

TMP Steel Corporation

**Financial Statements for the
Three Months Ended March 31,
2021 and 2020 and
Independent Auditors' Review
Report**

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*The English version of the financial statements has not been reviewed or verified by an accountant.

*The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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Independent Auditors' Review Report

To TMP Steel Corporation

Introduction

We have reviewed the accompanying balance sheets of TMP Steel Corporation as of March 31, 2021 and 2020, and the related statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not present fairly, in all material respects the financial position of the Company as of March 31, 2021 and 2020, and its financial performance and its

cash flows for the three months then ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

CPA: Cheng Shih-Ran

CPA: Chao Yuang Shiang

The Financial Supervisory Commission
R.O.C. Approved No.
Jing Guang Zheng Shen No.
1010028123

The Financial Supervisory Commission
R.O.C. Approved No.
Jing Guan Zheng Shen No. 1050024633

May 13, 2021

TMP Steel Corporation

Balance sheet

March 31, 2021, December 31, 2020, and March 31, 2020

Unit: NTD thousand

Code	Asset	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							
1100	Cash and bank deposits (Note 6)	\$ 129,243	8	\$ 100,429	7	\$ 235,793	17
1110	Financial assets at fair value through profit or loss (Note 7)	24,245	2	24,458	2	21,691	2
1120	Financial assets at fair value through other comprehensive income (Note 8)	3,474	-	3,393	-	4,658	-
1136	Financial assets at amortized cost (Note 9)	1,843	-	1,829	-	1,941	-
1150	Note receivable (Note 10)	94,524	6	93,405	7	87,711	6
1170	Accounts receivable (Notes 10)	580,708	38	521,600	37	547,239	38
1180	Notes and accounts receivable - related parties (Note 10, and 26)	5,217	-	5,603	1	2,216	-
130X	Inventory (Note 11)	161,686	11	139,486	10	159,558	11
1410	Prepayments (Note 13)	8,241	1	11,967	1	14,192	1
1470	Other current assets (Note 26)	105,123	7	99,584	7	72,853	5
11XX	Total current assets	<u>1,114,304</u>	<u>73</u>	<u>1,001,754</u>	<u>72</u>	<u>1,147,852</u>	<u>80</u>
non-current assets							
1600	Net property, plant, and equipment (Note 14)	287,751	19	267,325	19	42,043	3
1755	Net right-of-use asset (Note 15)	87,248	6	93,386	7	107,822	8
1780	Net intangible assets	1,649	-	1,819	-	1,604	-
1840	Deferred tax assets (Note 4)	4,219	-	4,445	-	623	-
1900	Other non-current assets (Note 10)	26,086	2	26,059	2	126,434	9
15XX	Total non-current assets	<u>406,953</u>	<u>27</u>	<u>393,034</u>	<u>28</u>	<u>278,526</u>	<u>20</u>
1XXX	Total Assets	<u>\$ 1,521,257</u>	<u>100</u>	<u>\$ 1,394,788</u>	<u>100</u>	<u>\$ 1,426,378</u>	<u>100</u>
LIABILITIES AND EQUITY							
CURRENT LIABILITIES							
2100	Short-term borrowings (Note 16)	\$ 140,000	9	\$ 130,000	9	\$ -	-
2120	Financial liability at fair value through profit or loss (Note 7)	15	-	30	-	150	-
2130	Contract liability (Note 17)	140,288	9	105,356	8	107,898	8
2150	Note payable	10,307	1	11,396	1	11,331	1
2170	Accounts payable	1,571	-	314	-	7,147	-
2180	Note payable and accounts payable - related parties (Note 26)	243,241	16	162,433	12	293,018	21
2200	Other payables (Note 26)	36,151	2	44,349	3	38,468	3
2230	Current tax liabilities	16,843	1	13,485	1	17,637	1
2250	Lease liabilities - Current (Note 15)	22,383	2	22,963	2	21,069	1
2321	Current portion of convertible bonds (Note 18)	147,874	10	147,046	10	-	-
2322	Long-term borrowings-current portion (Note 16)	12,703	1	12,680	1	5,943	-
2399	Other current liabilities	411	-	228	-	452	-
21XX	Total current liabilities	<u>771,787</u>	<u>51</u>	<u>650,280</u>	<u>47</u>	<u>503,113</u>	<u>35</u>
non-current liabilities							
2530	Bonds payable (Note 18)	148,058	10	147,310	10	289,593	21
2540	Long-term borrowings (Note 16)	117,868	8	121,052	9	112,797	8
2570	Deferred tax liabilities (Note 4)	-	-	-	-	674	-
2580	Lease liabilities - Non-current (Note 15)	67,806	4	73,156	5	88,152	6
2640	Net defined benefit liability	40	-	40	-	43	-
25XX	Total non-current liabilities	<u>333,772</u>	<u>22</u>	<u>341,558</u>	<u>24</u>	<u>491,259</u>	<u>35</u>
2XXX	Total liabilities	<u>1,105,559</u>	<u>73</u>	<u>991,838</u>	<u>71</u>	<u>994,372</u>	<u>70</u>
Equity (Note 20)							
3100	Share capital	306,752	20	306,752	22	306,752	22
3200	Additional paid-in capital	6,117	-	6,117	-	6,117	-
Retained earnings							
3310	Statutory reserves	16,914	1	16,914	1	8,050	-
3320	Special reserves	5,110	1	5,110	1	5,110	-
3350	undistributed earnings	80,856	5	68,189	5	107,978	8
3300	Total retained earnings	102,880	7	90,213	7	121,138	8
3400	Other equities	(51)	-	(132)	-	(2,001)	-
3XXX	Total equity	<u>415,698</u>	<u>27</u>	<u>402,950</u>	<u>29</u>	<u>432,006</u>	<u>30</u>
Total equity and liabilities		<u>\$ 1,521,257</u>	<u>100</u>	<u>\$ 1,394,788</u>	<u>100</u>	<u>\$ 1,426,378</u>	<u>100</u>

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

Chairman: Cai Yu Ye General Manager: Yeh Chun Liang Accounting Supervisor: Li Chia-Ling

TMP Steel Corporation
statement of comprehensive income

For the three months ended March 31, 2021 and 2020

(Reviewed only, not audited in accordance with accepted auditing standards)

Unit: NTD thousand; NTD for earnings per share

Code		Three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Note 26)	\$ 869,970	100	\$ 748,566	100
5000	Operating cost (Note 11, 19, 21, and 26)	(819,751)	(94)	(698,441)	(93)
5900	Gross profit	<u>50,219</u>	<u>6</u>	<u>50,125</u>	<u>7</u>
	Operating expenses (Note 19, 21, and 26)				
6100	Selling and marketing expenses	(22,698)	(3)	(21,374)	(3)
6200	Administrative expenses	(8,354)	(1)	(8,008)	(1)
6000	Total operating expenses	(31,052)	(4)	(29,382)	(4)
6900	Profit from operations	<u>19,167</u>	<u>2</u>	<u>20,743</u>	<u>3</u>
	Non-operating income (Note 21)				
7100	Interest income	26	-	229	-
7010	Other income	21	-	5,907	1
7020	Other gains or losses	(177)	-	(3,105)	(1)
7050	Financial costs	(2,786)	-	(2,166)	-
7000	Total non-operating income and expenses	(2,916)	-	<u>865</u>	-
7900	Profit before tax	16,251	2	21,608	3
7950	Income tax expense (Note 22)	(3,584)	(1)	(5,153)	(1)
8200	Net income	<u>12,667</u>	<u>1</u>	<u>16,455</u>	<u>2</u>

