CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REVIEW REPORT

JUNE 30, 2022 AND 2021

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of CastleNet Technology Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of CastleNet Technology Inc. and subsidiaries as at June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the related consolidated statements of changes in equity and of cash flows for the 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 "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

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 CastleNet Technology Inc. and subsidiaries as at June 30, 2022 and 2021, 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 "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Hsu, Sheng-Chung	Wu, Han-Chi

PricewaterhouseCoopers, Taiwan

August 5, 2022

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

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

	Assets	Notes	June 30, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%	June 30, 2021 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 117,379	5	$ 152,255	5	$ 243,320	8
1170	Accounts receivable, net	6(3) and 7	388,820	16	708,746	26	280,709	10
1200	Other receivables	7	42,972	2	44,596	2	68,908	2
130X	Inventory	6(4)	291,063	12	263,419	10	190,047	7
1460	Non-current assets or disposal groups classified as held for sale, net	6(7)	-	-	-	-	239,184	8
1479	Other current assets	8	41,753	2	35,228	1	303,487	11
11XX	**Total current assets**		881,987	37	1,204,244	44	1,325,655	46
	Non-current assets							
1510	Non-current financial assets at fair value through profit or loss	6(2)	1,459,707	61	1,455,382	54	1,466,518	51
1600	Property, plant and equipment	6(5)	24,898	1	29,368	1	29,227	1
1755	Right-of-use assets	6(6)	6,562	-	8,050	-	9,538	-
1780	Intangible assets		262	-	446	-	1,082	-
1840	Deferred income tax assets		3,853	-	2,988	-	10,749	-
1920	Guarantee deposits paid		818	-	14,764	1	21,286	1
1990	Other non-current assets		9,171	1	9,189	-	25,436	1
15XX	**Total non-current assets**		1,505,271	63	1,520,187	56	1,563,836	54
1XXX	**Total assets**		$ 2,387,258	100	$ 2,724,431	100	$ 2,889,491	100

(Continued)

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

			June 30, 2022		December 31, 2021		June 30, 2021	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Liabilities							
	Current liabilities							
2100	Short-term borrowings	6(8)	$ 45,000	2	$ 66,000	2	$ -	-
2130	Current contract liabilities	6(15)	14,562	-	20,202	1	16,786	-
2170	Accounts payable		74,263	3	24,113	1	198,909	7
2180	Accounts payable - related parties	7	373,256	16	694,579	25	401,782	14
2200	Other payables	6(9) and 7	47,197	2	53,145	2	46,187	2
2280	Current lease liabilities		3,087	-	3,106	-	3,077	-
2399	Other current liabilities		1,227	-	1,082	-	309,542	11
21XX	**Total current liabilities**		558,592	23	862,227	31	976,283	34
	Non-current liabilities							
2570	Deferred income tax liabilities		3,853	1	2,988	-	10,749	1
2580	Non-current lease liabilities		3,800	-	5,325	-	6,887	-
2600	Net defined benefit liability - non-current		3,417	-	11,515	1	6,389	-
25XX	**Total non-current liabilities**		11,070	1	19,828	1	24,025	1
2XXX	**Total liabilities**		569,662	24	882,055	32	1,000,308	35
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(12)						
3110	Common stock		1,886,180	79	1,886,180	69	1,886,180	65
	Capital surplus	6(11)(13)						
3200	Capital surplus		133,777	5	130,696	5	132,728	5
	Retained earnings	6(14)						
3310	Legal reserve		18,969	1	18,969	1	18,969	1
3350	Accumulated deficit		(177,400)	(7)	(148,399)	(5)	(100,612)	(4)
	Other equity interest							
3400	Other equity interest		(43,930)	(2)	(45,070)	(2)	(48,082)	(2)
31XX	**Equity attributable to owners of the parent**		1,817,596	76	1,842,376	68	1,889,183	65
3XXX	**Total equity**		1,817,596	76	1,842,376	68	1,889,183	65
	Significant events after the balance sheet date	11						
3X2X	**Total liabilities and equity**		$ 2,387,258	100	$ 2,724,431	100	$ 2,889,491	100

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for loss per share amount)
(UNAUDITED)

	Items	Notes	Three months ended June 30				Six months ended June 30			
			2022		2021		2022		2021	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(15)	$ 335,715	100	$ 243,915	100	$ 642,816	100	$ 535,526	100
5000	Operating costs	6(4) and 7	(299,720)	(89)	(254,370)	(104)	(584,102)	(91)	(536,609)	(100)
5950	Net operating margin		35,995	11	(10,455)	(4)	58,714	9	(1,083)	-
	Operating expenses	6(17)(18)								
6100	Selling expenses		(3,115)	(1)	(4,516)	(2)	(7,727)	(1)	(7,734)	(1)
6200	General and administrative expenses		(15,775)	(5)	(16,100)	(7)	(28,282)	(4)	(30,544)	(6)
6300	Research and development expenses		(28,849)	(8)	(23,201)	(9)	(54,937)	(9)	(41,383)	(8)
6000	Total operating expenses		(47,739)	(14)	(43,817)	(18)	(90,946)	(14)	(79,661)	(15)
6900	Operating loss		(11,744)	(3)	(54,272)	(22)	(32,232)	(5)	(80,744)	(15)
	Non-operating income and expenses									
7100	Interest income		83	-	156	-	110	-	277	-
7010	Other income		10	-	132	-	32	-	465	-
7020	Other gains and losses	6(16)	4,975	1	(9,737)	(4)	3,997	1	(15,553)	(3)
7050	Finance costs	6(6)(8)	(760)	-	(50)	-	(908)	-	(105)	-
7000	Total non-operating income and expenses		4,308	1	(9,499)	(4)	3,231	1	(14,916)	(3)
7900	**Loss before income tax**		(7,436)	(2)	(63,771)	(26)	(29,001)	(4)	(95,660)	(18)
7950	Income tax (expense) benefit	6(19)	-	-	-	-	-	-	-	-
8200	**Loss for the period**		($ 7,436)	(2)	($ 63,771)	(26)	($ 29,001)	(4)	($ 95,660)	(18)
	Other comprehensive income									
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Exchange differences on translation		($ 357)	-	($ 1,971)	(1)	$ 1,140	-	($ 3,324)	-
8300	**Other comprehensive income (loss) for the period, net of tax**		($ 357)	-	($ 1,971)	(1)	$ 1,140	-	($ 3,324)	-
8500	**Total comprehensive loss for the period**		($ 7,793)	(2)	($ 65,742)	(27)	($ 27,861)	(4)	($ 98,984)	(18)
	Loss attributable to:									
8610	Owners of the parent		($ 7,436)	(2)	($ 63,771)	(26)	($ 29,001)	(4)	($ 95,660)	(18)
	Comprehensive loss attributable to:									
8710	Owners of the parent		($ 7,793)	(2)	($ 65,742)	(27)	($ 27,861)	(4)	($ 98,984)	(18)
	Loss per share (in dollars)	6(20)								
9750	Basic loss per share		($ 0.04)		($ 0.34)		($ 0.15)		($ 0.51)	
9850	Diluted loss per share		($ 0.04)		($ 0.34)		($ 0.15)		($ 0.51)	

