

TMP Steel Corporation

FINANCIAL STATEMENTS AND INDEPENDENT

AUDITORS' REVIEW REPORT

MARCH 31, 2022 AND 2021

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TMP Steel Corporation

Introduction

We have reviewed the accompanying balance sheet of TMP Steel Corporation (the “Company”) as of March 31, 2022, and the related statements of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2022, and of its financial performance and its cash flows for the three-month period then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Other matter – Scope of the review

The financial statements of the Company as of and for the three-month period ended March 31, 2021 were reviewed by another firm of auditors whose report, dated May 13, 2021, expressed an unmodified conclusion on those statements.

Tien, Chung-Yu

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

May 12, 2022

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)

(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Assets	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 198,599	10	\$ 178,759	7	\$ 129,243	8
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	-	-	24,245	2
1120	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - current		-	-	-	-	3,474	-
1136	Financial assets at amortised cost -	6(4) and 8						
	current		122,990	6	186,995	8	106,633	7
1150	Notes receivable, net	6(5) and 7	100,501	5	88,445	4	96,287	6
1170	Accounts receivable, net	6(5) and 12	843,361	42	878,253	36	580,708	38
1180	Accounts receivable - related	6(5), 7 and 12						
	parties		5,509	-	198,560	8	3,454	-
1200	Other receivables		550	-	311	-	224	-
130X	Inventories	6(6)	278,439	14	247,045	10	161,686	11
1410	Prepayments	6(7)	26,067	1	203,964	8	8,350	1
1476	Other current financial assets		17,725	1	-	-	-	-
11XX	Total current assets		<u>1,593,741</u>	<u>79</u>	<u>1,982,332</u>	<u>81</u>	<u>1,114,304</u>	<u>73</u>
Non-current assets								
1600	Property, plant and equipment	6(9) and 8	364,661	18	365,957	15	287,751	19
1755	Right-of-use assets	6(10) and 7	46,269	2	73,300	3	87,248	6
1780	Intangible assets		1,074	-	1,202	-	1,649	-
1840	Deferred income tax assets	6(26)	4,366	-	4,454	-	4,219	-
1915	Prepayments for equipment		-	-	-	-	27	-
1920	Guarantee deposits paid		16,796	1	20,191	1	26,059	2
15XX	Total non-current assets		<u>433,166</u>	<u>21</u>	<u>465,104</u>	<u>19</u>	<u>406,953</u>	<u>27</u>
1XXX	Total assets		<u>\$ 2,026,907</u>	<u>100</u>	<u>\$ 2,447,436</u>	<u>100</u>	<u>\$ 1,521,257</u>	<u>100</u>

(Continued)

TMP Steel Corporation
BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(11) and 8	\$ 60,000	3	\$ 222,181	9	\$ 140,000	9
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	-	-	15	-
2130	Contract liabilities - current	6(19)	348,787	17	285,223	12	140,288	9
2150	Notes payable		9,001	1	25,194	1	10,307	1
2170	Accounts payable		292	-	485	-	1,571	-
2180	Accounts payable - related parties	7	212,221	11	513,470	21	243,241	16
2200	Other payables	6(12) and 7	53,386	3	68,327	3	36,151	2
2230	Current income tax liabilities	6(26)	9,011	-	3,859	-	16,843	1
2280	Lease liabilities - current	6(10) and 7	7,393	-	22,190	1	22,383	2
2320	Long-term liabilities, current portion	6(13)(14) and 8	331,462	16	307,903	12	160,577	11
2399	Other current liabilities		813	-	641	-	411	-
21XX	Total current liabilities		<u>1,032,366</u>	<u>51</u>	<u>1,449,473</u>	<u>59</u>	<u>771,787</u>	<u>51</u>
Non-current liabilities								
2530	Corporate bonds payable	6(13) and 8	-	-	-	-	148,058	10
2540	Long-term borrowings	6(14) and 8	220,805	11	233,110	10	117,868	8
2580	Lease liabilities - non-current	6(10)	41,201	2	54,253	2	67,806	4
2640	Net defined benefit liabilities - non-current	6(15)	40	-	40	-	40	-
25XX	Total non-current liabilities		<u>262,046</u>	<u>13</u>	<u>287,403</u>	<u>12</u>	<u>333,772</u>	<u>22</u>
2XXX	Total liabilities		<u>1,294,412</u>	<u>64</u>	<u>1,736,876</u>	<u>71</u>	<u>1,105,559</u>	<u>73</u>
Share capital								
3110	Common stock	6(16)	457,115	23	457,115	19	306,752	20
3200	Capital surplus	6(13)(17)	145,039	7	145,039	6	6,117	1
	Retained earnings	6(18)						
3310	Legal reserve		21,871	1	21,871	1	16,914	1
3320	Special reserve		5,110	-	5,110	-	5,110	-
3350	Unappropriated retained earnings		103,360	5	81,425	3	80,856	5
3400	Other equity interest	6(3)	-	-	-	-	(51)	-
3XXX	Total equity		<u>732,495</u>	<u>36</u>	<u>710,560</u>	<u>29</u>	<u>415,698</u>	<u>27</u>
SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS								
3X2X	Total liabilities and equity		<u>\$ 2,026,907</u>	<u>100</u>	<u>\$ 2,447,436</u>	<u>100</u>	<u>\$ 1,521,257</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)
(Reviewed, not audited)

Items	Notes	Three months ended March 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(19) and 7	\$ 1,556,334	100	\$ 869,970	100
5000	Operating costs	6(6)(10)(15)(24)(25) and 7	(1,489,897)	(96)	(819,751)	(94)
5900	Net operating margin		<u>66,437</u>	<u>4</u>	<u>50,219</u>	<u>6</u>
	Operating expenses	6(10)(15)(24)(25) and 7				
6100	Selling expenses		(26,642)	(2)	(22,698)	(3)
6200	General and administrative expenses		(10,786)	-	(8,354)	(1)
6000	Total operating expenses		(37,428)	(2)	(31,052)	(4)
6900	Operating profit		<u>29,009</u>	<u>2</u>	<u>19,167</u>	<u>2</u>
	Non-operating income and expenses					
7100	Interest income	6(4)(20)	12	-	26	-
7010	Other income	6(21)	1,136	-	21	-
7020	Other gains and losses	6(2)(10)(22) and 12	163	-	(177)	-
7050	Finance costs	6(10)(13)(23) and 7	(3,145)	-	(2,786)	-
7000	Total non-operating income and expenses		(1,834)	-	(2,916)	-
7900	Profit (loss) before income tax		<u>27,175</u>	<u>2</u>	<u>16,251</u>	<u>2</u>
7950	Income tax expense	6(26)	(5,240)	(1)	(3,584)	(1)
8200	Net income for the period		<u>\$ 21,935</u>	<u>1</u>	<u>\$ 12,667</u>	<u>1</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8316	Unrealised gain on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ -	-	\$ 81	-
8500	Total comprehensive income for the period		<u>\$ 21,935</u>	<u>1</u>	<u>\$ 12,748</u>	<u>1</u>
	Earnings per share (in dollars)	6(27)				
9750	Basic		<u>\$ 0.48</u>		<u>\$ 0.41</u>	
9850	Diluted		<u>\$ 0.41</u>		<u>\$ 0.34</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)
 (Reviewed, not audited)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other Equity Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings		
<u>For the three-month period ended March 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 three-month period ended March 31, 2021		-	-	-	-	12,667	-	12,667
Other comprehensive income for the three-month period ended March 31, 2021	6(3)	-	-	-	-	-	81	81
Total comprehensive income		-	-	-	-	12,667	81	12,748
Balance at March 31, 2021		\$ 306,752	\$ 6,117	\$ 16,914	\$ 5,110	\$ 80,856	(\$ 51)	\$ 415,698
<u>For the three-month period ended March 31, 2022</u>								
Balance at January 1, 2022		\$ 457,115	\$ 145,039	\$ 21,871	\$ 5,110	\$ 81,425	\$ -	\$ 710,560
Net income for the three-month period ended March 31, 2022		-	-	-	-	21,935	-	21,935
Total comprehensive income for the three-month period ended March 31, 2022		-	-	-	-	21,935	-	21,935
Balance at March 31, 2022		\$ 457,115	\$ 145,039	\$ 21,871	\$ 5,110	\$ 103,360	\$ -	\$ 732,495

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)
(Reviewed, not audited)

	Notes	For the three-month periods ended March 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 27,175	\$ 16,251
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on financial assets and liabilities at fair value through profit or loss	6(2)(23)	-	198
Unrealised foreign exchange loss		929	971
Depreciation	6(9)(10)(24)	7,940	8,577
Gain from lease modification	6(22)	(915)	-
Property, plant and equipment transferred to expenses	6(9)	730	-
Amortisation	6(24)	134	214
Interest income	6(20)	(12)	(26)
Interest expense	6(23)	3,145	2,786
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(12,056)	(969)
Accounts receivable		34,892	(59,108)
Accounts receivable - related parties		193,051	236
Other receivables		3,156	1,288
Inventories		(31,394)	(22,200)
Prepayments		177,897	3,917
Changes in operating liabilities			
Contract liabilities - current		63,564	34,932
Notes payable		(16,193)	(1,108)
Accounts payable		(193)	1,257
Accounts payable - related parties		(301,249)	80,827
Other payables		(12,133)	(8,198)
Other current liabilities		172	183
Cash inflow generated from operations		138,640	60,028
Interest received		12	26
Interest paid		(3,270)	(1,210)
Net cash flows from operating activities		<u>135,382</u>	<u>58,844</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortised cost - current		63,076	(8,003)
Increase in other current financial assets		(17,725)	-
Cash paid for acquisition of property, plant and equipment	6(28)	(5,330)	(22,865)
Acquisition of intangible assets		(6)	(44)
Increase in prepayments for equipment		-	(27)
Net cash flows from (used in) investing activities		<u>40,015</u>	<u>(30,939)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(29)	-	10,000
Decrease in short-term borrowings	6(29)	(162,181)	-
Payment of lease liabilities	6(29)	(3,150)	(5,930)
Increase in long-term borrowings	6(29)	20,000	-
Decrease in long-term borrowings	6(29)	(10,226)	(3,161)
Net cash flows (used in) from financing activities		<u>(155,557)</u>	<u>909</u>
Net increase in cash and cash equivalents		19,840	28,814
Cash and cash equivalents at beginning of period	6(1)	178,759	100,429
Cash and cash equivalents at end of period	6(1)	<u>\$ 198,599</u>	<u>\$ 129,243</u>

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

TMP STEEL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(Reviewed, not audited)

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 its 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 May 12, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
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

Except for the compliance statement, basis of preparation and the additional descriptions described below, the other principal accounting policies adopted are in agreement with Note 4 of the financial statements for the year ended December 31, 2021. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

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

(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 requires in conformity with International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements recognised by the Financial Supervisory Commission, Republic of China (Taiwan) (collectively referred herein as the “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) Employee benefits

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

(4) Income taxes

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

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

No significant changes during the period. The detail information please refer to Note 5 in the financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand	\$ 249	\$ 235	\$ 150
Checking deposits and demand deposits	<u>198,350</u>	<u>178,524</u>	<u>129,093</u>
	<u>\$ 198,599</u>	<u>\$ 178,759</u>	<u>\$ 129,243</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. Details of the Company’s time deposits pledged to others as collateral (listed as ‘Financial assets at amortised cost - current’) as of March 31, 2022, December 31, 2021 and March 31, 2021 are provided in Note 8, ‘PLEDGED ASSETS’.