(To be Continued)

(Continued)

Code		Three months ended March 31			
		2021		2020	
		Amount	%	Amount	%
	Other comprehensive income				
	Items that will not be reclassified subsequently to profit or loss				
8316	Unrealized gains (losses) on investments in equity instruments as at fair value through other comprehensive income (Notes 20)	\$ 81	-	(\$ 1,080)	-
8300	Other comprehensive income for the period (net amount after-tax)	81	-	(1,080)	-
8500	Total comprehensive income for the period	\$ 12,748	1	\$ 15,375	2
	Earnings per share (Note 23)				
9750	Basic	\$ 0.41		\$ 0.54	
9850	Diluted	\$ 0.34		\$ 0.49	

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

Chairman: Cai Yu Ye General Manager: Yeh Chun Liang Accounting Supervisor: Li Chia-Ling

TMP Steel Corporation
Statement of changes in equity
For the three months ended March 31, 2021 and 2020
(Reviewed only, not audited in accordance with accepted auditing standards)

Unit: NTD thousand

Code		Share capital	Additional paid-in capital	Retained earnings			Total	Other equities	Total Equity
				Statutory reserves	Special reserves	Undistributed earnings		Unrealized gain/(loss) on equity instruments at FVTOCI	
A1	Balance at January 1, 2020	\$ 306,752	\$ 6,117	\$ 8,050	\$ 5,110	\$ 91,523	\$ 104,683	(\$ 921)	\$ 416,631
D1	Net income for the three months ended March 31,2020	-	-	-	-	16,455	16,455	-	16,455
D3	Other comprehensive income(loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	(1,080)	(1,080)
Z1	Balance at March 31, 2020	<u>\$ 306,752</u>	<u>\$ 6,117</u>	<u>\$ 8,050</u>	<u>\$ 5,110</u>	<u>\$ 107,978</u>	<u>\$ 121,138</u>	<u>(\$ 2,001)</u>	<u>\$ 432,006</u>
A1	Balance at January 1, 2021	\$ 306,752	\$ 6,117	\$ 16,914	\$ 5,110	\$ 68,189	\$ 90,213	(\$ 132)	\$ 402,950
D1	Net income for the three months ended March 31,2021	-	-	-	-	12,667	12,667	-	12,667
D3	Other comprehensive income(loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	81	81
Z1	Balance at March 31, 2021	<u>\$ 306,752</u>	<u>\$ 6,117</u>	<u>\$ 16,914</u>	<u>\$ 5,110</u>	<u>\$ 80,856</u>	<u>\$ 102,880</u>	<u>(\$ 51)</u>	<u>\$ 415,698</u>

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

Chairman: Cai Yu Ye

General Manager: Yeh Chun Liang

Accounting Supervisor: Li Chia-Ling

TMP Steel Corporation

Statement of cash flows

For the three months ended March 31, 2021 and 2020

(Reviewed only, not audited in accordance with accepted auditing standards)

Unit: NTD thousand

Code		Three months ended March 31	
		2021	2020
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Profit before tax	\$ 16,251	\$ 21,608
A20010	Adjustments for:		
A20100	depreciation expense	8,577	9,997
A20200	Amortization expenses	214	197
A20400	Net loss on financial assets or financial liability at fair value through profit or loss	198	3,209
A20900	Interest expense	2,786	2,166
A21200	Interest income	(26)	(229)
A24100	Unrealized gains (losses) on foreign currency exchange	971	(182)
A30000	Changes in operating assets and liabilities		
A31130	Note receivable	(1,119)	(25,884)
A31140	Notes receivable - related parties	150	(191)
A31150	Trade receivable	(59,108)	60,333
A31160	Accounts receivable - related parties	236	(618)
A31200	Inventories	(22,200)	(38,340)
A31230	Prepayments	3,726	8,974
A31240	Other current assets	(6,303)	(158)
A32125	contract liability	34,932	(26,663)
A32130	Note payable	(1,089)	(11,570)
A32140	Note payable - related parties	(19)	26,067
A32150	Accounts payable	1,257	(19,563)
A32160	Accounts payable - related parties	80,827	70,997
A32180	Other payables	(8,198)	498
A32230	Other current liabilities	183	94
A32240	Net defined benefit liability	-	(109)
A33000	Cash generated from operations	52,246	80,633
A33100	Interest received	26	229
A33300	Interest paid	(1,210)	(243)
A33500	Income tax paid	-	(11)

(To be Continued)

(Continued)

<u>Code</u>		<u>Three months ended March 31</u>	
		<u>2021</u>	<u>2020</u>
AAAA	Net cash generated by operating activities	\$ 51,062	\$ 80,608
	Cash flows from investing activities		
B00010	Purchased of financial assets at FVTOCI	\$ -	(\$ 1,976)
B00040	Financial assets at amortized cost	(163)	(19)
B00100	Purchase of financial assets at fair value through profit or loss	-	(4,353)
B02700	Purchase of property, plant and equipment	(22,865)	(11,806)
B03800	Increase in refundable deposits	-	(12,073)
B04500	Acquisition of intangible asset	(44)	(214)
B07100	Increase in prepayments for equipment	(27)	(100,809)
BBBB	Net cash used in investing activities	(23,099)	(131,250)
	Cash flows from financing activities		
C00100	Increase (Decrease) in short-term borrowings	10,000	(11,000)
C01600	Proceeds from long-term borrowings	-	101,464
C01700	Repayments of long-term borrowings	(3,161)	(5,923)
C04000	Repayment of the principal portion of lease liabilities	(5,930)	(8,141)
CCCC	Net cash gain from financing activities	909	76,400
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(58)	3
EEEE	Net Increase (decrease) in cash and bank deposits	28,814	25,761
E00100	Cash and bank deposits at beginning of period	100,429	210,032
E00200	Cash and bank deposits at end of period	\$ 129,243	\$ 235,793

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

Chairman: Cai Yu Ye General Manager: Yeh Chun Liang Accounting Supervisor: Li Chia-Ling

TMP Steel Corporation
Notes to the Financial Report
For the three months ended March 31, 2021 and 2020
(Reviewed only, not audited in accordance with accepted auditing standards)(In Thousands of
New Taiwan Dollars, Unless Stated Otherwise)

I. Organization and operations

TMP Steel Corporation (the Company) was established on May 16, 1984, with main business activities focused on hardware and building materials wholesale and its parts manufacturing, processing and trading business.

The Company used to be named Taipei MultiPower Electronics Co., Ltd., then changed to Taipei MultiPower International Co., Ltd., as approved by the Shareholders' Meeting on June 15, 2000; on June 29, 2016, the Shareholders' Meeting has approved again to changed the Company's name to TMP Steel Corporation. The stocks of the Company was traded at the Taipei Exchange (TPEX) since September 3, 2003.

The financial statements of the Company is presented in the Company's functional currency, the New Taiwan dollar.

II. The Authorization of Financial Statements

The financial statements were approved by the board of directors and authorized for issue on May 13, 2021.

III. Application of New and Revised International Financial Reporting Standards

- (I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC (hereafter, the Group) will not have a material impact on the Group's accounting policies.

