

**TMP Steel Corporation**

**FINANCIAL STATEMENTS AND INDEPENDENT**

**AUDITORS' REPORT**

**DECEMBER 31, 2021 AND 2020**

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

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TMP Steel Corporation

### **Opinion**

We have audited the accompanying balance sheets of TMP Steel Corporation (the "Company") as of December 31, 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 financial statements are stated as follows:

### **Existence of sales revenue from steel building materials**

#### Description

Refer to Note 4(28) for accounting policy on revenue recognition and Note 6(20) for details of operating revenue. The Company's operating revenue for the year ended December 31, 2021 was \$4,437,556 thousands.

The Company is primarily engaged in the sales of steel building materials. As the Company has numerous trading counterparties, voluminous transactions and would required a longer period for verification, we consider the existence of sales revenue from steel building materials a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

- A. Understood the design and assessed the effectiveness of the internal controls over sales revenue.
- B. Assessed basic information of major customers, including the details of person in charge, registered address, operating address, relationships with these major customers, and further evaluated the reasonableness of transactions and whether they were related to major suppliers.
- C. Selected samples of sales transactions and performed the following procedures:
  - (a) Verified whether sales transactions have original supporting documents including confirming orders, shipping documents and invoices.
  - (b) Ascertained whether material accounts receivable have been offset against the same parties to which the sales were made.
  - (c) Inspected whether there are any recurring or significant sales returns after the stated period and whether there are any abnormalities in payment collections after the stated period.
- D. Selected samples from sales transactions and send to corresponding parties for external confirmation. Implemented alternative audit procedures if the confirmation not received in time.

#### **Other matter – Scope of the audit**

The financial statements of the Company as of and for the year ended December 31, 2020 were audited by other auditors whose report dated March 19, 2021 expressed an unmodified opinion on those statements.

#### **Responsibilities of management and those charged with governance for the financial statements**

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant

ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Tien, Chung-Yu

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

March 10, 2022

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The accompanying 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 financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

TMP Steel Corporation  
BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2021		December 31, 2020		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 178,759	7	\$ 100,429	7
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	24,458	2
1120	Financial assets at fair value through other comprehensive income - current	6(3)	-	-	3,393	-
1136	Financial assets at amortised cost - current	6(1)(4) and 8	186,995	8	99,601	7
1150	Notes receivable, net	6(5) and 7	88,445	4	95,318	7
1170	Accounts receivable, net	6(5) and 12	878,253	36	521,600	38
1180	Accounts receivable - related parties	6(5), 7 and 12	198,560	8	3,690	-
1200	Other receivables		311	-	1,512	-
130X	Inventories	6(6)	247,045	10	139,486	10
1410	Prepayments	6(7)	203,964	8	12,267	1
11XX	<b>Total current assets</b>		<u>1,982,332</u>	<u>81</u>	<u>1,001,754</u>	<u>72</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(9)(10) and 8	365,957	15	267,325	19
1755	Right-of-use assets	6(9)(10)	73,300	3	93,386	7
1780	Intangible assets		1,202	-	1,819	-
1840	Deferred income tax assets	6(27)	4,454	-	4,445	-
1920	Guarantee deposits paid		20,191	1	26,059	2
15XX	<b>Total non-current assets</b>		<u>465,104</u>	<u>19</u>	<u>393,034</u>	<u>28</u>
1XXX	<b>Total assets</b>		<u>\$ 2,447,436</u>	<u>100</u>	<u>\$ 1,394,788</u>	<u>100</u>

(Continued)

TMP Steel Corporation  
BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11) and 8	\$ 222,181	9	\$ 130,000	9
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	30	-
2130	Contract liabilities - current	6(20)	285,223	12	105,356	8
2150	Notes payable	7	25,194	1	11,415	1
2170	Accounts payable		485	-	314	-
2180	Accounts payable - related parties	7	513,470	21	162,414	12
2200	Other payables	6(12) and 7	68,327	3	44,349	3
2230	Current income tax liabilities	6(27)	3,859	-	13,485	1
2280	Lease liabilities - current	6(10)	22,190	1	22,963	2
2320	Long-term liabilities, current portion	6(13)(14) and 8	307,903	12	159,726	11
2399	Other current liabilities		641	-	228	-
21XX	<b>Total current Liabilities</b>		<u>1,449,473</u>	<u>59</u>	<u>650,280</u>	<u>47</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(13) and 8	-	-	147,310	10
2540	Long-term borrowings	6(14) and 8	233,110	10	121,052	9
2580	Lease liabilities - non-current	6(10)	54,253	2	73,156	5
2640	Net defined benefit liabilities - non-current	6(15)	40	-	40	-
25XX	<b>Total non-current liabilities</b>		<u>287,403</u>	<u>12</u>	<u>341,558</u>	<u>24</u>
2XXX	<b>Total Liabilities</b>		<u>1,736,876</u>	<u>71</u>	<u>991,838</u>	<u>71</u>
Share capital						
3110	Common stock	6(13)(16)	457,115	19	306,752	22
3200	Capital surplus	6(13)(16)(17)(18)	145,039	6	6,117	1
	Retained earnings	6(3)(19)				
3310	Legal reserve		21,871	1	16,914	1
3320	Special reserve		5,110	-	5,110	-
3350	Unappropriated retained earnings		81,425	3	68,189	5
3400	Other equity interest	6(3)	-	-	(132)	-
3XXX	<b>Total equity</b>		<u>710,560</u>	<u>29</u>	<u>402,950</u>	<u>29</u>
SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS						
SIGNIFICANT EVENT AFTER BALANCE SHEET DATE		11				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 2,447,436</u>	<u>100</u>	<u>\$ 1,394,788</u>	<u>100</u>

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

TMP Steel Corporation  
STATEMENTS OF COMPREHENSIVE INCOME  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

		Year ended December 31			
		2021		2020	
Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	\$ 4,437,556	100	\$ 3,115,269	100
5000	Operating costs	( 4,221,956)	( 95)	( 2,897,582)	( 93)
5900	Net operating margin	<u>215,600</u>	<u>5</u>	<u>217,687</u>	<u>7</u>
	Operating expenses				
6100	Selling expenses	( 97,670)	( 3)	( 85,113)	( 3)
6200	General and administrative expenses	( 43,659)	( 1)	( 35,023)	( 1)
6450	Expected credit gain (loss)	<u>334</u>	<u>-</u>	<u>( 26,337)</u>	<u>( 1)</u>
6000	Total operating expenses	<u>( 140,995)</u>	<u>( 4)</u>	<u>( 146,473)</u>	<u>( 5)</u>
6900	Operating profit	<u>74,605</u>	<u>1</u>	<u>71,214</u>	<u>2</u>
	Non-operating income and expenses				
7100	Interest income	187	-	663	-
7010	Other income	920	-	7,121	-
7020	Other gains and losses	7,731	-	( 1,769)	-
7050	Finance costs	<u>( 11,851)</u>	<u>-</u>	<u>( 9,628)</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>( 3,013)</u>	<u>-</u>	<u>( 3,613)</u>	<u>-</u>
7900	<b>Profit before income tax</b>	71,592	1	67,601	2
7950	Income tax expense	<u>( 13,553)</u>	<u>-</u>	<u>( 14,146)</u>	<u>-</u>
8200	<b>Net income for the year</b>	<u>\$ 58,039</u>	<u>1</u>	<u>\$ 53,455</u>	<u>2</u>
	<b>Other comprehensive income (loss)</b>				
	<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8316	Unrealised (loss) gain on valuation of investments in equity instruments measured at fair value through other comprehensive income	<u>(\$ 2,261)</u>	<u>-</u>	<u>\$ 349</u>	<u>-</u>
8500	<b>Total comprehensive income for the year</b>	<u>\$ 55,778</u>	<u>1</u>	<u>\$ 53,804</u>	<u>2</u>
	Earnings per share (in dollars)				
9750	Basic	<u>\$ 1.62</u>		<u>\$ 1.74</u>	
9850	Diluted	<u>\$ 1.33</u>		<u>\$ 1.45</u>	

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



TMP Steel Corporation  
STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other Equity Interest	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Unrealised (loss) gain from financial assets measured at fair value through other comprehensive income	
<u>For the year ended December 31, 2020</u>								
Balance at January 1, 2020		\$ 306,752	\$ 6,117	\$ 8,050	\$ 5,110	\$ 91,523	(\$ 921)	\$ 416,631
Net income for the year ended December 31, 2020		-	-	-	-	53,455	-	53,455
Other comprehensive income for the year ended December 31, 2020	6(3)	-	-	-	-	-	349	349
Total comprehensive income for the year ended December 31, 2020		-	-	-	-	53,455	349	53,804
Distribution of 2019 net income:								
Legal reserve		-	-	8,864	-	( 8,864)	-	-
Cash dividends	6(19)	-	-	-	-	( 67,485)	-	( 67,485)
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	( 440)	440	-
Balance at December 31, 2020		<u>\$ 306,752</u>	<u>\$ 6,117</u>	<u>\$ 16,914</u>	<u>\$ 5,110</u>	<u>\$ 68,189</u>	<u>(\$ 132)</u>	<u>\$ 402,950</u>
<u>For the year ended December 31, 2021</u>								
Balance at January 1, 2021		\$ 306,752	\$ 6,117	\$ 16,914	\$ 5,110	\$ 68,189	(\$ 132)	\$ 402,950
Net income for the year ended December 31, 2021		-	-	-	-	58,039	-	58,039
Other comprehensive loss for the year ended December 31, 2021	6(3)	-	-	-	-	-	( 2,261)	( 2,261)
Total comprehensive income (loss) for the year ended December 31, 2021		-	-	-	-	58,039	( 2,261)	55,778
Distribution of 2020 net income:								
Legal reserve		-	-	4,957	-	( 4,957)	-	-
Cash dividends	6(19)	-	-	-	-	( 36,810)	-	( 36,810)
Issuance of common stock for cash	6(16)(17)	150,000	135,000	-	-	-	-	285,000
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	( 2,393)	2,393	-
Repurchase of convertible corporate bonds	6(17)	-	( 587)	-	-	( 643)	-	( 1,230)
Conversion of corporate bonds into common stock	6(13)(16)(17)	363	628	-	-	-	-	991
Compensation cost of employee stock options	6(17)(18)(26)	-	3,881	-	-	-	-	3,881
Balance at December 31, 2021		<u>\$ 457,115</u>	<u>\$ 145,039</u>	<u>\$ 21,871</u>	<u>\$ 5,110</u>	<u>\$ 81,425</u>	<u>\$ -</u>	<u>\$ 710,560</u>