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ -	\$ -	\$ 29,112
Valuation adjustments	<u>-</u>	<u>-</u>	<u>(4,867)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,245</u>
Financial liabilities held for trading			
Third domestic convertible corporate bonds put options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>

A. The Company recognised net loss of \$— and \$198 (listed as “Other gains and losses”) for the three-month periods ended March 31, 2022 and 2021, respectively.

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company has no financial assets at fair value through profit or loss pledged to others.

C. 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current items:			
Equity instruments			
Listed shares	\$ -	\$ -	\$ 3,525
Valuation adjustments	<u>-</u>	<u>-</u>	<u>(51)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,474</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 recognised \$— and \$81 in other comprehensive income for fair value change for the three-month periods ended March 31, 2022 and 2021, respectively.

C. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company has no financial assets at fair value through other comprehensive income pledged to others.

D. 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Demand deposits pledged	\$ 117,377	\$ 161,632	\$ 86,916
Time deposits pledged	<u>5,613</u>	<u>25,363</u>	<u>19,717</u>
	<u>\$ 122,990</u>	<u>\$ 186,995</u>	<u>\$ 106,633</u>

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income	<u>\$ 10</u>	<u>\$ 24</u>

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, 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 amortised cost held by the Company was the carrying amount.

C. As of March 31, 2022, December 31, 2021 and March 31, 2021, the 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'. The counterparties of the Company's investments in certificates of deposits are financial institutions with high credit quality, so the Company expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable, net

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 100,514	\$ 88,458	\$ 96,300
Less: Allowance for uncollectible accounts	(13)	(13)	(13)
	<u>\$ 100,501</u>	<u>\$ 88,445</u>	<u>\$ 96,287</u>
Accounts receivable	\$ 869,955	\$ 904,847	\$ 607,636
Less: Allowance for uncollectible accounts	(26,594)	(26,594)	(26,928)
	<u>\$ 843,361</u>	<u>\$ 878,253</u>	<u>\$ 580,708</u>

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable:			
During the credit period	<u>\$ 100,514</u>	<u>\$ 88,458</u>	<u>\$ 96,300</u>
Accounts receivable:			
During the credit period	\$ 790,914	\$ 1,073,737	\$ 531,709
Overdue 1 to 90 days	54,575	62	52,662
Overdue 91 to 180 days	341	2,955	-
Overdue 181 to 270 days	26	267	-
Overdue 271 to 365 days	2,955	309	7
Overdue over 365 days	<u>26,653</u>	<u>26,077</u>	<u>26,712</u>
	<u>\$ 875,464</u>	<u>\$ 1,103,407</u>	<u>\$ 611,090</u>

The above ageing analysis was based on days overdue.

- B. As of March 31, 2022, December 31, 2021 and March 31, 2021, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$647,549.
- 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 March 31, 2022, December 31, 2021 and March 31, 2021, 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

	March 31, 2022		
	Cost	Allowance for inventory valuation losses	Book value
Raw materials	\$ 225,390	\$ -	\$ 225,390
Finished goods	53,049	-	53,049
	<u>\$ 278,439</u>	<u>\$ -</u>	<u>\$ 278,439</u>
	December 31, 2021		
	Cost	Allowance for inventory valuation losses	Book value
Raw materials	\$ 205,791	\$ -	\$ 205,791
Finished goods	41,254	-	41,254
	<u>\$ 247,045</u>	<u>\$ -</u>	<u>\$ 247,045</u>
	March 31, 2021		
	Cost	Allowance for inventory valuation losses	Book value
Raw materials	\$ 142,529	\$ -	\$ 142,529
Finished goods	19,157	-	19,157
	<u>\$ 161,686</u>	<u>\$ -</u>	<u>\$ 161,686</u>

The cost of inventories recognised as expense for the period:

	For the three-month periods ended March 31,	
	2022	2021
Cost of goods sold	<u>\$ 1,489,897</u>	<u>\$ 819,751</u>

(7) Prepayments

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Prepayments to suppliers	\$ 22,494	\$ 202,316	\$ 2,375
Others	3,573	1,648	5,975
	<u>\$ 26,067</u>	<u>\$ 203,964</u>	<u>\$ 8,350</u>

(8) Investments accounted for using the equity method

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Korea Peibo Electronics Co., Ltd.	\$ 1,058	\$ 1,058	\$ 1,058
Less: Accumulated impairment	(1,058)	(1,058)	(1,058)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company has no investment accounted for using the equity method pledged to others.

C. For the three-month periods ended March 31, 2022 and 2021, the Company did not recognise impairment loss or gain on reversal of impairment related to investments accounted for using the equity method. As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amount of accumulated impairment loss of investments accounted for using the equity method was all \$1,058.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2022</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>\$ -</u>	<u>\$ 3,689</u>	<u>\$ 20,254</u>	<u>\$ 170,879</u>	<u>\$ 365,957</u>
<u>For the three-month period ended March 31, 2022</u>								
At January 1	\$ 103,606	\$ 684	\$ 66,845	\$ -	\$ 3,689	\$ 20,254	\$ 170,879	\$ 365,957
Additions	-	406	1,700	352	75	-	1,594	4,127
Transferred (Note)	-	131,131	11,250	-	28,745	-	(171,856)	(730)
Depreciation	-	(669)	(2,359)	(12)	(988)	(665)	-	(4,693)
At March 31	<u>\$ 103,606</u>	<u>\$ 131,552</u>	<u>\$ 77,436</u>	<u>\$ 340</u>	<u>\$ 31,521</u>	<u>\$ 19,589</u>	<u>\$ 617</u>	<u>\$ 364,661</u>
<u>At March 31, 2022</u>								
Cost	\$ 103,606	\$ 132,236	\$ 104,715	\$ 352	\$ 34,885	\$ 25,892	\$ 617	\$ 402,303
Accumulated depreciation	-	(684)	(26,922)	(12)	(2,667)	(6,303)	-	(36,588)
Accumulated impairment	-	-	(357)	-	(697)	-	-	(1,054)
	<u>\$ 103,606</u>	<u>\$ 131,552</u>	<u>\$ 77,436</u>	<u>\$ 340</u>	<u>\$ 31,521</u>	<u>\$ 19,589</u>	<u>\$ 617</u>	<u>\$ 364,661</u>

(Note) Transferred to expenses.

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress and equipment 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 three-month period ended March 31, 2021</u>							
At January 1	\$ 103,606	\$ 65	\$ 62,471	\$ 1,636	\$ 20,862	\$ 78,685	\$ 267,325
Additions	-	-	935	7	701	21,222	22,865
Depreciation	-	(2)	(1,745)	(82)	(610)	-	(2,439)
At March 31	<u>\$ 103,606</u>	<u>\$ 63</u>	<u>\$ 61,661</u>	<u>\$ 1,561</u>	<u>\$ 20,953</u>	<u>\$ 99,907</u>	<u>\$ 287,751</u>
<u>At March 31, 2021</u>							
Cost	\$ 103,606	\$ 69	\$ 82,521	\$ 3,683	\$ 24,640	\$ 99,907	\$ 314,426
Accumulated depreciation	-	(6)	(20,503)	(1,387)	(3,687)	-	(25,583)
Accumulated impairment	-	-	(357)	(735)	-	-	(1,092)
	<u>\$ 103,606</u>	<u>\$ 63</u>	<u>\$ 61,661</u>	<u>\$ 1,561</u>	<u>\$ 20,953</u>	<u>\$ 99,907</u>	<u>\$ 287,751</u>

- A. The Company's property, plant and equipment as of March 31, 2022, December 31, 2021 and March 31, 2021 were for its own use.
- B. No interest expense was capitalised as part of property, plant and equipment for the three-month periods ended March 31, 2022 and 2021.
- C. Information about the property, plant and equipment that were pledged to others as collateral as of March 31, 2022, December 31, 2021 and March 31, 2021 is provided in Note 8, 'PLEDGED ASSETS'.
- D. Neither impairment loss nor gain on reversal of impairment for the three-month periods ended March 31, 2022 and 2021, respectively. As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amount of accumulated impairment loss of property, plant and equipment were \$1,054, \$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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Transportation equipment	\$ 4,586	\$ 5,092	\$ 2,740
Buildings	41,683	68,208	84,508
	<u>\$ 46,269</u>	<u>\$ 73,300</u>	<u>\$ 87,248</u>

For the three-month periods ended March 31,

	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Transportation equipment	\$ 506	\$ 374
Buildings	2,741	5,764
	<u>\$ 3,247</u>	<u>\$ 6,138</u>

- C. There were no additions to right-of-use assets during the three-month periods ended March 31, 2022 and 2021.