(II) The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
“Annual Improvements to IFRSs Standards 2018 - 2020 Cycle”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments of IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Presentation of Financial Statements”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting estimate”	January 1, 2023 (Note 7)
Amendments to IAS 12 “Deferred income tax related to assets and liabilities arising from a single transaction”	January 1, 2023 (Note 8)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “ Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment of IFRS 9 applies to the exchange of financial liabilities or modified terms incurring in the annual reported periods since January 1, 2022; the amendment of “Agriculture” in IAS 41 applies to the measurement at fair value in the annual reported periods since January 1, 2022; The amendment of “Initial application of IFRSs” in IFRS 1 applies the annual reported periods since January 1, 2022 retrospectively.

Note 3: The amendment applies to the merges whose acquisition dates after the annual reported periods since January 1, 2022.

Note 4: The amendment applies to the property, plant and equipment achieving the expected operations by the management after January 1, 2021.

Note 5: The amendment applies to the contracts yet performing all obligations as of January 1, 2022.

Note 6: The amendments shall be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments applies to change in accounting estimate and change in policies incurred during annual reporting periods beginning on or after January 1, 2023.

Note 8: Except for the recognition of deferred income tax on temporary differences between lease and decommissioning obligations on January 1, 2022, the amendment is applicable to transactions that occur after January 1, 2022.

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

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The accompanying financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, "Interim Financial Reporting," endorsed and issued into effect by the FSC. The financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs endorsed and issued into effect by the FSC (collectively, "Taiwan-IFRSs").

(II) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, and net defined benefit liability recognized by defined benefit obligation less plan assets at fair value.

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

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

(III) Other significant accounting policies

In addition to the following descriptions, please refer to the Summary of Significant Accounting Policies in the 2020 Annual Financial Report.

Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax. The income tax for the interim period is assessed on an annual basis, and the interim pre-tax benefits are calculated at the tax rate applicable to the expected annual total surplus.

V. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

Please refer to the explanation of major sources of uncertainties in major accounting judgments, estimates and assumptions in the 2020 financial report.

VI. Cash and bank deposits

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 150	\$ 209	\$ 74
Check and demand (current) deposit	<u>129,093</u>	<u>100,220</u>	<u>235,719</u>
	<u>\$ 129,243</u>	<u>\$ 100,429</u>	<u>\$ 235,793</u>

VII. Financial instruments at FVTPL

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial asset - current</u>			
Financial assets designated as at FVTPL			
Non-derivative financial liabilities			
- Domestic listed shares	<u>\$ 24,245</u>	<u>\$ 24,458</u>	<u>\$ 21,691</u>
<u>Lease liabilities - current</u>			
Held for trading			
Derivatives (undesignated hedge)	<u>\$ 15</u>	<u>\$ 30</u>	<u>\$ 150</u>

- Third domestic convertible corporate bonds

VIII. Financial assets at FVTOCI

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Measured at fair value through other comprehensive income			
- Domestic listed shares	\$ <u>3,474</u>	\$ <u>3,393</u>	\$ <u>4,658</u>

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

IX. Financial assets at amortized cost

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Over three months of original maturity Time Deposit	\$ <u>1,843</u>	\$ <u>1,829</u>	\$ <u>1,941</u>

The interest rates of the time deposit that was over 3 months of the original maturity as of March 31, 2021, ranged from 0.38%~1.90%.

X. Note receivable, accounts receivable and accounts and notes receivable - related parties

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Notes and accounts receivable</u>			
Note receivable			
Arising from operations	\$ 94,537	\$ 93,418	\$ 87,724
Less: Allowance for impairment loss	(13)	(13)	(13)
Trade receivable			
Arising from operations	607,636	548,528	547,830
Less: Allowance for impairment loss	(<u>26,928</u>)	(<u>26,928</u>)	(<u>591</u>)
	<u>\$ 675,232</u>	<u>\$ 615,005</u>	<u>\$ 634,950</u>

Notes and accounts receivable
- related parties

Note receivable

Arising from operations	\$ 1,763	\$ 1,913	\$ 979
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Trade receivable

Arising from operations	3,454	3,690	1,237
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Less: Allowance for impairment loss	-	-	-
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	<u>\$ 5,217</u>	<u>\$ 5,603</u>	<u>\$ 2,216</u>
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(I) Note receivable

The average credit period of notes receivable was 30 to 90 days. As the recoverability of the notes receivable was determined, the Company has accounted in any changes in credit quality of notes receivable from initial credit day to balance sheet day.

The amount recognized as loss allowance, uncollectible accounts-notes receivable as of March 31, 2021, and December 31 and March 31, 2020 was NT\$ 13 thousand.

(II) Trade receivable

The average credit period of sales of goods was 30 to 90 days after monthly statement. The Company using other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix approach considering forecasted direction of economic conditions.

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

The following table details the loss allowance of account receivables based on Company's provision matrix.

March 31, 2021

	Not Past Due	1 to 90 days overdue	91 to 180 days overdue	181 to 270 days overdue	271 to 360 days overdue	Over 360 days	Individually assessed impairment loss	Total
The expected credit loss rate	0.02%	0.03%	5.82%	8.98%	20.95%	100%		
Gross carrying amount	\$ 531,709	\$ 52,662	\$ -	\$ -	\$ 7	\$ -	\$ 26,712	\$ 611,090
Loss allowance (lifetime ECLs)	(200)	(15)	-	-	(1)	-	(26,712)	(26,928)
Amortised cost	<u>\$ 531,509</u>	<u>\$ 52,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,162</u>

December 31, 2020

	Not Past Due	1 to 90 days overdue	91 to 180 days overdue	181 to 270 days overdue	271 to 360 days overdue	Over 360 days	Individually assessed impairment loss	Total
The expected credit loss rate	0.02%	0.03%	6.17%	9.48%	22.05%	100%		
Gross carrying amount	\$ 499,742	\$ 25,757	\$ -	\$ 7	\$ -	\$ -	\$ 26,712	\$ 552,218
Loss allowance (lifetime ECLs)	(207)	(8)	-	(1)	-	-	(26,712)	(26,928)
Amortised cost	<u>\$ 499,535</u>	<u>\$ 25,749</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,290</u>

March 31, 2020

	Not Past Due	1 to 90 days overdue	91 to 180 days overdue	181 to 270 days overdue	271 to 360 days overdue	Over 360 days	Total
The expected credit loss rate	0.03%	0.04%	0.46%	9.19%	13.55%	100%	
Gross carrying amount	\$ 464,066	\$ 83,355	\$ 1,187	\$ 53	\$ 8	\$ 398	\$ 549,067
Loss allowance (lifetime ECLs)	(150)	(32)	(5)	(5)	(1)	(398)	(591)
Amortised cost	<u>\$ 463,916</u>	<u>\$ 83,323</u>	<u>\$ 1,182</u>	<u>\$ 48</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 548,476</u>

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

	Three Months Ended March 31	
	2021	2020
Beginning retained earnings	\$ 26,928	\$ 591
Less: reversal of bad debt expenses in the current period	-	-
Ending balance	<u>\$ 26,928</u>	<u>\$ 591</u>

(III) Overdue receivables (listed in other non-current assets)

	March 31, 2021	December 31, 2020	March 31, 2020
Overdue receivables	\$ 217	\$ 217	\$ 217
Less: Allowance for impairment loss	(217)	(217)	(217)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

XI. Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	\$ 142,529	\$ 109,398	\$ 120,310
Finished goods	<u>19,157</u>	<u>30,088</u>	<u>39,248</u>
	<u>\$ 161,686</u>	<u>\$ 139,486</u>	<u>\$ 159,558</u>

Losses on allowance for inventory valuation as of March 31, 2021, and December 31 and March 31, 2020 was NT\$ 0 thousand.