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

TMP Steel Corporation  
STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2021	2020
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 71,592	\$ 67,601
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on financial assets and liabilities at fair value through profit or loss	6(2)(23)	( 7,061 )	315
Unrealised foreign exchange loss		1,062	994
Expected credit (gain) loss	12	( 334 )	26,337
Depreciation	6(9)(10)(26)	33,881	34,634
Gain on disposal of property, plant and equipment	6(23)	( 98 )	( 29 )
Gain from lease modification	6(23)	( 182 )	-
Amortisation	6(25)	782	764
Gain on repurchase of corporate bonds	6(23)	( 889 )	-
Compensation cost of employee stock options	6(17)(18)(26)	3,881	-
Interest income	6(21)	( 187 )	663
Dividend income	6(22)	( 659 )	901
Interest expense	6(24)	11,851	9,628
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		6,873	( 32,703 )
Accounts receivable		( 356,319 )	59,635
Accounts receivable - related parties		( 194,870 )	( 3,071 )
Prepayments		( 191,697 )	10,899
Other receivables		1,201	( 2,290 )
Inventories		( 107,559 )	( 18,268 )
Changes in operating liabilities			
Contract liabilities - current		179,867	( 29,205 )
Notes payable		13,779	( 11,689 )
Accounts payable		171	( 26,396 )
Accounts payable - related parties		351,056	( 33,337 )
Other payables		22,460	6,359
Other current liabilities		413	( 130 )
Net defined benefit liabilities - non-current		-	( 112 )
Cash (outflow) inflow generated from operations		( 160,986 )	58,372
Interest received		187	663
Dividends received		659	901
Interest paid		( 5,489 )	( 3,305 )
Income tax paid		( 23,188 )	( 17,652 )
Net cash flows (used in) from operating activities		( 188,817 )	38,979

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TMP Steel Corporation  
STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in financial assets at amortised cost - current		(\$ 88,456 )	(\$ 25,379 )
Acquisition of financial assets at fair value through profit or loss - current		-	( 4,353 )
Proceeds from disposal of financial assets at fair value through profit or loss - current		31,489	7
Acquisition of financial assets at fair value through other comprehensive income - current		( 148,678 )	( 1,976 )
Proceeds from disposal of financial assets at fair value through other comprehensive income - current	6(3)	146,641	2,694
Proceeds from capital reduction of financial assets at fair value through other comprehensive income - current	6(3)	3,169	-
Cash paid for acquisition of property, plant and equipment	6(29)	( 107,464 )	( 242,972 )
Proceeds from disposal of property, plant and equipment		326	68
Acquisition of intangible assets		( 165 )	( 996 )
Decrease in prepayment for equipment		-	7,977
Decrease (increase) in guarantee deposits paid		5,868	( 20,999 )
Net cash flows used in investing activities		( 157,270 )	( 285,929 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(30)	92,181	119,000
Repurchase of convertible corporate bonds	6(30)	( 22,535 )	-
Increase in long-term borrowings	6(30)	147,300	117,016
Decrease in long-term borrowings	6(30)	( 17,552 )	( 6,483 )
Payment of lease liabilities	6(30)	( 23,167 )	( 24,701 )
Issuance of common stock for cash	6(16)	285,000	-
Payment of cash dividends	6(19)	( 36,810 )	( 67,485 )
Net cash flows from financing activities		424,417	137,347
Net increase (decrease) in cash and cash equivalents		78,330	( 109,603 )
Cash and cash equivalents at beginning of year	6(1)	100,429	210,032
Cash and cash equivalents at end of year	6(1)	\$ 178,759	\$ 100,429

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

TMP STEEL CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

(1) TMP Steel Corporation (the Company) was incorporated on May 16, 1984 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C). The Company is primarily engaged in the wholesale of hardware and building materials and the manufacture and sales of its components.

(2) The Company used to be named Taipei MultiPower Electronics Co., Ltd., then changed in name to Taipei MultiPower International Co., Ltd., as approved by the shareholders during their meeting on June 15, 2000; on June 29, 2016, the shareholders during their meeting has approved to again change the Company's name to TMP Steel Corporation.

(3) The common shares of the Company have been listed on the Taipei Exchange since September 2003.

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021 (Note)

Note : Earlier application from January 1, 2021 is allowed by the FSC.

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

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

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 IFRSs 2018 - 2020 cycle	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company'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
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
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 Company's financial

condition and financial performance based on the Company's assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

##### (2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5, 'Critical accounting judgements, estimates and key sources of assumption uncertainty'.

##### (3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets arising mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly for trading activities;
  - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive

income are reclassified to retained earnings and are not reclassified to profit or loss following the recognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Notes and accounts receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. If the cost exceeds net realisable value, valuation loss is accrued and recognised in operating costs. If the net realisable value reverses, valuation is eliminated within the credit balance and is recognised as deduction of operating costs

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.



(12) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- E. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are subsequently depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings (including auxiliary equipment)	10 years
Machinery and equipment	3 ~ 20 years
Office equipment	3 ~ 20 years
Leasehold improvements	2 ~ 10 years

(14) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability; and
  - (b) Any lease payments made at or before the commencement date.
- The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.
- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts.

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures the financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(19) Notes and accounts receivable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Convertible bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract term. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
- C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus - share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable and 'financial assets or liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus – share option'.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in the period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For the defined contribution plan, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their service with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. For cash capital increase reserved for employee preemption, grant date is determined in accordance with the date which subscription price and amounts are agreed.

(24) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax

returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(27) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells steel building materials, sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that

all criteria for acceptance have been satisfied.

- (b) Accounts receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Rendering of services

- (a) The Company provides processing services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the service rendered up to the end of the reporting period as a proportion of the total services to be provided.
- (b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management becomes aware of the changes in circumstances.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

As the Company's operating scale and the industry that it belongs to are not complex, the estimation and valuation of carrying amounts of assets and liabilities can be verified objectively. The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimated concerning future events. There is no significant risk that these estimates and assumptions would a material adjustment to the carrying amount of assets and liabilities within the next financial year.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand	\$ 235	\$ 209
Checking deposits and demand deposits	<u>178,524</u>	<u>100,220</u>
	<u>\$ 178,759</u>	<u>\$ 100,429</u>

- A. The Company 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. The time deposits maturing over three months (listed as 'financial assets at amortised cost - current') amounted to \$1,787 and \$1,829 as of December 31, 2021 and 2020, respectively.
- C. Details of the Company's time deposits pledged to others as collateral (listed as 'financial assets

at amortised cost - current') as of December 31, 2021 and 2020 are provided in Note 8, 'PLEGDED ASSETS'.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 29,112
Valuation adjustments	-	(4,654)
	<u>\$ -</u>	<u>\$ 24,458</u>
Financial liabilities held for trading		
Third domestic convertible corporate bonds put options	<u>\$ -</u>	<u>\$ 30</u>

- A. The Company recognised dividend income of \$569 and \$721 (listed as 'Other income') for the years ended December 31, 2021 and 2020, respectively, in profit or loss in relation to the financial assets at fair value through profit or loss.
- B. The Company recognised net gain (loss) of \$7,061 and (\$315) (listed as "Other gains and losses") for the years ended December 31, 2021 and 2020, respectively.
- C. As of December 31, 2021 and 2020, the Company has no financial assets at fair value through profit or loss pledged to others.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), 'Financial instruments'.

(3) Financial assets at fair value through other comprehensive income - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Equity instruments		
Listed shares	\$ -	\$ 3,525
Valuation adjustments	-	(132)
	<u>\$ -</u>	<u>\$ 3,393</u>

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.
- B. The Company disposed financial assets at fair value through other comprehensive income in the amount of \$146,641 and \$2,694 for the year ended December 31, 2021 and 2020, respectively. This resulted in cumulative loss on disposal amounted to \$2,393 and \$440, which was reclassified to retained earnings.
- C. The Company recognised (\$2,261) and \$349 in other comprehensive income for fair value change for the years ended December 31, 2021 and 2020, respectively.