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

	For the three-month periods ended March 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 219	\$ 353
Expense on short-term lease contracts	4,894	389
Expense on leases of low-value assets	45	45
Gain from lease modification	915	-

E. The Company's total cash outflow for leases were \$8,308 and \$6,717 for the three-month periods ended March 31, 2022 and 2021, respectively.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured bank borrowings	\$ 60,000	1.88%	Demand deposits
<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
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>		
<u>Type of borrowings</u>	<u>March 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Secured bank borrowings	\$ 140,000	1.25%~1.60%	Demand deposits

Information about interest expenses recognised in profit or loss for the three-month periods ended March 31, 2022 and 2021 is provided in Note 6(23), 'Finance costs'.

(12) Other payables

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Accrued shipping fees	\$ 19,990	\$ 18,176	\$ 9,795
Accrued salaries and bonuses	9,714	14,302	9,302
Accrued import fees	54	11,515	-
Accrued manufacturing fees	7,570	6,523	5,600
Accrued employees' compensation and directors' remuneration	3,945	3,520	3,325
Equipment payable	315	1,518	-
Taxes payable	-	939	-
Others	11,798	11,834	8,129
	<u>\$ 53,386</u>	<u>\$ 68,327</u>	<u>\$ 36,151</u>

(13) Bonds payable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>Collateral</u>
Second domestic secured convertible corporate bonds	\$ 151,133	\$ 150,369	\$ 148,058	Demand deposits
Third domestic unsecured convertible	<u>127,880</u>	<u>127,164</u>	<u>147,874</u>	—
	279,013	277,533	295,932	
Less: Current portion	(<u>279,013</u>)	(<u>277,533</u>)	(<u>147,874</u>)	
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 148,058</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 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 12, 2022) to 40 days before the maturity date (October 1, 2022).
 - 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. 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 March 31, 2022, December 31, 2021 and March 31, 2021, 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, \$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%.

C. Information about interest expenses recognised in profit or loss for the three-month periods ended March 31, 2022 and 2021 is provided in Note 6(23), ‘Financial costs’.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2022</u>
Secured borrowings	2018. 10~2031. 12	0. 75%~1. 86%	Demand deposits,	\$ 273, 254
Less: Current portion of long-term borrowings			time deposits, land and buildings	(52, 449)
				<u>\$ 220, 805</u>

<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,	\$ 263, 480
Less: Current portion of long-term borrowings			time deposits, land and construction in process	(30, 370)
				<u>\$ 233, 110</u>

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2021</u>
Secured borrowings	2018. 10~2023. 11	1. 25%~1. 40%	Time deposits,	\$ 130, 571
Less: Current portion of long-term borrowings			demand deposits and land	(12, 703)
				<u>\$ 117, 868</u>

Information about interest expenses recognised in profit or loss for the three-month periods ended March 31, 2022 and 2021 is provided in Note 6(23), ‘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 until February 2023 as approved by the Taipei City Government, Bureau of Labor.

- 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 the defined contribution pension plan of the Company were \$599 and \$472 for the three-month periods ended March 31, 2022 and 2021, 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 three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Beginning and ending balance	<u>45,711</u>	<u>30,675</u>

- B. As of March 31, 2022, 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

	<u>For the three-month period ended March 31, 2022</u>			
	<u>Share premium</u>	<u>Stock option</u>	<u>Others</u>	<u>Total</u>
Beginning and ending balance	<u>\$ 139,535</u>	<u>\$ 5,307</u>	<u>\$ 197</u>	<u>\$ 145,039</u>
	<u>For the three-month period ended March 31, 2021</u>			
	<u>Share premium</u>	<u>Stock option</u>	<u>Others</u>	<u>Total</u>
Beginning and ending balance	<u>\$ -</u>	<u>\$ 5,920</u>	<u>\$ 197</u>	<u>\$ 6,117</u>

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.

(18) 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, the stockholders during their meeting resolved for the distribution of cash dividends from the 2020 earnings in the amount of \$36,810 (\$1.2 (in dollars) per share). 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 and the distribution was resolved by the shareholders during their meeting on April 28, 2022. Such dividend payable was not recognised in the financial report.

(19) Operating revenue

	For the three-month periods ended March 31,	
	2022	2021
Sales revenue	\$ 1,549,990	\$ 863,483
Processing revenue	6,344	6,487
	<u>\$ 1,556,334</u>	<u>\$ 869,970</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:

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Contract liabilities				
- current				
Advance sales receipts	<u>\$ 348,787</u>	<u>\$ 285,223</u>	<u>\$ 140,288</u>	<u>\$ 105,356</u>

Revenue recognised for the three-month periods ended March 31, 2022 and 2021 that was included in the contract liability balance as of January 1, 2022 and 2021 amounted to \$125,149 and \$24,501, respectively.

(20) Interest income

	For the three-month periods ended March 31,	
	2022	2021
Interest income from bank deposits	\$ 10	\$ 24
Other interest income	2	2
	<u>\$ 12</u>	<u>\$ 26</u>

(21) Other income

	For the three-month periods ended March 31,	
	2022	2021
Rental income	\$ 267	\$ -
Other income	869	21
	<u>\$ 1,136</u>	<u>\$ 21</u>

(22) Other gains and losses

	For the three-month periods ended March 31,	
	2022	2021
Net loss on financial assets and liabilities at fair value through profit or loss	\$ -	(\$ 198)
Gain from lease modification	915	-
Net currency exchange (loss) gain	(752)	22
Other losses	-	(1)
	<u>\$ 163</u>	<u>(\$ 177)</u>

(23) Finance costs

	For the three-month periods ended March 31,	
	2022	2021
Interest expense:		
Convertible corporate bonds	\$ 1,480	\$ 1,576
Bank borrowings	1,446	857
Lease liabilities	219	353
	<u>\$ 3,145</u>	<u>\$ 2,786</u>

(24) Expenses by nature

	For the three-month period ended March 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 6,940	\$ 11,898	\$ 18,838
Depreciation	6,553	1,387	7,940
Amortisation	47	87	134
	<u>\$ 13,540</u>	<u>\$ 13,372</u>	<u>\$ 26,912</u>

	For the three-month period ended March 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 6,082	\$ 9,699	\$ 15,781
Depreciation	7,685	892	8,577
Amortisation	-	214	214
	<u>\$ 13,767</u>	<u>\$ 10,805</u>	<u>\$ 24,572</u>

(25) Employee benefit expense

	For the three-month period ended March 31, 2022		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 5,669	\$ 9,881	\$ 15,550
Labour and health insurance expenses	511	858	1,369
Pension costs	218	381	599
Other personnel expenses	542	778	1,320
	<u>\$ 6,940</u>	<u>\$ 11,898</u>	<u>\$ 18,838</u>

	For the three-month period ended March 31, 2021		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 5,194	\$ 8,184	\$ 13,378
Labour and health insurance expenses	345	720	1,065
Pension costs	172	300	472
Other personnel expenses	371	495	866
	<u>\$ 6,082</u>	<u>\$ 9,699</u>	<u>\$ 15,781</u>

- A. 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' compensation, 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.
- B. For the three-month periods ended March 31, 2022 and 2021, employees' compensation were accrued at \$283 and \$162, respectively; while directors' remuneration were accrued at \$142 and \$162, 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' remuneration for 2021 both amounting to \$3,520 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. 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.

(26) Income tax

A. Components of income tax expense:

	For the three-month periods ended March 31,	
	2021	2020
Current income tax:		
Current tax on profits for the period	\$ 5,152	\$ 3,358
Deferred tax:		
Origination and reversal of temporary differences	88	226
Income tax expense	<u>\$ 5,240</u>	<u>\$ 3,584</u>

B. 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 May 12, 2022.

(27) Earnings per share

	For the three-month period ended March 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 21,935</u>	<u>45,711</u>	<u>\$ 0.48</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 21,935	45,711	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	60	
Convertible corporate bonds	<u>1,184</u>	<u>11,089</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 23,119</u>	<u>56,860</u>	<u>\$ 0.41</u>

	<u>For the three-month period ended March 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	\$ 12,667	30,675	\$ 0.41
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 12,667	30,675	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	50	
Convertible corporate bonds	1,261	10,850	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 13,928	41,575	\$ 0.34

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	\$ 4,127	\$ 22,865
Add: Beginning balance of equipment payable	1,518	-
Less: Ending balance of equipment payable	(315)	-
Cash paid for acquisition of property, plant and equipment	\$ 5,330	\$ 22,865

B. Investing activities with no cash flow effects:

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Property, plant and equipment transferred to expenses	\$ 730	\$ -

(29) 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, 2022	\$ 222,181	\$ 76,443	\$ 277,533	\$ 263,480	\$ 839,637
Changes in cash flow from financing activities	(162,181)	(3,150)	-	9,774	(155,557)
Changes in other non-cash items	-	(24,699)	1,480	-	(23,219)
At March 31, 2022	<u>\$ 60,000</u>	<u>\$ 48,594</u>	<u>\$ 279,013</u>	<u>\$ 273,254</u>	<u>\$ 660,861</u>

	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	10,000	(5,930)	-	(3,161)	909
Changes in other non-cash items	-	-	1,576	-	1,576
At March 31, 2021	<u>\$ 140,000</u>	<u>\$ 90,189</u>	<u>\$ 295,932</u>	<u>\$ 130,571</u>	<u>\$ 656,692</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
Fu Sheng Transport Co., Ltd. (Fu Sheng)	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 three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
E-Top Metal	\$ 9,565	\$ 485
E-Sheng Steel	184,767	-
Other related parties	69	4,647
	<u>\$ 194,401</u>	<u>\$ 5,132</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

	For the three-month periods ended March 31,	
	2022	2021
E-Top Metal	\$ 1,030,374	\$ 545,096
E-Sheng Steel	247,373	236,074
Other related parties	3,503	2,121
	<u>\$ 1,281,250</u>	<u>\$ 783,291</u>

Purchase prices 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 were full prepayment or by issuance of letter of credit.