The operating costs related to inventories as of three months ended March 31, 2021 and 2020 were NT\$ 819,751 thousand and NT\$ 698,441 thousand, respectively.

XII. Investments accounted for using equity method

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Investments in Associates</u>			
Associates that are not individually material			
Korea Peibo Electronics Co., Ltd.	\$ 1,058	\$ 1,058	\$ 1,058
Less: accumulated impairment loss	(<u>1,058</u>)	(<u>1,058</u>)	(<u>1,058</u>)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

XIII. Prepayments

	March 31, 2021	December 31, 2020	March 31, 2020
Prepayment for purchases	\$ 2,375	\$ 10,611	\$ 7,550
Others	<u>5,866</u>	<u>1,356</u>	<u>6,642</u>
	<u>\$ 8,241</u>	<u>\$ 11,967</u>	<u>\$ 14,192</u>

XIV. Property, plant and equipment

	March 31, 2021	December 31, 2020	March 31, 2020
Land	\$ 103,606	\$ 103,606	\$ -
Buildings	63	65	-
Equipment	61,661	62,471	36,385
Office equipment	1,561	1,636	1,288
Leased Improvements	20,953	20,862	4,370
Real estate under construction	<u>99,907</u>	<u>78,685</u>	<u>-</u>
	<u>\$ 287,751</u>	<u>\$ 267,325</u>	<u>\$ 42,043</u>

The depreciation expenses of the company's real property, plant and equipment from three months ended March 31 2021 and 2020 are NT\$ 2,439 thousand and NT\$ 1,687 thousand, respectively, and the cost of real property, plant and equipment paid in the current period is respectively Apart from NT\$22,865 thousand yuan and NT\$11,806 thousand yuan, no major sanctions and derogations occurred. The Company's equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

Buildings	10 years
Equipment	3-20 years
Office equipment	3-20 years
Leased Improvements	2-10 years

XV. Lease arrangements

(I) right-of-use asset

	March 31, 2021	December 31, 2020	March 31, 2020
Right-of-use assets amounts			
Transport Equipment	\$ 2,740	\$ 3,114	\$ 2,643
Buildings	<u>84,508</u>	<u>90,272</u>	<u>105,179</u>
	<u>\$ 87,248</u>	<u>\$ 93,386</u>	<u>\$ 107,822</u>

	<u>Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
The additions of the right-of-use assets	<u>\$ -</u>	<u>\$ 52,326</u>
Depreciation charge for right-of-use assets		
Transport Equipment	\$ 374	\$ 283
Buildings	<u>5,764</u>	<u>8,027</u>
	<u>\$ 6,138</u>	<u>\$ 8,310</u>

(II) lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Lease liabilities amounts			
Current	\$ 22,383	\$ 22,963	\$ 21,069
Non-current	<u>67,806</u>	<u>73,156</u>	<u>88,152</u>
	<u>\$ 90,189</u>	<u>\$ 96,119</u>	<u>\$ 109,221</u>

Range of discount rate for lease liabilities was 1.53%.

(III) Material lease-in activities and terms

The Company leases several plants, offices and vehicles for operational use, with the lease term of 2~5 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

(IV) Other lease information

	Three Months Ended March 31	
	2021	2020
Short-term lease expense	<u>\$ 389</u>	<u>\$ 166</u>
Leases of low-value assets expense	<u>\$ 45</u>	<u>\$ 42</u>
Total cash outflow for leases	<u>(\$ 6,717)</u>	<u>(\$ 8,712)</u>

The Group leases certain photocopy equipment which qualifies as low-value asset leases. The Group elected to apply for the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

XVI. Borrowings

(I) Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Credit loans	<u>\$ 140,000</u>	<u>\$ 130,000</u>	<u>\$ -</u>

The revolving loan interest rates of the bank as of March 31, 2021, and December 31, 2020 ranged from 1.25%~1.60% and 1.25%~1.32%, respectively.

(II) Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Secured borrowings</u>			
Bank loans	\$ 130,571	\$ 133,732	\$ 118,740
Less: Current portion	(<u>12,703</u>)	(<u>12,680</u>)	(<u>5,943</u>)
Long-term borrowings	<u>\$ 117,868</u>	<u>\$ 121,052</u>	<u>\$ 112,797</u>

1. The Company has applied for loan from the Taiwan Corporative Bank in October 2018, to meet its need in fund for operation, line of credit amounted to NT\$ 30,000 thousand, whereas 20% of balance in NTD and certificates of foreign currency deposit in an equivalent amount was pledged to the borrowing as collaterals (refer to Note 27), the term of borrowing was counted from the initial accession of the loan, pay monthly in installment, for a total of 60 terms, and was matured at the end of March 31, 2021; the balance of the borrowing was NT\$ 15,778 thousand, rate of interest on the loan was 1.35%.
2. The Company has applied for medium-term secured loans and medium-term loans from the Taiwan Corporative Bank in February 2020, the amount of borrowings were NT\$ 86,800 thousand and NT\$ 10,215 thousand, respectively, whereas three lands of lots 10-39, 10-41, and 10-41 in Lunhai Section of Lugang Township of Changhua County was pledged to the borrowing as collaterals, for the two abovementioned loans, principals were repaid upon maturity with maturity dates of June 30, 2022, and May 9, 2022, respectively. As of March 31, 2021, the balance of the bank borrowings were NT\$ 86,800 thousand, and NT\$ 10,215 thousand, rate of interest on the loans were both 1.4%.
3. The Company has applied for medium-term loans from the Chang Hwa Bank in November 2020, the amount of borrowing was NT\$ 20,000 thousand, whereas 20% of demand deposit balance was pledged to the borrowing as collaterals (refer to Note 27), the interest of the 36-month loan was pay monthly, and payment of principal was amortized monthly; as of March 31, 2021, the balance of the bank borrowing was NT\$ 17,778 thousand, rate of interest on the loans was 1.25%.

XVII. contract liability

	March 31, 2021	December 31, 2020	March 31, 2020
Merchandise sales	<u>\$ 140,288</u>	<u>\$ 105,356</u>	<u>\$ 107,898</u>

The obligation of the need to transfer goods when receiving the consideration from customer.