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent							
			Capital Reserves			Retained Earnings			
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Employee stock warrants	Capital surplus, others	Legal reserve	Accumulated deficit	Financial statements translation differences of foreign operations	Total equity
2021									
Balance at January 1, 2021		$ 1,886,180	$ 110,454	$ 14,694	$ 2,462	$ 18,969	($ 4,952)	($ 44,758)	$ 1,983,049
Loss for the period		-	-	-	-	-	(95,660)	-	(95,660)
Other comprehensive loss for the period		-	-	-	-	-	-	(3,324)	(3,324)
Total comprehensive loss		-	-	-	-	-	(95,660)	(3,324)	(98,984)
Employee share options	6(11)	-	-	5,122	-	-	-	-	5,122
Share-based payments	6(11)	-	(2,258)	2,258	-	-	-	-	-
Overdue dividends reclaimed by shareholders	6(13)	-	-	-	(21)	-	-	-	(21)
Others		-	-	-	17	-	-	-	17
Balance at June 30, 2021		$ 1,886,180	$ 108,196	$ 22,074	$ 2,458	$ 18,969	($ 100,612)	($ 48,082)	$ 1,889,183
2022									
Balance at January 1, 2022		$ 1,886,180	$ 102,340	$ 25,561	$ 2,795	$ 18,969	($ 148,399)	($ 45,070)	$ 1,842,376
Loss for the period		-	-	-	-	-	(29,001)	-	(29,001)
Other comprehensive income for the period		-	-	-	-	-	-	1,140	1,140
Total comprehensive income (loss)		-	-	-	-	-	(29,001)	1,140	(27,861)
Employee share options	6(11)	-	-	3,081	-	-	-	-	3,081
Share-based payments	6(11)	-	(855)	855	-	-	-	-	-
Balance at June 30, 2022		$ 1,886,180	$ 101,485	$ 29,497	$ 2,795	$ 18,969	($ 177,400)	($ 43,930)	$ 1,817,596

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six months ended June 30 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 29,001)	($ 95,660)
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(17)	8,566	6,457
Amortization	6(17)	184	457
(Gain) loss on expected credit impairment	12(3)	(63)	53
Employee share options	6(11)	3,081	5,122
Interest income		(110)	(277)
Interest expense		908	105
Gain on disposal of non-current assets held for sale	6(16)	-	(150)
(Gain) loss on financial assets at fair value through profit or loss	6(16)	(4,325)	13,037
Cost of provisions		1,107	1,027
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		319,989	66,569
Other receivables		-	7,155
Inventory		(31,450)	(151,879)
Other current assets		(6,525)	(24,227)
Other non-current assets		17	-
Changes in operating liabilities			
Current contract liabilities		(5,640)	6,900
Accounts payable		50,150	149,565
Accounts payable to related parties		(321,323)	(25,875)
Other payables		(5,853)	(1,759)
Other current liabilities		145	86
Other non-current liabilities		(5,581)	-
Cash outflow generated from operations		(25,724)	(43,294)
Interest paid		(779)	(105)
Income taxes received		12	-
Income taxes paid		(3)	(6)
Net cash flows used in operating activities		(26,494)	(43,405)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(21)	(2,649)	(4,177)
Unearned of non-current assets held for sale		-	311,405
Disposal of non-current assets held for sale		-	3,816
Increase in other current assets		-	(290,242)
Decrease (increase) in guarantee deposits paid		13,946	(5,696)
Decrease (increase) in receivables from raw materials purchases on behalf of others		1,616	(4,555)
Interest received		109	255
Net cash flows from investing activities		13,022	10,806

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CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Six months ended June 30 2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		($ 1,544)	($ 1,516)
Decrease in guarantee deposits received		-	(243)
Decrease in short-term borrowings		(21,000)	-
Overdue dividends reclaimed by shareholders		-	(21)
Others		-	17
Net cash flows used in financing activities		(22,544)	(1,763)
Effect of exchange rate changes		1,140	(385)
Net decrease in cash and cash equivalents		(34,876)	(34,747)
Cash and cash equivalents at beginning of period		152,255	278,067
Cash and cash equivalents at end of period		$ 117,379	$ 243,320

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

CASTLENET TECHNOLOGY INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021

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

(UNAUDITED)

1. History and Organization

CastleNet Technology Inc. (the "Company") was incorporated as a company limited by shares on June 26, 1998 and obtained its Business Registration Certificate on August 26, 1998. In addition, the Company's stocks were listed on the Taipei Exchange in March 2010. The Company is primarily engaged in the manufacture and sales of consumer electronics products such as broadband communications and digital home entertainment.

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 5, 2022.