C. Other expenses

	For the three-month periods ended March 31,	
	2022	2021
E-Top Metal	\$ 1,500	\$ 1,003
E-Sheng Steel	1,610	701
Other related parties	54	2,099
	<u>\$ 3,164</u>	<u>\$ 3,803</u>

D. Ending balance of goods sold

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable:			
Yih Dar Lih Steel	<u>\$ 185</u>	<u>\$ 235</u>	<u>\$ 1,763</u>
Accounts receivable:			
E-Top Metal	\$ 5,471	\$ 198,393	\$ 256
Yih Dar Lih Steel	<u>38</u>	<u>167</u>	<u>3,198</u>
	<u>\$ 5,509</u>	<u>\$ 198,560</u>	<u>\$ 3,454</u>

E. Ending balance of goods purchased

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts payable:			
E-Top Metal	\$ 156,164	\$ 459,718	\$ 154,403
E-Sheng Steel	56,057	53,752	87,932
Other related parties	-	-	906
	<u>\$ 212,221</u>	<u>\$ 513,470</u>	<u>\$ 243,241</u>

F. Other payables

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
E-Top Metal	\$ 525	\$ 662	\$ 1,555
E-Sheng Steel	685	981	809
Other related parties	<u>5,697</u>	<u>15,407</u>	<u>1,281</u>
	<u>\$ 6,907</u>	<u>\$ 17,050</u>	<u>\$ 3,645</u>

G. Assets transaction

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other related parties	<u>\$ 52</u>	<u>\$ -</u>	<u>\$ -</u>

H. Lease transaction – lessee

- (1) The Company rented plants from E-Top Metal, with the contract term starting from August 2015 to July 2020. The new contract term was then extended to July 2021. The rent was paid monthly.
- (2) The balances of right-in-use assets in the company on March 31, 2022, December 31, 2021 and March 31, 2021 were \$—, \$— and \$794, respectively.
- (3) The book values of recognised lease debt in the company on on March 31, 2022, December 31, 2021 and March 31, 2021 were \$—, \$— and \$798, respectively. Interest expenses recognized for the three-month periods ended March 31, 2022 and 2021 were \$— and \$4 (listed as ‘Financial cost’), respectively.

(3) Key management compensation

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 4,099	\$ 2,757
Post-employment benefits	<u>108</u>	<u>84</u>
	<u>\$ 4,207</u>	<u>\$ 2,841</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>Purpose</u>
Demand deposits (Note 1)	\$ 117,377	\$ 161,632	\$ 86,916	Bank borrowings, bonds payable and letters of credit
Time deposits (Note 1)	5,613	25,363	19,717	Short-term and long-term borrowings
Land (Note 2)	103,606	103,606	103,606	Guarantee for long-term borrowings
Buildings (Note 2)	130,880	-	-	Guarantee for long-term borrowings
Construction in progress (Note 2)	<u>-</u>	<u>131,773</u>	<u>-</u>	Guarantee for long-term borrowings
	<u>\$ 357,476</u>	<u>\$ 422,374</u>	<u>\$ 210,239</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

As of March 31, 2022, December 31, 2021 and March 31, 2021, 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

None.

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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ —	\$ —	\$ 24,245
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ —	\$ —	\$ 3,474
Financial assets at amortised cost			
Cash and cash equivalents	\$ 198,599	\$ 178,759	\$ 129,243
Financial assets at amortised cost	122,990	186,995	106,633
Notes receivable	100,501	88,445	96,287
Accounts receivable (including related parties)	848,870	1,076,813	584,162
Other receivables	550	311	224
Guarantee deposits paid (including other current financial assets)	34,521	20,191	26,059
	<u>\$ 1,306,031</u>	<u>\$ 1,551,514</u>	<u>\$ 942,608</u>

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ -	\$ -	\$ 15
Financial liabilities at amortised cost			
Short-term borrowings	\$ 60,000	\$ 222,181	\$ 140,000
Notes payable	9,001	25,194	10,307
Accounts payable (including related parties)	212,513	513,955	244,812
Other payables	53,386	68,327	36,151
Corporate bonds payable (including current portion)	279,013	277,533	295,932
Long-term borrowings (including current portion)	273,254	263,480	130,571
	<u>\$ 887,167</u>	<u>\$ 1,370,670</u>	<u>\$ 857,773</u>
Lease liabilities	<u>\$ 48,594</u>	<u>\$ 76,443</u>	<u>\$ 90,189</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:

March 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 507	26.63	\$ 13,499

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

March 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	\$ 441	28.54	\$ 12,603

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 \$116 and \$126 for the three-month periods ended March 31, 2022 and 2021, respectively.

- iii. The total exchange loss (gain), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company amounted to (\$752) and \$22 for the three-month periods ended March 31, 2022 and 2021, 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 \$242 for the three-month periods ended March 31, 2022 and 2021, 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 \$35, 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 three-month periods ended March 31, 2022 and 2021, 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 increased/decreased by 10% with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2022 and 2021 would have decreased/increased by \$35 and \$30, 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 March 31, 2022, December 31, 2021 and March 31, 2021, the provision matrix is as follows:

March 31, 2022	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days
Total book value	\$ 790,914	\$ 54,575	\$ 341	\$ 26
Expected credit rate	0.02%	0.50%	10.93%	14.96%
Loss allowance	\$ -	\$ -	\$ -	\$ -
			Individually assessed impairment	
March 31, 2022	Overdue 271~365 days	Overdue over 365 days	loss	Total
Total book value	\$ 2,955	\$ 274	\$ 26,379	\$ 875,464
Expected credit rate	24.76%	100%	100%	
Loss allowance	\$ -	\$ 215	\$ 26,379	\$ 26,594
			Individually assessed impairment	
December 31, 2021	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 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
			Individually assessed impairment	
December 31, 2021	Overdue 271~365 days	Overdue over 365 days	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

March 31, 2021	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days
Total book value	\$ 531,709	\$ 52,662	\$ -	\$ -
Expected credit rate	0.02%	0.03%	5.82%	8.98%
Loss allowance	\$ 200	\$ 15	\$ -	\$ -
			Individually assessed impairment	
March 31, 2021	Overdue 271~365 days	Overdue over 365 days	Individually assessed impairment loss	Total
Total book value	\$ 7	\$ -	\$ 26,712	\$ 611,090
Expected credit rate	20.95%	100%	100%	
Loss allowance	\$ 1	\$ -	\$ 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:

	For the three-month period ended March 31, 2022		
	Notes receivable	Accounts receivable	Total
Beginning and ending balance	\$ 13	\$ 26,594	\$ 26,607
	For the three-month period ended March 31, 2021		
	Notes receivable	Accounts receivable	Total
Beginning and ending balance	\$ 13	\$ 26,928	\$ 26,941

(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:

	March 31, 2022	December 31, 2021	March 31, 2021
Floating rate: Expiring within one year	\$ 261,700	\$ 50,835	\$ 16,445

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

<u>March 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 60,902	\$ -	\$ -	\$ -
Notes payable	9,001	-	-	-
Accounts payable (including related parties)	212,513	-	-	-
Other payables	53,386	-	-	-
Lease liabilities	8,072	7,389	20,797	14,930
Bonds payable (including current portion)	282,688	-	-	-
Long-term borrowings (including current portion)	55,588	40,419	92,289	100,681
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
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

<u>March 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 141,370	\$ -	\$ -	\$ -
Notes payable	10,307	-	-	-
Accounts payable (including related parties)	244,812	-	-	-
Other payables	36,151	-	-	-
Lease liabilities	23,573	21,912	27,136	21,530
Bonds payable (including current portion)	150,000	150,750	-	-
Long-term borrowings (including current portion)	13,083	118,227	-	-
Derivative financial liabilities:				
Secured convertible corporate bonds	15	-	-	-

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 March 31, 2021 is as follows:

<u>March 31, 2022</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	\$ 24,245	\$ -	\$ -	\$ 24,245
Financial assets at fair value				
through other comprehensive income				
Equity securities	<u>3,474</u>	<u>-</u>	<u>-</u>	<u>3,474</u>
	<u>\$ 27,719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,719</u>
Financial liabilities at fair value				
through profit or loss				
Convertible corporate bonds				
put options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</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 and March 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 are as follows:

The fair value of puttable and redemption right of convertible corporate bonds is estimated by using the binomial tree model, and significant unobservable inputs are used the volatility of the

stock price. When the share price volatility increases, the fair price of the derivatives will also increase.

E. For the three-month periods ended March 31, 2022 and 2021, 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 the pandemic has not significant impact on the Company.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Company is only required to disclose the information for the three months ended March 31, 2022.

(1) Significant transactions information

A. Loans to others : None.

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

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: None.

H. Trading in derivative instruments undertaken during the reporting period: None.

I. Significant inter-company transactions during the reporting period: None

(2) Information on investees

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

(3) Information on investments in Mainland China

As of March 31, 2022, there are no investments in Mainland China.

(4) Major shareholders information

Major shareholders information: Please refer to table 4.

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 three-month periods ended March 31,	
	2022	2021
	<u>The Company</u>	<u>The Company</u>
Segment revenue		
Revenue from external customers, net	\$ 1, 556, 334	\$ 869, 970
Depreciation and amortisation	8, 074	8, 791
Finance costs	3, 145	2, 786
Segment profit before income tax	27, 175	16, 251
Segment assets	2, 026, 907	1, 521, 257
Non-current assets capital expenditure	4, 133	22, 936
Segment liabilities	1, 294, 412	1, 105, 559

(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. 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.

TMP Steel Corporation

FINANCIAL STATEMENTS AND INDEPENDENT

AUDITORS' REVIEW REPORT

MARCH 31, 2022 AND 2021

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TMP Steel Corporation

Introduction

We have reviewed the accompanying balance sheets of TMP Steel Corporation (the "Company") as of March 31, 2022, and the related statements of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, and notes to the financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2021, and of its financial performance and its cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Other matter – Scope of the audit

The financial statements of the Company as of and for the first quarter in 2021 were audited by other auditors whose report dated May 13, 2021 expressed an unmodified opinion on those statements.

