	12,686	28,518
Other personnel expenses	14,144	305,599	319,743
	<u>\$ 437,173</u>	<u>\$ 1,116,369</u>	<u>\$ 1,553,542</u>

- A. Under the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' remuneration.
- B. For the three months and nine months ended September 30, 2022 and 2021, the Company's employees' compensation was accrued at \$3,570, \$38,850, \$30,450 and \$165,900, respectively; while directors' and supervisors' remuneration was accrued at \$5,355, \$58,275, \$45,675 and \$248,850, respectively. The aforementioned amounts were recognised in salary expenses and other expenses. The expenses recognised for the nine months ended September 30, 2022 and 2021 were accrued based on the earnings of current period and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' and supervisors' remuneration for 2021 as resolved by the Board of Directors amounted to \$456,152.

The difference of \$314 between the amounts resolved at the Board meeting and the amounts recognised in the 2021 financial statements of \$455,838 had been adjusted in the profit or loss for 2022.

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

(24) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended September 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 292,282	\$ 433,401
Tax on undistributed surplus earnings	-	61,194
Prior year income tax under estimation	12	27
Total current tax	<u>292,294</u>	<u>494,622</u>
Deferred tax:		
Origination and reversal of temporary differences	28,909	2,398
Income tax expense	<u>\$ 321,203</u>	<u>\$ 497,020</u>
	Nine months ended September 30,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 598,132	\$ 1,889,993
Tax on undistributed surplus earnings	159,377	61,194
Prior year income tax under (over) estimation	9,415	(7,956)
Total current tax	<u>766,924</u>	<u>1,943,231</u>
Deferred tax:		
Origination and reversal of temporary differences	75,901	21,352
Income tax expense	<u>\$ 842,825</u>	<u>\$ 1,964,583</u>

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of November 10, 2022.

(25) Earnings per share

	<u>Three months ended September 30, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 162,249</u>	492,417	<u>\$ 0.33</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 162,249		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>958</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 162,249</u>	<u>493,375</u>	<u>\$ 0.33</u>

	<u>Three months ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,476,574</u>	492,417	<u>\$ 3.00</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,476,574		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>1,815</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,476,574</u>	<u>494,232</u>	<u>\$ 2.99</u>

Nine months ended September 30, 2022			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,109,825	492,417	\$ 2.25
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,109,825		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,590	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,109,825	494,007	\$ 2.25
Nine months ended September 30, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,694,611	492,417	\$ 13.60
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 6,694,611		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,130	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 6,694,611	494,547	\$ 13.54

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Nine months ended September 30,	
	2022	2021
Purchase of property, plant and equipment	\$ 141,422	\$ 283,561
Add: Beginning balance of payable on equipment (listed as 'other payables')	5,977	34,613
Less: Ending balance of payable on equipment (listed as 'other payables')	( 11,326)	( 7,034)
Interest capitalisation	( 229)	( 227)
Cash paid for purchase of property, plant and equipment	<u>\$ 135,844</u>	<u>\$ 310,913</u>

B. Investing activities with no cash flow effects:

	Nine months ended September 30,	
	2022	2021
Non-current financial assets at amortised cost transferred to current	<u>\$ -</u>	<u>\$ 218,441</u>

	Nine months ended September 30,	
	2022	2021
Prepayments for equipment reclassified to property, plant and equipment	<u>\$ 20,505</u>	<u>\$ 84,727</u>

(27) Changes in liabilities from financing activities

<u>Nine months ended September 30, 2022</u>	Short-term	Short-term	Long-term	Liabilities from	
	<u>borrowings</u>	<u>notes and bills payable</u>	<u>Lease liability</u>	<u>borrowings</u>	<u>financing activities-gross</u>
At January 1	\$ 170,000	\$ 9,999	\$ 73,730	\$ 41,667	\$ 295,396
Changes in cash flows from financing activities	( 50,000)	-	( 16,836)	( 6,667)	( 73,503)
Changes in unamortised discount or premium	-	( 6)	-	-	( 6)
At September 30	<u>\$ 120,000</u>	<u>\$ 9,993</u>	<u>\$ 56,894</u>	<u>\$ 35,000</u>	<u>\$ 221,887</u>
<u>Nine months ended September 30, 2021</u>	Short-term	Short-term	Long-term	Liabilities from	
	<u>borrowings</u>	<u>notes and bills payable</u>	<u>Lease liability</u>	<u>borrowings</u>	<u>financing activities-gross</u>
At January 1	\$ 190,000	\$ 9,988	\$ 67,658	\$ 27,500	\$ 295,146
Changes in cash flows from financing activities	( 100,000)	-	( 16,337)	19,167	( 97,170)
Changes in other non-cash items	-	-	27,568	-	27,568
Changes in unamortised discount or premium	-	6	-	-	6
At September 30	<u>\$ 90,000</u>	<u>\$ 9,994</u>	<u>\$ 78,889</u>	<u>\$ 46,667</u>	<u>\$ 225,550</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