- D. The Company's financial assets at fair value through other comprehensive income – current, D-LINK CORPORATION, conducted a capital reduction in November 2021. The Company has reversed 317 thousand shares at the initial investment price of \$3,169 proportionately.
- E. The Company recognised dividend income of \$90 and \$180 (listed as 'other income') for the years ended December 31, 2021 and 2020, respectively, in profit or loss in relation to the financial assets at fair value through other comprehensive income.
- F. As of December 31, 2021 and 2020, the Company has no financial assets at fair value through other comprehensive income pledged to others.
- G. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'.

(4) Financial assets at amortised cost - current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposits pledged	\$ 161, 632	\$ 74, 916
Time deposits pledged	<u>25, 363</u>	<u>24, 685</u>
	<u>\$ 186, 995</u>	<u>\$ 99, 601</u>

- A. Amounts recognised in profit or loss in relation to the current financial assets at amortized cost is as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	<u>\$ 178</u>	<u>\$ 635</u>

- B. As of December 31, 2021 and 2020, without taking into account any other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Company was the carrying amount.
- C. As of December 31, 2021 and 2020, the Company financial assets at amortised cost pledged to others as collateral are provided in Note 8, 'PLEDGE ASSETS'.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), 'Financial instruments'.

(5) Notes and accounts receivable, net

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 88, 458	\$ 95, 331
Less: Allowance for uncollectible accounts	<u>( 13)</u>	<u>( 13)</u>
	<u>\$ 88, 445</u>	<u>\$ 95, 318</u>
Accounts receivable	\$ 904, 847	\$ 548, 528
Less: Allowance for uncollectible accounts	<u>( 26, 594)</u>	<u>( 26, 928)</u>
	<u>\$ 878, 253</u>	<u>\$ 521, 600</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable:		
During the credit period	\$ <u>88,458</u>	\$ <u>95,331</u>
Accounts receivable:		
During the credit period	\$ 1,073,737	\$ 499,742
Overdue 1 to 90 days	62	26,186
Overdue 91 to 180 days	2,955	14,666
Overdue 180 to 270 days	267	5,751
Overdue 271 to 365 days	309	-
Overdue over 365 days	<u>26,077</u>	<u>5,873</u>
	<u>\$ 1,103,407</u>	<u>\$ 552,218</u>

The above ageing analysis was based on days overdue.

- B. As of December 31, 2021 and 2020, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2020, the balance of receivables from contracts with customers amounted to \$671,410.
- C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.
- D. As of December 31, 2021 and 2020, the Company did not hold any collateral as security for notes and accounts receivable.
- E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(6) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for for inventory valuation losses</u>	<u>Book value</u>
Raw materials	\$ 205,791	\$ -	\$ 205,791
Finished goods	<u>41,254</u>	<u>-</u>	<u>41,254</u>
	<u>\$ 247,045</u>	<u>\$ -</u>	<u>\$ 247,045</u>
	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Allowance for inventory valuation losses</u>	<u>Book value</u>
Raw materials	\$ 109,398	\$ -	\$ 109,398
Finished goods	<u>30,088</u>	<u>-</u>	<u>30,088</u>
	<u>\$ 139,486</u>	<u>\$ -</u>	<u>\$ 139,486</u>

The cost of inventories recognised as expense for the year:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 4,221,956	\$ 2,897,582

(7) Prepayments

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepayments to suppliers	\$ 202,316	\$ 10,611
Others	1,648	1,656
	<u>\$ 203,964</u>	<u>\$ 12,267</u>

(8) Investments accounted for using the equity method

A. Details of investment accounted for using the equity method are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Korea Peibo Electronics Co., Ltd.	\$ 1,058	\$ 1,058
Less: Accumulated impairment	( 1,058)	( 1,058)
	<u>\$ -</u>	<u>\$ -</u>

B. As of December 31, 2021 and 2020, the Company has no investment accounted for using the equity method pledged to others.

C. For the years ended December 31, 2021 and 2020, the Company did not recognise impairment loss or gain on reversal of impairment related to investments accounted for using the equity method. As of December 31, 2021 and 2020, the carrying amount of accumulated impairment loss of investments accounted for using the equity method were both \$1,058.

(9) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in process and to be inspected</u>	<u>Total</u>
<u>At January 1, 2021</u>							
Cost	\$ 103,606	\$ 69	\$ 81,586	\$ 3,676	\$ 23,939	\$ 78,685	\$ 291,561
Accumulated depreciation	-	( 4)	( 18,758)	( 1,305)	( 3,077)	-	( 23,144)
Accumulated impairment	-	-	( 357)	( 735)	-	-	( 1,092)
	<u>\$ 103,606</u>	<u>\$ 65</u>	<u>\$ 62,471</u>	<u>\$ 1,636</u>	<u>\$ 20,862</u>	<u>\$ 78,685</u>	<u>\$ 267,325</u>
<u>For the year ended December 31, 2021</u>							
At January 1	\$ 103,606	\$ 65	\$ 62,471	\$ 1,636	\$ 20,862	\$ 78,685	\$ 267,325
Additions	-	630	11,745	2,460	1,953	92,194	108,982
Transferred (Note)	-	-	179	-	-	-	179
Depreciation	-	( 11)	( 7,322)	( 407)	( 2,561)	-	( 10,301)
Disposals - Costs	-	-	( 1,745)	( 71)	-	-	( 1,816)
- Accumulated depreciation	-	-	1,517	33	-	-	1,550
- Accumulated impairment	-	-	-	38	-	-	38
At December 31	<u>\$ 103,606</u>	<u>\$ 684</u>	<u>\$ 66,845</u>	<u>\$ 3,689</u>	<u>\$ 20,254</u>	<u>\$ 170,879</u>	<u>\$ 365,957</u>
<u>At December 31, 2021</u>							
Cost	\$ 103,606	\$ 699	\$ 91,765	\$ 6,065	\$ 25,892	\$ 170,879	\$ 398,906
Accumulated depreciation	-	( 15)	( 24,563)	( 1,679)	( 5,638)	-	( 31,895)
Accumulated impairment	-	-	( 357)	( 697)	-	-	( 1,054)
	<u>\$ 103,606</u>	<u>\$ 684</u>	<u>\$ 66,845</u>	<u>\$ 3,689</u>	<u>\$ 20,254</u>	<u>\$ 170,879</u>	<u>\$ 365,957</u>

(Note) Transferred from "Right-of-use assets".

	Land	Buildings	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process and to be inspected	Total
<u>At January 1, 2020</u>							
Cost	\$ -	\$ -	\$ 42,207	\$ 2,269	\$ 4,065	\$ 515	\$ 49,056
Accumulated depreciation	-	-	( 13,102)	( 1,071)	( 1,332)	-	( 15,505)
Accumulated impairment	-	-	( 357)	( 735)	-	-	( 1,092)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,748</u>	<u>\$ 463</u>	<u>\$ 2,733</u>	<u>\$ 515</u>	<u>\$ 32,459</u>
<u>For the year ended December 31, 2020</u>							
At January 1	\$ -	\$ -	\$ 28,748	\$ 463	\$ 2,733	\$ 515	\$ 32,459
Additions	103,606	69	38,941	2,312	19,874	78,170	242,972
Reclassification	-	-	905	( 905)	-	-	-
Depreciation	-	( 4)	( 6,084)	( 234)	( 1,745)	-	( 8,067)
Disposals - Costs	-	-	( 467)	-	-	-	( 467)
- Accumulated depreciation	-	-	428	-	-	-	428
At December 31	<u>\$ 103,606</u>	<u>\$ 65</u>	<u>\$ 62,471</u>	<u>\$ 1,636</u>	<u>\$ 20,862</u>	<u>\$ 78,685</u>	<u>\$ 267,325</u>
<u>At December 31, 2020</u>							
Cost	\$ 103,606	\$ 69	\$ 81,586	\$ 3,676	\$ 23,939	\$ 78,685	\$ 291,561
Accumulated depreciation	-	( 4)	( 18,758)	( 1,305)	( 3,077)	-	( 23,144)
Accumulated impairment	-	-	( 357)	( 735)	-	-	( 1,092)
	<u>\$ 103,606</u>	<u>\$ 65</u>	<u>\$ 62,471</u>	<u>\$ 1,636</u>	<u>\$ 20,862</u>	<u>\$ 78,685</u>	<u>\$ 267,325</u>

- A. The Company's property, plant and equipment as of December 31, 2021 and 2020 were for its own use.
- B. No interest expense was capitalised as part of property, plant and equipment for the years ended December 31, 2021 and 2020.
- C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2021 and 2020 is provided in Note 8, 'PLEDGED ASSETS'.
- D. The Company recognised gain on reversal of impairment of \$38 and \$- for the years ended December 31, 2021 and 2020, respectively, due to disposal of impaired property, plant and equipment. As of December 31, 2021 and 2020, the carrying amount of accumulated impairment loss of property, plant and equipment were \$1,054 and \$1,092, respectively.

(10) Leasing arrangements - lessee

- A. The Company leases various assets including plant, buildings and transportation equipment. Rental contracts are typically made for periods of 2 to 10 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.
- B. The carrying amount of right-of-use assets and the depreciation are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Transportation equipment	\$ 5,092	\$ 3,114
Buildings	68,208	90,272
	<u>\$ 73,300</u>	<u>\$ 93,386</u>
	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Transportation equipment	\$ 1,516	\$ 1,251
Buildings	22,064	25,316
	<u>\$ 23,580</u>	<u>\$ 26,567</u>

- C. The additions to right-of-use assets were \$3,673 and \$56,147 for the years ended December 31, 2021 and 2020, respectively.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,289	\$ 1,532
Expense on short-term lease contracts	4,117	4,272
Expense on leases of low-value assets	168	166

- E. The Company's total cash outflow for leases were \$28,741 and \$30,671 for the years ended December 31, 2021 and 2020, respectively.

