

**TTET UNION CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
JUNE 30, 2023 AND 2022**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TTET Union Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of TTET Union Corporation and its subsidiary (the “Group”) as at June 30, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month and six-month periods 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” that came into effect 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

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2023 and 2022, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

Yeh, Fang-Ting

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

August 11, 2023

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.

TTET UNION CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars)

| Assets | | Notes | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | |
|--------------------|----------------------------------|-------------|---------------|-----|-------------------|-----|---------------|-----|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Current assets | | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 1,846,453 | 24 | \$ 981,106 | 13 | \$ 1,360,995 | 19 |
| 1110 | Financial assets at fair value | 6(2) and 12 | | | | | | |
| | through profit or loss - current | | 8,048 | - | - | - | 5,447 | - |
| 1150 | Notes receivable, net | 6(3) | 164,665 | 2 | 189,128 | 3 | 107,609 | 2 |
| 1170 | Accounts receivable, net | 6(3) | 913,475 | 12 | 1,073,335 | 15 | 886,408 | 12 |
| 1180 | Accounts receivable - related | 6(3) and 7 | | | | | | |
| | parties | | 100,698 | 2 | 141,121 | 2 | 98,390 | 1 |
| 1200 | Other receivables | | 1,683 | - | 32,586 | - | 6,392 | - |
| 130X | Inventory | 6(4) | 3,138,086 | 41 | 3,501,468 | 47 | 3,416,096 | 47 |
| 1410 | Prepayments | | 155,914 | 2 | 174,626 | 2 | 305,909 | 4 |
| 11XX | Total current assets | | 6,329,022 | 83 | 6,093,370 | 82 | 6,187,246 | 85 |
| Non-current assets | | | | | | | | |
| 1517 | Financial assets at fair value | 6(5) | | | | | | |
| | through other comprehensive | | | | | | | |
| | income - non-current | | 66,849 | 1 | 56,819 | 1 | 50,876 | 1 |
| 1600 | Property, plant and equipment | 6(6) and 8 | 833,291 | 11 | 823,356 | 11 | 837,557 | 11 |
| 1755 | Right-of-use assets | 6(7) and 7 | 309,498 | 4 | 318,920 | 4 | 184,579 | 3 |
| 1780 | Intangible assets | 6(8) | 1,737 | - | 1,944 | - | 1,491 | - |
| 1840 | Deferred income tax assets | 6(22) | 21,985 | - | 27,010 | - | 23,081 | - |
| 1920 | Guarantee deposits paid | | 46,820 | 1 | 42,986 | 1 | 32,005 | - |
| 1975 | Net defined benefit asset - non- | 6(11) | | | | | | |
| | current | | 28,361 | - | 28,357 | 1 | - | - |
| 1990 | Other non-current asset | | 1,073 | - | 639 | - | 733 | - |
| 15XX | Total non-current assets | | 1,309,614 | 17 | 1,300,031 | 18 | 1,130,322 | 15 |
| 1XXX | Total assets | | \$ 7,638,636 | 100 | \$ 7,393,401 | 100 | \$ 7,317,568 | 100 |

(Continued)

TTET UNION CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2023, DECEMBER 31, 2022 AND JUNE 30, 2022
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | Notes | June 30, 2023 | | December 31, 2022 | | June 30, 2022 | |
|--|--|-------------|---------------------|------------|---------------------|------------|---------------------|------------|
| | | | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | | | |
| 2100 | Short-term borrowings | 6(9) | \$ - | - | \$ 3,600 | - | \$ 10,000 | - |
| 2110 | Short-term notes and bills payable | 6(10) | 19,996 | - | 69,949 | 1 | 69,971 | 1 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(2) and 12 | - | - | 168 | - | - | - |
| 2130 | Current contract liabilities | 6(15) | 92,954 | 1 | 60,560 | 1 | 47,630 | 1 |
| 2150 | Notes payable | | 2,515 | - | 5,007 | - | 2,394 | - |
| 2170 | Accounts payable | | 688,689 | 9 | 814,900 | 11 | 561,516 | 8 |
| 2180 | Accounts payable - related parties | 7 | 53,848 | 1 | 56,074 | 1 | 36,026 | - |
| 2200 | Other payables | 6(14) | 1,329,745 | 17 | 419,416 | 6 | 1,287,224 | 18 |
| 2230 | Current income tax liabilities | 6(22) | 165,371 | 2 | 337,374 | 4 | 229,192 | 3 |
| 2280 | Lease liabilities - current | 6(7) and 7 | 47,413 | 1 | 46,836 | 1 | 34,856 | - |
| 21XX | Total current liabilities | | <u>2,400,531</u> | <u>31</u> | <u>1,813,884</u> | <u>25</u> | <u>2,278,809</u> | <u>31</u> |
| Non-current liabilities | | | | | | | | |
| 2570 | Deferred income tax liabilities | 6(22) | 14,616 | - | 13,007 | - | 13,328 | 1 |
| 2580 | Lease liabilities - non-current | 6(7) and 7 | 272,857 | 4 | 282,082 | 4 | 157,336 | 2 |
| 2640 | Net defined benefit liabilities - non-current | 6(11) | 6,531 | - | 6,763 | - | 12,037 | - |
| 2645 | Guarantee deposits received | | 15,807 | - | 6,593 | - | 3,390 | - |
| 25XX | Total non-current liabilities | | <u>309,811</u> | <u>4</u> | <u>308,445</u> | <u>4</u> | <u>186,091</u> | <u>3</u> |
| 2XXX | Total liabilities | | <u>2,710,342</u> | <u>35</u> | <u>2,122,329</u> | <u>29</u> | <u>2,464,900</u> | <u>34</u> |
| Equity attributable to owners of parent | | | | | | | | |
| Share capital | | | | | | | | |
| 3110 | Common stock | 6(12) | 1,599,749 | 21 | 1,599,749 | 22 | 1,599,749 | 22 |
| 3200 | Capital surplus | 6(13) | 23,784 | - | 23,784 | - | 23,784 | - |
| Retained earnings | | | | | | | | |
| 3310 | Legal reserve | 6(14) | 1,708,264 | 23 | 1,583,042 | 22 | 1,583,042 | 22 |
| 3320 | Special reserve | | 5,858 | - | 5,528 | - | 5,528 | - |
| 3350 | Unappropriated retained earnings | | 1,464,045 | 19 | 1,944,461 | 26 | 1,546,436 | 21 |
| Other equity interest | | | | | | | | |
| 3400 | Other equity interest | 6(5) | (3,399) | - | (5,858) | - | (2,661) | - |
| 31XX | Equity attributable to owners of the parent | | <u>4,798,301</u> | <u>63</u> | <u>5,150,706</u> | <u>70</u> | <u>4,755,878</u> | <u>65</u> |
| 36XX | Non-controlling interest | | <u>129,993</u> | <u>2</u> | <u>120,366</u> | <u>1</u> | <u>96,790</u> | <u>1</u> |
| 3XXX | Total equity | | <u>4,928,294</u> | <u>65</u> | <u>5,271,072</u> | <u>71</u> | <u>4,852,668</u> | <u>66</u> |
| Significant contingent liabilities and unrecognized contract commitments | | | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 7,638,636</u> | <u>100</u> | <u>\$ 7,393,401</u> | <u>100</u> | <u>\$ 7,317,568</u> | <u>100</u> |

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

TTET UNION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

| | | | Three months ended June 30 | | | | Six months ended June 30 | | | |
|--|---------------------------|--|----------------------------|--------------|--------------------|--------------|--------------------------|--------------|--------------------|--------------|
| | | | 2023 | | 2022 | | 2023 | | 2022 | |
| Items | Notes | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| 4000 Operating revenue | 6(15) and 7 | | \$ 5,661,485 | 100 | \$ 5,934,955 | 100 | \$ 11,869,401 | 100 | \$ 11,633,125 | 100 |
| 5000 Operating costs | 6(4)(8)(11)(20)(21) and 7 | | (5,092,433) | (90) | (5,255,591) | (88) | (10,612,807) | (89) | (10,117,418) | (87) |
| 5900 Net operating margin | | | <u>569,052</u> | <u>10</u> | <u>679,364</u> | <u>12</u> | <u>1,256,594</u> | <u>11</u> | <u>1,515,707</u> | <u>13</u> |
| Operating expenses | 6(8)(11)(20)(21) and 7 | | | | | | | | | |
| 6100 Selling expenses | | | (173,123) | (3) | (155,312) | (3) | (350,114) | (3) | (321,505) | (3) |
| 6200 General and administrative expenses | | | (62,630) | (1) | (67,412) | (1) | (139,520) | (1) | (146,968) | (1) |
| 6300 Research and development expenses | | | (2,185) | - | (2,881) | - | (4,771) | - | (5,810) | - |
| 6450 Expected credit gains (losses) | 12 | | <u>642</u> | <u>-</u> | <u>269</u> | <u>-</u> | <u>93</u> | <u>-</u> | <u>(326)</u> | <u>-</u> |
| 6000 Total operating expenses | | | (<u>237,296</u>) | (<u>4</u>) | (<u>225,336</u>) | (<u>4</u>) | (<u>494,312</u>) | (<u>4</u>) | (<u>474,609</u>) | (<u>4</u>) |
| 6900 Operating profit | | | <u>331,756</u> | <u>6</u> | <u>454,028</u> | <u>8</u> | <u>762,282</u> | <u>7</u> | <u>1,041,098</u> | <u>9</u> |
| Non-operating income and expenses | | | | | | | | | | |
| 7100 Interest income | 6(16) | | 4,680 | - | 1,479 | - | 6,431 | - | 2,485 | - |
| 7010 Other income | 6(17) | | 3,135 | - | 4,586 | - | 5,876 | - | 7,566 | - |
| 7020 Other gains and losses | 6(2)(7)(18) and 12 | | 18,390 | - | 36,366 | 1 | 33,800 | - | 55,137 | 1 |
| 7050 Finance costs | 6(7)(19) and 7 | | (2,339) | - | (1,372) | - | (4,931) | - | (2,590) | - |
| 7000 Total non-operating income and expenses | | | <u>23,866</u> | <u>-</u> | <u>41,059</u> | <u>1</u> | <u>41,176</u> | <u>-</u> | <u>62,598</u> | <u>1</u> |
| 7900 Profit before income tax | | | 355,622 | 6 | 495,087 | 9 | 803,458 | 7 | 1,103,696 | 10 |
| 7950 Income tax expense | 6(22) | | (84,468) | (1) | (109,429) | (2) | (174,045) | (2) | (230,977) | (2) |
| 8200 Profit for the period | | | <u>\$ 271,154</u> | <u>5</u> | <u>\$ 385,658</u> | <u>7</u> | <u>\$ 629,413</u> | <u>5</u> | <u>\$ 872,719</u> | <u>8</u> |
| Other comprehensive income (loss) | | | | | | | | | | |
| Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | | | |
| 8316 Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income | 6(5) | | <u>\$ 395</u> | <u>-</u> | <u>\$ 757</u> | <u>-</u> | <u>\$ 2,459</u> | <u>-</u> | <u>\$ 2,867</u> | <u>-</u> |
| 8300 Other comprehensive income for the period | | | <u>\$ 395</u> | <u>-</u> | <u>\$ 757</u> | <u>-</u> | <u>\$ 2,459</u> | <u>-</u> | <u>\$ 2,867</u> | <u>-</u> |
| 8500 Total comprehensive income for the period | | | <u>\$ 271,549</u> | <u>5</u> | <u>\$ 386,415</u> | <u>7</u> | <u>\$ 631,872</u> | <u>5</u> | <u>\$ 875,586</u> | <u>8</u> |
| Profit attributable to: | | | | | | | | | | |
| 8610 Owners of the parent | | | \$ 258,366 | 5 | \$ 376,885 | 7 | \$ 604,986 | 5 | \$ 854,192 | 8 |
| 8620 Non-controlling interest | | | <u>12,788</u> | <u>-</u> | <u>8,773</u> | <u>-</u> | <u>24,427</u> | <u>-</u> | <u>18,527</u> | <u>-</u> |
| | | | <u>\$ 271,154</u> | <u>5</u> | <u>\$ 385,658</u> | <u>7</u> | <u>\$ 629,413</u> | <u>5</u> | <u>\$ 872,719</u> | <u>8</u> |
| Comprehensive income attributable to: | | | | | | | | | | |
| 8710 Owners of the parent | | | \$ 258,761 | 5 | \$ 377,642 | 7 | \$ 607,445 | 5 | \$ 857,059 | 8 |
| 8720 Non-controlling interest | | | <u>12,788</u> | <u>-</u> | <u>8,773</u> | <u>-</u> | <u>24,427</u> | <u>-</u> | <u>18,527</u> | <u>-</u> |
| | | | <u>\$ 271,549</u> | <u>5</u> | <u>\$ 386,415</u> | <u>7</u> | <u>\$ 631,872</u> | <u>5</u> | <u>\$ 875,586</u> | <u>8</u> |
| Earnings per share (in dollars) | 6(23) | | | | | | | | | |
| 9750 Basic | | | <u>\$ 1.62</u> | | <u>\$ 2.36</u> | | <u>\$ 3.78</u> | | <u>\$ 5.34</u> | |
| 9850 Diluted | | | <u>\$ 1.61</u> | | <u>\$ 2.35</u> | | <u>\$ 3.78</u> | | <u>\$ 5.33</u> | |