3. Application of New Standards, Amendments and Interpretations

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
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, 2023

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2021.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

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

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) June 30, 2022	Ownership (%) December 31, 2021	Ownership (%) June 30, 2021
CastleNet Technology Inc.	CastleNet Technology (BVI) Inc.	Investment holdings	100	100	100
CastleNet Technology (BVI) Inc.	CastleNet Technology Inc.-Kunshan	Manufacture and design of broadband communication products such as modem	100	100	100

The financial statements of the abovementioned subsidiaries, which were included in the consolidated financial statements of the Company, as of and for the six-month periods ended June 30, 2022 and 2021 were all reviewed by independent auditors.

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

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

E. Restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, 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 was no significant change in the reporting period. Refer to Note 5 in the consolidated financial statements for the year ended December 31, 2021.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	June 30, 2022		December 31, 2021		June 30, 2021	
Cash on hand and revolving funds	$	211	$	202	$	213
Checking accounts and demand deposits		81,711		24,471		177,135
Time deposits		35,457		117,582		4,179
Repo bonds		-		10,000		61,793
	$	117,379	$	152,255	$	243,320

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

B. Details of the Group’s cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

	June 30, 2022		December 31, 2021		June 30, 2021	
Non-current items:						
Financial assets mandatorily measured at fair value through profit or loss						
Convertible bonds	$	1,387,389	$	1,387,389	$	1,412,771
Valuation adjustment		72,318		67,993		53,747
	$	1,459,707	$	1,455,382	$	1,466,518

A. The Group has no financial assets at fair value through profit or loss pledged to others.

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

	June 30, 2022		
Financial instruments	Contract amount (notional principal)		Contract period
Non-current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26

	December 31, 2021		
Financial instruments	Contract amount (notional principal)		Contract period
Non-current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26

	June 30, 2021		
Financial instruments	Contract amount (notional principal)		Contract period
Non-current items:			
Convertible bonds	KRW	54,990,000	2019.12.27~2024.12.26

C. On December 27, 2019, the Group acquired convertible bonds issued by SPI for KRW 54,990,000 thousand. In accordance with the contract, both parties may, in the event of any serious occurrence, decide whether to re-negotiate the coupon rate and other contract terms and conditions on a semi-annual basis, and interest will be charged annually at the agreed coupon rate. In addition, the Group has the right to convert the bonds into ordinary shares of SPI at KRW 1,000 per share upon maturity.

D. The interest received during the years ended December 31, 2021 and 2020 at the agreed coupon rate was $25,382 and $27,672, respectively.

E. The movements of the Company's financial assets measured at fair value through profit or loss are provided in Note 12(4).

(3) Notes and accounts receivable

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	$ 65	$ 1,117	$ 1,117
Accounts receivable	389,047	663,159	279,732
Accounts receivable due from related parties	-	44,825	-
Less: Allowance for bad debts	(292)	(355)	(140)
	$ 388,820	$ 708,746	$ 280,709

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
	Accounts receivable	Accounts receivable	Accounts receivable
Not past due	$ 373,786	$ 685,970	$ 275,158
Up to 90 days	15,326	23,131	5,691
	$ 389,112	$ 709,101	$ 280,849

B. As of January 1, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to $347,419.

C. The Group does not hold any collateral on its accounts receivable.

D. Information relating to credit risk is provided in Note 12(3).

(4) Inventories

	June 30, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 281,738	($ 4,464)	$ 277,274
Work in progress	725	(725)	-
Finished goods	18,840	(5,051)	13,789
	$ 301,303	($ 10,240)	$ 291,063

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 156,970	($ 4,324)	$ 152,646
Work in progress	785	(785)	-
Finished goods	115,494	(4,721)	110,773
	$ 273,249	($ 9,830)	$ 263,419

	June 30, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 117,928	($ 4,476)	$ 113,452
Work in progress	826	(808)	18
Finished goods	83,049	(6,472)	76,577
	$ 201,803	($ 11,756)	$ 190,047

	Three-month periods ended June 30,	
	2022	2021
Cost of goods sold	$ 299,882	$ 253,232
Valuation (gain) loss	(162)	1,138
	$ 299,720	$ 254,370

	Six-month periods ended June 30,	
	2022	2021
Cost of goods sold	$ 583,692	$ 544,649
Valuation loss (gain)	410	(8,040)
	$ 584,102	$ 536,609

For the three-month and six-month periods ended June 30, 2022 and 2021, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because of the sale of inventories whose net realisable value was lower than its cost.

(5) Property, plant and equipment

	Test equipment	Molding equipment	Implements equipment	Other equipment	Total
At January 1, 2022					
Cost	$ 38,862	$ 11,398	$ 5,227	$ 6,486	$ 61,973
Accumulated depreciation and impairment	(26,458)	(3,383)	(463)	(2,301)	(32,605)
	$ 12,404	$ 8,015	$ 4,764	$ 4,185	$ 29,368
2022					
Opening net book amount as at January 1	$ 12,404	$ 8,015	$ 4,764	$ 4,185	$ 29,368
Additions	-	869	1,484	255	2,608
Depreciation charge	(2,802)	(2,928)	(675)	(673)	(7,078)
Closing net book amount as at June 30	$ 9,602	$ 5,956	$ 5,573	$ 3,767	$ 24,898
At June 30, 2022					
Cost	$ 38,162	$ 12,150	$ 6,711	$ 6,373	$ 63,396
Accumulated depreciation and impairment	(28,560)	(6,194)	(1,138)	(2,606)	(38,498)
	$ 9,602	$ 5,956	$ 5,573	$ 3,767	$ 24,898

	Buildings and structures	Test equipment	Molding equipment	Implements equipment	Other equipment	Total
At January 1, 2021						
Cost	$213,817	$ 45,737	$ 2,264	$ 4,363	$ 38,309	$304,490
Accumulated depreciation and impairment	(22,094)	(29,485)	(1,127)	(3,815)	(26,257)	(82,778)
	191,723	16,252	1,137	548	12,052	221,712
Transfer to non-current assets held for sale	(191,723)	(830)	-	(490)	(6,625)	(199,668)
	$ -	$ 15,422	$ 1,137	$ 58	$ 5,427	$ 22,044
2021						
Opening net book as at January 1	$ -	$ 15,422	$ 1,137	$ 58	$ 5,427	$ 22,044
Additions	-	2,560	5,468	4,029	95	12,152
Depreciation charge	-	(3,056)	(1,143)	(14)	(756)	(4,969)
Closing net book amount as at June 30	$ -	$ 14,926	$ 5,462	$ 4,073	$ 4,766	$ 29,227
At June 30, 2021						
Cost	$ -	$ 40,881	$ 7,324	$ 4,169	$ 7,293	$ 59,667
Accumulated depreciation and impairment	-	(25,955)	(1,862)	(96)	(2,527)	(30,440)
	$ -	$ 14,926	$ 5,462	$ 4,073	$ 4,766	$ 29,227

The Group has no property, plant and equipment pledged to others as collateral for borrowings.