XVIII. Bonds payable

March 31,	December 31,	March 31,
<u> </u>	<u> </u>	<u> </u>

	<u>2021</u>	<u>2020</u>	<u>2020</u>
Second domestic secured convertible corporate	\$ 148,058	\$ 147,310	\$ 145,046
Third domestic secured convertible corporate bonds	<u>147,874</u>	<u>147,046</u>	<u>144,547</u>
	295,932	294,356	289,593
Less: current portion of secured convertible corporate bonds	(<u>147,874</u>)	(<u>147,046</u>)	<u>-</u>
	<u>\$ 148,058</u>	<u>\$ 147,310</u>	<u>\$ 289,593</u>

(I) Second domestic secured convertible corporate

The Company issued the second domestic secured convertible corporate bonds on November 8, 2019, the issuance period was 3 years, total face value issued was NT\$ 150,000 thousand, with a par value of NT\$ 100 thousand, the coupon rate was 0%, issued with 100.5% of face value, total amount raised was NT\$ 150,750 thousand, with effective interest rate at 2.0770%, and was issued under following conditions:

1. The Company has paid off in cash at par value plus the redemption premium (with 101.51% of face value, effective yield 0.5%) when the convertible corporate bonds was due.
2. The bond holder may request the Company any time to convert the bonds to the Company's ordinary share in accordance to the conversion price ate the period, from the day following the 3rd month of issuance of the bonds until maturity, except for the book close period. According to the rule for issuance and conversion of this corporate bond, the initial conversion price was NT\$ 30.2, the adjustment shall be made according to the calculation formula of the conversion price, if the Company is required to made adjustment in accordance to that agreed in the contract afterward. The conversion price has been adjusted from NT\$ 30.2 per share to NT\$ 27.8 per share since September 14, 2020.
3. From the day following the 1st month of issuance of the bonds until 40 days prior to the expiration of the duration, if the closing market prices of the ordinary shares traded by securities brokerages exceeds conversion price at current period, has reached 30% or more for 30 consecutive business days, or if the outstanding amount of bonds is less than 10% of the aggregate nominal

amount of the issued bonds, the Company may call the bonds outstanding at face value in cash.

(II) Third domestic secured convertible corporate bonds

The Company issued the third domestic secured convertible corporate bonds on November 11, 2019, the issuance period was 3 years, total face value issued was NT\$ 150,000 thousand, with a par value of NT\$ 100 thousand, the coupon rate was 0%, bonds were issued at par, total amount raised was NT\$ 150,000 thousand, with effective interest rate at 2.3017%, and was issued under following conditions:

1. The Company has paid off in cash at par value plus the redemption premium (with 102.27% of face value, effective yield 0.75%) when the convertible corporate bonds was due.
2. The bond holder may request the Company any time to convert the bonds to the Company's ordinary share in accordance to the conversion price at the period, from the day following the 3rd month of issuance of the bonds until maturity, except for the book close period. According to the rule for issuance and conversion of this corporate bond, the initial conversion price was NT\$ 29.9, the adjustment shall be made according to the calculation formula of the conversion price, if the Company is required to made adjustment in accordance to that agreed in the contract afterward. The conversion price has been adjusted from NT\$ 29.9 per share to NT\$ 27.5 per share since September 14, 2020.
3. Bondholders has the option to request the Company to redeem their bond holdings at face value plus the redemption premium (with 101.5056% of face value, effective yield 0.75%) , two years after the issuance date, the Company shall redeem the convertible corporate bond held by bonholders in cash.
4. From the day following the 1st month of issuance of the bonds until 40 days prior to the expiration of the duration, if the closing market prices of the ordinary shares traded by securities brokerages exceeds conversion price at current period, has reached 30% or more for 30 consecutive business days, or if the outstanding amount of bonds is less than 10% of the aggregate nominal amount of the issued bonds, the Company may call the bonds outstanding at face value in cash.

The above mentioned convertible corporate bonds composed components of liability and equity, the equity component is presented under equity as capital Surplus-share options. Liability components are as follows:

	<u>TMP 2</u>	<u>TMP 3</u>
Issuance proceeds (Note)	\$145,820	\$147,430
components of equity	(1,954)	(3,966)
Lease liabilities - put option	<u>-</u>	<u>(191)</u>
Liability component on issuance date	<u>\$143,866</u>	<u>\$143,273</u>
Liability component as of January 1, 2021	\$ 147,310	\$ 147,046
Interest calculated by effective interest rate	<u>748</u>	<u>828</u>
Liability component as of March 31, 2021	<u>\$ 148,058</u>	<u>\$ 147,874</u>

Note: The amount raised by TMP 2 and TMP 3 were NT\$ 150,750 thousand and NT\$ 150,000 thousand, respectively, which after less transaction costs allocated to liability that amounted NT\$ 4,864 thousand and NT\$ 2,501 thousand, and transaction costs allocated to equity that amounted NT\$ 66 thousand and NT\$ 69 thousand, the issuance prices were NT\$ 145,820 thousand and NT\$ 147,430 thousand, respectively.

XIX. Post-employment benefit plans

(I) Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Company has made contribution in accordance to the ratio of amount stated in the defined contribution plan for the three months ended March 31, 2021 and 2020. The total amount recognized in the statement of comprehensive income were NT\$ 472 thousand, and NT\$ 439 thousand, respectively.

(II) defined benefit plan

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the

balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The Company no longer have employees applicable for the retirement plan of Labor Standards Law since September 2020, and was approved by the Department of Labor of Taipei City Government to make temporarily the contribution of retirement. From the three Months Ended March 31, 2020, the company recognized the pension benefit of NT\$ 1 thousand. in the consolidated income statement based on the pension cost rate determined by actuarial calculation on December 31, 2019.

XX. Equity

(I) Ordinary share

	March 31, 2021	December 31, 2020	March 31, 2020
Authorized shares (in thousands)	<u>76,000</u>	<u>76,000</u>	<u>76,000</u>
Authorized capital	<u>\$ 760,000</u>	<u>\$ 760,000</u>	<u>\$ 760,000</u>
Issued and paid shares (in thousands)	<u>30,675</u>	<u>30,675</u>	<u>30,675</u>
Issued capital	<u>\$ 306,752</u>	<u>\$ 306,752</u>	<u>\$ 306,752</u>

1. The common stocks issued by the Company has a par value of NT\$ 10 per share, each share entitled to one vote and the right to collect dividends.
2. The Board of Directors has approved on March 10, 2020, for privately placement of 16,165 thousand shares of ordinary shares to file for public offering and over-the-counter trading, the application has been approved into effect by FSC (Please refer to the ruling with the Ref. No. of Jin-Guan-Zheng-Fa-Zi-1090343220), and was listed and traded over-the-counter on June 20, 2020.
3. On March 11, 2021, the company’s board of directors resolved to increase capital by cash and issue 15,000 thousand ordinary shares, each with a par value of 10 yuan. It is expected to be issued at a premium of NT\$22 per share.

The total issued amount is NT\$330,000 thousand. The Securities and Futures Bureau of the FSC approved the declaration to take effect on April 16, 2021.

(II) Additional paid-in capital

	March 31, 2021	December 31, 2020	March 31, 2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Others - dividends unclaimed by shareholders	\$ 197	\$ 197	\$ 197
<u>May not be used for any purpose</u>			
Share option of convertible corporate bonds	<u>5,920</u>	<u>5,920</u>	<u>5,920</u>
	<u>\$ 6,117</u>	<u>\$ 6,117</u>	<u>\$ 6,117</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

(III) Retained earnings and dividends policy

Under the dividends policy as outlined in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For information on the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to Note 21.

In addition, according to the revised Articles of Incorporation of the Company, the dividend policy of the Company is to distribute dividends, in light of the present and future development plan, taking into consideration the investment environments, fund demands, and domestic competition status as well as factors of interests of

shareholders. The amount of proposed earnings distribution of the current year shall be no less than 1% of dividends distributed to shareholders; however, if the accumulated distributable earnings is less than 1% of paid-in capital, may decide not to distribute. In distributing dividends and bonuses to shareholders, the distribution may be made by shares or cash, of which cash dividends may not be less than 10% of the total amount of dividends, except that the type and proportion of the dividends distribution, shall take into consideration of actual profits and fund status of current year, with the adjustment as approved by the shareholders' meeting.