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

TTET UNION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | |
|--|-------|---|-----------------|---------------|-----------------|----------------------------------|---|--------------|--------------------------|--------------|
| | | Retained Earnings | | | | | Other Equity | | | |
| | | | | | | | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | | | |
| | Notes | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | | Total | Non-controlling interest | Total equity |
| <u>For the six-month period ended June 30, 2022</u> | | | | | | | | | | |
| Balance at January 1, 2022 | | \$ 1,599,749 | \$ 23,784 | \$ 1,456,732 | \$ 7,000 | \$ 1,776,932 | (\$ 5,528) | \$ 4,858,669 | \$ 98,984 | \$ 4,957,653 |
| Net income for the six-month period ended June 30, 2022 | | - | - | - | - | 854,192 | - | 854,192 | 18,527 | 872,719 |
| Other comprehensive income for the six-month period ended June 30, 6(5) 2022 | | - | - | - | - | - | 2,867 | 2,867 | - | 2,867 |
| Total comprehensive income for the six-month period ended June 30, 2022 | | - | - | - | - | 854,192 | 2,867 | 857,059 | 18,527 | 875,586 |
| Distribution of 2021 net income: | | | | | | | | | | |
| Legal reserve | | - | - | 126,310 | - | (126,310) | - | - | - | - |
| Cash dividends | 6(14) | - | - | - | - | (959,850) | - | (959,850) | - | (959,850) |
| Reversal of special reserve | | - | - | - | (1,472) | 1,472 | - | - | - | - |
| Decrease in non-controlling interest | | - | - | - | - | - | - | - | (20,721) | (20,721) |
| Balance at June 30, 2022 | | \$ 1,599,749 | \$ 23,784 | \$ 1,583,042 | \$ 5,528 | \$ 1,546,436 | (\$ 2,661) | \$ 4,755,878 | \$ 96,790 | \$ 4,852,668 |
| <u>For the six-month period ended June 30, 2023</u> | | | | | | | | | | |
| Balance at January 1, 2023 | | \$ 1,599,749 | \$ 23,784 | \$ 1,583,042 | \$ 5,528 | \$ 1,944,461 | (\$ 5,858) | \$ 5,150,706 | \$ 120,366 | \$ 5,271,072 |
| Net income for the six-month period ended June 30, 2023 | | - | - | - | - | 604,986 | - | 604,986 | 24,427 | 629,413 |
| Other comprehensive income for the six-month period ended June 30, 6(5) 2023 | | - | - | - | - | - | 2,459 | 2,459 | - | 2,459 |
| Total comprehensive income for the six-month period ended June 30, 2023 | | - | - | - | - | 604,986 | 2,459 | 607,445 | 24,427 | 631,872 |
| Distribution of 2022 net income: | | | | | | | | | | |
| Legal reserve | | - | - | 125,222 | - | (125,222) | - | - | - | - |
| Special reserve | | - | - | - | 330 | (330) | - | - | - | - |
| Cash dividends | 6(14) | - | - | - | - | (959,850) | - | (959,850) | - | (959,850) |
| Decrease in non-controlling interest | | - | - | - | - | - | - | - | (14,800) | (14,800) |
| Balance at June 30, 2023 | | \$ 1,599,749 | \$ 23,784 | \$ 1,708,264 | \$ 5,858 | \$ 1,464,045 | (\$ 3,399) | \$ 4,798,301 | \$ 129,993 | \$ 4,928,294 |

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

TTET UNION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | <u>For the six-month periods ended June 30,</u> | |
|---|-------------|---|--------------------|
| | | <u>2023</u> | <u>2022</u> |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 803,458 | \$ 1,103,696 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Gain on financial assets at fair value through profit or loss | | (8,216) | (5,467) |
| Expected credit (gains) losses | 12 | (93) | 326 |
| Reversal of allowance for inventory market price decline | 6(4) | (29,480) | (148) |
| Depreciation | 6(6)(7)(20) | 108,557 | 101,753 |
| Loss on disposal of property, plant and equipment | 6(18) | 161 | 21 |
| Property, plant and equipment recognised as expense | 6(6) | 1,421 | 8,947 |
| Loss on lease modification | 6(7)(18) | 37 | 116 |
| Amortisation | 6(8)(20) | 359 | 327 |
| Interest income | 6(16) | (6,431) | (2,485) |
| Finance costs | 6(19) | 4,931 | 2,590 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 24,378 | 53,988 |
| Accounts receivable | | 160,038 | (75,461) |
| Accounts receivable - related parties | | 40,423 | (95) |
| Other receivables | | 30,903 | 23,450 |
| Inventories | | 392,862 | (951,995) |
| Prepayments | | 18,712 | 57,855 |
| Net defined benefit asset - non-current | | (4) | - |
| Changes in operating liabilities | | | |
| Current contract liabilities | | 32,394 | 17,225 |
| Notes payable | | (2,492) | (2,394) |
| Accounts payable | | (126,211) | (266,824) |
| Accounts payable - related parties | | (2,226) | (27,601) |
| Other payables | | (49,214) | (83,610) |
| Net defined benefit liabilities - non-current | | (232) | (305) |
| Cash inflow (outflow) generated from operations | | 1,394,035 | (46,091) |
| Interest received | | 6,431 | 2,485 |
| Interest paid | | (4,874) | (2,623) |
| Income tax paid | | (339,414) | (328,226) |
| Net cash flows from (used in) operating activities | | <u>1,056,178</u> | <u>(374,455)</u> |

(Continued)

TTET UNION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

| | Notes | For the six-month periods ended June 30, 2023 | 2022 |
|--|-------|--|---------------|
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Acquisition of financial assets at fair value through other comprehensive income | | (\$ 7,571) | (\$ 10,409) |
| Cash paid for acquisition of property, plant and equipment | 6(24) | (89,288) | (76,851) |
| Proceeds from disposal of property, plant and equipment | | - | 8 |
| Increase in intangible assets | 6(8) | (152) | (800) |
| (Increase) decrease in guarantee deposits paid | | (3,834) | 437 |
| Increase in other non-current assets | | (434) | (447) |
| Net cash flows used in investing activities | | (101,279) | (88,062) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Decrease in short-term borrowings | 6(25) | (3,600) | (55,516) |
| Decrease in short-term notes and bills payable | 6(25) | (50,000) | - |
| Repayment of lease principal | 6(25) | (30,366) | (26,899) |
| Increase (decrease) in guarantee deposit received | 6(25) | 9,214 | (1,028) |
| Decrease in non-controlling interest | | (14,800) | (20,721) |
| Net cash flows used in financing activities | | (89,552) | (104,164) |
| Net increase (decrease) in cash and cash equivalents | | 865,347 | (566,681) |
| Cash and cash equivalents at beginning of period | 6(1) | 981,106 | 1,927,676 |
| Cash and cash equivalents at end of period | 6(1) | \$ 1,846,453 | \$ 1,360,995 |

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

TTET UNION CORPORATION AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022

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

1. HISTORY AND ORGANIZATION

- (1) TTET Union Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on May 24, 1982. The Company and its subsidiary (the “Group”) are primarily engaged in the manufacture, sales, processing, import and export of a variety of vegetable oils and engaged in cogeneration plant business, wholesale and retailing of oils, etc.
- (2) The common shares of the Company have been listed on the Taiwan Stock Exchange since February 1996.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on August 11, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board (IASB) |
|--|--|
| Amendments to IAS 1, ‘Disclosure of accounting policies’ | January 1, 2023 |
| Amendments to IAS 8, ‘Disclosure 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.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as

endorsed by the FSC are as follows:

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation, and the additional descriptions outlined below, the other principal accounting policies are in agreement with Note 4 of the consolidated financial statements for the year ended December 31, 2022. 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 IAS 34, 'Interim Financial Reporting' that came into effect as endorsed by the FSC.
- B. The consolidated financial statements should be read together with the consolidated financial statements for the year ended December 31, 2022.

(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 and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income measured at fair value.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that

came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”), requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

(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, 2022.

B. Subsidiary included in the consolidated financial statements:

| <u>Name of investor</u> | <u>Name of subsidiary</u> | <u>Business activities</u> | <u>Ownership (%)</u> | | <u>Note</u> |
|-------------------------|-----------------------------|----------------------------|----------------------|--------------------------|-------------|
| | | | <u>June 30, 2023</u> | <u>December 31, 2022</u> | |
| TTET Union Corporation | Master Channels Corporation | Wholesale of food | 80.27 | 80.27 | — |

| <u>Name of investor</u> | <u>Name of subsidiary</u> | <u>Business activities</u> | <u>Ownership (%)</u> | | <u>Note</u> |
|-------------------------|-----------------------------|----------------------------|----------------------|--|-------------|
| | | | <u>June 30, 2022</u> | | |
| TTET Union Corporation | Master Channels Corporation | Wholesale of food | 80.27 | | — |

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: None.