(6) Leasing arrangements－lessee

A. The Group leases various assets including land, buildings, office and warehouse. Rental contracts are typically made for periods of 2-5 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. Short-term leases with a lease term of 12 months or less comprise part of office. Low-value assets comprise parking space and other office equipment.

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

	June 30, 2022	December 31, 2021	June 30, 2021
	Carrying amount	Carrying amount	Carrying amount
Buildings, office and warehouse	$ 6,562	$ 8,050	$ 9,538

	Three-month periods ended June 30,	
	2022	2021
	Depreciation charge	Depreciation charge
Buildings, office and warehouse	$ 744	$ 744

	Six-month periods ended June 30,	
	2022	2021
	Depreciation charge	Depreciation charge
Buildings, office and warehouse	$ 1,488	$ 1,488

D. For the three-month and six-month periods ended June 30, 2022 and 2021, there were no additions to right-of-use assets.

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

	Three-month periods ended June 30,	
	2022	2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 36	$ 50
Expense on short-term lease contracts	365	351
Expense on leases of low-value assets	128	120

	Six-month periods ended June 30,	
	2022	2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 76	$ 105
Expense on short-term lease contracts	743	626
Expense on leases of low-value assets	248	216

F. For the six-month periods ended June 30, 2022 and 2021, the Group’s total cash outflow for leases were $2,611 and $2,463, respectively.

(7) Non-current assets held for sale and discontinued operations

The assets related to land use right and property, plant and equipment of the subsidiary, CastleNet Technology Inc. – Kunshan, have been reclassified as disposal group held for sale following the approval of the Group’s Board of Directors on December 18, 2020 to sell those assets to activate the use of funds for adjusting operational changes in the subsidiary.

A. Assets of disposal group classified as held for sale:

	June 30, 2022	December 31, 2021	June 30, 2021
Property, plant and equipment	$ -	$ -	$ 189,584
Land use right	-	-	39,893
Other asset	-	-	9,707
	$ -	$ -	$ 239,184

B. The fair value of the land use right, property, plant and equipment and other non-current assets held by the Group as at December 31, 2020 was $310,862, which was valued by independent valuers. Valuations were made using the market comparison approach and cost approach which are categorised within Level 3 in the fair value hierarchy.

C. The Group has entered into an agreement with Min-An Property Ltd. – Kunshan (Note) on February 4, 2021 whereby the total disposal proceeds from the above transaction amounted to RMB 71,500 thousand. All proceeds have been collected. The transfer process has been completed on July 13, 2021. Thus, the advance receipts totaling $246,682 deposited in an escrow account have been transferred to demand deposits and were reclassified from 'other current assets' to 'cash and cash equivalents'.

Note: The name of counterparty was converted into English using transliteration.

D. Details of the Group's advance receipts with non-current assets held for sale pledged to others as collateral are provided in Note 8.

(8) Short-term borrowings

Type of borrowings	June 30, 2022	Borrowing period	Interest rate	Collateral
Bank borrowings	$ 45,000	2022/2/23~2022/10/13	1.62%~1.695%	Note 8

Type of borrowings	December 31, 2021	Borrowing period	Interest rate	Collateral
Bank borrowings	$ 66,000	2021/11/15~2022/3/15	1.50%	Note 8

A. Interest expense recognised in profit or loss amounted to $721, $0, $829 and $0 for the three-month and six-month periods ended June 30, 2022 and 2021, respectively.

B. As of June 30, 2021, the Group had no short-term borrowings.

(9) Other accounts payable

	June 30, 2022	December 31, 2021	June 30, 2021
Wages and bonuses payable	$ 18,567	$ 23,377	$ 16,806
Payable on labor costs	8,061	4,585	4,478
Payable on spare parts	5,159	7,300	5,287
Payable on tender costs	3,987	5,158	-
Payable on machinery and equipment	2,268	2,309	8,722
Others	9,155	10,416	10,894
	$ 47,197	$ 53,145	$ 46,187

(10) Pensions

A. Defined benefit plans

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the 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 Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) For the aforementioned pension plan, no pension cost was recognised by the Group for the three-month and six-month periods ended June 30, 2022 and 2021.

(c) The Group has no expected contributions to the defined benefit pension plan for the year ending December 31, 2023.

B. Defined contribution plans

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute 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.

(b) For the aforementioned pension plan, the Group recognised pension costs of $1,033, $944, $2,037 and $1,781 for the three-month and six-month periods ended June 30, 2022 and 2021, respectively.

(11) Share-based payment

A. For the six-month periods ended June 30, 2022 and 2021, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Employee stock options	2019.8.30	8,508	7 years	Note
Employee stock options	2020.12.25	1,663	7 years	Note
Employee stock options	2021.11.24	1,337	7 years	Note

Note: The employee stock options are 50% vested after 2 years' service, 75% vested after 3 years' service and 100% vested after 4 years' service.