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

Items referred to under Rule No. 1010012865, Rule No, 1010047490, and Rule No. 1030006415 issued by the FSC, and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 that were proposed and approved separately in the board of directors on March 11, 2021 and the shareholders' meetings on April 23, 2020, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Statutory reserves	\$ 4,956	\$ 8,864		
Cash dividends	36,810	67,485	\$ 1.2	\$ 2.2

The appropriation of earnings for 2020 is subject to resolution in the shareholders' meeting to be held in June 3, 2021.

(IV) Special reserves

If a special reserve of NT\$ 5,110 thousand appropriated on the first-time adoption of IFRSs relates to the exchange differences in translating the financial statements of foreign operations, the special reserve will be reversed proportionately on the Company's disposal of the foreign operations; on the Company's loss of significant influence; however, the entire special reserve will be reversed. An additional special reserve should be appropriated for the amount equal to the difference between the net debit balance of the reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated

may be reversed to the extent that the net debit balance reverses and may thereafter be distributed.

(V) Other items of equity

Unrealized gain/(loss) on financial assets at FVTOCI

	Three months ended March 31	
	2021	2020
Balance, beginning of period	(\$ 132)	(\$ 921)
Current		
unrealized gain/(loss)	<u>81</u>	<u>(1,080)</u>
Balance, end of period	<u>(\$ 51)</u>	<u>(\$ 2,001)</u>

XXI. Net income of continuing operations

(I) Other gains or losses

	Three months ended March 31	
	2021	2020
Net Gain or loss on financial asset and financial liability at fair value through loss	(\$ 198)	\$ 3,209
Net gains (losses) on foreign currency exchange	22	182
Others	(1)	(78)
	<u>(\$ 177)</u>	<u>(\$ 3,105)</u>

(II) Financial costs

	Three months ended March 31	
	2021	2020
Interest on bank loans	\$ 857	\$ 244
Interest on lease liabilities	353	363
Convertible corporate bonds interest	1,576	1,559
	<u>\$ 2,786</u>	<u>\$ 2,166</u>

(III) Depreciation and amortization

	Three months ended March 31	
	2021	2020
Property, Plant and Equipment	\$ 2,439	\$ 1,687
right-of-use asset	6,138	8,310
Intangible asset	214	197
Total	<u>\$ 8,791</u>	<u>\$ 10,194</u>
An analysis of depreciation by function		
Operating cost	\$ 7,685	\$ 9,288
Operating expenses	892	709
	<u>\$ 8,577</u>	<u>\$ 9,997</u>
Intangible asset an analysis of amortization by function		
Administrative expenses	<u>\$ 214</u>	<u>\$ 197</u>

(IV) Employee benefits expense

	Three months ended March 31	
	2021	2020
Short-term employee benefit expense	\$ 14,442	\$ 12,772
Post-employment benefits	472	438
Other employee benefit expense	<u>882</u>	<u>784</u>
Total employee benefits expense	<u>\$ 15,796</u>	<u>\$ 13,994</u>
An analysis by function		
Operating cost	\$ 6,082	\$ 4,870
Operating expenses	<u>9,714</u>	<u>9,124</u>
	<u>\$ 15,796</u>	<u>\$ 13,994</u>

(V) Employees' compensation and remuneration of directors and supervisors

Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration of directors and supervisors at the rates of 1% to 10% and no higher than 4%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The appropriations of employees' compensation and remuneration of directors and supervisors for the three months ended March 31, 2021 and 2020, were as below:

Ratio

	Three months ended March 31	
	2021	2020
Remuneration to employees	1%	1%
Remuneration of directors and supervisors	1%	-

Amount

	Three months ended March 31	
	2021	2020
Remuneration to employees	<u>\$ 162</u>	<u>\$ 218</u>
Remuneration of directors and supervisors	<u>\$ 162</u>	<u>\$ -</u>

The appropriations of employees' compensation and remuneration of directors and supervisors for 2020 and 2019 approved by the board of directors on March 11, 2021 and March 10, 2020, respectively, were as below:

2020		2019	
Cash	Stocks	Cash	Stocks

Remuneration to employees	\$ 1,500	\$ -	\$ 1,800	\$ -
Remuneration of directors and supervisors	1,500	-	1,800	-

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

There is no difference between the actual amounts of employees' compensation and remuneration of directors resolved and the amounts recognized in the financial statements for the years ended December 31, 2020, and 2019.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

XXII. Income taxes relating to continuing operations

(I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Current income tax expense		
Current tax expense recognized in the current period	\$ 3,358	\$ 5,705
Deferred tax		
Deferred tax recognized in the current period	<u>226</u>	<u>(552)</u>
Income tax expense recognized in profit or loss	<u>\$ 3,584</u>	<u>\$ 5,153</u>

(II) Income tax assessments

Income tax returns of the Company through 2018 had been examined and assessed by the tax authorities.

XXIII. Earnings per Share

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings per share	<u>\$ 0.41</u>	<u>\$ 0.54</u>
Diluted earnings per share	<u>\$ 0.34</u>	<u>\$ 0.49</u>

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Current period net profit

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Net income in the computation of basic earnings per share	\$ 12,667	\$ 16,455
Effect of potentially dilutive ordinary shares:		
Convertible corporate bonds interest after tax	<u>1,261</u>	<u>1,247</u>
Net income in the computation of diluted earnings per share	<u>\$ 13,928</u>	<u>\$ 17,702</u>

Shares

Unit: Thousand Shares

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>

Weighted average number of ordinary shares in computation of basic earnings per share	30,675	30,675
Effect of potentially dilutive ordinary shares:		
Convertible corporate bonds	10,850	5,540
Remuneration to employees	<u>50</u>	<u>112</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>41,575</u>	<u>36,327</u>

If the Company can settle the compensation to employees in cash or shares, the Company assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share if the effect is dilutive. Such a dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXIV. Capital risk management

The Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity (borrowings offset by cash and cash equivalents) attributed to stockholders of the Company and equity of the Company (comprising issued capital, capital surplus, retained earnings, and other equity).

Key management personnel of the Company reviews the capital structure quarterly. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Under the recommendations of the key management personnel, to balance the overall capital structure, the Company may adjust the number of dividends paid to shareholders, the number of new shares issued and repurchased, and the number of new debt issued or redemption of existing debt.

XXV. Financial instruments

(I) Fair value of financial instruments not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

(II) Fair values of financial assets that are measured at fair value

1. Degree of fair value measurements

March 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed marketable securities				
- equity investment	<u>\$ 24,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,245</u>
<u>Financial assets at FVTOCI</u>				
Domestic listed marketable securities				
- equity investment	<u>\$ 3,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,474</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives				
- Third domestic convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</u>

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed marketable securities				
- equity investment	<u>\$ 24,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,458</u>
<u>Financial assets at FVTOCI</u>				
Domestic listed marketable securities				
- equity investment	<u>\$ 3,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,393</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives				
- Third domestic convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>

March 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed marketable securities				
- equity investment	<u>\$ 21,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,691</u>
<u>Financial assets at FVTOCI</u>				
Domestic listed marketable securities				
- equity investment	<u>\$ 4,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,658</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives				
- Third domestic convertible corporate bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150</u>	<u>\$ 150</u>

No transferring of fair value measurement between Level 1 and Level 2 for the three Months Ended March 31, 2021 and 2020.