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

### (2) Significant related party transactions

#### A. Lease transactions – lessee

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

(b) Acquisition of right-of-use assets

	Nine months ended
	<u>September 30, 2021</u>
Lushun Warehouse	<u>\$ 22,832</u>

For the three months ended September 30, 2022 and 2021 and the nine months ended September 30, 2022: None.

(c) Lease liabilities

(i) Outstanding balance

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Tainan Spinning	\$ 46,451	\$ 48,594	\$ 49,297
Lushun Warehouse	2,876	11,466	14,317
	<u>\$ 49,327</u>	<u>\$ 60,060</u>	<u>\$ 63,614</u>

(ii) Interest expense

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Tainan Spinning	\$ 257	\$ 273
Lushun Warehouse	10	35
	<u>\$ 267</u>	<u>\$ 308</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Tainan Spinning	\$ 782	\$ 827
Lushun Warehouse	50	124
	<u>\$ 832</u>	<u>\$ 951</u>

#### B. Endorsements and guarantees

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

(3) Key management compensation

	Three months ended September 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 47,005	\$ 139,927

  

	Nine months ended September 30,	
	2022	2021
Salaries and other short-term employee benefits	\$ 240,555	\$ 590,838

8. PLEGDED ASSETS

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

Pledged asset	September 30, 2022	December 31, 2021	September 30, 2021	Purpose
Pledged time deposits (Note 1)	\$ 4,000	\$ 4,000	\$ 4,000	Customs guarantee
Land (Note 2)	448,185	448,185	448,185	Collateral for borrowing facilities
Buildings and structures, net (Note 2)	16,069	41,276	41,976	Collateral for borrowing facilities
Guarantee deposits paid	413	413	413	Performance guarantee
	<u>\$ 468,667</u>	<u>\$ 493,874</u>	<u>\$ 494,574</u>	

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's remaining balance due for construction in progress and prepayment for equipment were \$59,947, \$16,237 and \$38,967, respectively.

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's unused letters of credit amounted to \$11,731, \$13,782 and \$45,727, respectively.



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

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

As of September 30, 2022, 68,764 tonnes of BD, 33,186 tonnes of AN and 1,090 tonnes of SM were purchased.

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

Endorser/guarantor	Party being endorsed/ guaranteed	Purpose	September 30, 2022		
			September 30, 2022	December 31, 2021	September 30, 2021
INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	Guarantee for borrowings	\$ 101,525	\$ 88,511	\$ 89,055

As of September 30, 2022, December 31, 2021 and September 30, 2021, Bao Minh Textile & Garment has drawn from the endorsements and guarantees in the amount of \$74,216, \$64,702 and \$65,099, respectively.

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### (2) Financial instruments

#### A. Financial instruments by category

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 30,390	\$ 31,080	\$ -
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 599,967	\$ 450,006	\$ 464,049
Qualifying debt instrument	31,274	28,234	28,714
	<u>\$ 631,241</u>	<u>\$ 478,240</u>	<u>\$ 492,763</u>
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	\$ 9,890,571	\$ 10,997,019	\$ 8,312,375
Financial assets at amortised cost	384,326	2,377,272	3,343,227
Notes receivable	188,901	235,769	273,643
Accounts receivable	790,391	1,586,109	2,123,929
Other receivables	66,847	104,447	121,150
Guarantee deposits paid	6,931	1,100	655
	<u>\$ 11,327,967</u>	<u>\$ 15,301,716</u>	<u>\$ 14,174,979</u>

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 120,000	\$ 170,000	\$ 90,000
Short-term notes and bills payable	9,993	9,999	9,994
Notes payable	-	-	65
Accounts payable	281,769	414,794	480,473
Other payables	1,028,492	1,674,668	1,594,154
Current refund liabilities	-	20,418	-
Long-term borrowings (including current portion)	35,000	41,667	46,667
	<u>\$ 1,475,254</u>	<u>\$ 2,331,546</u>	<u>\$ 2,221,353</u>
Lease liabilities	<u>\$ 56,894</u>	<u>\$ 73,730</u>	<u>\$ 78,889</u>