Tien, Chung-Yu

Independent Accountants

Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan

Republic of China

March 10, 2022

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)

(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Assets	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 198,599	10	\$ 178,759	7	\$ 129,243	8
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		-	-	-	-	24,245	2
1120	Financial assets at fair value	6(3)						
	through other comprehensive							
	income - current		-	-	-	-	3,474	-
1136	Financial assets at amortised cost -	6(4) and 8						
	current		122,990	6	186,995	8	106,633	7
1150	Notes receivable, net	6(5) and 7	100,501	5	88,445	4	96,287	6
1170	Accounts receivable, net	6(5) and 12	843,361	42	878,253	36	580,708	38
1180	Accounts receivable - related	6(5), 7 and 12						
	parties		5,509	-	198,560	8	3,454	-
1200	Other receivables		550	-	311	-	224	-
130X	Inventories	6(6)	278,439	14	247,045	10	161,686	11
1410	Prepayments	6(7)	26,067	1	203,964	8	8,350	1
1476	Other current financial assets		17,725	1	-	-	-	-
11XX	Total current assets		<u>1,593,741</u>	<u>79</u>	<u>1,982,332</u>	<u>81</u>	<u>1,114,304</u>	<u>73</u>
Non-current assets								
1600	Property, plant and equipment	6(9) and 8	364,661	18	365,957	15	287,751	19
1755	Right-of-use assets	6(10)	46,269	2	73,300	3	87,248	6
1780	Intangible assets		1,074	-	1,202	-	1,649	-
1840	Deferred income tax assets	6(26)	4,366	-	4,454	-	4,219	-
1915	Prepayments for equipment		-	-	-	-	27	-
1920	Guarantee deposits paid		16,796	1	20,191	1	26,059	2
15XX	Total non-current assets		<u>433,166</u>	<u>21</u>	<u>465,104</u>	<u>19</u>	<u>406,953</u>	<u>27</u>
1XXX	Total assets		<u>\$ 2,026,907</u>	<u>100</u>	<u>\$ 2,447,436</u>	<u>100</u>	<u>\$ 1,521,257</u>	<u>100</u>

(Continued)

TMP Steel Corporation
BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(11) and 8	\$ 60,000	3	\$ 222,181	9	\$ 140,000	9
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	-	-	15	-
2130	Contract liabilities - current	6(19)	348,787	17	285,223	12	140,288	9
2150	Notes payable		9,001	1	25,194	1	10,307	1
2170	Accounts payable		292	-	485	-	1,571	-
2180	Accounts payable - related parties	7	212,221	11	513,470	21	243,241	16
2200	Other payables	6(12) and 7	53,386	3	68,327	3	36,151	2
2230	Current income tax liabilities	6(26)	9,011	-	3,859	-	16,843	1
2280	Lease liabilities - current	6(10) and 7	7,393	-	22,190	1	22,383	2
2320	Long-term liabilities, current portion	6(13)(14) and 8	331,462	16	307,903	12	160,577	11
2399	Other current liabilities		813	-	641	-	411	-
21XX	Total current Liabilities		<u>1,032,366</u>	<u>51</u>	<u>1,449,473</u>	<u>59</u>	<u>771,787</u>	<u>51</u>
Non-current liabilities								
2530	Corporate bonds payable	6(13) and 8	-	-	-	-	148,058	10
2540	Long-term borrowings	6(14) and 8	220,805	11	233,110	10	117,868	8
2580	Lease liabilities - non-current	6(10)	41,201	2	54,253	2	67,806	4
2640	Net defined benefit liabilities - non-current	6(15)	40	-	40	-	40	-
25XX	Total non-current liabilities		<u>262,046</u>	<u>13</u>	<u>287,403</u>	<u>12</u>	<u>333,772</u>	<u>22</u>
2XXX	Total Liabilities		<u>1,294,412</u>	<u>64</u>	<u>1,736,876</u>	<u>71</u>	<u>1,105,559</u>	<u>73</u>
Share capital								
3110	Common stock	6(16)	457,115	23	457,115	19	306,752	20
3200	Capital surplus	6(13)(16)(17)(18)	145,039	7	145,039	6	6,117	1
Retained earnings								
3310	Legal reserve	6(18)	21,871	1	21,871	1	16,914	1
3320	Special reserve		5,110	-	5,110	-	5,110	-
3350	Unappropriated retained earnings		103,360	5	81,425	3	80,856	5
3400	Other equity interest	6(3)	-	-	-	-	(51)	-
3XXX	Total equity		<u>732,495</u>	<u>36</u>	<u>710,560</u>	<u>29</u>	<u>415,698</u>	<u>27</u>
SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS								
3X2X	Total liabilities and equity		<u>\$ 2,026,907</u>	<u>100</u>	<u>\$ 2,447,436</u>	<u>100</u>	<u>\$ 1,521,257</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)
(REVIEWED, NOT AUDITED)

		Three months ended March 31			
		2022		2021	
Items	Notes	AMOUNT	%	AMOUNT	%
4000	Operating revenue	\$ 1,556,334	100	\$ 869,970	100
5000	Operating costs	(1,489,897)	(96)	(819,751)	(94)
5900	Net operating margin	<u>66,437</u>	<u>4</u>	<u>50,219</u>	<u>6</u>
	Operating expenses				
6100	Selling expenses	(26,642)	(2)	(22,698)	(3)
6200	General and administrative expenses	(10,786)	-	(8,354)	(1)
6000	Total operating expenses	<u>(37,428)</u>	<u>(2)</u>	<u>(31,052)</u>	<u>(4)</u>
6900	Operating profit	<u>29,009</u>	<u>2</u>	<u>19,167</u>	<u>2</u>
	Non-operating income and expenses				
7100	Interest income	12	-	26	-
7010	Other income	1,136	-	21	-
7020	Other gains and losses	163	-	(177)	-
7050	Finance costs	(3,145)	-	(2,786)	-
7000	Total non-operating income and expenses	<u>(1,834)</u>	<u>-</u>	<u>(2,916)</u>	<u>-</u>
7900	Profit before income tax	27,175	2	16,251	2
7950	Income tax expense	(5,240)	(1)	(3,584)	(1)
8200	Net income for the period	<u>\$ 21,935</u>	<u>1</u>	<u>\$ 12,667</u>	<u>1</u>
	Other comprehensive income (loss)				
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8316	Unrealised gain on valutaion of investments in equity instruments measured at fair value through other comprehensive income	\$ -	-	\$ 81	-
8500	Total comprehensive income for the period	<u>\$ 21,935</u>	<u>1</u>	<u>\$ 12,748</u>	<u>1</u>
	Earnings per share (in dollars)				
9750	Basic	<u>\$ 0.48</u>		<u>\$ 0.41</u>	
9850	Diluted	<u>\$ 0.41</u>		<u>\$ 0.34</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)
 (REVIEWED, NOT AUDITED)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other Equity Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings		
<u>For the three-month period ended March 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 three-month period ended March 31, 2021		-	-	-	-	12,667	-	12,667
Other comprehensive income for the three-month period ended March 31, 2021	6(3)	-	-	-	-	-	81	81
Total comprehensive income		-	-	-	-	12,667	81	12,748
Balance at March 31, 2021		\$ 306,752	\$ 6,117	\$ 16,914	\$ 5,110	\$ 80,856	(\$ 51)	\$ 415,698
<u>For the three-month period ended March 31, 2022</u>								
Balance at January 1, 2022		\$ 457,115	\$ 145,039	\$ 21,871	\$ 5,110	\$ 81,425	\$ -	\$ 710,560
Net income for the three-month period ended March 31, 2022		-	-	-	-	21,935	-	21,935
Total comprehensive income for the three-month period ended March 31, 2022		-	-	-	-	21,935	-	21,935
Balance at March 31, 2022		\$ 457,115	\$ 145,039	\$ 21,871	\$ 5,110	\$ 103,360	\$ -	\$ 732,495

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)
(REVIEWED, NOT AUDITED)

	Notes	For the three-month periods ended March 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 27,175	\$ 16,251
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on financial assets and liabilities at fair value through profit or loss	6(2)(23)	-	198
Unrealised foreign exchange loss		929	971
Depreciation	6(9)(10)(26)	7,940	8,577
Gain from lease modification	6(23)	(915)	-
Amortisation	6(25)	134	214
Interest income	6(21)	(12)	(26)
property, plant and equipment transferred to expenses		730	-
Interest expense	6(24)	3,145	2,786
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(12,056)	(969)
Accounts receivable		34,892	(59,108)
Accounts receivable - related parties		193,051	236
Prepayments		177,897	3,917
Other receivables		3,156	1,288
Inventories		(31,394)	(22,200)
Increase in other current financial assets		(17,725)	-
Changes in operating liabilities			
Contract liabilities - current		63,564	34,932
Notes payable		(16,193)	(1,108)
Accounts payable		(193)	1,257
Accounts payable - related parties		(301,249)	80,827
Other payables		(12,133)	(8,198)
Other current liabilities		172	183
Cash inflow generated from operations		120,915	60,028
Interest received		12	26
Interest paid		(3,270)	(1,210)
Net cash flows from operating activities		<u>117,657</u>	<u>58,844</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortised cost - current		63,076	(8,003)
Cash paid for acquisition of property, plant and equipment	6(29)	(5,330)	(22,865)
Acquisition of intangible assets		(6)	(44)
Increase in prepayments for equipment		-	(27)
Net cash flows from (used in) investing activities		<u>57,740</u>	<u>(30,939)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(30)	-	10,000
Increase in long-term borrowings	6(30)	20,000	-
Decrease in long-term borrowings	6(30)	(10,226)	(3,161)
Payment of lease liabilities	6(30)	(3,150)	(5,930)
Decrease in short-term borrowings	6(26)	(162,181)	-
Net cash flows (used in) from financing activities		<u>(155,557)</u>	<u>909</u>
Net increase in cash and cash equivalents		19,840	28,814
Cash and cash equivalents at beginning of period	6(1)	178,759	100,429
Cash and cash equivalents at end of period	6(1)	<u>\$ 198,599</u>	<u>\$ 129,243</u>

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

TMP STEEL CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

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 its 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 May 12, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by 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

Except for the compliance statement, basis of preparation and the additional descriptions described below, the other principal accounting policies adopted are in agreement with Note 4 of the financial statements for the year ended December 31, 2021. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

B. The financial statements should be read in together with the financial statements for the year ended December 31, 2021.