(4) Employee benefits

Defined benefit plans

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

A. 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.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

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, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|------------------------------|-----------------------|--------------------------|-----------------------|
| Cash: | | | |
| Cash on hand | \$ 1, 458 | \$ 3, 744 | \$ 2, 155 |
| Checking and demand deposits | <u>441, 721</u> | <u>507, 669</u> | <u>357, 792</u> |
| | <u>443, 179</u> | <u>511, 413</u> | <u>359, 947</u> |
| Cash equivalents: | | | |
| Time deposits | 200, 000 | – | 451, 700 |
| Commercial paper | <u>1, 203, 274</u> | <u>469, 693</u> | <u>549, 348</u> |
| | <u>1, 403, 274</u> | <u>469, 693</u> | <u>1, 001, 048</u> |
| | <u>\$ 1, 846, 453</u> | <u>\$ 981, 106</u> | <u>\$ 1, 360, 995</u> |

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

B. The Group has no cash and cash equivalents pledged to others as of June 30, 2023, December 31, 2022 and June 30, 2022.

(2) Financial assets and liabilities at fair value through profit or loss – current

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|--|----------------------|--------------------------|----------------------|
| Financial assets mandatorily measured at fair value through profit or loss | | | |
| Non-hedging derivative | <u>\$ 8, 048</u> | <u>\$ –</u> | <u>\$ 5, 447</u> |
| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
| Financial liabilities held for trading | | | |
| Non-hedging derivative | <u>\$ –</u> | <u>\$ 168</u> | <u>\$ –</u> |

A. The Group recognized net gain (shown as “Other gains and losses”) on financial assets mandatorily measured at fair value amounting to \$17,066, \$34,469, \$20,727 and \$53,332 for the three-month and six-month periods ended June 30, 2023 and 2022, respectively.

B. The Group entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

| | <u>June 30, 2023</u> | | <u>June 30, 2022</u> | |
|-------------------------------|-----------------------------|------------------------|-----------------------------|------------------------|
| | Contract amount | | Contract amount | |
| <u>Derivative instruments</u> | <u>(Notional principal)</u> | <u>Contract period</u> | <u>(Notional principal)</u> | <u>Contract period</u> |
| Current asset item: | | | | |
| Forward foreign | USD 26, 150 | 2023. 6. 14 | USD 32, 747 | 2022. 5. 6 |
| exchange contracts | <u>thousand</u> | <u>~2023. 9. 26</u> | <u>thousand</u> | <u>~2022. 9. 5</u> |

There was no such situation as of December 31, 2022.

| | <u>December 31, 2022</u> | |
|-------------------------------|-----------------------------|------------------------|
| | Contract amount | |
| <u>Derivative instruments</u> | <u>(Notional principal)</u> | <u>Contract period</u> |
| Current liability item: | | |
| Forward foreign | USD 146 | 2022. 11. 9 |
| exchange contracts | <u>thousand</u> | <u>~2023. 1. 5</u> |

There was no such situation as of June 30, 2023 and 2022.

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

C. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

(3) Notes and accounts receivable

| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
|-----------------------------------|-----------------------|--------------------------|----------------------|
| Notes receivable | \$ 166, 130 | \$ 190, 508 | \$ 108, 919 |
| Less: Allowance for uncollectible | | | |
| accounts | (1, 465) | (1, 380) | (1, 310) |
| | <u>\$ 164, 665</u> | <u>\$ 189, 128</u> | <u>\$ 107, 609</u> |
| | <u>June 30, 2023</u> | <u>December 31, 2022</u> | <u>June 30, 2022</u> |
| Accounts receivable | \$ 919, 221 | \$ 1, 079, 281 | \$ 891, 587 |
| Accounts receivable - related | | | |
| parties | <u>100, 698</u> | <u>141, 121</u> | <u>98, 390</u> |
| | 1, 019, 919 | 1, 220, 402 | 989, 977 |
| Less: Allowance for uncollectible | | | |
| accounts | (5, 746) | (5, 946) | (5, 179) |
| | <u>\$ 1, 014, 173</u> | <u>\$ 1, 214, 456</u> | <u>\$ 984, 798</u> |

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

| | June 30, 2023 | | December 31, 2022 | |
|-------------------|-------------------|---------------------|-------------------|---------------------|
| | Notes receivable | Accounts receivable | Notes receivable | Accounts receivable |
| Not past due | \$ 166,130 | \$ 1,017,742 | \$ 190,508 | \$ 1,216,248 |
| Less than 30 days | – | 1,978 | – | 3,762 |
| 31～60 days | – | 58 | – | 164 |
| 61～90 days | – | 40 | – | 64 |
| 91～over 120 days | – | 101 | – | 164 |
| | <u>\$ 166,130</u> | <u>\$ 1,019,919</u> | <u>\$ 190,508</u> | <u>\$ 1,220,402</u> |

| | June 30, 2022 | |
|-------------------|-------------------|---------------------|
| | Notes receivable | Accounts receivable |
| Not past due | \$ 108,919 | \$ 988,078 |
| Less than 30 days | – | 1,634 |
| 31～60 days | – | 64 |
| 61～90 days | – | 19 |
| 91～over 120 days | – | 182 |
| | <u>\$ 108,919</u> | <u>\$ 989,977</u> |

The above ageing analysis was based on past due date.

- B. As at June 30, 2023, December 31, 2022 and June 30, 2022, notes and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$1,077,461.
- C. As at June 30, 2023, December 31, 2022 and June 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable were its book value.
- D. The Group holds certificates of time deposit and land as security for accounts receivable as of June 30, 2023, December 31, 2022 and June 30, 2022.
- E. The Group has no notes and accounts receivable pledged to others as at June 30, 2023, December 31, 2022 and June 30, 2022.
- F. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2).

(4) Inventories

| | June 30, 2023 | | |
|----------------------------|---------------------|---------------------------------------|---------------------|
| | Cost | Allowance for market price decline | Book value |
| Merchandise | \$ 309,581 | (\$ 6,770) | \$ 302,811 |
| Raw materials | 432,435 | — | 432,435 |
| Raw materials in transit | 1,308,265 | — | 1,308,265 |
| Supplies | 19,909 | (713) | 19,196 |
| Work in process | 214,642 | — | 214,642 |
| Work in process in transit | 42,530 | — | 42,530 |
| Finished goods | 836,352 | (18,145) | 818,207 |
| | <u>\$ 3,163,714</u> | <u>(\$ 25,628)</u> | <u>\$ 3,138,086</u> |

| | December 31, 2022 | | |
|--------------------------|---------------------|---------------------------------------|---------------------|
| | Cost | Allowance for market price decline | Book value |
| Merchandise | \$ 342,927 | (\$ 6,535) | \$ 336,392 |
| Raw materials | 495,736 | — | 495,736 |
| Raw materials in transit | 1,612,832 | — | 1,612,832 |
| Supplies | 21,994 | (53) | 21,941 |
| Work in process | 278,842 | — | 278,842 |
| Finished goods | 804,245 | (48,520) | 755,725 |
| | <u>\$ 3,556,576</u> | <u>(\$ 55,108)</u> | <u>\$ 3,501,468</u> |

| | June 30, 2022 | | |
|--------------------------|---------------------|---------------------------------------|---------------------|
| | Cost | Allowance for market price decline | Book value |
| Merchandise | \$ 258,004 | (\$ 5,519) | \$ 252,485 |
| Raw materials | 327,195 | — | 327,195 |
| Raw materials in transit | 1,697,369 | — | 1,697,369 |
| Supplies | 21,585 | (8) | 21,577 |
| Work in process | 368,922 | — | 368,922 |
| Finished goods | 748,551 | (3) | 748,548 |
| | <u>\$ 3,421,626</u> | <u>(\$ 5,530)</u> | <u>\$ 3,416,096</u> |

The cost of inventories recognized as expense for the period:

| | For the three-month periods ended June 30, | |
|---|--|-----------------------|
| | 2023 | 2022 |
| Cost of goods sold | \$ 4, 990, 433 | \$ 5, 180, 017 |
| Provision (reversal of allowance) for inventory market price decline (Note) | 13, 190 (| 81) |
| Loss on scrapped inventories | 26 | – |
| Gain on physical inventory | (3) | – |
| | <u>\$ 5, 003, 646</u> | <u>\$ 5, 179, 936</u> |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| Cost of goods sold | \$ 10, 474, 031 | \$ 9, 958, 360 |
| Reversal of allowance for inventory market price decline (Note) | (29, 480) (| 148) |
| Loss on scrapped inventories | 227 | 282 |
| Loss (gain) on physical inventory | 984 (| 5) |
| | <u>\$ 10, 445, 762</u> | <u>\$ 9, 958, 489</u> |

(Note) The Group recognized gain from price recovery as the increase in the international prices of raw materials led to a recovery in inventory net realizable value for the three-month period ended June 30, 2022 and for the six-month periods ended June 30, 2023 and 2022.

(5) Financial assets at fair value through other comprehensive income – non-current

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|----------------------|-------------------|-------------------|-------------------|
| Equity instruments | | | |
| Listed stocks | \$ 61, 973 | \$ 54, 402 | \$ 45, 262 |
| Unlisted stocks | <u>8, 275</u> | <u>8, 275</u> | <u>8, 275</u> |
| | 70, 248 | 62, 677 | 53, 537 |
| Valuation adjustment | (3, 399) (| 5, 858) (| 2, 661) |
| | <u>\$ 66, 849</u> | <u>\$ 56, 819</u> | <u>\$ 50, 876</u> |

- A. The Group has elected to classify equity investments that are considered to be strategic investments and have steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$66,849, \$56,819 and \$50,876 as at June 30, 2023, December 31, 2022 and June 30, 2022, respectively.
- B. The Group recognized other comprehensive income in relation to the financial assets at fair value through other comprehensive income amounting to \$395, \$757, \$2,459 and \$2,867 for the three-month and six-month periods ended June 30, 2023 and 2022, respectively.
- C. As at June 30, 2023, December 31, 2022 and June 30, 2022, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive

income held by the Group was the book value.