F. In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment. Based on the assessment on whether to exercise the extension option or not to exercise the termination option, decrease in the right-of-use assets and lease liabilities of \$179 and \$182 was recognised as of December 31, 2021, respectively, resulting to a gain from lease modification of \$182 (listed as “other gains and losses”).

(11) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Secured bank borrowings	\$ 170,000	1.25%~1.60%	Demand and time deposits
Unsecured bank borrowings	52,181	1.63%	None
	<u>\$ 222,181</u>		

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Unsecured bank borrowings	<u>\$ 130,000</u>	1.25%~1.32%	None

Information about interest expenses recognised in profit or loss for the years ended December 31, 2021 and 2020 is provided in Note 6(24), ‘Finance costs’.

(12) Other payables

	December 31, 2021	December 31, 2020
Accrued shipping fees	\$ 18,176	\$ 9,504
Accrued salaries and bonuses	14,302	11,268
Accrued import fees	11,515	—
Accrued manufacturing fees	6,523	9,750
Accrued employees’ compensation and directors’ remuneration	3,520	3,000
Equipment payable	1,518	—
Taxes payable	939	2,530
Others	11,834	8,297
	<u>\$ 68,327</u>	<u>\$ 44,349</u>

(13) Bonds payable

	December 31, 2021	December 31, 2020	Collateral
Second domestic secured convertible corporate bonds	\$ 150,369	\$ 147,310	Demand deposits
Third domestic unsecured convertible corporate bonds	<u>127,164</u>	<u>147,046</u>	—
	277,533	294,356	
Less: current portion	( <u>277,533</u> )	( <u>147,046</u> )	
	<u>\$ —</u>	<u>\$ 147,310</u>	

- A. In November 2019, the Company issued the second domestic secured convertible bonds and the third domestic unsecured convertible bonds. The significant terms are as follows:
- (a) The terms of the second domestic secured convertible bonds issued by the Company are as follows:
- i. The Company issued \$150,000 (related issuance cost was \$4,930), 0% second domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (November 8, 2019 ~ November 8, 2022) and will be redeemed in cash at 101.51% of face value at the maturity date.
  - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (February 9, 2020) to the maturity date (November 8, 2022), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.
  - iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value after the following events occur: (i) the closing price of the Company's common shares on the Taipei Exchange is above the then conversion price by 30% or more for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (February 9, 2020) to 40 days before the maturity date (September 29, 2022). Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
  - v. The bonds are guaranteed by Entie Commercial Bank (the "Guarantor"). The guarantee period is from the date on which all proceeds from issuing bonds are collected to the date of settlement of all liabilities such as principal and interest payable under the terms of the bonds. The guarantee covers the obligations owed by the primary obligor such as outstanding principal and interest payable under the bonds.
- (b) The terms of the third domestic unsecured convertible bonds issued by the Company are as follows:
- i. The Company issued \$150,000 (related issuance cost was \$2,570), 0% third domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (November 11, 2019 ~ November 11, 2022) and will be redeemed



in cash at 102.27% of face value at the maturity date.

- ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (February 12, 2020) to the maturity date (November 11, 2022), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
  - iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.
  - iv. The Company may repurchase all the bonds outstanding in cash at the bonds' face value after the following events occur: (i) the closing price of the Company's common shares on the Taipei Exchange is above the then conversion price by 30% or more for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (February 12, 2022) to 40 days before the maturity date (October 1, 2022). For the year ended December 31, 2021, the Company repurchased bonds from the Taipei Exchange, the repurchase price (including transaction costs) of \$21,305 was allocated to liability or equity component in accordance with IAS 32, "Financial Instruments: Presentation". The difference between the amount allocated to liability and the carrying amount of \$889 was recognised in profit or loss (listed as "Other gains and losses") while the difference between the amount allocated to equity and the carrying amount of \$643 was recognised in "Retained earnings". There was no such transaction for the year ended December 31, 2020.
  - v. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- B. As of December 31, 2021, the bonds totaling \$10,000 (par value) had been converted into 36 thousand shares of common stock. The registration has been completed (listed as 'ordinary share' of \$363 and 'capital surplus-additional paid-in capital' of \$654). There was no such transaction for the year ended December 31, 2020.
- C. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$5,920 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of December 31, 2021 and 2020, the balances of aforementioned 'capital surplus - share options' after writing off the bonds repurchased by the Company and conversion options exercised by creditors in accordance with the terms of the

bonds amounted to \$5,307 and \$5,920, respectively. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in ‘non-current financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IFRS 9 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 2.077%.

D. Information about interest expenses recognised in profit or loss for the years ended December 31, 2021 and 2020 is provided in Note 6(24), ‘Financial costs’.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Secured borrowings	2018. 10~2031. 12	0. 75%~1. 61%	Demand deposits, time deposits, land, and construction in process	\$ 263, 480
Less: Current portion of long-term borrowings				( 30, 370)
				<u>\$ 233, 110</u>
<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2020</u>
Secured borrowings	2018. 10~2023. 11	1. 25%~1. 40%	Time deposits	\$ 133, 732
Less: Current portion of long-term borrowings				( 12, 680)
				<u>\$ 121, 052</u>

Information about interest expenses recognised in profit or loss for the years ended December 31, 2021 and 2020 is provided in Note 6(24), ‘Finance costs’.

(15) Pensions

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.

The Company has no employees who are subject to the pension plan under the Labor Standards Act since September 2020, and has temporarily suspended the contribution to the labor pension reserve since February 2021 as approved by the Taipei City Government, Bureau of Labor. For

the year ended December 31, 2020, the Company recognised pension gain amounting to \$3 in the statement of comprehensive income in accordance with the defined benefit plan. The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 248	\$ 248
Fair value of plan assets	( 208)	( 208)
Net defined benefit liability - non-current	<u>\$ 40</u>	<u>\$ 40</u>

- B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company were \$1,998 and \$1,806 for the years ended December 31, 2021 and 2020, respectively.

(16) Share capital

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

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	30, 675	30, 675
Issuance of common stock for cash	15, 000	-
Conversion of convertible corporate bonds into common stock	36	-
	<u>45, 711</u>	<u>30, 675</u>

- B. On March 10, 2020, during the Board of Directors’ meeting of the Company resolved to apply for the public issuance and listing of 16,165 thousand private placement ordinary shares on the Taipei Exchange. The issuance was approved in accordance with Order No. Financial-Supervisory-Securities-Corporate-1090343220, dated May 22, 2020. The shares were listed on the Taipei Exchange on June 20, 2020.
- C. On March 11, 2021 and July 27, 2021, during the Board of Directors’ meetings of the Company resolved to raise additional cash through issuing 15 million new shares, which has been approved by the Securities and Futures Bureau, Financial Supervisory Commission. The shares were issued at a premium of \$19 (in dollars) per share, totaling \$285,000, with effective date set on August 26, 2021. The change of registration was completed on November 16, 2021.
- D. Information about the requests for conversion of convertible corporate bonds for the year ended December 31, 2021 is provided in Note 6(13), ‘Bonds payable’.
- E. As of December 31, 2021, the Company’s authorised capital was \$1,500,000, consisting of 45,711 thousand shares of ordinary stock, and the paid-in capital was \$457,115 with a par value of \$10

(in dollars) per share, which were issued in several installments. All proceeds from shares issued have been collected.

(17) Capital surplus

	For the year ended December 31, 2021			
	<u>Share premium</u>	<u>Share</u>	<u>Others</u>	<u>Total</u>
Balance at January 1	\$ -	\$ 5,920	\$ 197	\$ 6,117
Issuance of common stock for cash	135,000	-	-	135,000
Repurchase of convertible corporate bonds	-	( 587)	-	( 587)
Conversion of corporate bonds into common stock	654	( 26)	-	628
Compensation cost of employee stock options	<u>3,881</u>	<u>-</u>	<u>-</u>	<u>3,881</u>
Balance at December 31	<u>\$ 139,535</u>	<u>\$ 5,307</u>	<u>\$ 197</u>	<u>\$ 145,039</u>

  

	For the year ended December 31, 2020			
	<u>Share premium</u>	<u>Share</u>	<u>Others</u>	<u>Total</u>
Beginning and ending balance	<u>\$ -</u>	<u>\$ 5,920</u>	<u>\$ 197</u>	<u>\$ 6,117</u>

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. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Information about the movements of ‘capital surplus - share options’ is provided in Note 6(18), ‘Share-based payments’.

(18) Share-based payments

On March 11, 2021 and July 27, 2021, during the Board of Directors’ meetings of the Company resolved to raise additional cash by issuing new shares, of which 2,250 thousand shares were reserve for employee preemption, with the effective date set on July 28, 2021 and subscription price of \$19 (in dollars) per share. The compensation cost recognised by the Company due to the aforementioned cash capital increase reserved for employee preemption amounted to \$3,881 (corresponding account shown as ‘capital surplus - share options’). The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Grant date	<u>July 28, 2021</u>
Share price (in dollars)	\$ 24.20
Exercise price (in dollars)	19.00
Dividend yield	0%
Expected price volatility	37.60%
Risk-free interest rate	0.15%
Expected duration	0.066 years
Fair value in dollars (per share)	\$ 5.21 (in dollars)

The Company has no share-based payment arrangement as of December 31, 2020.