(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 requires in conformity with International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements recognised by the Financial Supervisory Commission, Republic of China (Taiwan) (collectively referred herein as the “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) Employee benefits

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

(4) Income taxes

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

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

There have been no significant changes during the period. Please refer to Note 5 in the financial statements for the year ended December 31, 2021.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand	\$ 249	\$ 235	\$ 150
Checking deposits and demand deposits	<u>198,350</u>	<u>178,524</u>	<u>129,093</u>
	<u>\$ 198,599</u>	<u>\$ 178,759</u>	<u>\$ 129,243</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. Details of the Company's time deposits pledged to others as collateral (listed as 'financial assets at amortised cost - current') as of March 31, 2022, December 31, 2021 and March 31, 2021 are provided in Note 8, 'PLEDGED ASSETS'.

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ -	\$ -	\$ 29,112
Valuation adjustments	<u>-</u>	<u>-</u>	<u>(4,867)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,245</u>
Financial liabilities held for trading			
Third domestic convertible corporate bonds			
put options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>

- A. The Company recognised net loss of \$— and \$198 (listed as "Other gains and losses") for the three months ended March 31, 2022 and 2021, respectively.
- B. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company has no financial assets at fair value through profit or loss pledged to others.
- C. 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current items:			
Equity instruments			
Listed shares	\$ -	\$ -	\$ 3,525
Valuation adjustments	<u>-</u>	<u>-</u>	<u>(51)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,474</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 recognised \$— and \$81 in other comprehensive income for fair value change for the three months ended March 31, 2022 and 2021, respectively.
- C. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company has no financial assets at fair value through other comprehensive income pledged to others.
- D. 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Demand deposits pledged	\$ 117,377	\$ 161,632	\$ 86,916
Time deposits pledged	<u>5,613</u>	<u>25,363</u>	<u>19,717</u>
	<u>\$ 122,990</u>	<u>\$ 186,995</u>	<u>\$ 106,633</u>

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income	<u>\$ 10</u>	<u>\$ 24</u>

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, 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 amortised cost held by the Company was the carrying amount.

C. As of March 31, 2022, December 31, 2021 and March 31, 2021, 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'. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable, net

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 100,514	\$ 88,458	\$ 96,300
Less: Allowance for uncollectible accounts	<u>(13)</u>	<u>(13)</u>	<u>(13)</u>
	<u>\$ 100,501</u>	<u>\$ 88,445</u>	<u>\$ 96,287</u>
Accounts receivable	\$ 869,955	\$ 904,847	\$ 607,636
Less: Allowance for uncollectible accounts	<u>(26,594)</u>	<u>(26,594)</u>	<u>(26,928)</u>
	<u>\$ 843,361</u>	<u>\$ 878,253</u>	<u>\$ 580,708</u>

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable:			
During the credit period	\$ <u>100,514</u>	\$ <u>88,458</u>	\$ <u>96,300</u>
Accounts receivable:			
During the credit period	\$ 790,914	\$ 1,073,737	\$ 531,709
Overdue 1 to 90 days	54,575	62	52,662
Overdue 91 to 180 days	341	2,955	-
Overdue 180 to 270 days	26	267	-
Overdue 271 to 365 days	2,955	309	7
Overdue over 365 days	<u>26,653</u>	<u>26,077</u>	<u>26,712</u>
	<u>\$ 875,464</u>	<u>\$ 1,103,407</u>	<u>\$ 611,090</u>

The above ageing analysis was based on days overdue.

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$647,549.

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 March 31, 2022, December 31, 2021 and March 31, 2021, 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>March 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for inventory valuation losses</u>	<u>Book value</u>
Raw materials	\$ 225,390	\$ -	\$ 225,390
Finished goods	53,049	-	53,049
	<u>\$ 278,439</u>	<u>\$ -</u>	<u>\$ 278,439</u>
	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for inventory valuation losses</u>	<u>Book value</u>
Raw materials	\$ 205,791	\$ -	\$ 205,791
Finished goods	41,254	-	41,254
	<u>\$ 247,045</u>	<u>\$ -</u>	<u>\$ 247,045</u>

	March 31, 2021		
	Cost	Allowance	Book value
		for inventory	
Raw materials	\$ 142,529	\$ -	\$ 142,529
Finished goods	19,157	-	19,157
	<u>\$ 161,686</u>	<u>\$ -</u>	<u>\$ 161,686</u>

The cost of inventories recognised as expense for the period:

	For the three-month periods ended March 31,	
	2022	2021
Cost of goods sold	<u>\$ 1,489,897</u>	<u>\$ 819,751</u>

(7) Prepayments

	March 31, 2022	December 31, 2021	March 31, 2021
Prepayments to suppliers	\$ 22,494	\$ 202,316	\$ 2,375
Others	3,573	1,648	5,975
	<u>\$ 26,067</u>	<u>\$ 203,964</u>	<u>\$ 8,350</u>

(8) Investments accounted for using the equity method

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

	March 31, 2022	December 31, 2021	March 31, 2021
Korea Peibo Electronics Co., Ltd.	\$ 1,058	\$ 1,058	\$ 1,058
Less: Accumulated impairment	(1,058)	(1,058)	(1,058)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Company has no investment accounted for using the equity method pledged to others.

C. For the three-month periods ended March 31, 2022 and 2021, the Company did not recognise impairment loss or gain on reversal of impairment related to investments accounted for using the equity method. As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amount of accumulated impairment loss of investments accounted for using the equity method were both \$1,058.

(9) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Construction in process and equipment to be inspected	Total
<u>At January 1, 2022</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>\$ -</u>	<u>\$ 3,689</u>	<u>\$ 20,254</u>	<u>\$ 170,879</u>	<u>\$ 365,957</u>
<u>For the three-month period ended March 31, 2022</u>								
At January 1	\$ 103,606	\$ 684	\$ 66,845	\$ -	\$ 3,689	\$ 20,254	\$ 170,879	\$ 365,957
Additions	-	406	1,700	352	75	-	1,594	4,127
Transferred (Note)	-	131,131	11,250	-	28,745	-	(171,856)	(730)
Depreciation	-	(669)	(2,359)	(12)	(988)	(665)	-	(4,693)
At March 31	<u>\$ 103,606</u>	<u>\$ 131,552</u>	<u>\$ 77,436</u>	<u>\$ 340</u>	<u>\$ 31,521</u>	<u>\$ 19,589</u>	<u>\$ 617</u>	<u>\$ 364,661</u>
<u>At March 31, 2022</u>								
Cost	\$ 103,606	\$ 132,236	\$ 104,715	\$ 352	\$ 34,885	\$ 25,892	\$ 617	\$ 402,303
Accumulated depreciation	-	(684)	(26,922)	(12)	(2,667)	(6,303)	-	(36,588)
Accumulated impairment	-	-	(357)	-	(697)	-	-	(1,054)
	<u>\$ 103,606</u>	<u>\$ 131,552</u>	<u>\$ 77,436</u>	<u>\$ 340</u>	<u>\$ 31,521</u>	<u>\$ 19,589</u>	<u>\$ 617</u>	<u>\$ 364,661</u>

(Note) Transferred to expenses.

	Land	Buildings	Machinery and equipment	Office equipment	Leasehold improvements	Construction in process and equipment to be inspected	Total
<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 three-month period ended March 31, 2021</u>							
At January 1	\$ 103,606	\$ 65	\$ 62,471	\$ 1,636	\$ 20,862	\$ 78,685	\$ 267,325
Additions	-	-	935	7	701	21,222	22,865
Depreciation	-	(2)	(1,745)	(82)	(610)	-	(2,439)
At March 31	<u>\$ 103,606</u>	<u>\$ 63</u>	<u>\$ 61,661</u>	<u>\$ 1,561</u>	<u>\$ 20,953</u>	<u>\$ 99,907</u>	<u>\$ 287,751</u>
<u>At March 31, 2021</u>							
Cost	\$ 103,606	\$ 69	\$ 82,521	\$ 3,683	\$ 24,640	\$ 99,907	\$ 314,426
Accumulated depreciation	-	(6)	(20,503)	(1,387)	(3,687)	-	(25,583)
Accumulated impairment	-	-	(357)	(735)	-	-	(1,092)
	<u>\$ 103,606</u>	<u>\$ 63</u>	<u>\$ 61,661</u>	<u>\$ 1,561</u>	<u>\$ 20,953</u>	<u>\$ 99,907</u>	<u>\$ 287,751</u>

- A. The Company's property, plant and equipment as of March 31, 2022, December 31, 2021 and March 31, 2021 were for its own use.
- B. No interest expense was capitalised as part of property, plant and equipment for the three months ended March 31, 2022 and 2021.
- C. Information about the property, plant and equipment that were pledged to others as collateral as of March 31, 2022, December 31, 2021 and March 31, 2021 is provided in Note 8, 'PLEGGED ASSETS'.
- D. The Company recognised gain on reversal of impairment of \$38 and \$-, for the three months ended March 31, 2022 and 2021, respectively, due to disposal of impaired property, plant and equipment. As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amount of accumulated impairment loss of property, plant and equipment were \$1,054, \$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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Transportation equipment	\$ 4,586	\$ 5,092	\$ 2,740
Buildings	41,683	68,208	84,508
	<u>\$ 46,269</u>	<u>\$ 73,300</u>	<u>\$ 87,248</u>
	<u>For the three-month periods ended March 31,</u>		
	<u>2022</u>		<u>2021</u>
	<u>Depreciation</u>		<u>Depreciation</u>
Transportation equipment	\$ 506		\$ 374
Buildings	2,741		5,764
	<u>\$ 3,247</u>		<u>\$ 6,138</u>

- C. The additions to right-of-use assets were both \$— for the three-month periods ended March 31, 2022 and 2021, respectively.