## B. Financial risk management policies

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

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### I. Foreign exchange risk

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

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

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

	September 30, 2022		December 31, 2021	
	Foreign currency amount		Foreign currency amount	
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(in thousands)</u>	<u>Exchange rate</u>
<u>Financial assets</u>				
Monetary items				
USD : NTD	\$ 99,137	31.75	\$ 275,882	27.68
USD : RMB	58,150	7.10	52,932	6.38
JPY : NTD	360,350	0.2201	25,048	0.2405
<u>Financial liabilities</u>				
Monetary items				
USD : NTD	2,540	31.75	3,284	27.68
USD : RMB	300	7.10	765	6.38
			<u>September 30, 2021</u>	
			Foreign currency amount	
			<u>(in thousands)</u>	<u>Exchange rate</u>
<u>Financial assets</u>				
Monetary items				
USD : NTD			\$ 251,552	27.85
USD : RMB			51,156	6.49
JPY : NTD			90,792	0.2490
<u>Financial liabilities</u>				
Monetary items				
USD : NTD			3,239	27.85
USD : RMB			857	6.49
JPY : NTD			-	0.2490

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If NTD had appreciated/depreciated by 1% against USD, RMB and JPY, the Group's net profit after tax for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$38,946 and \$66,823, respectively.

- (v) The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2022 and 2021 amounted to \$283,457, \$13,023, \$706,171 and (\$127,363), respectively.

## II. Price risk

- (i) The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- (ii) The Group's investments in equity securities comprise shares issued by the domestic and foreign companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$304 and \$—, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$6,000 and \$4,640, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

## III. Cash flow and fair value interest rate risk

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

## (b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost and at fair value through other comprehensive income.
- II. The Group manages its credit risk taking into consideration the entire Group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in

accordance with limits set by management. The utilisation of credit limits is regularly monitored.

- III. The Group adopts the assumption under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- IV. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- V. The Group classifies customer's accounts receivable in accordance with credit rating of customer and customer types. The Group applies the modified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- VI. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable as the Group's counterparties are all with high credit quality and have no default record after assessment.
- VII. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	Nine months ended September 30,	
	2022	2021
At January 1	\$ 942	\$ 1,119
Expected credit impairment gain	( 327)	( 285)
Effect of foreign exchange	24	( 14)
At September 30	\$ 639	\$ 820

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

(c) Liquidity risk

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

III. The Group has the following undrawn borrowing facilities:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Floating rate:			
Expiring within one year	\$ 3,847,302	\$ 3,889,460	\$ 3,975,482

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

<u>September 30, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities				
Short-term borrowings	\$ 120,445	\$ -	\$ -	\$ -
Short-term notes and bills payable	10,000	-	-	-
Accounts payable	281,769	-	-	-
Other payables	1,028,492	-	-	-
Lease liability	10,898	5,972	14,068	33,253
Long-term borrowings (including current portion)	20,349	10,167	5,028	35,544
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities				
Short-term borrowings	\$ 170,157	\$ -	\$ -	\$ -
Short-term notes and bills payable	10,000	-	-	-
Accounts payable	414,794	-	-	-
Other payables	1,674,668	-	-	-
Lease liability	23,262	7,177	14,779	36,750
Current refund liability	20,418	-	-	-
Long-term borrowings (including current portion)	20,316	17,646	4,177	-

<u>September 30, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities				
Short-term borrowings	\$ 90,092	\$ -	\$ -	\$ -
Short-term notes and bills payable	10,000	-	-	-
Notes payable	65	-	-	-
Accounts payable	480,473	-	-	-
Other payables	1,594,154	-	-	-
Lease liability	23,593	11,088	15,245	37,891
Long-term borrowings (including current portion)	20,366	20,197	6,692	-

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

(3) Fair value information

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

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

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

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

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

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



<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 30,390	\$ -	\$ -	\$ 30,390
Financial assets at fair value through other comprehensive income				
Equity securities	116,080	-	483,887	599,967
Debt securities	31,274	-	-	31,274
	<u>\$ 177,744</u>	<u>\$ -</u>	<u>\$ 483,887</u>	<u>\$ 661,631</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 31,080	\$ -	\$ -	\$ 31,080
Financial assets at fair value through other comprehensive income				
Equity securities	116,140	-	333,866	450,006
Debt securities	28,234	-	-	28,234
	<u>\$ 175,454</u>	<u>\$ -</u>	<u>\$ 333,866</u>	<u>\$ 509,320</u>
<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 100,680	\$ -	\$ 363,369	\$ 464,049
Debt securities	28,714	-	-	28,714
	<u>\$ 129,394</u>	<u>\$ -</u>	<u>\$ 363,369</u>	<u>\$ 492,763</u>