- D. The Group has no financial assets at fair value through other comprehensive income pledged to others.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(6) Property, plant and equipment

| | Land | Buildings | Machinery | Transportation equipment | Leasehold improvements | Other equipment | Construction in progress | Total |
|---|------------------|-------------------|-------------------|-----------------------------|---------------------------|--------------------|-----------------------------|-------------------|
| <u>January 1, 2023</u> | | | | | | | | |
| Cost | \$ 44,244 | \$ 1,119,780 | \$ 3,525,997 | \$ 15,152 | \$ 6,742 | \$ 214,794 | \$ 16,836 | \$ 4,943,545 |
| Accumulated depreciation | — | (817,247) | (3,194,194) | (14,280) | (5,065) | (89,403) | — | (4,120,189) |
| | <u>\$ 44,244</u> | <u>\$ 302,533</u> | <u>\$ 331,803</u> | <u>\$ 872</u> | <u>\$ 1,677</u> | <u>\$ 125,391</u> | <u>\$ 16,836</u> | <u>\$ 823,356</u> |
| <u>For the six-month period ended June 30, 2023</u> | | | | | | | | |
| At January 1 | \$ 44,244 | \$ 302,533 | \$ 331,803 | \$ 872 | \$ 1,677 | \$ 125,391 | \$ 16,836 | \$ 823,356 |
| Additions | — | 2,104 | 21,079 | — | — | 1,808 | 63,980 | 88,971 |
| Transferred after acceptance | — | 1,542 | 17,520 | — | — | — | (19,062) | — |
| Depreciation | — | (18,155) | (49,556) | (136) | (455) | (9,152) | — | (77,454) |
| Disposals — Cost | — | — | (1,557) | — | (90) | (2,090) | — | (3,737) |
| — Accumulated depreciation | — | — | 1,396 | — | 90 | 2,090 | — | 3,576 |
| Expensed | — | — | — | — | — | — | (1,421) | (1,421) |
| At June 30 | <u>\$ 44,244</u> | <u>\$ 288,024</u> | <u>\$ 320,685</u> | <u>\$ 736</u> | <u>\$ 1,222</u> | <u>\$ 118,047</u> | <u>\$ 60,333</u> | <u>\$ 833,291</u> |
| <u>June 30, 2023</u> | | | | | | | | |
| Cost | \$ 44,244 | \$ 1,123,426 | \$ 3,563,039 | \$ 15,152 | \$ 6,652 | \$ 214,512 | \$ 60,333 | \$ 5,027,358 |
| Accumulated depreciation | — | (835,402) | (3,242,354) | (14,416) | (5,430) | (96,465) | — | (4,194,067) |
| | <u>\$ 44,244</u> | <u>\$ 288,024</u> | <u>\$ 320,685</u> | <u>\$ 736</u> | <u>\$ 1,222</u> | <u>\$ 118,047</u> | <u>\$ 60,333</u> | <u>\$ 833,291</u> |

| | Land | Buildings | Machinery | Transportation equipment | Leasehold improvements | Other equipment | Construction in progress | Total |
|---|------------------|-------------------|-------------------|-----------------------------|---------------------------|--------------------|-----------------------------|-------------------|
| <u>January 1, 2022</u> | | | | | | | | |
| Cost | \$ 44,244 | \$ 1,111,944 | \$ 3,451,978 | \$ 15,152 | \$ 7,915 | \$ 180,350 | \$ 27,031 | \$ 4,838,614 |
| Accumulated depreciation | – | (780,402) | (3,098,967) | (13,682) | (5,506) | (87,881) | – | (3,986,438) |
| | <u>\$ 44,244</u> | <u>\$ 331,542</u> | <u>\$ 353,011</u> | <u>\$ 1,470</u> | <u>\$ 2,409</u> | <u>\$ 92,469</u> | <u>\$ 27,031</u> | <u>\$ 852,176</u> |
| <u>For the six-month period ended June 30, 2022</u> | | | | | | | | |
| At January 1 | \$ 44,244 | \$ 331,542 | \$ 353,011 | \$ 1,470 | \$ 2,409 | \$ 92,469 | \$ 27,031 | \$ 852,176 |
| Additions | – | 3,216 | 25,056 | – | – | 3,779 | 37,177 | 69,228 |
| Transferred after acceptance | – | 700 | 12,188 | – | – | 771 | (13,659) | – |
| Depreciation | – | (18,340) | (47,994) | (317) | (346) | (7,874) | – | (74,871) |
| Disposals — Cost | – | – | (2,079) | – | (1,172) | (13,155) | – | (16,406) |
| — Accumulated depreciation | – | – | 2,079 | – | 1,172 | 13,126 | – | 16,377 |
| Expensed | – | – | – | – | – | – | (8,947) | (8,947) |
| At June 30 | <u>\$ 44,244</u> | <u>\$ 317,118</u> | <u>\$ 342,261</u> | <u>\$ 1,153</u> | <u>\$ 2,063</u> | <u>\$ 89,116</u> | <u>\$ 41,602</u> | <u>\$ 837,557</u> |
| <u>June 30, 2022</u> | | | | | | | | |
| Cost | \$ 44,244 | \$ 1,115,860 | \$ 3,487,143 | \$ 15,152 | \$ 6,743 | \$ 171,745 | \$ 41,602 | \$ 4,882,489 |
| Accumulated depreciation | – | (798,742) | (3,144,882) | (13,999) | (4,680) | (82,629) | – | (4,044,932) |
| | <u>\$ 44,244</u> | <u>\$ 317,118</u> | <u>\$ 342,261</u> | <u>\$ 1,153</u> | <u>\$ 2,063</u> | <u>\$ 89,116</u> | <u>\$ 41,602</u> | <u>\$ 837,557</u> |

- A. The Group's property, plant and equipment are all owner-occupied as at June 30, 2023, December 31, 2022 and June 30, 2022.
- B. The Group has not capitalized any interest for the six-month periods ended June 30, 2023 and 2022.
- C. For more information regarding the Group's property, plant and equipment pledged to others as at June 30, 2023, December 31, 2022 and June 30, 2022, refer to Note 8, "Pledged assets".

(7) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings and transportation equipment. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--------------------------|-------------------|-------------------|-------------------|
| | Carrying amount | Carrying amount | Carrying amount |
| Land | \$ 31,283 | \$ 31,846 | \$ 32,896 |
| Buildings | 201,888 | 216,552 | 87,514 |
| Transportation equipment | 76,276 | 70,443 | 64,062 |
| Other equipment | 51 | 79 | 107 |
| | <u>\$ 309,498</u> | <u>\$ 318,920</u> | <u>\$ 184,579</u> |

| | For the three-month periods ended June 30, | |
|--------------------------|--|---------------------|
| | 2023 | 2022 |
| | Depreciation charge | Depreciation charge |
| Land | \$ 533 | \$ 525 |
| Buildings | 7,332 | 5,536 |
| Transportation equipment | 7,771 | 7,284 |
| Other equipment | 14 | 14 |
| | <u>\$ 15,650</u> | <u>\$ 13,359</u> |

| | For the six-month periods ended June 30, | |
|--------------------------|--|---------------------|
| | 2023 | 2022 |
| | Depreciation charge | Depreciation charge |
| Land | \$ 1,061 | \$ 1,042 |
| Buildings | 14,664 | 11,072 |
| Transportation equipment | 15,350 | 14,740 |
| Other equipment | 28 | 28 |
| | <u>\$ 31,103</u> | <u>\$ 26,882</u> |

- C. For the three-month and six-month periods ended June 30, 2023 and 2022, the additions to right-of-use assets were \$12,549, \$2,178, \$22,049, and \$17,894, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

| | <u>For the three-month periods ended June 30,</u> | |
|---------------------------------------|---|-------------|
| | <u>2023</u> | <u>2022</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 1,342 | \$ 732 |
| Expense on short-term lease contracts | 2,861 | 5,012 |
| Loss from lease modification | 12 | 75 |
| | | |
| | <u>For the six-month periods ended June 30,</u> | |
| | <u>2023</u> | <u>2022</u> |
| <u>Items affecting profit or loss</u> | | |
| Interest expense on lease liabilities | \$ 2,701 | \$ 1,500 |
| Expense on short-term lease contracts | 5,649 | 8,532 |
| Loss from lease modification | 37 | 116 |

E. For the six-month periods ended June 30, 2023 and 2022, the Group's total cash outflow for leases were \$38,716 and \$36,931, respectively.

(8) Intangible assets

| | <u>Computer software</u> | <u>Others</u> | <u>Total</u> |
|---|--------------------------|---------------|-----------------|
| <u>At January 1, 2023</u> | | | |
| Cost | \$ 14,745 | \$ 778 | \$ 15,523 |
| Accumulated amortization | (13,439) | (140) | (13,579) |
| | <u>\$ 1,306</u> | <u>\$ 638</u> | <u>\$ 1,944</u> |
| <u>For the six-month period ended June 30, 2023</u> | | | |
| At January 1 | \$ 1,306 | \$ 638 | \$ 1,944 |
| Additions — Acquired separately | 152 | — | 152 |
| Amortization charge | (324) | (35) | (359) |
| At June 30 | <u>\$ 1,134</u> | <u>\$ 603</u> | <u>\$ 1,737</u> |
| <u>At June 30, 2023</u> | | | |
| Cost | \$ 14,897 | \$ 778 | \$ 15,675 |
| Accumulated amortization | (13,763) | (175) | (13,938) |
| | <u>\$ 1,134</u> | <u>\$ 603</u> | <u>\$ 1,737</u> |

| | <u>Computer software</u> | <u>Others</u> | <u>Total</u> |
|---|--------------------------|---------------|-----------------|
| <u>At January 1, 2022</u> | | | |
| Cost | \$ 13,458 | \$ 464 | \$ 13,922 |
| Accumulated amortization | (12,828) | (76) | (12,904) |
| | <u>\$ 630</u> | <u>\$ 388</u> | <u>\$ 1,018</u> |
| <u>For the six-month period ended June 30, 2022</u> | | | |
| At January 1 | \$ 630 | \$ 388 | \$ 1,018 |
| Additions — Acquired separately | 486 | 314 | 800 |
| Amortization charge | (299) | (28) | (327) |
| At June 30 | <u>\$ 817</u> | <u>\$ 674</u> | <u>\$ 1,491</u> |
| <u>At June 30, 2022</u> | | | |
| Cost | \$ 13,944 | \$ 778 | \$ 14,722 |
| Accumulated amortization | (13,127) | (104) | (13,231) |
| | <u>\$ 817</u> | <u>\$ 674</u> | <u>\$ 1,491</u> |

Details of amortization on intangible assets are as follows:

| | <u>For the three-month periods ended June 30,</u> | |
|-------------------------|---|---------------|
| | <u>2023</u> | <u>2022</u> |
| Operating costs | \$ 10 | \$ 10 |
| Selling expenses | 69 | 42 |
| Administrative expenses | 103 | 94 |
| | <u>\$ 182</u> | <u>\$ 146</u> |
| | <u>For the six-month periods ended June 30,</u> | |
| | <u>2023</u> | <u>2022</u> |
| Operating costs | \$ 21 | \$ 21 |
| Selling expenses | 138 | 69 |
| Administrative expenses | 200 | 237 |
| | <u>\$ 359</u> | <u>\$ 327</u> |

(9) Short-term borrowings

| | <u>December 31, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Bank unsecured borrowings | <u>\$ 3,600</u> | 5.18% | None |
| | <u>June 30, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Bank unsecured borrowings | <u>\$ 10,000</u> | 1.60% | None |

For interest expense recognized in profit or loss for the three-month and six-month periods ended June 30, 2023 and 2022, refer to Note 6(19).