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

	For the three-month periods ended March 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 219	\$ 353
Expense on short-term lease contracts	4,894	389
Expense on leases of low-value assets	45	45
Gain from lease modification	915	-

E. The Company's total cash outflow for leases were \$8,308 and \$6,717 for the three-month periods ended March 31, 2022 and 2021, respectively.

(11) Short-term borrowings

Type of borrowings	March 31, 2022	Interest rate range	Collateral
Secured bank borrowings	\$ 60,000	1.88%	Demand deposits
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
	\$ 222,181		
Type of borrowings	March 31, 2021	Interest rate range	Collateral
Secured bank borrowings	\$ 140,000	1.25%~1.60%	Demand deposits

Information about interest expenses recognised in profit or loss for the three-month periods ended March 31, 2022 and 2021 is provided in Note 6(23), 'Finance costs'.

(12) Other payables

	March 31, 2022	December 31, 2021	March 31, 2021
Accrued shipping fees	\$ 19,990	\$ 18,176	\$ 9,795
Accrued salaries and bonuses	9,714	14,302	9,302
Accrued import fees	54	11,515	-
Accrued manufacturing fees	7,570	6,523	5,600
Accrued employees' compensation and directors' remuneration	3,945	3,520	3,325
Equipment payable	315	1,518	-
Taxes payable	-	939	-
Others	11,798	11,834	8,129
	\$ 53,386	\$ 68,327	\$ 36,151

(13) Bonds payable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>Collateral</u>
Second domestic secured convertible corporate bonds	\$ 151,133	\$ 150,369	\$ 148,058	Demand deposits
Third domestic unsecured convertible corporate bonds	<u>127,880</u>	<u>127,164</u>	<u>147,874</u>	—
	279,013	277,533	295,932	
Less: Current portion of bonds payable	(<u>279,013</u>)	(<u>277,533</u>)	(<u>147,874</u>)	
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 148,058</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 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 12, 2022) to 40 days before the maturity date (October 1, 2022).
 - 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. 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 March 31, 2022, December 31, 2021 and March 31, 2021, 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, \$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%.

C. Information about interest expenses recognised in profit or loss for the three-month periods ended March 31, 2022 and 2021 is provided in Note 6(23), ‘Financial costs’.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2022</u>
Secured borrowings	2018. 10~2031. 12	0. 75%~1. 86%	Demand deposits,	\$ 273, 254
Less: Current portion of long-term borrowings			time deposits, land, and buildings	(52, 449)
				<u>\$ 220, 805</u>

<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,	\$ 263, 480
Less: Current portion of long-term borrowings			time deposits, land, and construction in process	(30, 370)
				<u>\$ 233, 110</u>

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2021</u>
Secured borrowings	2018. 10~2023. 11	1. 25%~1. 40%	Time deposities	\$ 130, 571
Less: Current portion of long-term borrowings			Demand deposits and land	(12, 703)
				<u>\$ 117, 868</u>

Information about interest expenses recognised in profit or loss for the three-month periods ended March 31, 2022 and 2021 is provided in Note 6(23), ‘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 2022 as approved by the Taipei City Government, Bureau of Labor.

- 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 \$599 and \$472 for the three-month periods ended March 31, 2022 and 2021, 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 three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Beginning and ending balance	<u>45,711</u>	<u>30,675</u>

- B. As of March 31, 2022, 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

	<u>For the three-month periods ended March 31, 2022</u>			
	<u>Share premium</u>	<u>Share</u>	<u>Others</u>	<u>Total</u>
Beginning and ending balance	<u>\$ 139,535</u>	<u>\$ 5,307</u>	<u>\$ 197</u>	<u>\$ 145,039</u>

	<u>For the three-month periods ended March 31, 2021</u>			
	<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>

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.

(18) 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, the stockholders' meeting resolved for the distribution of cash dividends from the 2020 earnings in the amount of \$36,810 (\$1.2 (in dollars) per share). 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 and the distribution was resolved by the shareholders during their meeting on April 28, 2022. Such dividend payable was not recognised in the financial report.

(19) Operating revenue

	For the three-month periods ended March 31,	
	2022	2021
Sales revenue	\$ 1,549,990	\$ 863,483
Processing revenue	6,344	6,487
	<u>\$ 1,556,334</u>	<u>\$ 869,970</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:

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2020
Contract liabilities				
- current				
Advance sales receipts	\$ 348,787	\$ 285,223	\$ 140,288	\$ 105,356

Revenue recognised for the three-month periods ended March 31, 2022 and 2021 that was included in the contract liability balance as at January 1, 2022 and 2021 amounted to \$125,149 and \$24,501, respectively.

(20) Interest income

	For the three-month periods ended March 31,	
	2022	2021
Interest income from bank deposits	\$ 10	\$ 24
Other interest income	2	2
	<u>\$ 12</u>	<u>\$ 26</u>

(21) Other income

	For the three-month periods ended March 31,	
	2022	2021
Dividend income	\$ 267	\$ -
Other income	869	21
	<u>\$ 1,136</u>	<u>\$ 21</u>

(22) Other gains and losses

	For the three-month periods ended March 31,	
	2022	2021
Net loss on financial assets and liabilities at fair value through profit or loss	\$ -	(\$ 198)
Gain from lease modification	915	-
Net currency exchange loss	(752)	22
Other losses	-	(1)
	<u>\$ 163</u>	<u>(\$ 177)</u>

(23) Finance costs

	For the three-month periods ended March 31,	
	2022	2021
Interest expense:		
Convertible corporate bonds	\$ 1,480	\$ 1,576
Bank borrowings	1,446	857
Lease liabilities	219	353
	<u>\$ 3,145</u>	<u>\$ 2,786</u>

(24) Expenses by nature

	For the three-month periods ended March 31, 2022		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 6,940	\$ 11,898	\$ 18,838
Depreciation	6,553	1,387	7,940
Amortisation	47	87	134
	<u>\$ 13,540</u>	<u>\$ 13,372</u>	<u>\$ 26,912</u>

	For the three-month periods ended March 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 6,082	\$ 9,699	\$ 15,781
Depreciation	7,685	892	8,577
Amortisation	–	214	214
	<u>\$ 13,767</u>	<u>\$ 10,805</u>	<u>\$ 24,572</u>

(25) Employee benefit expense

	For the three-month periods ended March 31, 2022		
	Operating costs	Operating expenses	Total
Wages and salaries	\$ 5,669	\$ 9,881	\$ 15,550
Labour and health insurance expenses	511	858	1,369
Pension costs	218	381	599
Other personnel expenses	542	778	1,320
	<u>\$ 6,940</u>	<u>\$ 11,898</u>	<u>\$ 18,838</u>

	For the three months ended March 31, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 5,194	\$ 8,184	\$ 13,378
Labour and health insurance expenses	345	720	1,065
Pension costs	172	300	472
Other personnel expenses	371	495	866
	<u>\$ 6,082</u>	<u>\$ 9,699</u>	<u>\$ 15,781</u>

- A. 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' compensation, 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.
- B. For the three-month periods ended March 31, 2022 and 2021, employees' compensation were accrued at \$283 and \$162, respectively; while directors' remuneration were accrued at \$142 and \$162, 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' remuneration for 2021 both amounting to \$3,520 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2021 financial statements. 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.

(26) Income tax

A. Components of income tax expense:

	For the three-month periods ended March 31,	
	2021	2020
Current income tax:		
Current tax on profits for the year	\$ 5,152	\$ 3,358
Deferred tax:		
Origination and reversal of temporary differences	88	226
Income tax expense	<u>\$ 5,240</u>	<u>\$ 3,584</u>

B. 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 May 12, 2022.

(27) Earnings per share

	For the three-month periods ended March 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 21,935</u>	<u>45,711</u>	<u>\$ 0.48</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 21,935	45,711	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	60	
Convertible corporate bonds	<u>1,184</u>	<u>11,089</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 23,119</u>	<u>56,860</u>	<u>\$ 0.41</u>

	<u>For the three-month periods ended March 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	\$ 12,667	30,675	\$ 0.41
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 12,667	30,675	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	50	
Convertible corporate bonds	1,261	10,850	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 13,928	41,575	\$ 0.34

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Acquisition of property, plant and equipment	\$ 4,127	\$ 22,865
Add: Beginning balance of equipment payable	1,518	-
Less: Ending balance of equipment payable	(315)	-
Cash paid for acquisition of property, plant and equipment	\$ 5,330	\$ 22,865

B. Financing activities with no cash flow effects:

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Property, plant and equipment transferred to expenses	\$ 730	\$ -

(29) 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, 2022	\$ 222, 181	\$ 76, 443	\$ 277, 533	\$ 263, 480	\$ 839, 637
Changes in cash flow from financing activities	(162, 181)	(3, 150)	-	9, 774	(155, 557)
Changes in other non-cash items	-	(24, 699)	1, 480	-	(23, 219)
At March 31, 2022	<u>\$ 60, 000</u>	<u>\$ 48, 594</u>	<u>\$ 279, 013</u>	<u>\$ 273, 254</u>	<u>\$ 660, 861</u>

	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	10, 000	(5, 930)	-	(3, 161)	909
Changes in other non-cash items	-	-	1, 576	-	1, 576
At March 31, 2021	<u>\$ 140, 000</u>	<u>\$ 90, 189</u>	<u>\$ 295, 932</u>	<u>\$ 130, 571</u>	<u>\$ 656, 692</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
Fu Sheng Transport Co., Ltd. (Fu Sheng)	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

	For the three-month periods ended March 31,	
	2022	2021
E-Top Metal	\$ 9, 565	\$ 485
E-Sheng Steel	184, 767	-
Other related parties	69	4, 647
	<u>\$ 194, 401</u>	<u>\$ 5, 132</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

	For the three-month periods ended March 31,	
	2022	2021
E-Top Metal	\$ 1,030,374	\$ 545,096
E-Sheng Steel	247,373	236,074
Other related parties	3,503	2,121
	<u>\$ 1,281,250</u>	<u>\$ 783,291</u>

Purchase prices from related parties were the same with third parties. Payment terms of some purchase 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