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

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

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

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

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

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

	<u>Equity securities</u>
At January 1, 2022	\$ 333,866
Additions	23,925
Gains recognised in other comprehensive income	112,110
Net exchange differences	<u>13,986</u>
At September 30, 2022	<u>\$ 483,887</u>
	<u>Equity securities</u>
At January 1, 2021	\$ 317,902
Gains recognised in other comprehensive income	47,632
Net exchange differences	<u>( 2,165)</u>
At September 30, 2021	<u>\$ 363,369</u>

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

H. Finance segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 483,887	Discounted cash flow	Weighted average cost of capital	4.5%~ 10.17%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 333,866	Discounted cash flow	Weighted average cost of capital	7.92%~ 9.89%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
	Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 363,369	Discounted cash flow	Weighted average cost of capital	4.88%~ 9.71%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement.

The following is the effect on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		Nine months ended September 30, 2022				
		Recognised in profit or loss		Recognised in other comprehensive income		
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Weighted average cost of capital	±10%	\$ -	\$ -	\$ 47,226	(\$ 34,565)
	Discount for lack of marketability	±10%	-	-	6,548	( 6,548)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,774</u>	<u>(\$ 41,113)</u>
		Nine months ended September 30, 2021				
		Recognised in profit or loss		Recognised in other comprehensive income		
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Weighted average cost of capital	±10%	\$ -	\$ -	\$ 42,050	(\$ 30,792)
	Discount for lack of marketability	±10%	-	-	5,940	( 5,940)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,990</u>	<u>(\$ 36,732)</u>

### 13. SUPPLEMENTARY DISCLOSURES

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

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative financial instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Refer to table 5.

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

(4) Major shareholders information

Major shareholders information: Refer to table 7.

14. SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

(3) Segment information

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

	Nine months ended September 30, 2022			
	<u>NANTEX</u>	<u>INTERMEDIUM</u>	<u>Nanmat</u>	<u>Total</u>
Segment revenue	\$ 4,249,773	\$ 4,030,280	\$ 1,260,013	\$ 9,540,066
Inter-segment revenue	91,513	2,135	-	93,648
Revenue from external customers	4,158,260	4,028,145	1,260,013	9,446,418
Interest income	20,063	61,994	266	82,323
Depreciation and amortisation	141,512	98,800	41,339	281,651
Finance cost	856	-	1,342	2,198
Segment income before tax	1,433,044	985,915	304,461	2,723,420
Capital expenditure for non-current assets	79,574	32,372	126,880	238,826

	Nine months ended September 30, 2021			
	NANTEX	INTERMEDIUM	Nanmat	Total
Segment revenue	\$ 11,944,335	\$ 6,730,887	\$ 1,064,168	\$ 19,739,390
Inter-segment revenue	126,614	-	-	126,614
Revenue from external customers	11,817,721	6,730,887	1,064,168	19,612,776
Interest income	4,347	46,370	116	50,833
Depreciation and amortisation	96,150	84,801	35,997	216,948
Finance cost	988	-	933	1,921
Segment income before tax	7,902,339	2,779,579	238,524	10,920,442
Capital expenditure for non-current assets	209,679	59,977	60,825	330,481

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

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

	Nine months ended September 30,	
	2022	2021
Reportable operating segments income before income tax	\$ 2,723,420	\$ 10,920,442
Write-offs of inter-segment income (loss)	( 634,859)	( 2,154,179)
Profit before income tax	\$ 2,088,561	\$ 8,766,263

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Nine months ended September 30, 2022

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed  Company name	Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount during the period	Outstanding endorsement/ guarantee amount at September 30, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent subsidiary to company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
									accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company					
1	INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	(Note 1)	\$ 1,772,930	\$ 101,525	\$ 101,525	\$ 74,216	\$ -	1%	\$ 4,432,326	N	N	N	-

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

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

(Note 3) The accounts denominated in foreign currencies in the table are translated into New Taiwan dollars at spot exchange rates (USD 1 : NTD 31.75) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