(10) Short-term notes and bills payable

| | <u>June 30, 2023</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|----------------------------|--------------------------|----------------------------|-------------------|
| Commercial paper payable | \$ 20, 000 | 1. 61% | None |
| Less: Unamortized discount | (4) | | |
| | <u>\$ 19, 996</u> | | |
| | <u>December 31, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Commercial paper payable | \$ 70, 000 | 1. 32%~1. 80% | None |
| Less: Unamortized discount | (51) | | |
| | <u>\$ 69, 949</u> | | |
| | <u>June 30, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Commercial paper payable | \$ 70, 000 | 1. 16%~1. 25% | None |
| Less: Unamortized discount | (29) | | |
| | <u>\$ 69, 971</u> | | |

- A. The above commercial papers were issued and secured by Mega Bills Finance Co., Ltd. and others for short-term financing.
- B. For interest expense recognized in profit or loss for the three-month and six-month periods ended June 30, 2023 and 2022, refer to Note 6(19).

(11) Pensions

- A. The Group has defined benefit pension plans in accordance with the Labor Standards Law, 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 Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2%~4% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, under the name of the independent retirement fund committee. Also, the Group would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contribution for the deficit by next March. The information on the Group's defined benefit pension plan is as follows:
- (a) The pension cost under the aforementioned defined benefit pension plans of the Group for the three-month and six-month periods ended June 30, 2023 and 2022 were \$387, \$406, \$781, and \$886, respectively.
- (b) The Group's expected contributions under the defined benefit pension plans for the year ending December 31, 2023 amount to \$2,032.

B. Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Group for the three-month and six-month periods ended June 30, 2023 and 2022 were \$4,674, \$4,290, \$8,942 and \$7,874, respectively.

(12) Share capital

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

| | For the six-month periods ended June 30, | |
|------------------------------|--|---------|
| | 2023 | 2022 |
| Beginning and ending balance | 159,975 | 159,975 |

B. As of June 30, 2023, the Company’s authorized capital was \$1,778,000 and the paid-in capital was \$1,599,749, consisting of 159,975 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(13) Capital surplus

Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserves should not be used to cover accumulated deficit unless the legal reserve is insufficient.

Movements in the Company’s capital reserves for the six-month periods ended June 30, 2023 and 2022 are as follows:

| | For the six-month period ended June 30, 2023 | | |
|------------------------------|--|-----------------------------|-----------|
| | Share premium | Treasury share transactions | Total |
| Beginning and ending balance | \$ 154 | \$ 23,630 | \$ 23,784 |

| | For the six-month period ended June 30, 2022 | | |
|------------------------------|--|-----------------------------|-----------|
| | Share premium | Treasury share transactions | Total |
| Beginning and ending balance | \$ 154 | \$ 23,630 | \$ 23,784 |

(14) Retained earnings

- A. Pursuant to the Company Act, the current year's after-tax earnings should set aside 10% of the remaining earnings as legal reserve until the balance of legal reserve is equal to that of paid-in capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- B. 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, and set aside or reverse special 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 50% to 100% of the unappropriated retained earnings. Since the Company is in a changeable industry environment and the life cycle of the Company is in a stable growth, the appropriation of earnings should consider fund requirements and capital budgets to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. The percentage of stock dividends shall not be more than 50% of dividends distributed.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. For the year ended December 31, 2022, the Company recognized dividends distributed to owners amounting to \$959,850 (\$6 (in dollars) per share as cash dividend). On May 25, 2023, the stockholders adopted the distribution of dividends from 2022 earnings in the amount of \$959,850 at \$6 (in dollars) per share. The dividends are yet to be distributed (shown as "Other payables").

(15) Operating revenue

| | For the three-month periods ended June 30, | |
|---------------------------------------|--|---------------|
| | 2023 | 2022 |
| Revenue from contracts with customers | \$ 5,661,485 | \$ 5,934,955 |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| Revenue from contracts with customers | \$ 11,869,401 | \$ 11,633,125 |

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

| For the three-month period ended June 30, 2023 | | | |
|--|---------------------------|--------------------------------|----------------------|
| | TTET Union Corporation | Master Channels Corporation | Total |
| Sales revenue | \$ 4,213,714 | \$ 1,313,748 | \$ 5,527,462 |
| Processing revenue | 117,676 | – | 117,676 |
| Logistics service revenue | – | 16,347 | 16,347 |
| | <u>\$ 4,331,390</u> | <u>\$ 1,330,095</u> | <u>\$ 5,661,485</u> |
| Timing of revenue recognition | | | |
| At a point in time | \$ 4,213,714 | \$ 1,313,748 | \$ 5,527,462 |
| Over time | 117,676 | 16,347 | 134,023 |
| | <u>\$ 4,331,390</u> | <u>\$ 1,330,095</u> | <u>\$ 5,661,485</u> |
| For the three-month period ended June 30, 2022 | | | |
| | TTET Union Corporation | Master Channels Corporation | Total |
| Sales revenue | \$ 4,802,601 | \$ 1,014,609 | \$ 5,817,210 |
| Processing revenue | 104,437 | – | 104,437 |
| Logistics service revenue | – | 13,308 | 13,308 |
| | <u>\$ 4,907,038</u> | <u>\$ 1,027,917</u> | <u>\$ 5,934,955</u> |
| Timing of revenue recognition | | | |
| At a point in time | \$ 4,802,601 | \$ 1,014,609 | \$ 5,817,210 |
| Over time | 104,437 | 13,308 | 117,745 |
| | <u>\$ 4,907,038</u> | <u>\$ 1,027,917</u> | <u>\$ 5,934,955</u> |
| For the six-month period ended June 30, 2023 | | | |
| | TTET Union Corporation | Master Channels Corporation | Total |
| Sales revenue | \$ 8,980,364 | \$ 2,623,452 | \$ 11,603,816 |
| Processing revenue | 233,756 | – | 233,756 |
| Logistics service revenue | – | 31,829 | 31,829 |
| | <u>\$ 9,214,120</u> | <u>\$ 2,655,281</u> | <u>\$ 11,869,401</u> |
| Timing of revenue recognition | | | |
| At a point in time | \$ 8,980,364 | \$ 2,623,452 | \$ 11,603,816 |
| Over time | 233,756 | 31,829 | 265,585 |
| | <u>\$ 9,214,120</u> | <u>\$ 2,655,281</u> | <u>\$ 11,869,401</u> |

| | For the six-month period ended June 30, 2022 | | |
|-------------------------------|--|-----------------------------|----------------------|
| | TTET Union Corporation | Master Channels Corporation | Total |
| Sales revenue | \$ 9,268,347 | \$ 2,125,363 | \$ 11,393,710 |
| Processing revenue | 214,623 | – | 214,623 |
| Logistics service revenue | – | 24,792 | 24,792 |
| | <u>\$ 9,482,970</u> | <u>\$ 2,150,155</u> | <u>\$ 11,633,125</u> |
| Timing of revenue recognition | | | |
| At a point in time | \$ 9,268,347 | \$ 2,125,363 | \$ 11,393,710 |
| Over time | 214,623 | 24,792 | 239,415 |
| | <u>\$ 9,482,970</u> | <u>\$ 2,150,155</u> | <u>\$ 11,633,125</u> |

B. Contract liabilities

- (a) As of June 30, 2023, December 31, 2022, June 30, 2022 and January 1, 2022, the Group has recognized the revenue-related liabilities amounting to \$92,954, \$60,560, \$47,630 and \$30,405, respectively.
- (b) Revenue recognized that was included in the contract liabilities balance at the beginning of 2023 and 2022 amounted to \$59,871 and \$30,145, respectively.

(16) Interest income

| | For the three-month periods ended June 30, | |
|------------------------------------|--|-----------------|
| | 2023 | 2022 |
| Interest income from bank deposits | \$ 1,394 | \$ 598 |
| Other interest income | 3,286 | 881 |
| | <u>\$ 4,680</u> | <u>\$ 1,479</u> |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| Interest income from bank deposits | \$ 1,454 | \$ 806 |
| Other interest income | 4,977 | 1,679 |
| | <u>\$ 6,431</u> | <u>\$ 2,485</u> |

(17) Other income

| | For the three-month periods ended June 30, | |
|--------------|--|-----------------|
| | 2023 | 2022 |
| Other income | <u>\$ 3,135</u> | <u>\$ 4,586</u> |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| Other income | <u>\$ 5,876</u> | <u>\$ 7,566</u> |

(18) Other gains and losses

| | For the three-month periods ended June 30, | |
|---|--|------------------|
| | 2023 | 2022 |
| Net gain on financial assets and liabilities at fair value through profit or loss | \$ 17,066 | \$ 34,469 |
| Net currency exchange gain | 1,336 | 2,825 |
| Loss on disposal of property, plant and equipment | – (| 21) |
| Loss from lease modification | (12) (| 75) |
| Other losses | – (| 832) |
| | <u>\$ 18,390</u> | <u>\$ 36,366</u> |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| Net gain on financial assets and liabilities at fair value through profit or loss | \$ 20,727 | \$ 53,332 |
| Net currency exchange gain | 13,271 | 2,774 |
| Loss on disposal of property, plant and equipment | (161) (| 21) |
| Loss from lease modification | (37) (| 116) |
| Other losses | – (| 832) |
| | <u>\$ 33,800</u> | <u>\$ 55,137</u> |

(19) Finance costs

| | For the three-month periods ended June 30, | |
|---------------------------------------|--|-----------------|
| | 2023 | 2022 |
| Interest expense: | | |
| Bank borrowings | \$ 992 | \$ 614 |
| Interest expense on lease liabilities | 1,342 | 732 |
| Other interest expense | 5 | 26 |
| | <u>\$ 2,339</u> | <u>\$ 1,372</u> |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| Interest expense: | | |
| Bank borrowings | \$ 2,150 | \$ 1,009 |
| Interest expense on lease liabilities | 2,701 | 1,500 |
| Other interest expense | 80 | 81 |
| | <u>\$ 4,931</u> | <u>\$ 2,590</u> |

(20) Expenses by nature

| For the three-month period ended June 30, 2023 | | | |
|--|----------------|-------------------|------------|
| | Operating cost | Operating expense | Total |
| Employee benefit expenses | \$ 26,489 | \$ 150,394 | \$ 176,883 |
| Depreciation | \$ 30,266 | \$ 23,824 | \$ 54,090 |
| Amortization | \$ 10 | \$ 172 | \$ 182 |

| For the three-month period ended June 30, 2022 | | | |
|--|----------------|-------------------|------------|
| | Operating cost | Operating expense | Total |
| Employee benefit expenses | \$ 31,580 | \$ 137,924 | \$ 169,504 |
| Depreciation | \$ 30,699 | \$ 20,797 | \$ 51,496 |
| Amortization | \$ 10 | \$ 136 | \$ 146 |

| For the six-month period ended June 30, 2023 | | | |
|--|----------------|-------------------|------------|
| | Operating cost | Operating expense | Total |
| Employee benefit expenses | \$ 56,352 | \$ 314,356 | \$ 370,708 |
| Depreciation | \$ 61,002 | \$ 47,555 | \$ 108,557 |
| Amortization | \$ 21 | \$ 338 | \$ 359 |

| For the six-month period ended June 30, 2022 | | | |
|--|----------------|-------------------|------------|
| | Operating cost | Operating expense | Total |
| Employee benefit expenses | \$ 67,244 | \$ 293,372 | \$ 360,616 |
| Depreciation | \$ 59,990 | \$ 41,763 | \$ 101,753 |
| Amortization | \$ 21 | \$ 306 | \$ 327 |