	For the three-month periods ended March 31,	
	2022	2021
E-Top Metal	\$ 1,500	\$ 1,003
E-Sheng Steel	1,610	701
Other related parties	54	2,099
	<u>\$ 3,164</u>	<u>\$ 3,803</u>

D. Ending balance of goods sold

	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable :			
Yih Dar Lih Steel	<u>\$ 185</u>	<u>\$ 235</u>	<u>\$ 1,763</u>
Accounts receivable:			
E-Top Metal	\$ 5,471	\$ 198,393	\$ 256
Yih Dar Lih Steel	38	167	3,198
	<u>\$ 5,509</u>	<u>\$ 198,560</u>	<u>\$ 3,454</u>

E. Ending balance of goods purchased

	March 31, 2022	December 31, 2021	March 31, 2021
Accounts payable:			
E-Top Metal	\$ 156,164	\$ 459,718	\$ 154,403
E-Sheng Steel	56,057	53,752	87,932
Other related parties	-	-	906
	<u>\$ 212,221</u>	<u>\$ 513,470</u>	<u>\$ 243,241</u>

F. Other payables

	March 31, 2022	December 31, 2021	March 31, 2021
E-Top Metal	\$ 525	\$ 662	\$ 1,555
E-Sheng Steel	685	981	809
Other related parties	5,697	15,407	1,281
	<u>\$ 6,907</u>	<u>\$ 17,050</u>	<u>\$ 3,645</u>

G. Assets transaction

	March 31, 2022	December 31, 2021	March 31, 2021
Other related parties	<u>\$ 52</u>	<u>\$ -</u>	<u>\$ -</u>

H. Lease transaction – lessee

- (1) The company rented plants from E-Top Metal, the contract term starting from August 2015 to July 2020. The new contract term ended in July 2021, starting from the lease term, the rent was paid monthly.
- (2) The balances of right-in-use assets in the company on March 31, 2022, December 31, 2021 and March 31, 2021 were \$—, \$— and \$794, respectively.
- (3) The book values of recognised lease debt in the company on on March 31, 2022, December 31, 2021 and March 31, 2021 were \$—, \$— and \$798, respectively. As for interest expenses recognized for the three months ended March 31, 2022 and 2021 were \$— and \$4 (as ‘financial cost’ on account).

(3) Key management compensation

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 4,099	\$ 2,757
Post-employment benefits	<u>108</u>	<u>84</u>
	<u>\$ 4,207</u>	<u>\$ 2,841</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>Purpose</u>
Demand deposits (Note 1)	\$ 117,377	\$ 161,632	\$ 86,916	Bank borrowings, bonds payable and letters of credit
Time deposits (Note 1)	5,613	25,363	19,717	Short-term and long-term borrowings
Land (Note 2)	103,606	103,606	103,606	Guarantee for long-term borrowings
Buildings (Note 2)	130,880	-	-	Guarantee for long-term borrowings
Construction in progress (Note 2)	-	<u>131,773</u>	-	Guarantee for long-term borrowings
	<u>\$ 357,476</u>	<u>\$ 422,374</u>	<u>\$ 210,239</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

As of March 31, 2022, December 31, 2021 and March 31, 2021, 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

None.

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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ —	\$ —	\$ 24,245
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ —	\$ —	\$ 3,474
Financial assets at amortised cost			
Cash and cash equivalents	\$ 198,599	\$ 178,759	\$ 129,243
Financial assets at amortised cost	122,990	186,995	106,633
Notes receivable	100,501	88,445	96,287
Accounts receivable (including related parties)	848,870	1,076,813	584,162
Other receivables	550	311	224
Guarantee deposits paid	34,521	20,191	26,059
	<u>\$ 1,306,031</u>	<u>\$ 1,551,514</u>	<u>\$ 942,608</u>

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ -	\$ -	\$ 15
Financial liabilities at amortised cost			
Short-term borrowings	\$ 60,000	\$ 222,181	\$ 140,000
Notes payable	9,001	25,194	10,307
Accounts payable (including related parties)	212,513	513,955	244,812
Other payables	53,386	68,327	36,151
Corporate bonds payable (including current portion)	279,013	277,533	295,932
Long-term borrowings (including current portion)	273,254	263,480	130,571
	<u>\$ 887,167</u>	<u>\$ 1,370,670</u>	<u>\$ 857,773</u>
Lease liabilities	<u>\$ 48,594</u>	<u>\$ 76,443</u>	<u>\$ 90,189</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:

March 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 507	26.63	\$ 13,499

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

March 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	\$ 441	28.54	\$ 12,603

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 \$116 and \$126, for the three-month periods ended March 31, 2022 and 2021, respectively.

- iii. The total exchange loss (gain), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company amounted to (\$752) and \$22, for the three-month periods ended March 31, 2022 and 2021, 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 \$242, for the three-month periods ended March 31, 2022 and 2021, 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 \$35, 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 three-month periods ended March 31, 2022 and 2021, 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 three-month periods ended March 31, 2022 and 2021 would have increased/decreased by \$35 and \$30, 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 March 31, 2022, December 31, 2021 and March 31, 2021, the provision matrix is as follows:

March 31, 2022	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 180~270 days
Total book value	\$ 790,914	\$ 54,575	\$ 341	\$ 26
Expected credit rate	0.02%	0.50%	10.93%	14.96%
Loss allowance	\$ -	\$ -	\$ -	\$ -
			Individually assessed impairment	
March 31, 2022	Overdue 271~365 days	Overdue over 365 days	loss	Total
Total book value	\$ 2,955	\$ 274	\$ 26,379	\$ 875,464
Expected credit rate	24.76%	100%	100%	
Loss allowance	\$ -	\$ 215	\$ 26,379	\$ 26,594
			Individually assessed impairment	
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
			Individually assessed impairment	
December 31, 2021	Overdue 271~365 days	Overdue over 365 days	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

March 31, 2021	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 180~270 days
Total book value	\$ 531,709	\$ 52,662	\$ -	\$ -
Expected credit rate	0.02%	0.03%	5.82%	8.98%
Loss allowance	\$ 200	\$ 15	\$ -	\$ -
			Individually assessed impairment	
March 31, 2021	Overdue 271~365 days	Overdue over 365 days	loss	Total
Total book value	\$ 7	\$ -	\$ 26,712	\$ 611,090
Expected credit rate	20.95%	100%	100%	
Loss allowance	\$ 1	\$ -	\$ 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:

	For the three-month periods ended March 31, 2022		
	Notes receivable	Accounts receivable	Total
Beginning and ending balance	\$ 13	\$ 26,594	\$ 26,607
	For the three-month periods ended March 31, 2021		
	Notes receivable	Accounts receivable	Total
Beginning and ending balance	\$ 13	\$ 26,928	\$ 26,941

(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:

	March 31, 2022	December 31, 2021	March 31, 2021
Floating rate:			
Expiring within one year	\$ 261,700	\$ 50,835	\$ 16,445

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

<u>March 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 60,902	\$ -	\$ -	\$ -
Notes payable	9,001	-	-	-
Accounts payable (Including related parties)	212,513	-	-	-
Other payables	53,386	-	-	-
Lease liabilities	8,072	7,389	20,797	14,930
Bonds payable (including current portion)	282,688	-	-	-
Long-term borrowings (including current portion)	55,588	40,419	92,289	100,681
<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
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

<u>March 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 141,370	\$ -	\$ -	\$ -
Notes payable	10,307	-	-	-
Accounts payable (Including related parties)	244,812	-	-	-
Other payables	36,151	-	-	-
Lease liabilities	23,573	21,912	27,136	21,530
Bonds payable (including current portion)	150,000	150,750	-	-
Long-term borrowings (including current portion)	13,083	118,227	-	-
Derivative financial liabilities:				
Secured convertible corporate bonds	15	-	-	-

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 March 31, 2021 is as follows:

<u>March 31, 2022</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, 245	\$ -	\$ -	\$ 24, 245
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	<u>3, 474</u>	<u>-</u>	<u>-</u>	<u>3, 474</u>
	<u>\$ 27, 719</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27, 719</u>
Financial liabilities at fair value				
through profit or loss				
Convertible corporated bonds				
put options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 15</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 and March 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 three months ended March 31, 2022 and 2021, 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 "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 three months ended March 31, 2022.

(1) Significant transactions information

- A. Loans to others : None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: None.
- H. Trading in derivative instruments undertaken during the reporting periods : None.
- 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 3.

(3) Information on investments in Mainland China

As of March 31, 2022, there are no investments in Mainland China.

(4) Major shareholders information

Major shareholders information: Please refer to table 4.

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:

	<u>For the three-month periods ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>The Company</u>	<u>The Company</u>
Segment revenue		
Revenue from external customers, net	\$ 1, 556, 334	\$ 869, 970
Depreciation and amortisation	8, 074	8, 791
Finance costs	3, 145	2, 786
Segment profit before income tax	27, 175	16, 251
Segment assets	2, 026, 907	1, 521, 257
Non-current assets capital expenditure	4, 133	22, 936
Segment liabilities	1, 294, 412	1, 105, 559

(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. 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.

TMP Steel Corporation

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

For three-month period ended March 31, 2022

Table 1

Expressed in thousands of NTD

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	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
						Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction			
TMP Steel Corporation	Plant	2020.8.30	\$134,828	\$134,828	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 three-month period ended March 31, 2022

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)		Footnote
			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	Material influence	Purchases	\$ 1,030,374	70%	20 days after 10 days statements	\$ -	(Note2)	(\$ 156,164)	(79%)	-
	E-SHENG STEEL CO., LTD	Other related party	Purchases	247,373	17%	20 days after 10 days statements	-	(Note2)	(56,057)	(25%)	-
	E-SHENG STEEL CO., LTD	Other related party	(Sales)	(184,767)	(12%)	60 days after monthly statements	-	(Note3)	-	-	-

(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 payment terms with third parties are full prepayment or by issuance of letter of credit. It is determined based on credit management policy of the company.

(Note 3) 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

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

For three-month period ended March 31, 2022

Table 3

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	Footnote
				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
March 31, 2022

Table 4

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.	2,511,005		5.49%	-

(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.