B. Details of the share-based payment arrangements are as follows:

	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	9,075	$ 12.13	8,448	$ 13.56
Options forfeited	(385)	-	(400)	-
Options outstanding at June 30	8,690	$ 12.12	8,048	$ 12.36
Options exercisable at June 30	2,910	$ 12.60	-	$ -

C. The fair value of stock options granted on August 30, 2019, December 25, 2020 and November 24, 2021 are measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (Year)	Expected dividends (%)	Risk-free interest rate (%)	Fair value per unit (in dollars)
Employee stock options	2019.8.30	$ 13.60	$ 12.60	39.979~ 41.061%	3.25~ 4.375	-	0.522 ~ 0.543%	$ 4.01~ 4.52
Employee stock options	2020.12.25	11.45	11.45	43.540~ 46.311%	3.25~ 4.375	-	0.177 ~ 0.197%	3.73~ 4.05
Employee stock options	2021.11.24	10.80	10.80	41.68%	4.875	-	0.46%	3.81~ 4.08

D. For the six-month periods ended June 30, 2022 and 2021, the compensation cost arising from employee stock options amounted to $3,936 and $5,600, of which $855 and $2,258, respectively, were the share-based payments paid to the employees of the parent company; and $3,081 and $3,342, respectively, were the compensation costs paid to the employees of the Company.

E. On April 6, 2021, the Company’s parent company transferred treasury shares to employees of its subordinate companies, of which the number of shares granted to the employees of the Company was 638 thousand shares at an exercise price of $10.31 (in dollars) per share. For the six-month period ended June 30, 2021, the Company’s compensation costs arising from the aforementioned share-based payment agreement amounted to $1,780.

(12) Share capital

A. As of June 30, 2022, the Company's authorised capital was $3,000,000, consisting of 300,000 thousand shares of ordinary stock, and the paid-in capital was $1,886,180 with a par value of $10 (in dollars) per share.

B. To meet the Company's long-term business development needs, replenish working capital and invest in projects that are beneficial to the Company's business development, the stockholders at their stockholders' meeting on November 13, 2019 adopted a resolution to raise additional cash through private placement. On the same date, the Board of Directors resolved to set the effective date of private placement capital increase on November 27, 2019 at the subscription price of $13.44 (in dollars) per share. The amount of capital raised through the private placement was $1,377,600, which had been registered. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares.

(13) Capital surplus

A. Pursuant to the R.O.C. 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 Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. The overdue dividends unclaimed by shareholders shall be recognised as capital surplus in accordance with Order No. Jing-Shang-10602420200 issued in September 2017 by the Ministry of Economic Affairs, R.O.C.

(14) Retained earnings (accumulated deficit)

A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with the unappropriated earnings of prior years and current adjustments on unappropriated earnings shall be proposed by the Board of Directors based on actual needs. While, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares.

B. If the Company distributed all or partial of appropriate dividend and bonus, capital surplus or the legal reserve in the form of cash, they should be resolved by a majority vote at a meeting of Board of Directors attended by two-third of the total number of the directors, and be reported to the shareholders. Abovementioned dividends distribution should consider factors of finance, business and operations to appropriate distributable earnings for the period. Cash dividends shall account for at least 10% of the total of cash and stock dividends distributed.

C. 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.

D. 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.

E. On August 20, 2021, the shareholders at their annual meeting approved the proposal for the 2020 deficit compensation to cover deficit of $4,952 by using capital surplus. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 30, 2021.

F. On June 27, 2022, the shareholders at their annual meeting approved the deficit compensation for 2021. Since the Company had an accumulated deficit, there was no distributable retained earnings. The aforementioned deficit compensation was the same with that proposed by the Board of Directors on March 9, 2022.

Information on the Company's deficit compensation as resolved by the shareholders and the Board of Directors are posted in the 'Market Observation Post System' at the website of the Taiwan Stock Exchange.

(15) Operating revenue

	Three-month periods ended June 30,	
	2022	2021
Revenue from contracts with customers	$ 335,715	$ 243,915

	Six-month periods ended June 30,	
	2022	2021
Revenue from contracts with customers	$ 642,816	$ 535,526

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following geographical regions:

	Three-month periods ended June 30, 2022	Three-month periods ended June 30, 2021
Revenue from external customer contracts		
Asia	$ 324,174	$ 199,068
America	1,505	1,105
Europe	10,036	43,742
	$ 335,715	$ 243,915

	Six-month periods ended June 30, 2022	Six-month periods ended June 30, 2021
Revenue from external customer contracts		
Asia	$ 559,588	$ 488,947
America	70,677	2,837
Europe	12,551	43,742
	$ 642,816	$ 535,526

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Contract liabilities:				
Contract liability – unearned revenue	$ 14,562	$ 20,202	$ 16,786	$ 9,886

C. Revenue recognised that was included in the contract liability balance at the beginning of the period

	Three-month periods ended June 30, 2022	Three-month periods ended June 30, 2021
Revenue from contracts with customers	$ 4,883	$ 656

	Six-month periods ended June 30, 2022	Six-month periods ended June 30, 2021
Revenue from contracts with customers	$ 9,155	$ 7,797

(16) Other gains and losses

	Three-month periods ended June 30, 2022	Three-month periods ended June 30, 2021
Gains on disposals of non-current assets classified as held for sale	$ -	$ 150
Foreign exchange losses	(445)	(1,987)
Gain (loss) on financial assets at fair value through profit or loss	5,420	(7,898)
Others	-	(2)
	$ 4,975	($ 9,737)

	Six-month periods ended June 30, 2022	Six-month periods ended June 30, 2021
Gains on disposals of non-current assets classified as held for sale	$ -	$ 150
Foreign exchange losses	(328)	(2,642)
Gain (loss) on financial assets at fair value through profit or loss	4,325	(13,037)
Others	-	(24)
	$ 3,997	($ 15,553)

(17) Expenses by nature

	Three-month periods ended June 30, 2022	Three-month periods ended June 30, 2021
Employee benefit expense	$ 32,170	$ 31,318
Depreciation charges on property, plant and equipment (Note)	4,349	3,473
Amortisation charges on intangible assets	92	228
	$ 36,611	$ 35,019

	Six-month periods ended June 30, 2022	Six-month periods ended June 30, 2021
Employee benefit expense	$ 61,843	$ 58,811
Depreciation charges on property, plant and equipment (Note)	8,566	6,457
Amortisation charges on intangible assets	184	457
	$ 70,593	$ 65,725

Note: Including depreciation charges on right-of-use assets.