(19) Retained earnings

A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, 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. However, when the legal reserve equals to the paid-in capital, the appropriation is not required. After that, a special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. The remaining earnings plus the accumulated unappropriated earnings shall be proposed by the Board of Directors to be resolved at the shareholders' meeting as dividends to shareholders.

The Company's dividend policy is in line with current and future development plans, and takes into consideration investment environment, capital requirements, domestic and overseas competition, and shareholders' interest, etc. At least 1% of the Company's distributable earnings of the year shall be appropriated as dividends and bonuses each year. However, the distribution is not required if the accumulated distributable earnings is lower than 1% of paid-in capital. Dividends and bonuses may be distributed in the form of cash or shares, and cash dividends shall account for at least 10% of the total dividends distributed. However, the type and payout ratio of dividend may be adjusted by the resolution of the shareholders during their meeting according to the actual profit and capital position of the year.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. On July 2, 2021 and April 23, 2020, the stockholders' meeting resolved for the distributions of cash dividends from the 2020 and 2019 earnings in the amounts of \$36,810 (\$1.2 (in dollars) per share) and \$67,485 (\$2.2 (in dollars) per share), respectively. On March 10, 2022, the Board of

Directors proposed for the distribution of cash dividends of \$54,854 (\$1.2 (in dollars) per share) from 2021 earnings.

(20) Operating revenue

	For the years ended December 31,	
	2021	2020
Sales revenue	\$ 4,422,687	\$ 3,099,714
Processing revenue	14,869	15,555
	<u>\$ 4,437,556</u>	<u>\$ 3,115,269</u>

A. The Company derives sales revenue from the transfer of goods at point in time and processing revenue from rendering services over time.

B. The Company has recognised the following revenue-related contract liabilities:

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities - current			
Advance sales receipts	\$ 285,223	\$ 105,356	\$ 134,561

Revenue recognised for the years ended December 31, 2021 and 2020 that was included in the contract liability balance as at January 1, 2021 and 2020 amounted to \$93,278 and \$126,532, respectively.

(21) Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 178	\$ 637
Other interest income	9	26
	<u>\$ 187</u>	<u>\$ 663</u>

(22) Other income

	For the years ended December 31,	
	2021	2020
Dividend income	\$ 659	\$ 901
Other income	261	6,220
	<u>\$ 920</u>	<u>\$ 7,121</u>

(23) Other gains and losses

	For the years ended December 31,	
	2021	2020
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	\$ 7,061	(\$ 315)
Net gain on disposal of property, plant and equipment	98	29
Gain from lease modification	182	-
Net gain from repurchase of bonds payable	889	-
Net currency exchange loss	( 470)	( 1,358)
Other losses	( 29)	( 125)
	<u>\$ 7,731</u>	<u>(\$ 1,769)</u>

(24) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense:		
Convertible corporate bonds	\$ 6,362	\$ 6,323
Bank borrowings	4,200	1,773
Lease liabilities	1,289	1,532
	<u>\$ 11,851</u>	<u>\$ 9,628</u>

(25) Expenses by nature

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 26,717	\$ 46,496	\$ 73,213
Depreciation	30,251	3,630	33,881
Amortisation	178	604	782
	<u>\$ 57,146</u>	<u>\$ 50,730</u>	<u>\$ 107,876</u>

	For the year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 23,085	\$ 39,687	\$ 62,772
Depreciation	31,579	3,055	34,634
Amortisation	38	726	764
	<u>\$ 54,702</u>	<u>\$ 43,468</u>	<u>\$ 98,170</u>

(26) Employee benefit expense

	For the year ended December 31, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 22, 737	\$ 33, 097	\$ 55, 834
Compensaiton cost of employee stock options	-	3, 881	3, 881
Labour and health insurance expenses	1, 527	2, 629	4, 156
Pension costs	716	1, 282	1, 998
Directors' remuneration	-	3, 241	3, 241
Other personnel expenses	<u>1, 737</u>	<u>2, 366</u>	<u>4, 103</u>
	<u>\$ 26, 717</u>	<u>\$ 46, 496</u>	<u>\$ 73, 213</u>

  

	For the year ended December 31, 2020		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 19, 556	\$ 32, 233	\$ 51, 789
Labour and health insurance expenses	1, 401	2, 000	3, 401
Pension costs	708	1, 095	1, 803
Directors' remuneration	-	2, 525	2, 525
Other personnel expenses	<u>1, 420</u>	<u>1, 834</u>	<u>3, 254</u>
	<u>\$ 23, 085</u>	<u>\$ 39, 687</u>	<u>\$ 62, 772</u>

- A. As of December 31, 2021 and 2020, the Company had 71 and 65 employees, respectively, both including 5 non-employee directors.
- B. The Company's average employee benefit expense and average employee salaries amounted to \$1,060 and \$1,004, \$846 and \$863 for the years ended December 31, 2021 and 2020, respectively. Average employee salaries in 2021 increased by 1.97% compared with 2020.
- C. The supervisors' remuneration of the Company amounted to \$- and \$8 for the years ended December 31, 2021 and 2020, respectively.
- D. The salary and compensation policy of the Company are as follows:
- (a) The standard of employees' salary takes into consideration the external competitiveness and internal equity, with regard to attracting, developing, and retaining individuals of the highest caliber.
  - (2) By connecting the performance management policy with that of employees' salary and remuneration, to drive the Company toward positive development.
  - (3) Binding together factors of the achievement of the Company's long-term and short-term objectives, the respective involvement of employees, and performance in their posts, for inspiring employees to achieve their goals.
  - (4) Established the remuneration committee for the effective measurement of wages and remuneration to directors and managers.



- E. The Company's distributable profit of the year, (the distributable profit refers to profit before deducting tax and the employees' compensation and directors' and supervisors' remuneration below) if any, shall be used to cover accumulated deficit, and the remainder, if any, is distributed as follows: (a) 1% ~ 10% for employees' compensatino, and (b) No higher than 4% for directors' and supervisors' remuneration. The aforementioned employees' compensation can be distributed in the form of stocks or cash. The employees include the employees of the Company's subsidiaries who meet the requirements stipulated by the Board of Directors. The aforementioned directors' and supervisors' remuneration can only be distributed in the form of cash. Both distributions shall be proposed by the Remuneration Committee to the Board of Directors. The Board of Directors shall resolve the distributions by approval of more than half of directors present at a meeting where more than two-thirds of the directors are in attendance, and report the resolution at the shareholders' meeting.
- F. For the years ended December 31, 2021 and 2020, employees' compensation were both accrued at \$1,500; while directors' and supervisors' remuneration were accrued at \$2,020 and 1,500, respectively. The aforementioned amounts were recognised in salary expenses, and were estimated and accrued based on the percentage prescribed by the Company's Articles of Incorporation, depending on distributable profit of the year. Employees' compensation and directors' and supervisors' remuneration for 2020 both amounting to \$1,500 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2020 financial statements. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors on March 10, 2022 were \$1,500 and \$2,020, respectively, and the employees' compensation will be distributed in the form of cash. 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.

(27) Income tax

A. Components of income tax expense:

	For the years ended December 31,	
	2021	2020
Current income tax:		
Current tax on profits for the year	\$ 13,562	\$ 19,405
Over provision of prior year's income tax payable	—	(210)
Total current income tax	<u>13,562</u>	<u>19,195</u>
Deferred tax:		
Origination and reversal of temporary differences	(9)	(5,049)
Income tax expense	<u>\$ 13,553</u>	<u>\$ 14,146</u>

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 14,315	\$ 13,520
Effect of items disallowed by tax regulation	644	836
Effects from tax-exempt income	(1,406)	-
Over provision of prior year's income tax payable	-	(210)
Income tax expense	<u>\$ 13,553</u>	<u>\$ 14,146</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Pension	\$ 110	\$ -	\$ -	\$ 110
Unrealised exchange loss	199	75	-	274
Allowance for doubtful accounts	<u>4,136</u>	<u>(66)</u>	<u>-</u>	<u>4,070</u>
	<u>\$ 4,445</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 4,454</u>

	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Pension	\$ 132	(\$ 22)	\$ -	\$ 110
Right-of-use assets	173	(173)	-	-
Unrealised exchange loss	270	(71)	-	199
Allowance for doubtful accounts	<u>-</u>	<u>4,136</u>	<u>-</u>	<u>4,136</u>
	<u>\$ 575</u>	<u>\$ 3,870</u>	<u>\$ -</u>	<u>\$ 4,445</u>
Deferred tax liabilities:				
Temporary differences				
Unrealised gain	<u>(\$ 1,179)</u>	<u>\$ 1,179</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>(\$ 604)</u>	<u>\$ 5,049</u>	<u>\$ -</u>	<u>\$ 4,445</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 10, 2022.