(21) Employee benefit expense

| For the three-month period ended June 30, 2023 | | | |
|--|----------------|-------------------|------------|
| | Operating cost | Operating expense | Total |
| Wages and salaries | \$ 23,937 | \$ 131,638 | \$ 155,575 |
| Labor and health insurance expenses | 1,426 | 8,664 | 10,090 |
| Pension costs | 631 | 4,430 | 5,061 |
| Other personnel expenses | 495 | 5,662 | 6,157 |
| | \$ 26,489 | \$ 150,394 | \$ 176,883 |

| For the three-month period ended June 30, 2022 | | | |
|--|----------------|-------------------|------------|
| | Operating cost | Operating expense | Total |
| Wages and salaries | \$ 28,937 | \$ 120,359 | \$ 149,296 |
| Labor and health insurance expenses | 1,455 | 7,965 | 9,420 |
| Pension costs | 677 | 4,019 | 4,696 |
| Other personnel expenses | 511 | 5,581 | 6,092 |
| | \$ 31,580 | \$ 137,924 | \$ 169,504 |

| | For the six-month period ended June 30, 2023 | | |
|-------------------------------------|--|-------------------|-------------------|
| | Operating cost | Operating expense | Total |
| Wages and salaries | \$ 51,170 | \$ 274,141 | \$ 325,311 |
| Labor and health insurance expenses | 2,910 | 20,209 | 23,119 |
| Pension costs | 1,271 | 8,452 | 9,723 |
| Other personnel expenses | 1,001 | 11,554 | 12,555 |
| | <u>\$ 56,352</u> | <u>\$ 314,356</u> | <u>\$ 370,708</u> |
| | For the six-month period ended June 30, 2022 | | |
| | Operating cost | Operating expense | Total |
| Wages and salaries | \$ 61,984 | \$ 256,726 | \$ 318,710 |
| Labor and health insurance expenses | 2,884 | 18,389 | 21,273 |
| Pension costs | 1,354 | 7,406 | 8,760 |
| Other personnel expenses | 1,022 | 10,851 | 11,873 |
| | <u>\$ 67,244</u> | <u>\$ 293,372</u> | <u>\$ 360,616</u> |

- A. According to 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' and supervisors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.
- B. For the three-month and six-month periods ended June 30, 2023 and 2022, employees' compensation was accrued at \$6,840, \$9,780, \$15,540, and \$21,990, respectively; while directors' and supervisors' remuneration was accrued at \$5,150, \$7,340, \$11,680, and \$16,500, respectively. The aforementioned amounts were recognized in salary expenses and accrued based on the distributable net profit of current period and the percentage prescribed under the Articles of Incorporation of the Company. The actual amount resolved by the Board of Directors for employees' compensation and directors' and supervisors' remuneration for 2022 was \$54,472, which is different from the estimated amount recognized in the 2022 financial statements of \$54,600, by (\$128). Such difference was recognized in profit and loss in 2023 and the employees' compensation and directors' and supervisors' remuneration were distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as proposed by the board of directors and resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

Components of income tax expense:

| | For the three-month periods ended June 30, | |
|---|--|------------|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the period | \$ 75,857 | \$ 98,482 |
| Tax on undistributed earnings | 8,341 | 8,921 |
| Prior period income tax under estimation | 1,410 | 766 |
| Total current tax | 85,608 | 108,169 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (1,140) | 1,260 |
| Income tax expense | \$ 84,468 | \$ 109,429 |

| | For the six-month periods ended June 30, | |
|---|--|------------|
| | 2023 | 2022 |
| Current tax: | | |
| Current tax on profits for the period | \$ 157,660 | \$ 220,507 |
| Tax on undistributed earnings | 8,341 | 8,921 |
| Prior year income tax under estimation | 1,410 | 766 |
| Total current tax | 167,411 | 230,194 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 6,634 | 783 |
| Income tax expense | \$ 174,045 | \$ 230,977 |

B. As of August 11, 2023, the Company's income tax returns through 2021 have been assessed by the Tax Authority, and there were no disputes existing between the Company and the Tax Authority.

(23) Earnings per share

| For the three-month period ended June 30, 2023 | | | |
|---|-------------------------|---|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary 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 | \$ 258,366 | 159,975 | \$ 1.62 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 258,366 | 159,975 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | — | 111 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 258,366 | 160,086 | \$ 1.61 |
| For the three-month period ended June 30, 2022 | | | |
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary 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 | \$ 376,885 | 159,975 | \$ 2.36 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 376,885 | 159,975 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | — | 151 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 376,885 | 160,126 | \$ 2.35 |

| For the six-month period ended June 30, 2023 | | | |
|---|-------------------------|---|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary 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 | \$ 604,986 | 159,975 | \$ 3.78 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 604,986 | 159,975 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | — | 185 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 604,986 | 160,160 | \$ 3.78 |
| For the six-month period ended June 30, 2022 | | | |
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary 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 | \$ 854,192 | 159,975 | \$ 5.34 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 854,192 | 159,975 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | — | 213 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | \$ 854,192 | 160,188 | \$ 5.33 |

(24) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | For the six-month periods ended June 30, | |
|--|--|------------------|
| | 2023 | 2022 |
| Purchase of property, plant and equipment | \$ 88,971 | \$ 69,228 |
| Add: Opening balance of payable on equipment (listed under "Other payables") | 317 | 7,623 |
| Cash paid for the acquisition of property, plant and equipment | <u>\$ 89,288</u> | <u>\$ 76,851</u> |

B. Operating and financing activities with no cash flow effects:

| | For the six-month periods ended June 30, | |
|---|--|---------------|
| | 2023 | 2022 |
| (a) Write-off of allowance for doubtful accounts | <u>\$ 22</u> | <u>\$ 133</u> |
| | | |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| (b) Cash dividends declared | \$ 959,850 | \$ 959,850 |
| Less: Ending balance of payable on cash dividends (listed under "Other payables") | (959,850) | (959,850) |
| Cash paid for dividends | <u>\$ -</u> | <u>\$ -</u> |

(25) Changes in liabilities from financing activities

| | Short-term borrowings | Short-term notes and bills payable | Lease liabilities | Guarantee deposits received | Liabilities from financing activities-gross |
|--|-----------------------|------------------------------------|-------------------|-----------------------------|---|
| At January 1, 2023 | \$ 3,600 | \$ 69,949 | \$ 328,918 | \$ 6,593 | \$ 409,060 |
| Increase in lease liabilities | - | - | 22,049 | - | 22,049 |
| Decrease in lease liabilities | - | - | (331) | - | (331) |
| Changes in cash flow from financing activities | (3,600) | (50,000) | (30,366) | 9,214 | (74,752) |
| Changes in unamortized discounts | - | 47 | - | - | 47 |
| At June 30, 2023 | <u>\$ -</u> | <u>\$ 19,996</u> | <u>\$ 320,270</u> | <u>\$ 15,807</u> | <u>\$ 356,073</u> |

| | Short-term borrowings | Short-term notes and bills payable | Lease liabilities | Guarantee deposits received | Liabilities from financing activities-gross |
|----------------------------------|--------------------------|--|----------------------|-----------------------------------|---|
| At January 1, 2022 | \$ 65,516 | \$ 69,995 | \$ 208,239 | \$ 4,418 | \$ 348,168 |
| Increase in lease liabilities | - | - | 17,894 | - | 17,894 |
| Decrease in lease liabilities | - | - | (7,042) | - | (7,042) |
| Changes in cash flow | | | | | |
| from financing activities | (55,516) | - | (26,899) | (1,028) | (83,443) |
| Changes in unamortized discounts | - | (24) | - | - | (24) |
| At June 30, 2022 | <u>\$ 10,000</u> | <u>\$ 69,971</u> | <u>\$ 192,192</u> | <u>\$ 3,390</u> | <u>\$ 275,553</u> |

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Group |
|---|--|
| Uni-President Enterprises Corp. | Key management individuals |
| Great Wall Enterprise Co., Ltd. | " |
| Tai Hwa Oil Industrial Co., Ltd. | " |
| May Lan Lei Co., Ltd. | An entity controlled by key management individuals |
| Total Nutrition Technologies Co., Ltd. | " |
| Ton-Yi Industrial Corp. | " |
| President Chain Store Corp. | " |
| Nanlien International Corp. | " |
| President Nisshin Corp. | " |
| President Kikkoman Inc. | " |
| President Transnet Corp. | " |
| Uni-President Superior Commissary Corp. | " |
| Mister Donut Taiwan Co., Ltd. | " |
| Mech-President Corporation | " |
| Uni-President Oven Bakery Corp. | " |
| President Tokyo Corp. | " |
| Tung-Che Corp. | " |
| Presco Netmarketing, Inc. | " |
| Tung-Ho Development Co., Ltd. | " |
| Tung-Xian Corp. | " |
| Capital Marketing Consultant Corp. | " |
| Uni-President Cold Chain Corp. | " |
| Guan-Chan Enterprises Co., Ltd. | " |
| Benli Xin Yeh Corp. | " |
| JinHui Food Co., Ltd. | " |
| Tait Marketing & Distribution Co., Ltd. | " |
| 21Century Co., Ltd. | " |

| Names of related parties | Relationship with the Group |
|----------------------------------|---|
| Uni-President Organics Corp. | " |
| Zhong Yi Food Company Ltd. | " |
| Saboten Co., Ltd. | " |
| An Hsin Chiao Chu Co., Ltd. | " |
| Oriental Best Foods Co., Ltd. | " |
| Xiang Cheng Co., Ltd. | " |
| Kouchan Mill Co., Ltd. | " |
| Weilih Food Industrial Co., Ltd. | Investee of key management individual accounted for under the equity method |

(2) Significant transactions and balances with related parties

A. Sales and processing revenue

| | For the three-month periods ended June 30, | |
|---|--|-------------------|
| | 2023 | 2022 |
| Sales of merchandise and finished goods: | | |
| — An entity controlled by key management individuals | \$ 117,350 | \$ 137,658 |
| — Key management individuals | 61,609 | 90,339 |
| — Investee of key management individual accounted for under the equity method | 2,795 | 3,424 |
| | <u>181,754</u> | <u>231,421</u> |
| Processing revenue: | | |
| — May Lan Lei Co., Ltd. | 91,249 | 79,522 |
| — Tai Hwa Oil Industrial Co., Ltd. | 23,175 | 21,159 |
| — Other entities controlled by key management individuals | 3,123 | 3,572 |
| — Other key management individuals | 128 | 184 |
| | <u>117,675</u> | <u>104,437</u> |
| | <u>\$ 299,429</u> | <u>\$ 335,858</u> |

| | For the six-month periods ended June 30, | |
|---|--|-------------------|
| | 2023 | 2022 |
| Sales of merchandise and finished goods: | | |
| — An entity controlled by key management individuals | \$ 287,410 | \$ 272,395 |
| — Key management individuals | 167,138 | 209,020 |
| — Investee of key management individual accounted for under the equity method | 4,642 | 4,410 |
| | <u>459,190</u> | <u>485,825</u> |
| Processing revenue: | | |
| — May Lan Lei Co., Ltd. | 180,987 | 164,236 |
| — Tai Hwa Oil Industrial Co., Ltd. | 45,596 | 42,806 |
| — Other entities controlled by key management individuals | 6,954 | 7,257 |
| — Other key management individuals | 218 | 324 |
| | <u>233,755</u> | <u>214,623</u> |
| | <u>\$ 692,945</u> | <u>\$ 700,448</u> |

The collection period for related parties was 7~45 days after sales of goods, 10~45 days for sales to regular customers. The price was the same for related and third parties. The terms of providing processing services to related parties were the same with regular customers. The above related parties close their accounts at the end of each month and made payments within 15 days after. The pricing depends on the contract and management methods.