(18) Employee benefit expense

	Three-month periods ended June 30,	
	2022	2021
Wages and salaries	$ 28,607	$ 27,837
Labour and health insurance fees	1,752	1,841
Pension costs	1,033	944
Other personnel expenses	778	696
	$ 32,170	$ 31,318

	Six-month periods ended June 30,	
	2022	2021
Wages and salaries	$ 54,347	$ 52,226
Labour and health insurance fees	3,933	3,430
Pension costs	2,037	1,781
Other personnel expenses	1,526	1,374
	$ 61,843	$ 58,811

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees and not be higher than 2% for directors and supervisors. However, if the Company has accumulated deficit, earnings should first be reserved to cover accumulated deficit.

B. Due to the accumulated deficit, no employees' compensation and directors' and supervisors' remuneration was estimated and accrued for the three-month and six-month periods ended June 30, 2022 and 2021.

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

(19) Income tax

A. For the three-month and six-month periods ended June 30, 2022 and 2021, there were no current tax and deferred tax.

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(20) Loss per share

	Three-month period ended June 30, 2022		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 7,436)	188,618	($ 0.04)

	Three-month period ended June 30, 2021		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 63,771)	188,618	($ 0.34)

	Six-month period ended June 30, 2022		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 29,001)	188,618	($ 0.15)

	Six-month period ended June 30, 2021		
	Amount after tax	Number of ordinary shares outstanding (shares in thousands)	Loss per share (in dollars)
Basic loss per share			
Loss attributable to ordinary shareholders of the parent	($ 95,660)	188,618	($ 0.51)

Due to the accumulated deficit, the Company did not take into account the dilutive effect on potential common shares for the three-month and six-month periods ended June 30, 2022 and 2021.

(21) Supplemental cash flow information

Investing activities with partial cash payments

	Six-month periods ended June 30, 2022	Six-month periods ended June 30, 2021
Purchase of property, plant and equipment	$ 2,608	$ 12,152
Add: Opening balance of payable on equipment	2,309	747
Less: Ending balance of payable on equipment	(2,268)	(8,722)
Cash paid during the period	$ 2,649	$ 4,177

7. Related Party Transactions

(1) Parent and ultimate controlling party

The Company is controlled by Kinpo Electronics Inc. (KPO), which owns 68.9% of the Company's shares.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Kinpo Electronics, Inc.	Parent company
Cal-Comp Electronics & Communications Co., Ltd.	Sister company
SaveCom International Inc.	Other related company
Compal Electronics, Inc. and its subsidiaries	Other related company
NKG Advanced Intelligence & Technology Development (Yueyang) Co., Ltd.	Sister company
Cal-Comp Electronics (Thailand) Public Company Limited	Sister company

(3) Significant related party transactions

A.Operating revenue:

	Three-month periods ended June 30, 2022	Three-month periods ended June 30, 2021
Sales of services:		
Sister company	$ -	$ 1,392

	Six-month periods ended June 30, 2022	Six-month periods ended June 30, 2021
Sales of services:		
Sister company	$ -	$ 1,392

Except that no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, all sales to the aforementioned related parties are made at prices available to third parties. The credit terms are 1-4 months to third parties and 2-3 months to related parties.

B.Purchases:

	Three-month periods ended June 30, 2022	Three-month periods ended June 30, 2021
Sister company		
-Cal-Comp Electronics (Thailand) Public Company Limited	$ 271,759	$ 253,029
Other related company	-	-
	$ 271,759	$ 253,029

	Six-month periods ended June 30, 2022	Six-month periods ended June 30, 2021
Sister company		
-Cal-Comp Electronics (Thailand) Public Company Limited	$ 469,468	$ 576,188
Other related company	-	1,054
	$ 469,468	$ 577,242

Except for those with no similar transactions for reference and the prices and payment terms are determined by negotiations between both parties, the Group purchases from the aforementioned related parties at the prevailing market price. The payment terms are 1-4 months to third parties and 3-4 months to related parties.

C.Other expense:

	Six-month periods ended June 30, 2022	Six-month periods ended June 30, 2021
Expense of services:		
Sister company		
-Cal-Comp Electronics & Communications Co., Ltd.	$ 3,027	$ -

D.Accounts receivable:

	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable:			
Other related company	$ -	$ 44,825	$ -

The receivables from related parties arise mainly from sales transactions. The receivables are due 60 to 90 days after the date of sales. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

F. Other receivables:

	June 30, 2022	December 31, 2021	June 30, 2021
Receivables from raw materials purchases on behalf of others:			
Sister company			
-Cal-Comp Electronics (Thailand) Public Company Limited	$ 42,957	$ 44,573	$ 68,442
Other Receivables:			
Sister company			
-Others	-	-	38
	$ 42,957	$ 44,573	$ 68,480

G. Payables to related parties:

	June 30, 2022	December 31, 2021	June 30, 2021
Accounts payable:			
Sister company			
-Cal-Comp Electronics (Thailand) Public Company Limited	$ 373,256	$ 694,579	$ 401,782
Other payables－other:			
Parent company	3	1	-
Sister company			
-Cal-Comp Electronics (Thailand) Public Company Limited	2,016	2,703	2,995
-Cal-Comp Electronics & Communications Co., Ltd.	3,127	-	93
	5,146	2,704	3,088
	$ 378,402	$ 697,283	$ 404,870

(a) Accounts payable arise mainly from purchase transactions and are due 90 to 120 days after the date of purchase. The payables are non-interest bearing.

(b) Receivables and payables arising from purchases on behalf of related parties in the amount of $2,838,203 and $390,460 were offset as of June 30, 2022 and 2021, respectively, and the net amount is reported as it meets the criteria for derecognition and offsetting of financial assets and financial liabilities.