2. Valuation techniques and inputs applied for Level 3 fair value measurement

Derivatives - the puttable and redemption right of convertible corporate bonds that estimates fair value by using binomial tree model, and uses significant unobservable inputs for the volatility of the stock price. When the share price volatility increases, the fair price of the derivatives will also increase.

(III) Categories of financial instruments

	<u>March 31, 2021</u>	<u>Dec. 31, 2020</u>	<u>March 31, 2020</u>
<u>Financial asse</u>			
Financial assets at FVTPL	\$ 24,245	\$ 24,458	\$ 21,691
Financial assets at FVTOCI	3,474	3,393	4,658
Financial assets at amortized cost (Note 1)	942,607	848,209	964,644
<u>Financial liability</u>			
Financial liabilities at FVTPL	15	30	150
Amortized cost (Note 2)	848,121	759,441	748,571

Note 1: The balance comprises cash and bank deposits, financial assets at amortized cost, notes receivable, accounts receivable, notes and accounts receivable - related parties, part of other current assets, and financial assets of part of other non-current assets at amortized cost.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, accounts payable, notes and accounts payable - related party, portion of other payables, long-term borrowings, and bonds payable.

(IV) Financial risk management objective and policies

The Company adopts a comprehensive risk management and control system, for identifying possible risks that the Company might be exposed to (including market risk, credit risk, liquidity risk, and cash flow risk), so the management of the

Company may effectively control and measure market risk, credit risk, liquidity risk, and cash flow risk. The Company's objective of risk management is to achieve the position of portfolio optimization under risk measure, maintain the position of proper liquidity, and focused on managing all of the market risks, in regard to the economic environment, competitive conditions, and the market price risk.

1. Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and equity securities prices.

(1) Exchange rate risk

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29..

The Company is primarily influenced by the fluctuation of USD exchange rate, which has generate great amount in asset and liability due to trading in foreign currency. Although foreign currency asset and liability are offset by the profit and loss generated from changes in market exchange rate, the differences between the Company's amount of foreign currency asset and amount of foreign currency liability, are therefor undertake the foreign exchange risk. The profit before tax will decrease NT\$ 126 thousand and NT\$ 365 thousand, respectively, for the three months ended March 31, 2021 and 2020, if the US dollars weakened by 1% against NT dollars.

(2) Equity securities prices risks

The market risk of equity securities compse of risk arise from changes in the market price of equity securities, and the general market risk arise from changes in overall market price. The profit and loss will be decreased by NT\$ 242 thousand and NT\$ 217 thousand respectively, for the three months ended March 31, 2021 and 2020, due to fair value changes in financial asset at FVTPL, if the Company's equity price decrease 1%. Other comprehensive income will be decreased by NT\$ 35 thousand and NT\$ 47 thousand, respectively, for the three months ended March 31, 2021 and 2020, due to fair value changes in financial asset at FVTPL.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to mitigate credit risk, the Company reviews recoverable amount of accounts receivable one by one at the end of each reporting period, to ensure unrecoverable amount of accounts receivable is account reasonable impairment losses. For this reason, the management believes the Company's credit risk is reduced substantially.

The accounts receivable consist of several customers that the Company has focused to traded with, most of whom were engaged in similar business activities, and with similar economic traits; as the effects on their ability to perform the contract due to economy or other conditions are also similar, the concentration of credit risk occurred was substantial. As of March 31, 2021, and December 31 and March 31, 2020, the proportion of accounts receivable from top 10 customers to the Company's balance of accounts receivable were 32%, 46% and 57%, respectively, the credit risk concentration of rest accounts receivable was relatively not significant.

3. Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and bank deposits deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

The maturity dates for the Company's non-derivative financial liabilities were based on the agreed repayment dates.

March 31, 2021

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>5 years or more</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Short-term				
borrowings	\$ 140,000	\$ -	\$ -	\$ 140,000
Note payable	10,307	-	-	10,307
Accounts payable	1,571	-	-	1,571
Notes and accounts payable - related parties				
	243,241	-	-	243,241
Other payables	36,151	-	-	36,151
lease liabilities	23,573	55,648	14,930	94,151
Long-term				
borrowings	13,083	118,227	-	131,310
Bonds payable	150,000	150,750	-	300,750

December 31, 2020

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>5 years or more</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>				
Short-term				
borrowings	\$ 130,000	\$ -	\$ -	\$ 130,000
Note payable	11,396	-	-	11,396
Accounts payable	314	-	-	314
Notes and accounts payable - related parties				
	162,433	-	-	162,433
Other payables	44,349	-	-	44,349
lease liabilities	24,240	59,615	16,580	100,435
Long-term				
borrowings	13,104	121,489	-	134,593
Bonds payable	150,000	150,750	-	300,750

March 31, 2020

	<u>Less than 1</u> <u>year</u>	<u>1-5 years</u>	<u>Total</u>
<u>Non-derivative</u> <u>financial liabilities</u>			
Note payable	\$ 11,331	-	\$ 11,331
Accounts payable	7,147	-	7,147
Notes and accounts payable - related parties	293,018	-	293,018
Other payables	38,468	-	38,468
lease liabilities	22,565	92,082	114,647
Long-term borrowings	6,032	113,409	119,441
Bonds payable	-	300,750	300,750

XXVI. Related party transaction

(I) Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
E-Top Metal Co., Ltd. (E-Top Metal)	Significant influence to the Company
Yih Dar Lih Steel Corporation (Yih Dar Lih Steel)	Parties with substantial relation to the Company
Yih Lih Dar Steel Corporation (Yih Lih Dar Steel)	Parties with substantial relation to the Company
Fu Sheng Transport Co., Ltd. (Fu Sheng)	Parties with substantial relation to the Company
E-Sheng Steel Co., Ltd. (E-Sheng Steel)	Other related parties
TSG Transport Corp (TSG Transport)	Other related parties

(II) Operating income

<u>Related Party Categories</u>	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Significant influence to the Company	\$ 485	\$ 516
Parties with substantial relation to the Company	<u>4,647</u>	<u>2,285</u>
Total	<u>\$ 5,132</u>	<u>\$ 2,801</u>

(III) Purchase

<u>Related Party Categories</u>	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
E-Top Metal	\$ 545,096	\$ 523,702
E-Sheng Steel	236,074	65,990
Parties with substantial relation to the Company	863	66,291
Other related parties	<u>1,258</u>	<u>-</u>
Total	<u>\$ 783,291</u>	<u>\$ 655,983</u>

The purchase and sale between the Company and related parties are based on cost of goods, of which price is negotiated by both sides in regard to the market.

(IV) Processing fee

<u>Related Party Categories</u>	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Significant influence to the Company	\$ 743	\$ 757
Parties with substantial relation to the Company	<u>94</u>	<u>-</u>
Total	<u>\$ 837</u>	<u>\$ 757</u>

(V) Notes and accounts receivable from related parties

<u>Related Party Categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
E-Top Metal	\$ 256	\$ 427	\$ 375
Yih Lih Dar Steel	-	-	1,841
Yih Dar Lih Steel	<u>4,961</u>	<u>5,176</u>	<u>-</u>
Total	<u>\$ 5,217</u>	<u>\$ 5,603</u>	<u>\$ 2,216</u>

The transaction term for the sale of steel and building materials to related parties was 60 days A.M.S., and for non related parties was 30 to 90 days A.M.S..