B. Purchases

| | For the three-month periods ended June 30, | |
|--|--|-------------------|
| | 2023 | 2022 |
| An entity controlled by key management individuals | \$ 132,441 | \$ 106,437 |
| Key management individuals | 70,508 | 18,970 |
| | <u>\$ 202,949</u> | <u>\$ 125,407</u> |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| An entity controlled by key management individuals | \$ 250,238 | \$ 231,321 |
| Key management individuals | 121,168 | 49,421 |
| | <u>\$ 371,406</u> | <u>\$ 280,742</u> |

The terms of purchases and payments are made in 15~30 days after receipt to related parties which were the same with third party suppliers, except for an entity controlled by key management individuals, wherein payments are made in 12~25 days after receipt. The price was the same for related and third parties.

C. Accounts receivable

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--|-------------------|-------------------|------------------|
| An entity controlled by key management individuals | \$ 77,769 | \$ 69,245 | \$ 62,433 |
| Key management individuals | 22,929 | 71,876 | 35,957 |
| | <u>\$ 100,698</u> | <u>\$ 141,121</u> | <u>\$ 98,390</u> |

D. Accounts payable

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--|------------------|-------------------|------------------|
| An entity controlled by key management individuals | \$ 51,409 | \$ 51,858 | \$ 34,188 |
| Key management individuals | 2,439 | 4,216 | 1,838 |
| | <u>\$ 53,848</u> | <u>\$ 56,074</u> | <u>\$ 36,026</u> |

E. Lease transactions—lessee

(a) The Group leases commercial vehicle from President Tokyo Corp. Rental contracts are typically made for periods of 1 to 6 years. Rents are paid monthly.

(b) Acquisition of right-of-use assets:

| | For the three-month periods ended June 30, | |
|--|--|------------------|
| | 2023 | 2022 |
| An entity controlled by key management individuals | <u>\$ 11,373</u> | <u>\$ 2,178</u> |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| An entity controlled by key management individuals | <u>\$ 20,375</u> | <u>\$ 15,653</u> |

As of June 30, 2023, December 31, 2022 and June 30, 2022, the lease liability balance was \$72,414, \$66,372 and \$60,193, respectively. Interest expense recognized amounted to \$284, \$248, \$575, and \$530 (shown as “Finance costs”) for the three-month and six-month periods ended June 30, 2023 and 2022, respectively.

(3) Key management compensation

| | For the three-month periods ended June 30, | |
|---|--|------------------|
| | 2023 | 2022 |
| Salaries and other short-term employee benefits | <u>\$ 38,000</u> | <u>\$ 37,498</u> |
| | For the six-month periods ended June 30, | |
| | 2023 | 2022 |
| Salaries and other short-term employee benefits | <u>\$ 81,555</u> | <u>\$ 79,416</u> |

8. PLEDGED ASSETS

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

| Assets pledged | Book Value | | | Purpose of collateral |
|----------------------------|-------------------|-------------------|-------------------|-----------------------|
| | June 30, 2023 | December 31, 2022 | June 30, 2022 | |
| Land (Note 1) | \$ 44,244 | \$ 44,244 | \$ 44,244 | (Note 2) |
| Buildings, net (Note 1) | 75,797 | 80,440 | 84,354 | " |
| | <u>\$ 120,041</u> | <u>\$ 124,684</u> | <u>\$ 128,598</u> | |

(Note 1) Recognized as "Property, plant, and equipment".

(Note 2) The associated debt has been repaid but the designation of 'Property, plant, and equipment' as collateral has not yet been removed.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of June 30, 2023, December 31, 2022 and June 30, 2022, the unused letters of credit amounted to \$1,265,340, \$1,315,612 and \$1,719,446, respectively.

(2) Capital expenditures contracted for but not yet incurred

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|-------------------------------|-------------------|-------------------|------------------|
| Property, plant and equipment | <u>\$ 138,111</u> | <u>\$ 42,443</u> | <u>\$ 87,444</u> |

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 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

Details of financial instruments by category of the Group are described in Note 6.

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 the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

- (b) Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's and the subsidiary's operating units.
- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

- (i) Some purchases and sales are valued in US dollars, therefore the fair value changes with market exchange rate.
- (ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets and liabilities at fair value through profit or loss are provided in Note 6(2).
- (iii) The Group's businesses involve some non-functional currency operations (the Company's and the subsidiary's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| June 30, 2023 | | | |
|--|------------------------------|----------------------|-------------------|
| Foreign currency | | | |
| | <u>amount (in thousands)</u> | <u>Exchange rate</u> | <u>Book value</u> |
| (foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 336 | 31.19 | \$ 10,470 |
| December 31, 2022 | | | |
| Foreign currency | | | |
| | <u>amount (in thousands)</u> | <u>Exchange rate</u> | <u>Book value</u> |
| (foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 67 | 30.76 | \$ 2,073 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | 117 | 30.76 | 3,600 |

| June 30, 2022 | | | |
|--|------------------------------|----------------------|-------------------|
| Foreign currency | | | |
| | <u>amount (in thousands)</u> | <u>Exchange rate</u> | <u>Book value</u> |
| (foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 150 | 29.77 | \$ 4,454 |

- (iv) As of June 30, 2023 and 2022, if the NTD:USD exchange rate appreciates / depreciates by 1% with all other factors remaining constant, the after-tax profit for the six-month periods ended June 30, 2023 and 2022, would increase/decrease by \$84 and \$35, respectively.
- (v) The unrealized exchange gain arising from significant foreign exchange variation on monetary items held by the Group for the three-month and six-month periods ended June 30, 2023 and 2022, amounted to \$—, \$37, \$— and \$—, respectively.

II. Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group has set various stop loss points to ensure that the Group is not exposed to significant market risks.

The Group's invests in listed stocks and unlisted stocks. 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 2% with all other variables held constant, other components of equity for the six-month periods ended June 30, 2023 and 2022 would have increased/decreased by \$1,337 and \$1,018, 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

If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, there is no significant effect on after-tax profit for the six-month periods ended June 30, 2023 and 2022.

(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.
- II. The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a certain rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- III. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- IV. The Group adopts the assumption under IFRS 9, whereby the default occurs when the contract payments are past due over 90 days.
- V. The Group wrote-off financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

VI. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using the provision matrix to estimate expected credit loss. The Group uses the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable, and the expected loss rate ranged from 0.3% to 100%. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | For the six-month period ended June 30, 2023 | | |
|--|--|---------------------|-----------------|
| | Notes receivable | Accounts receivable | Total |
| At January 1 | \$ 1,380 | \$ 5,946 | \$ 7,326 |
| Provision (reversal) for impairment | 85 | (178) | (93) |
| Write-off of allowance for doubtful accounts | <u>-</u> | <u>(22)</u> | <u>(22)</u> |
| At June 30 | <u>\$ 1,465</u> | <u>\$ 5,746</u> | <u>\$ 7,211</u> |

| | For the six-month period ended June 30, 2022 | | |
|--|--|---------------------|-----------------|
| | Notes receivable | Accounts receivable | Total |
| At January 1 | \$ 1,398 | \$ 4,898 | \$ 6,296 |
| (Reversal) provision for impairment | (88) | 414 | 326 |
| Write-off of allowance for doubtful accounts | <u>-</u> | <u>(133)</u> | <u>(133)</u> |
| At June 30 | <u>\$ 1,310</u> | <u>\$ 5,179</u> | <u>\$ 6,489</u> |

(c) Liquidity risk

- I. Cash flow forecasting is performed by the Finance Division of the Group. Finance division 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. For the forward exchange agreement which the Group is engaged in, the expected cash outflow amounted to US\$26,150 thousand. There is no significant risk because the rate of forward exchange agreement had already been confirmed.
- III. The Group has the following undrawn borrowing facilities:

| | June 30, 2023 | December 31, 2022 | June 30, 2022 |
|--------------------------|---------------------|---------------------|---------------------|
| Floating rate: | | | |
| Expiring within one year | <u>\$ 6,219,754</u> | <u>\$ 6,075,450</u> | <u>\$ 6,044,279</u> |

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

| June 30, 2023 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---------------------|--------------------------|--------------------------|----------------------|
| Non-derivative financial liabilities: | | | | |
| Short-term notes and bills payable | \$ 20,000 | \$ – | \$ – | \$ – |
| Notes payable | 2,515 | – | – | – |
| Accounts payable (including related parties) | 742,537 | – | – | – |
| Other payables | 1,329,745 | – | – | – |
| Lease liabilities (including current and non-current portion) | 62,116 | 55,161 | 83,440 | 154,137 |
| Guarantee deposits received | – | 14,425 | – | 1,382 |
| December 31, 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | \$ 3,600 | \$ – | \$ – | \$ – |
| Short-term notes and bills payable | 70,000 | – | – | – |
| Notes payable | 5,007 | – | – | – |
| Accounts payable (including related parties) | 870,974 | – | – | – |
| Other payables | 419,416 | – | – | – |
| Lease liabilities (including current and non-current portion) | 57,600 | 51,277 | 77,659 | 144,511 |
| Guarantee deposits received | – | 6,593 | – | – |
| Derivative liabilities: | | | | |
| Forward foreign exchange contracts | 168 | – | – | – |

| June 30, 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---|---------------------|--------------------------|--------------------------|----------------------|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | \$ 10,003 | \$ – | \$ – | \$ – |
| Short-term notes and bills payable | 70,000 | – | – | – |
| Notes payable | 2,394 | – | – | – |
| Accounts payable (including related parties) | 597,542 | – | – | – |
| Other payables | 1,287,224 | – | – | – |
| Lease liabilities (including current and non-current portion) | 47,642 | 44,015 | 69,775 | 40,496 |
| Guarantee deposits received | – | 3,390 | – | – |

(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 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. The fair value of the Group's investment in forward foreign exchange contracts is included in Level 2.