(4) Key management compensation

	Three-month periods ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	$ 3,068	$ 2,901
Post-employment benefits	54	54
	$ 3,122	$ 2,955

	Six-month periods ended June 30,	
	2022	2021
Salaries and other short-term employee benefits	$ 11,821	$ 10,296
Post-employment benefits	108	98
	$ 11,929	$ 10,394

8. Pledged Assets

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

	Book value			
Pledged asset	June 30, 2022	December 31, 2021	June 30, 2021	Purpose
Pledged demand deposits (shown as other current assets)	$ 2,000	$ 2,000	$ 60	Collateral for bank borrowings
Pledged demand deposits (shown as other non-current assets)	-	-	18,544	Collateral for a civil lawsuit (Note)
Pledged demand deposits (shown as other current assets)	-	-	246,682	Advance receipts deposited in an escrow account (refer toNote 6(7))
	$ 2,000	$ 2,000	$ 265,286	

Note: The provisional attachment on deposits under a civil lawsuit has been released in October 2021.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(1) Due to the COVID-19 pandemic, there is a lot of uncertainty in the global economy since 2020. Based on the Group's assessment, the pandemic has no significant impact on the Group in terms of going concern assumption, impairment of assets and related financing risks. The Group continues to expand its customer base and improve its product research and development capabilities to strengthen market competitiveness. However, the Group will continue to closely monitor the subsequent development of the pandemic and assess the impact on the Group.

(2) Capital management

There was no significant change in the reporting period. Refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

(3) Financial instruments

A. Financial instruments by category

For information and amounts related to the Group’s financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss, accounts receivable (including related parties), other receivables (including related parties), other current financial assets, guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties), other payables and lease liabilities, refer to the consolidated balance sheets and Note 6.

B. Financial risk management policies

There was no significant change in the reporting period. Refer to Note 12 in the consolidated financial statements for the year ended December 31, 2021.

C. Significant financial risks and degrees of financial risks

(a) Market risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii. The Group’s businesses involve some non-functional currency operations (the Company’s functional currency: NTD; other certain subsidiaries’ functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2022				
	Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	15,552	29.72	$	462,205
Financial liabilities					
Monetary items					
USD:NTD	$	15,737	29.72	$	467,704

	December 31, 2021				
	Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	29,899	27.68	$	827,604
Financial liabilities					
Monetary items					
USD:NTD	$	26,417	27.68	$	731,223

	June 30, 2021				
	Foreign currency amount (In thousands)		Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	32,641	27.86	$	909,378
Financial liabilities					
Monetary items					
USD:NTD	$	35,949	27.86	$	1,001,539

iii. The total exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and six-month periods ended June 30, 2022 and 2021, amounted to ($445), ($1,987), ($328) and ($2,642), respectively.

(b) Price risk

The Group's investments in equity securities comprise hybrid instruments issued by the foreign enterprise. The prices of hybrid instruments would change due to the change of the future value of investee companies. If the prices of these hybrid instruments had increased/decreased by 1% with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2022 and 2021 would have increased/decreased by $14,597 and $14,665, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(c) Cash flow and fair value interest rate risk

The short-term loans for short-term capital revolving requirements are mostly at floating rates, however, the major risks can be offset by the cash position at floating rates.

(d) 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 banks with good credit and financial institutions with sufficient investment grades or above are deemed acceptable for investing. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of 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 utilisation of credit limits is regularly monitored.

iii. The Group assesses expected credit loss on individual significant defaulted accounts receivable, and classifies remaining customers' accounts receivable in accordance with characteristics of customer types. The Group applies different loss rate methodology or provision matrix as basis to estimate expected credit loss on different groups.

iv. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. According to abovementioned consideration and information, the Group does not expect any significant default possibility of accounts receivable.

v. The Group used 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. As of June 30, 2022, December 31, 2021 and June 30, 2021, the provision matrix and loss rate methodology is as follows:

	Not past due	Up to 90 days	Total
At June 30, 2022			
Expected loss rate	0.08%	0.08%	
Total book value	$ 373,786	$ 15,326	$ 389,112
Loss allowance	($ 280)	($ 12)	($ 292)

	Not past due	Up to 90 days	Total
At December 31, 2021			
Expected loss rate	0.05%	0.05%	
Total book value	$ 685,970	$ 23,131	$ 709,101
Loss allowance	($ 343)	($ 12)	($ 355)

	Not past due	Up to 90 days	Total
At June 30, 2021			
Expected loss rate	0.05%	0.05%	
Total book value	$ 275,158	$ 5,691	$ 280,849
Loss allowance	($ 137)	($ 3)	($ 140)

vi. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2022
	Accounts receivable
At January 1	$ 355
Reversal of impairment loss	(63)
At June 30	$ 292

	2021
	Accounts receivable
At January 1	$ 87
Provision for impairment	53
At June 30	$ 140

(e) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or 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.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group's non-derivative financial liabilities (including short-term borrowings, accounts payable, accounts payable to related parties and other payables) will expire within 1 year.

June 30, 2022	Less than 1 year	Over 1 year	TOTAL
Non-derivative financial liabilities			
Lease liability	$ 3,193	$ 3,854	$ 7,047

December 31, 2021	Less than 1 year	Over 1 year	TOTAL
Non-derivative financial liabilities			
Lease liability	$ 3,243	$ 5,426	$ 8,669

June 30, 2021	Less than 1 year	Over 1 year	TOTAL
Non-derivative financial liabilities			
Lease liability	$ 3,243	$ 7,047	$ 10,290

(4) 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.

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

Level 3:Unobservable inputs for the asset or liability. The fair value of the Group's investment in financial assets at fair value through profit or loss is included in Level 3.