(28) Earnings per share

	<u>For the year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 58,039</u>	<u>35,935</u>	<u>\$ 1.62</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 58,039	35,935	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	80	
Convertible corporate bonds	<u>5,090</u>	<u>11,587</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 63,129</u>	<u>47,602</u>	<u>\$ 1.33</u>
	<u>For the year ended December 31, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 53,455</u>	<u>30,675</u>	<u>\$ 1.74</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 53,455	30,675	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	70	
Convertible corporate bonds	<u>5,058</u>	<u>9,650</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 58,513</u>	<u>40,395</u>	<u>\$ 1.45</u>

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2021	2020
Acquisition of property, plant and equipment	\$ 108,982	\$ 242,972
Less: Ending balance of equipment payable	( 1,518)	—
Cash paid for acquisition of property, plant and equipment	<u>\$ 107,464</u>	<u>\$ 242,972</u>

B. Financing activities with no cash flow effects:

	For the years ended December 31,	
	2021	2020
Right-of-use assets transferred to property, plant and equipment	<u>\$ 179</u>	<u>\$ —</u>

(30) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2021	\$ 130,000	\$ 96,119	\$ 294,356	\$ 133,732	\$ 654,207
Changes in cash flow from financing activities	92,181	( 23,167)	( 22,535)	129,748	176,227
Changes in other non-cash items	—	3,491	5,712	—	9,203
At December 31, 2021	<u>\$ 222,181</u>	<u>\$ 76,443</u>	<u>\$ 277,533</u>	<u>\$ 263,480</u>	<u>\$ 839,637</u>

	Short-term borrowings	Lease liabilities	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2020	\$ 11,000	\$ 64,673	\$ 288,033	\$ 23,199	\$ 386,905
Changes in cash flow from financing activities	119,000	( 24,701)	—	110,533	204,832
Changes in other non-cash items	—	56,147	6,323	—	62,470
At December 31, 2020	<u>\$ 130,000</u>	<u>\$ 96,119</u>	<u>\$ 294,356</u>	<u>\$ 133,732</u>	<u>\$ 654,207</u>

## 7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
E-Top Metal Co., Ltd. (E-Top Metal )	Significant influence to the Company
Yih Dar Lih Steel Corporation (Yih Dar Lih Steel )	Other related party
E-Sheng Steel Co., Ltd. (E-Sheng Steel)	Other related party
TSG Transport Corp (TSG Transport)	Other related party

### (2) Significant related party transactions

#### A. Sales of goods

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
E-Top Metal	\$ 250, 652	\$ 2, 517
Other related parties	12, 903	14, 981
	<u>\$ 263, 555</u>	<u>\$ 17, 498</u>

Prices of goods sold to related parties and non-related parties are determined based on mutual agreement at each time, and the credit term is 60 days after monthly-closing, T/T. For third parties, the credit terms ranged from 30 to 90 days after monthly-closing.

#### B. Purchases of goods

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
E-Top Metal	\$ 2, 830, 164	\$ 2, 159, 404
E-Sheng Steel	1, 048, 017	358, 739
Other related parties	9, 095	138, 701
	<u>\$ 3, 887, 276</u>	<u>\$ 2, 656, 844</u>

Purchase price from related parties were the same with third parties. Payment terms of some purchases from related parties were 10 to 20 days or 60 days after monthly-closing, T/T. For third parties, the payment terms was full prepayment or by issuance of letter of credit.

#### C. Other expenses

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
E-Top Metal	\$ 5, 794	\$ 4, 440
E-Sheng Steel	4, 462	196
Other related parties	2, 261	206
	<u>\$ 12, 517</u>	<u>\$ 4, 842</u>

D. Ending balance of goods sold

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable :		
Yih Dar Lih Steel	\$ 235	\$ 1,759
E-Top Metal	-	154
	<u>\$ 235</u>	<u>\$ 1,913</u>
Accounts receivable:		
E-Top Metal	\$ 198,393	\$ 273
Yih Dar Lih Steel	167	3,417
	<u>\$ 198,560</u>	<u>\$ 3,690</u>

E. Ending balance of goods purchased

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes payable :		
Other related parties	\$ -	\$ 19
Accounts payable:		
E-Top Metal	\$ 459,718	\$ 137,567
E-Sheng Steel	53,752	23,405
Other related parties	-	1,442
	<u>\$ 513,470</u>	<u>\$ 162,414</u>

G. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
E-Top Metal	\$ 662	\$ 1,299
E-Sheng Steel	981	275
Other related parties	15,407	1,183
	<u>\$ 17,050</u>	<u>\$ 2,757</u>

(3) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 15,775	\$ 16,583
Post-employment benefits	376	369
	<u>\$ 16,151</u>	<u>\$ 16,952</u>

## 8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Purpose</u>
Demand deposits (Note 1)	\$ 161,632	\$ 74,916	Bank borrowings, bonds payable and letters of credit
Time deposits (Note 1)	23,576	22,856	Short-term and long-term borrowings
Land (Note 2)	103,606	-	Guarantee for long-term borrowings
Construction in progress (Note 2)	<u>131,773</u>	<u>-</u>	Guarantee for long-term borrowings
	<u>\$ 420,587</u>	<u>\$ 97,772</u>	

(Note 1) Listed as 'Financial assets at amortised cost - current'.

(Note 2) Listed as 'Property, plant and equipment'.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Except for those mentioned in other notes, as of December 31, 2021 and 2020, the unused letters of credit for the purchase of raw materials amounted to \$200,086 and \$-, respectively.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) The Company's board of directors passed the resolution on March 10, 2022 to issue the instalment of unsecured common corporate bonds at a cap of \$200,000.

(2) The Company's board of directors passed the resolution on March 10, 2022 to increase the cash capital. To improve working capital and acquire additional equipment, the Company plans to issue a cash capital increase of no more than 15,000 thousand new shares at \$10 (in dollars) per share.

## 12. OTHERS

### (1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 24,458
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ -	\$ 3,393
Financial assets at amortised cost		
Cash and cash equivalents	\$ 178,759	\$ 100,429
Financial assets at amortised cost	186,995	99,601
Notes receivable	88,445	95,318
Accounts receivable (including related parties)	1,076,813	525,290
Other receivables	311	1,512
Guarantee deposits paid	20,191	26,059
	<u>\$ 1,551,514</u>	<u>\$ 848,209</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ -	\$ 30
Financial liabilities at amortised cost		
Short-term borrowings	\$ 222,181	\$ 130,000
Notes payable	25,194	11,415
Accounts payable (including related parties)	513,955	162,728
Other payables	68,327	44,349
Corporate bonds payable (including current portion)	277,533	294,356
Long-term borrowings (including current portion)	263,480	133,732
	<u>\$ 1,370,670</u>	<u>\$ 776,580</u>
Lease liabilities	<u>\$ 76,443</u>	<u>\$ 96,119</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative



financial instruments are used to hedge certain risk.

- (b) Risk management is carried out by a treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company has certain purchases denominated in USD. Changes in market exchange rates would affect the fair value. However, the payment and collection periods of assets and liability positions in foreign currencies are close, thus market risk can be offset. The Company does not expect significant foreign exchange risk.
- ii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 7,702	27.67	\$ 213,114
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1,882	27.67	52,075
	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 441	28.48	\$ 12,558

With regard to sensitivity analysis of foreign currency exchange rate risk, if exchange rate of NTD had appreciated/depreciated by 1% against USD with all other variables held

constant, the post-tax profit would increase/decrease by to \$1,289 and \$126 for the years ended December 31, 2021 and 2020, respectively.

- iii. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company amounted to \$470 and \$1,358 for the years ended December 31, 2021 and 2020, respectively.

#### Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- ii. The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit would have increased/decreased by \$- and \$245 for the years ended December 31, 2021 and 2020, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$- and \$34, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

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

- i. The Company's interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest risk. During the years ended December 31, 2021 and 2020, the Company's borrowings at variable rate were denominated in NTD.
- ii. With regard to sensitivity analysis of interest rate risk, if interest rate on borrowing increase/decrease by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2021 and 2020 would have increased/decreased by \$494 and \$4, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company 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 Company manages its credit risk taking into consideration the entire company's concern. According to the Company's credit policy, the Company is responsible for managing and

analysing the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. In line with credit risk management, if the contract payments were past due over 90 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. The default has occurred when past due over a certain period.

vi. The Company applies the simplified approach using the provision matrix to estimate expected credit loss, and uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2021 and 2020, the provision matrix is as follows:

December 31, 2021	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 180~270 days
Total book value	\$ 1,073,737	\$ 62	\$ 2,955	\$ 267
Expected credit rate	0.02%	0.03%	6.17%	12.89%
Loss allowance	\$ 53	\$ -	\$ 121	\$ 34

December 31, 2021	Overdue 271~365 days	Overdue over 365 days	Individually assessed impairment loss	Total
Total book value	\$ -	\$ 7	\$ 26,379	\$ 1,103,407
Expected credit rate	28.14%	100%	100%	
Loss allowance	\$ -	\$ 7	\$ 26,379	\$ 26,594

December 31, 2020	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 180~270 days
Total book value	\$ 499,742	\$ 25,757	\$ -	\$ 7
Expected credit rate	0.02%	0.03%	6.17%	9.48%
Loss allowance	\$ 207	\$ 8	\$ -	\$ 1

December 31, 2020	Overdue 271~365 days	Overdue over 365 days	Individually assessed impairment loss	Total
Total book value	\$ -	\$ -	\$ 26,712	\$ 552,218
Expected credit rate	22.05%	100%	100%	
Loss allowance	\$ -	\$ -	\$ 26,712	\$ 26,928

v. Movements in relation to the Company applying the simplified approach to provide loss

allowance for accounts receivable are as follows:

	<u>For the year ended December 31, 2021</u>		
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Total</u>
At January 1	\$ 13	\$ 26, 928	\$ 26, 941
Expected credit gain	-	( 334)	( 334)
At December 31	<u>\$ 13</u>	<u>\$ 26, 594</u>	<u>\$ 26, 607</u>
	<u>For the year ended December 31, 2020</u>		
	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Total</u>
At January 1	\$ 13	\$ 591	\$ 604
Expected credit loss	-	26, 337	26, 337
At December 31	<u>\$ 13</u>	<u>\$ 26, 928</u>	<u>\$ 26, 941</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company treasury. Company treasury monitors rolling forecasts of the Company'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 Company does not breach borrowing limits or covenants.
- ii. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Floating rate:		
Expiring within one year	<u>\$ 50, 835</u>	<u>\$ 283, 284</u>

- iii. 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 nonderivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 223,147	\$ -	\$ -	\$ -
Notes payable	25,194	-	-	-
Accounts payable (Including related parties)	513,955	-	-	-
Other payables	68,327	-	-	-
Lease liabilities	23,172	18,888	20,916	16,580
Bonds payable (including current portion)	282,688	-	-	-
Long-term borrowings (including current portion)	63,504	60,152	119,277	121,460
December 31, 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 130,534	\$ -	\$ -	\$ -
Notes payable	11,415	-	-	-
Accounts payable (Including related parties)	162,728	-	-	-
Other payables	44,349	-	-	-
Lease liabilities	24,240	22,055	37,560	16,580
Bonds payable (including current portion)	150,000	150,750	-	-
Long-term borrowings (including current portion)	13,104	121,489	-	-
Derivative financial liabilities:				
Secured convertible corporate bonds	30	-	-	-

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

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of

financial and non-financial instruments have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's the convertible corporate bonds put option is included in Level 3.
- B. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortised cost - current, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable (including related parties), other payables, bonds payable (including current portion) and long-term borrowings (including current portion) are approximate to their fair values.
- C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets at December 31, 2020 is as follows:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ 24,458	\$ -	\$ -	\$ 24,458
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	3,393	-	-	3,393
	<u>\$ 27,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,851</u>
Financial liabilities at fair value				
through profit or loss				
Convertible corporated bonds				
put options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 30</u>

There was no financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets as of December 31, 2021.

The methods and assumptions the Company used to measure fair value are as follows:

- (a) For Level 1 instruments, the Company used closing price as the fair values of listed shares.
- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

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

(c) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. As a result, the estimate generated by valuation model will be slightly adjusted based on additional inputs, such as model risk or liquidity risk of counterparties. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. Valuation techniques and inputs applied for Level 3 fair value measurement as following:

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.

E. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1 and Level 2, and there was no transfer from or to Level 3.

#### (4) Others

Due to the Covid-19 pandemic and the implementation of the government's various preventive measures, the Company thoroughly complied with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019". Each department is operating as usual, and no significant influence for the Company.

### 13. Supplementary Disclosures

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2021.

#### (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 year (not including subsidiaries, associates and joint ventures): None.

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 NT\$300 million or 20% of paid-in capital or more: Please refer to table 1.

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

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

G. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Trading in derivative instruments undertaken during the reporting periods : Clean.

I. 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): Please refer to table 4.

(3) Information on investments in Mainland China

As of December 31, 2021, there are no investments in Mainland China.

(4) Major shareholders information

Major shareholders information: Please refer to table 5.

14. Segment Information

(1) General information

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

(2) Information about segment profit or loss, assets and liabilities

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

	For the years ended December 31,	
	2021	2020
	The Company	The Company
Segment revenue		
Revenue from external customers, net	\$ 4,437,556	\$ 3,115,269
Depreciation and amortisation	34,663	35,398
Finance costs	11,851	9,628
Segment profit before income tax	71,592	67,601
Segment assets	2,447,436	1,394,788
Non-current assets capital expenditure	109,147	235,991
Segment liabilities	1,736,876	991,838

(3) Reconciliation for segment income

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, and The amounts provided



to the chief operating decision maker with respect to segment income, total assets and total liabilities are measured in a manner consistent with that of the financial statements. Therefore, such reconciliation is not required.

(4) Information on products and services

Revenue from external customers is mainly from wholesale of hardware and building materials and in manufacturing and sales of its component.

Details of revenue are as follows:

	For the years ended December 31,	
	2021	2020
Sales revenue	\$ 4,422,687	\$ 3,099,714
Processing revenue	14,869	15,555
	<u>\$ 4,437,556</u>	<u>\$ 3,115,269</u>

(5) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	<u>\$ 4,437,556</u>	<u>\$ 440,459</u>	<u>\$ 3,115,269</u>	<u>\$ 362,530</u>

(Note 1) The revenue for different geographical location is classified based on country location of customer.

(Note 2) Non-current assets including property, plant and equipment, right-of-use assets and intangible assets.

(6) Major customer information

Major customer (revenue from the customer constituting more than 10% of operating revenue) information of the Company for the years ended December 31, 2021 and 2020 is as follows:

	Customer	Sales Segment	For the years ended December 31,			
			2021		2020	
			Operating revenue, net	%	Operating revenue, net	%
	A company	The Company	<u>\$ 181,005</u>	4	<u>\$ 341,565</u>	11

TMP Steel Corporation

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
TMP Steel Corporation	Plant	2020.8.30	\$134,828	\$115,567	De Yuan Co., Ltd.	Non-related	-	-	-	-	-	For operating purpose	-

TMP Steel Corporation

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

For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Description and reasons for difference in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Remark
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
TMP Steel Corporation	E-TOP METAL CO., LTD.	Significant influence	(Sales)	(\$ 250,652)	(6%)	60 days after monthly statements	\$ -	(Note 2)	\$ 198,393	17%	-	
	E-TOP METAL CO., LTD.	Significant influence	Purchases	2,830,164	68%	20 days after 10 days statements	-	(Note 2)	( 459,718)	(85%)	-	
	E-SHENG STEEL CO., LTD.	Other related party	Purchases	1,048,017	25%	20 days after 10 days statements	-	(Note 2)	( 53,752)	(10%)	-	

(Note 1) The transactions between related parties are merely arising from reversed directions, therefore, they will not be disclosed separately.

(Note 2) The Company's collection terms with third parties are 30 to 90 days after monthly statements. It is determined based on credit management policy of the company.

TMP Steel Corporation

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2021

Table 3

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
TMP Steel Corporation	E-TOP METAL CO., LTD.	Material influence	\$ 198,393	2.52	\$ -	-	\$ 198,378	\$ -

TMP Steel Corporation

Names, locations and other information of investee companies (not including investees in Mainland China)

For the year ended December 31, 2021

Table 4

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Remark
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	(Note)			
TMP Steel Corporation	Korea Peibo Electronics Co., Ltd.	Seoul, Korea	Purchase, sales and manufacturing of electronic components	\$ 1,599	\$ 1,599	-	50%	\$ -	\$ -	-	-

(Note) It is shown as amount net of accumulated impairment loss.

TMP Steel Corporation

Major shareholders information

December 31, 2021

Table 5

Expressed in share

Name of major shareholders	Number of shares		Ownership (%)	Note
	Common stock			
S-Tech Investment Co., Ltd.	6,770,432		14.81%	-
Tien Chuan Investment Co., Ltd.	6,079,303		13.29%	-
Tai Yu Investment Co., Ltd.	3,144,005		6.87%	-

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

The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.

TMP Steel Corporation  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 235
Checking deposits		2,708
Demand deposits – New Taiwan Dollar		174,938
	– Foreign currency including USD 32 thousands @27.67	<u>878</u>
		<u>\$ 178,759</u>

TMP Steel Corporation  
STATEMENT OF FINANCIAL ASSETS AT AMORTISED COST - CURRENT  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Pledged demand deposits		\$ 161,632
Pledged time deposits		
- NTD	From: 2021.10.2 to 2022.1.21, interest rate: 0.07% ~0.34%	14,000
- Foreign currency	USD 411 thousands @ 27.67, from: 2021.10.2 to 2022.10.23, interest rate: 0.20% ~0.36%	11,363
		<u>\$ 186,995</u>



TMP Steel Corporation  
STATEMENT OF NOTES RECEIVABLE, NET  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties :			
Company A	Notes receivable	\$ 16,337	—
Company B	Notes receivable	12,950	—
Company C	Notes receivable	8,261	—
Company D	Notes receivable	6,957	—
Company E	Notes receivable	6,500	—
Others (less than 5%)	Notes receivable	<u>37,218</u>	—
		88,223	
Less: Allowance for			
	uncollectible accounts	( <u>13</u> )	—
		88,210	
Related parties :			
YIH DAR LIH STEEL CORPORATION	Notes receivable	<u>235</u>	—
		<u>\$ 88,445</u>	

TMP Steel Corporation  
STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company F	Accounts receivable	\$ 128, 178	—
Company G	Accounts receivable	59, 919	—
Company H	Accounts receivable	50, 329	—
Others (less than 5%)	Accounts receivable	<u>666, 421</u>	—
		904, 847	
Less: Allowance for uncollectible accounts		( <u>26, 594</u> )	—
		<u>\$ 878, 253</u>	

TMP Steel Corporation  
STATEMENT OF ACCOUNTS RECEIVABLE – RELATED PARTIES  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
E-TOP METAL CO., LTD.	Accounts receivable	\$ 198,393	–
YIH DAR LIH STEEL CORPORATION	Accounts receivable	<u>167</u>	–
		<u>\$ 198,560</u>	

TMP Steel Corporation  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>		<u>Note</u>
		<u>Cost</u>	<u>Net Realisable Value</u>	
Raw materials	—	\$ 205,791	\$ 210,777	Note
Finished goods	—	<u>41,254</u>	<u>85,764</u>	Note
		<u>\$ 247,045</u>	<u>\$ 296,541</u>	

Note: Please refer to Note 4(9) for the method to determine the net realisable value.