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. Financial instruments not measured at fair value

The financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable (including related parties), other payables and guarantee deposits received) are based on their book value which approximates fair value.

C. The related information on 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:

| June 30, 2023 | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward foreign exchange contract | \$ <u> –</u> | \$ <u> 8,048 </u> | \$ <u> –</u> | \$ <u> 8,048 </u> |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities - non-current | \$ <u> 65,574 </u> | \$ <u> –</u> | \$ <u> 1,275 </u> | \$ <u> 66,849 </u> |
| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities - non-current | \$ <u> 55,544 </u> | \$ <u> –</u> | \$ <u> 1,275 </u> | \$ <u> 56,819 </u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward foreign exchange contract | \$ <u> –</u> | \$ <u> 168 </u> | \$ <u> –</u> | \$ <u> 168 </u> |
| June 30, 2022 | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward foreign exchange contract | \$ <u> –</u> | \$ <u> 5,447 </u> | \$ <u> –</u> | \$ <u> 5,447 </u> |
| Financial liabilities at fair value through other comprehensive income | | | | |
| Equity securities - non-current | \$ <u> 49,601 </u> | \$ <u> –</u> | \$ <u> 1,275 </u> | \$ <u> 50,876 </u> |

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

The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

E. For the six-month periods ended June 30, 2023 and 2022, there was no transfer between Level 1 and Level 2.

F. The following is the movement of level 3 for the six-month periods ended June 30, 2023 and 2022:

| | |
|--|-----------------------------|
| | <u>Equity Securities</u> |
| For the six-month period ended June 30, 2023 | \$ <u> 1,275 </u> |
| | <u>Equity Securities</u> |
| For the six-month period ended June 30, 2022 | \$ <u> 1,275 </u> |

G. For the six-month periods ended June 30, 2023 and 2022, there was no transfer into or out from Level 3.

H. Finance division is in charge of valuation procedures for fair value measurements being categorized 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.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the six-month period ended June 30, 2023.

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiary, associates and joint ventures): Refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 2.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Refer to Note 6(2), "Financial assets and liabilities at fair value through profit or loss - current".

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: None.

(4) Major shareholders information

Major shareholders information: Refer to table 6.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on information provided to the Group's chief operating decision maker in order to make strategic decisions. The components of the Group and the basis for identification and measurement of segment information had no significant changes in this period.

(2) Segment information

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

| For the six-month period ended June 30, 2023 | TTET Union Corporation | Master Channels Corporation | Total |
|---|---------------------------|--------------------------------|---------------|
| Segment revenue | \$ 9,386,452 | \$ 2,655,281 | \$ 12,041,733 |
| Revenue from internal customers | 172,332 | – | 172,332 |
| Revenue from external customers | 9,214,120 | 2,655,281 | 11,869,401 |
| Segment income | 647,692 | 155,766 | 803,458 |
| Depreciation and amortization | 69,574 | 39,342 | 108,916 |
| Segment assets | 5,830,789 | 1,807,847 | 7,638,636 |

| For the six-month period ended June 30, 2022 | TTET Union Corporation | Master Channels Corporation | Total |
|---|---------------------------|--------------------------------|---------------|
| Segment revenue | \$ 9,635,862 | \$ 2,150,155 | \$ 11,786,017 |
| Revenue from internal customers | 15,282 | – | 15,282 |
| Revenue from external customers | 9,482,970 | 2,150,155 | 11,633,125 |
| Segment income | 986,210 | 117,486 | 1,103,696 |
| Depreciation and amortization | 69,795 | 32,285 | 102,080 |
| Segment assets | 6,006,460 | 1,311,108 | 7,317,568 |

(3) Reconciliation for segment income and segment assets

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. The amounts provided to the chief operating decision-maker with respect to segment income and segment assets are measured consistent with that of the financial statements.

TTET Union Corporation and Subsidiary

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

June 30, 2023

Table 1

Expressed in thousands of NTD

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of June 30, 2023 | | | | |
|------------------------|--|---|---|---------------------|------------|-----------|------------|------|
| | | | | Number of shares | Book value | Ownership | Fair value | Note |
| TTET Union Corporation | Stock: | | | | | | | |
| | FOOD CHINA INC. | — | Financial assets at fair value through other comprehensive income - non-current | 400,000 | \$ 1,275 | 1.08% | \$ 1,275 | — |
| | | | | | | | | |
| | Taiwan Mobile Co., Ltd. | — | Financial assets at fair value through other comprehensive income - non-current | 160,000 | 15,296 | — | 15,296 | — |
| | | | | | | | | |
| | TAIWAN SECOM CO., LTD. | — | Financial assets at fair value through other comprehensive income - non-current | 100,000 | 11,450 | — | 11,450 | — |
| | | | | | | | | |
| | Far Eastern New Century Corporation | — | Financial assets at fair value through other comprehensive income - non-current | 530,000 | 17,729 | — | 17,729 | — |
| | | | | | | | | |
| | The Shanghai Commercial & Savings Bank, Ltd. | — | Financial assets at fair value through other comprehensive income - non-current | 228,796 | 10,387 | — | 10,387 | — |
| | | | | | | | | |
| | Formosa Plastics Corporation | — | Financial assets at fair value through other comprehensive income - non-current | 125,000 | 10,712 | — | 10,712 | — |

TTET Union Corporation and Subsidiary

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

For the six-month period ended June 30, 2023

Table 2

Expressed in thousands of NTD

| Purchase/sale company | Counterparty | Relationship with the counterparty | Description of transaction | | | | Description and reasons for difference in transaction terms compared to non-related party transactions | | Notes or accounts receivable/(payable) | | |
|-----------------------------|---------------------------------|--|----------------------------|---------------|-------------------------------|---|--|-------------|--|---|------|
| | | | Purchases | Amount | Percentage of total purchases | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Note |
| | | | /(sales) | | /(sales) | | | | | | |
| TTET Union Corporation | Uni-President Enterprises Corp. | The investor of the Company | (Sales) | (\$ 126, 731) | (1%) | 15 days after sales | \$ - | (Note 1) | \$ 14, 295 | 2% | — |
| | Master Channels Corporation | An investee company accounted for under the equity method | (Sales) | (172, 332) | (2%) | Closes its accounts each half month, notes due in 20 days | - | (Note 1) | 30, 122 | 5% | — |
| | Ton-Yi Industrial Corp. | An investee company of Uni-President Enterprises Corp. accounted for under the equity method | Purchases | 176, 137 | 2% | 30 days after acceptance | - | (Note 2) | (33, 547) | (21%) | — |
| | May Lan Lei Co., Ltd. | An investee company of Great Wall Enterprise Co., Ltd. accounted for under the equity method | (Processing revenue) | (180, 987) | (77%) | Closes its accounts 15 days after the end of each month | - | (Note 1) | 31, 588 | 5% | — |
| Master Channels Corporation | TTET Union Corporation | The Company | Purchases | 172, 332 | 8% | Closes its accounts each half month, notes due in 20 days | - | — | (30, 122) | (5%) | — |

Note 1: The collection period for third parties was 10~45 days after sales of goods.

Note 2: Payments to third parties were made in 12~30 days after receipt of goods.

TTET Union Corporation and Subsidiary
Significant inter-company transactions during the reporting period
For the six-month period ended June 30, 2023

Table 3

Expressed in thousands of NTD

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction terms | | | | Percentage of total consolidated revenues or total assets (Note 3) |
|--------------------|------------------------|-----------------------------|--------------------------|------------------------|-----------------|---|--|---|
| | | | | General ledger account | Amount | Transaction terms | | |
| 0 | TTET Union Corporation | Master Channels Corporation | 1 | Sales | ($\$$ 172,332) | Closes its accounts each half month, notes due in 20 days | | (1%) |
| | | | | Accounts receivable | 30,122 | — | | — |

Note 1: 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 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.)

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated revenues or total assets, it is computed based on period-end balance of transaction to consolidated assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

TTET Union Corporation and Subsidiary
Information on investees (not including investees in China)
For the six-month period ended June 30, 2023

Table 4

Expressed in thousands of NTD

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at June 30, 2023 | | | Net profit (loss) of the investee for the six-month period ended June 30, 2023 | Investment income (loss) recognized by the Company for the six-month period ended June 30, 2023 | Note |
|------------------------|-----------------------------|----------|--------------------------|-----------------------------|---------------------------------|---------------------------------|-----------|------------|--|---|------------|
| | | | | Balance as at June 30, 2023 | Balance as at December 31, 2022 | Number of shares | Ownership | Book value | | | |
| TTET Union Corporation | Master Channels Corporation | Taiwan | Wholesale of food | \$ 138,585 | \$ 138,585 | 24,079,998 | 80.27 | \$ 528,739 | \$ 123,770 | \$ 99,342 | Subsidiary |

TTET Union Corporation and Subsidiary
Information on investments in Mainland China
For the six-month period ended June 30, 2023

Table 5

Expressed in thousands of NTD

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2023 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2023 | | Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2023 | Net income of investee for the six-month period ended June 30, 2023 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the six-month period ended June 30, 2023 | Book value of investments as of June 30, 2023 | Accumulated amount of investment income remitted back to Taiwan as of June 30, 2023 | Note |
|--|---|--------------------|----------------------------------|--|--|------|--|---|---|--|---|---|------|
| Beijing FoodChina Online Information and Technology Ltd. | Program planning, System design, etc. | \$ 43,666 | (2) | \$ 7,486 | \$ - | \$ - | \$ 7,486 | (\$ 5) | 1.08% | \$ - | \$ 1,275 | \$ - | — |

Note : Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Indirect investment in PRC through the existing company (FOOD CHINA INC.) located in the third area.
- (3) Others

| Company name | Accumulated investment balance from Taiwan to Mainland China | Amount approved by MOEA | Ceiling amount of investments in Mainland China imposed by MOEA (Note 1) |
|---------------------------|--|-------------------------------|--|
| TTET Union Corporation | \$ 7,486 | \$ 7,486 | \$ 2,956,976 |

Note 1: The ceiling amount is 60% of consolidated net worth.

Note 2: Foreign currencies were translated into New Taiwan Dollars using the exchange rate as of balance sheet date as follows: USD:NTD 1:31.19.

TTET Union Corporation and Subsidiary

Major shareholders information

June 30, 2023

Table 6

Expressed in shares

| Name of major shareholders | Number of shares held | | Ownership | Note |
|----------------------------------|-----------------------|------------------|-----------|------|
| | Common shares | Preferred shares | | |
| Uni-President Enterprises Corp. | 61,594,201 | — | 38.50% | — |
| Tai Hwa Oil Industrial Co., Ltd. | 27,327,706 | — | 17.08% | — |
| Great Wall Enterprise Co., Ltd. | 15,416,960 | — | 9.63% | — |
| Kai Yu Investment Co., Ltd. | 12,225,730 | — | 7.64% | — |

Note : The major shareholders information was calculated by Taiwan Depository & Clearing Corporation in accordance with the 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.

The share capital which was recorded on the financial statements might be different from the number of shares held in dematerialised form because of the different calculation basis.