B. The carrying amounts of the Group's financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties) and other payables, are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2022, December 31, 2021 and June 30, 2021, is as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

June 30, 2022	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Convertible bonds	$ -	$ -	$ 1,459,707	$ 1,459,707

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Convertible bonds	$ -	$ -	$ 1,455,382	$ 1,455,382

June 30, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Convertible bonds	$ -	$ -	$ 1,466,518	$ 1,466,518

(b) The fair values of convertible bonds as of June 30, 2022, December 31, 2021 and June 30, 2021 were measured using the binomial model (one of the lattice models). The main assumptions used are as follows:

	Fair value at June 30, 2022	Expected duration	Risk-free rate of interest	Expected price volatility (%)
Convertible bonds	$ 1,459,707	2.49 years	3.54%	44.52%

	Fair value at December 31, 2021	Expected duration	Risk-free rate of interest	Expected price volatility (%)
Convertible bonds	$ 1,455,382	2.99 years	1.79%	42.31%

	Fair value at June 30, 2021	Expected duration	Risk-free rate of interest	Expected price volatility (%)
Convertible bonds	$ 1,466,518	3.49 years	1.52%	40.86%

D. For the six-month periods ended June 30, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the six-month periods ended June 30, 2022 and 2021:

	Six-month periods ended June 30,	
	2022	2021
	Hybrid instrument	Hybrid instrument
At January 1	$ 1,455,382	$ 1,479,555
Loss recognised in profit or loss	4,325	(13,037)
At June 30	$ 1,459,707	$ 1,466,518

F. For the six-month periods ended June 30, 2022 and 2021, there was no transfer into or out from Level 3.

G. The Group's fair value measurements categorised within Level 3 is valued through outsourced appraisal performed by the external valuer.

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

	Fair value at June 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Convertible bonds	$ 1,459,707	Binomial Model (one of the lattice models)	Long-term income before taxes	-	The higher the long-term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.
			Weighted average cost of capital	15.50%	
			Lack of marketability discount	20%	

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Convertible bonds	$ 1,455,382	Binomial Model (one of the lattice models)	Long-term income before taxes	-	The higher the long-term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.
			Weighted average cost of capital	14.60%	
			Lack of marketability discount	20%	

	Fair value at June 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Convertible bonds	$ 1,466,518	Binomial Model (one of the lattice models)	Long-term income before taxes	-	The higher the long-term income before taxes and weighted average cost of capital, the higher the fair value; The higher the lack of marketability discount, the lower the fair value.
			Weighted average cost of capital	14.13%	
			Lack of marketability discount	20%	

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

			June 30, 2022	
			Recognised in profit or loss	
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	$ 14,597	($ 14,597)

			December 31, 2021	
			Recognised in profit or loss	
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	$ 14,554	($ 14,554)

			June 30, 2021	
			Recognised in profit or loss	
	Input	Change	Favourable change	Unfavourable change
Financial assets	Long-term income before taxes			
Hybrid instrument	Weighted average cost of capital	±1%	$ 14,665	($ 14,665)

13. Supplementary Disclosures

(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 subsidiaries, 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).

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 3.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 4.

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 5.

14. Segment Information

(1) General information

The Group operates business only in a single industry. The chief operating decision-maker who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Reconciliation for segment income (loss)

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. No reconciliation is needed as the Group's reportable segments income (loss) is the income (loss) before tax.

Castlenet Technology Inc. and Subsidiaries

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

June 30, 2022

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

		Relationship with the		As of June 30, 2022				
Securities held by	Marketable securities	securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
Castlenet Technology Inc.	SPI. Convertible Bond	None	Non-current financial assets at fair value through profit or loss	-	$ 1,459,707	-	$ 1,459,707	

Castlenet Technology Inc. and Subsidiaries

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

Six-month period ended June 30, 2022

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions				
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote （Note）
CastleNet Technology Inc.	Cal-Comp Electronics (Thailand) Public Company Limited	Subsidiary of the Company's parent, Kinpo Electronics Inc.	Purchases	$ 469,468	68%	90-120 days after monthly billings	Available to third parties	90-120 days after monthly billings	($ 373,256)	83%	Note

Note: The abovementioned accounts payable to related parties are mainly comprised of the balance of accounts payable for purchasing finished goods from sister companies.

Castlenet Technology Inc. and Subsidiaries

Information on investees

Six-month period ended June 30, 2022

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at June 30, 2022	Initial investment amount: Balance as at December 31, 2021	Shares held as at June 30, 2022: Number of shares	Shares held as at June 30, 2022: Ownership (%)	Shares held as at June 30, 2022: Book value	Net profit of the investee for the six-month period ended June 30, 2022	Investment income recognised by the Company for the six-month period ended June 30, 2022	Footnote
CastleNet Technology Inc.	Castlenet Technology (BVI) Inc.	British Virgin Islands	Investment holdings	$ 302,692	$ 302,692	8,708	100	$ 40,358	($ 309)	($ 309)	

Castlenet Technology Inc. and Subsidiaries

Information on investments in Mainland China

Six-month period ended June 30, 2022

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method (Note 2)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2022: Remitted to China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six-month period ended June 30, 2022: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2022	Net income of investee for the six-month period ended June 30, 2022	Ownership held by the Company (direct or indirect)	Investment income recognised by the Company for the six-month period ended June 30, 2022 (Note 3)	Book value of investments in Mainland China as of June 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2022
CastleNet Technology Inc. - Kunshan	Manufacture and design broadband communication products such as modem and sales of self-produced products	$ 222,900 USD 7,500	2	$ 222,900 USD 7,500	$ -	$ -	$ 222,900 USD 7,500	($ 218)	100	($ 218)	$ 33,489	$ -

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
CastleNet Technology Inc. - Kunshan	$ 222,900	$ 222,900	$ 1,090,558

Note 1: The numbers in this table are expressed in New Taiwan Dollars. For the amounts denominated in foreign currencies are translated into New Taiwan dollars at the exchange rate used in financial statements.

Note 2: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through establishing Castlent Technology (BVI) Inc. in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 3: The investment income (loss) was recognised based on the financial statements reviewed by independent auditors for the six-month period ended June 30, 2022.

Castlenet Technology Inc. and Subsidiaries

Major shareholders information

June 30, 2022

Table 5

Name of major shareholders	Shares: Number of shares held	Shares: Ownership (%)
Kinpo Electronics, Inc.	129,959	68.9%