TMP Steel Corporation  
STATEMENT OF PREPAYMENTS  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(7) for the information related to prepayments.

TMP Steel Corporation  
STATEMENT OF CHANGE IN PROPERTY, PLANT AND EQUIPMENT - COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(9) for the information related to property, plant and equipment.

TMP Steel Corporation  
STATEMENT OF CHANGE IN PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED  
DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(9) for the information related to property, plant and equipment and Note 4(13) for the method to determine depreciation and useful lives for assets.

TMP Steel Corporation  
STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS - COST  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

	<u>Buildigs</u>	<u>Transportation equipments</u>	<u>Total</u>
January 1, 2021	\$ 113,177	\$ 5,282	\$ 118,459
Additions	-	3,673	3,673
Transferred (Note)	-	( 179)	( 179)
Decreases	( 2,383)	( 1,556)	( 3,939)
December 31, 2021	<u>\$ 110,794</u>	<u>\$ 7,220</u>	<u>\$ 118,014</u>

(Note) Transferred to property, plant and equipment.



TMP Steel Corporation  
STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS - ACCUMULATED DEPRECIATION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

	<u>Buildigs</u>	<u>Transportation equipments</u>	<u>Total</u>
January 1, 2021	\$ 22,905	\$ 2,168	\$ 25,073
Additions	22,064	1,516	23,580
Decreases	( 2,383)	( 1,556)	( 3,939)
December 31, 2021	<u>\$ 42,586</u>	<u>\$ 2,128</u>	<u>\$ 44,714</u>

TMP Steel Corporation  
STATEMENT OF SHORT-TERM BORROWINGS  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Types of Loan</u>	<u>Descriptions</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Interest Rate</u>	<u>Credit Facility</u>	<u>Collateral</u>	<u>Note</u>
Secured Loan	Taiwan Cooperative Bank	\$ 80,000	2021. 11. 2~2022. 11. 2	1. 25%	\$ 80,000	Demand and time deposits	—
Secured Loan	Bank of Taiwan	60,000	2021. 1. 21~2022. 1. 21	1. 60%	60,000	Time deposits	—
Secured Loan	Hua Nan Commercial Bank, Ltd	30,000	2021. 11. 4~2022. 3. 1	1. 32%	30,000	Time deposits	—
Unsecured Loan	Hua Nan Commercial Bank, Ltd	<u>52,181</u>	2021. 12. 24~2022. 6. 22	1. 63%	USD 3,400 thousands	None	—
		<u>\$ 222,181</u>					

TMP Steel Corporation  
STATEMENT OF CONTRACT LIABILITIES - CURRENT  
DECEMBER 31, 2021

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

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company A	Advanced sales receipts	\$ 29,966	—
Others (less than 5%)	Advanced sales receipts	<u>255,257</u>	—
		<u>\$ 285,223</u>	

TMP Steel Corporation  
STATEMENT OF NOTES PAYABLE  
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Company b	Notes payable	\$ 13,483	—
Company c	Notes payable	2,089	—
Company d	Notes payable	1,924	—
Company e	Notes payable	1,497	—
Company f	Notes payable	1,334	—
Company g	Notes payable	1,326	—
Others (less than 5%)	Notes payable	<u>3,541</u>	—
		<u>\$ 25,194</u>	

TMP Steel Corporation  
STATEMENT OF ACCOUNTS PAYABLE - RELATED PARTIES  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
E-TOP METAL CO., LTD.	Accounts payable	\$ 459,718	—
E-SHENG STEEL CO., LTD.	Accounts payable	<u>53,752</u>	—
		<u>\$ 513,470</u>	

TMP Steel Corporation  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(12) for the information related to other payables.

TMP Steel Corporation  
STATEMENT OF LONG-TERM BORROWINGS, CURRENT PORTION  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Creditor/Bond types</u>	<u>Description</u>	<u>Amount</u>	<u>Terms</u>	<u>Rate</u>	<u>Collateral</u>	<u>Note</u>
Secured convertible corporate bonds payable in November 2019	(Note)	\$ 150,369	(Note)	2.077%	None	—
Unsecured convertible corporate bonds payable in November 2019	(Note)	<u>127,164</u>	(Note)	2.302%	None	—
		<u>277,533</u>				
Taiwan Coperative Bank	Secured loan	17,848	2018.10.4~2031.12.31	0.75%~1.40%	Time deposits, land and construction in progress	—
Chang Hwa Commercial Bank	Secured loan	6,666	2020.11.11~2023.11.11	1.25%	Demand deposits	—
The Shanghai Commercial and Savings Bank, LTD.	Secured loan	<u>5,856</u>	2021.5.17~2026.5.17	1.61%	Demand deposits	—
		<u>30,370</u>				
		<u>\$ 307,903</u>				

(Note) Please refer to Note 6(13) for the information related to bonds payable.

TMP Steel Corporation  
STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Creditor</u>	<u>Description</u>	<u>Expiry date</u>	<u>Rate</u>	<u>Amount</u>	<u>Collarteral</u>	<u>Note</u>
Taiwan Cooperative Bank	Secured loan	2021.10.15~2031.10.15	0.75%	\$ 115,345	Construction in progress	Starting from November 15, 2021 with monthly payment
Taiwan Cooperative Bank	Secured loan	2021.12.31~2031.12.31	1.40%	86,800	Land	—
Taiwan Cooperative Bank	Secured loan	2018.10.4~2023.10.4	1.35%	11,235	Time deposits	Starting from November 4, 2018 with monthly payment
Taiwan Cooperative Bank	Secured loan	2020.2.27~2022.5.27	1.40%	10,215	Land	—
The Shanghai Commercial and Savings Bank, LTD.	Secured loan	2021.5.17~2026.5.17	1.61%	27,107	Demand deposits	Starting from July 30, 2021 with monthly payment
Chang Hwa Commercial Bank	Secured loan	2018.11.11~2023.11.11	1.25%	<u>12,778</u>	Demand deposits	Starting from December 11, 2020 with monthly payment
				263,480		
			Less: Current portion (	<u>30,370</u> )		
				<u>\$ 233,110</u>		



TMP Steel Corporation  
STATEMENT OF LEASE LIABILITIES - NON-CURRENT  
DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Amount</u>
Buildings	2019. 3~2029. 5	1. 53%	\$ 71, 320
Transportation equipment	2018. 5~2025. 10	1. 35%	5, 123
			76, 443
		Less: Current portion (	22, 190)
			<u>\$ 54, 253</u>

TMP Steel Corporation  
STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Subtotal	Total	
Sales:			
Steel building materials	\$ 4,178,290		—
Steel billet	236,275		—
Others	9,293	\$ 4,423,858	—
Processing revenue		14,969	—
		4,438,827	
Less: Sales returns and discounts		( 1,271 )	—
Operating revenue		\$ 4,437,556	

TMP Steel Corporation  
STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
 (Expressed in thousands of New Taiwan dollars)

Item	Amount
Merchandise at January 1, 2021	\$ -
Add: Merchandise purchased	230, 443
Merchandise at December 31, 2021	-
Merchandise sold during this period	230, 443
Raw materials at January 1, 2021	109, 398
Add: Raw materials purchased	3, 939, 387
Less: Raw materials sold	( 881, 364)
Raw materials at December 31, 2021	( 205, 791)
Raw materials used during this period	2, 961, 630
Direct labor	15, 185
Manufacturing overhead	70, 120
Processing fees cost	74, 323
Manufacturing cost	3, 121, 258
Finished goods at January 1, 2021	30, 088
Add: Finished goods purchased	57
Finished goods at December 31, 2021	( 41, 254)
Cost of production	3, 110, 149
Sale of finished goods	3, 340, 592
Sale of raw materials	881, 364
	\$ 4, 221, 956

TMP Steel Corporation  
STATEMENT OF MANUFACTURING OVERHEAD  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 9,595
Rental expense	4,054
Utilities	4,392
Depreciation	30,251
Packing expenses	6,192
Others (less than 5%)	<u>15,636</u>
	<u>\$ 70,120</u>

TMP Steel Corporation  
STATEMENT OF SELLING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 14,443
Shipping	73,736
Others (less than 5%)	<u>9,491</u>
	<u>\$ 97,670</u>

TMP Steel Corporation  
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 27,058
Handling fee	3,528
Service fees	4,001
Others (less than 5%)	<u>9,072</u>
	<u>\$ 43,659</u>

TMP Steel Corporation  
STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, AND  
AMORTISATION EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Please refer to Note 6(25) for additional information related to expenses and Note 6(26) for the information related to employee benefits.