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

September 30, 2022

Table 2

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2022					
				Number of shares (shares or units in thousands)	Book value	Ownership (%)	Fair value	Footnote	
NANTEX INDUSTRY CO., LTD.	Beneficiary certificates:								
	MILLERFUL NO.1 REIT	—	Current financial assets at fair value through profit or loss	3,000	\$ 30,390	-	\$ 30,390	—	
	Stocks:								
	Lushun Warehouse Co., Ltd.	—	Non-current financial assets at fair value through other comprehensive income	2,700	262,474	15.00%	262,474	—	
	President International Development Corp.	—	"	8,820	80,754	0.67%	80,754	—	
	Micro Sava Co., Ltd.	—	"	1,021	298	0.52%	298	—	
	Grand Bills Finance Corp.	—	"	720	7,327	0.13%	7,327	—	
	Formosa Chemicals & Fibre Corp.	—	"	1,200	82,920	0.02%	82,920	—	
	Formosa Petrochemical Corp.	—	"	400	33,160	-	33,160	—	
	Bonds:								
NATWEST MARKETS PLC.	—	"	-	31,274	-	31,274	—		
INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	—	"	-	133,034	8.50%	133,034	—	



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

Table 3

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 4)	
				General ledger account	Amount		
0	NANTEX INDUSTRY CO., LTD.	Zhenjiang Nantex Chemical Industry., Ltd.	1	Sales revenue	\$ 91,513	Cash payment within 3 months	1%
				Royalty income	20,113	Cash payment within 1 year	—
				Accounts receivable	34,336	—	—
				Other receivables	16,929	—	—
				Contract liabilities	29,910	—	—

(Note 1) If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, one side of them are disclosed. In addition, the disclosure threshold for significant transactions is set at 10 million dollars.

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

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

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

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

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Information on investees (not including investees in China)

Nine months ended September 30, 2022

Table 4

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee for	recognised by the Company	
				September 30, 2022	December 31, 2021				the nine months ended	for the nine months ended	
				September 30, 2022	September 30, 2021			September 30, 2022	September 30, 2022		
NANTEX INDUSTRY CO., LTD.	INTERMEDIUM INTERNATIONAL LIMITED	British Virgin Islands	General investments	\$ 1,799,716	\$ 1,799,716	55,503,757	100.00%	\$ 8,864,651	\$ 527,202	\$ 527,202	Subsidiary
	Nanmat Technology Co., Ltd.	Taiwan	CVD materials and metal surface treatment chemicals	172,400	172,400	18,719,241	44.20%	557,746	243,569	107,657	Subsidiary

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Nine months ended September 30, 2022

Table 5

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated	Amount remitted from Taiwan		Accumulated	Net income of investee for the nine months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2022 (Note 3)	Book value of investments in Mainland China as of September 30, 2022	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2022	to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2022	amount of remittance from Taiwan to Mainland China as of September 30, 2022	amount of investment income remitted back to Taiwan as of September 30, 2022						
Zhenjiang Nantex Chemical Industry., Ltd.	Manufacture and sales of rubber and latex	\$ 2,146,300	Note 2	\$ 1,755,775	\$ -	\$ -	\$ 1,755,775	\$ 745,395	100.00	\$ 745,147	\$ 3,698,875	\$ -	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
NANTEX INDUSTRY CO., LTD.	\$ 1,755,775	\$ 2,146,300	\$ 9,165,427

(Note 1) Including capital increase out of earnings amounting to \$390,525.

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

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

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

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

Ending balances and book value are translated using the exchange rate as of report date as follows: USD 1 : TWD 31.75, RMB 1 : USD 0.1406.

Profit or loss are translated using the average exchange rate for the nine-month period ended September 30, 2022 as follows: USD 1 : TWD 29.28, RMB 1 : USD 0.1516.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

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

Nine months ended September 30, 2022

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			(Note)	
	Amount	%	Amount	%	Balance at September 30, 2022	%	Balance at September 30, 2022	Purpose	Maximum balance during the nine months ended September 30, 2022	Balance at September 30, 2022	Interest rate		Interest during the the nine months ended September 30, 2022
Zhenjiang Nantex Chemical Industry., Ltd.	\$ 91,513	1%	\$ -	-	\$ 34,336	-	\$ -	-	\$ -	\$ -	-	\$ -	(Note)

(Note) It refers to royalty revenue amounting to \$20,113. As of September 30, 2022, the outstanding amount was \$16,929 after deducting the relevant tax payable of \$3,184; the remaining \$29,910 was contract liabilities.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Major shareholders information

September 30, 2022

Table 7

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

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

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