(VI) Notes and accounts payable to related parties

<u>Related Party Categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
E-Top Metal	\$ 154,403	\$ 137,567	\$ 210,500
E-Sheng Steel	87,932	23,405	32,730
Parties with substantial relation to the Company	<u>906</u>	<u>1,461</u>	<u>49,788</u>
Total	<u>\$ 243,241</u>	<u>\$ 162,433</u>	<u>\$ 293,018</u>

The transaction term for the purchase of steel and building materials to related parties was 10 days and 20 days, respectively, for account settlement and payment, and 60 days A.M.S..

(VII) Other payables

<u>Related Party Categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Significant influence to the Company	\$ 1,555	\$ 1,300	\$ 817
Other related parties	1,926	1,409	-
Parties with substantial relation to the Company	<u>164</u>	<u>49</u>	<u>-</u>
	<u>\$ 3,645</u>	<u>\$ 2,758</u>	<u>\$ 817</u>

(VIII) Lease arrangements - Group is lessee

<u>Related Party Categories</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>lease liabilities</u>			
Significant influence to the Company	<u>\$ 798</u>	<u>\$ 1,395</u>	<u>\$ 798</u>

The Company leased plant from related party in August 2015, with lease term from August 2015 to July 2020, and renewed to July 2021.

(IX) Information of compensation of key management personnel

	Three months ended March 31	
	2021	2020
Short-term employee benefits	\$ 2,757	\$ 4,820
Post-employment benefits	84	95
	<u>\$ 2,841</u>	<u>\$ 4,915</u>

XXVII. Pledged Assets

The following assets were provided as collateral for bank borrowings, bonds payable, and issuing of letters of credit.

	March 31, 2021	December 31, 2020	March 31, 2020
Pledged demand (current) deposit (Note)	\$ 86,916	\$ 74,916	\$ 30,661
Pledged certificates of deposit (Note)	17,874	22,856	41,891
Land	103,606	103,606	-

Note: Recognized in other current assets

XXVIII. Significant Contingent Liabilities and Unrecognized Commitments

Except for those has been described in other notes, as of March 31, 2021, and December 31 and March 31, 2020, the amounts for letters of credit that were not used, and were issued for purchasing raw materials were NT\$ 0 thousand, NT\$ 0 thousand and NT\$ 23,468 thousand, respectively.

XXIX. Significant financial assets and liabilities denominated in foreign currencies

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

	Foreign Currencies / NTD (In Thousands)												
	March 31, 2021			December 31, 2020			March 31, 2020						
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	N	T	D	Foreign currency	Exchange rate	N	T	D
Monetary items of financial asset													
USD	\$	441	28.535	\$	441	28.48	\$	12,558	\$	1,209	30.225	\$	36,542

Gains (losses) on foreign currency exchange (realized and unrealized) for the three months ended March 31, 2021 and 2020, please refer to Note 21.

XXX. Additional Disclosures

- (I) Information about significant transactions and (II) Information about investees.

1. Financing provided to others. (None)
 2. Endorsement/guarantee provided. (None)
 3. Marketable securities held: Table 1.
 4. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
 5. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 6. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 7. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 2)
 8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
 9. Trading in derivative instruments. (None)
 10. Name of investee: Table 3.
- (III) Information on investments in mainland China. (None)
- (IV) Information on main investors: List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder. (Table 4)

XXXI. Segments Information

The management has provided information of reportable segments according to reporting information used by the Board of Directors in decision making. The assessment of segment performance and resource allocation is performed by a single segment in the Company, thus has no financial information of operating segments disclosed.

TMP Steel Corporation
 Marketable securities held
 For the period ended March 31, 2021

Table 1

Unit: NTD thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Remarks
				Shares (Thousands)	Carrying amount	Percentage of Ownership	Net equity	
TMP Steel Corporation	Domestic listed stocks Gloria Material Technology Corp.	-	Financial assets at FVTPL - Current	1,422	\$ 24,245	0.30%	\$ 24,245	Note 1
	Taiwan Styrene Monomer Corporation	-	Purchase of financial assets at FVTOCI - current	180	3,474	0.03%	3,474	Note 2

Note 1: Financial assets at FVTPL that was of listed stocks, their market price were calculated on basis of closing price of March 31, 2021.

Note 2: Financial assets at FVTOCI that was of listed stocks, their market price were calculated on basis of closing price of March 31, 2021.

TMP Steel Corporation

Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital

For the period ended March 31, 2021

Table 2

In Thousands of New Taiwan Dollars,
unless Stated Otherwise

Buyer/Seller	Related Party	Relation	Transaction Details				The status and reasons of the transaction terms different from common transactions (Note1)		Note/Accounts Receivable (Payable)		Remarks (Note2)
			Purchase/Sale	Amount	% to total purchase/sale	Payment Terms	Unit Price	Payment Terms	Balance	Percentage to note/accounts receivable (payable)	
TMP Steel Corporation	E-Top Metal Co., Ltd.	Significant influence to the Company	Purchase	\$ 545,096	67.71%	10 days and 20 days respectively, for account settlement and payment	Same	Note 3	(\$ 154,403)	(63.48%)	
	E-Sheng Steel Co., Ltd.	Other related parties	Purchase	236,074	29.33%	10 days and 20 days respectively, for account settlement and payment	Same	Note 3	(87,932)	(36.15%)	

Note 1: If transaction term for related parties and non related parties is different, shall described the differences and reasons in the fields of price and credit term.

Note 2: If advance receipts or payments applied, shall described the reason, the conditions and terms of the contract, the amount, and differences in general transactions in the remark field.

Note 3: The transaction terms for suppliers of non related party are prepayment of goods or issuance of letters of credit.

TMP Steel Corporation and its investees
Name of investee
For the period ended March 31, 2021

Table 3

NTD / USD (In Thousands)

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2020			Gain (loss) of the Investee	Investment gain (loss) recognized in the current period	Remarks
				March 31, 2020	March 31, 2019	Shares (Thousands)	Ratio %	Carrying amount (Note)			
TMP Steel Corporation	Korea Peibo Electronics Co., Ltd.	Seoul, Korea	Purchase, sales and manufacturing of electronic components	USD 50 NTD 1,599	USD 50 NTD 1,599	-	50%	\$ -	\$ -	\$ -	

Note: Net amount after accumulated impairment

TMP Steel Corporation
Information on main investors
For the period ended March 31, 2021

Table 4

Name of major shareholder	Shares	
	No. of shares held (shares)	Percentage of Ownership (%)
Tai Yu Investment Co., Ltd.	7,085,432	23.09%
De Li Investment Co., Ltd.	7,085,432	23.09%
Tien Chuan Investment Co., Ltd.	6,394,303	20.84%

Note: The table discloses shareholding information of shareholders whose shareholding percentage is more than 5%. The Taiwan Depository & Clearing Corporation (TDCC) calculates the total number of ordinary shares and special shares (including treasury shares) that have completed the dematerialized registration and delivery on the last business day of the quarter. The share capital reported in the financial statements and the actual number of shares that have completed the dematerialized registration and delivery may be different due to differences in the basis of calculation.