

**TMP STEEL CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 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.

TMP STEEL CORPORATION AND SUBSIDIARIES
Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the companies that are required to be included in the consolidated financial statements of affiliates, are the same as those required to be included in the consolidated financial statements under International Financial Reporting Standards 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of affiliates. As a result, TMP Steel Corporation and subsidiaries are not required to prepare consolidated financial statements of affiliates.

Hereby declare

TMP Steel Corporation

March 10, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TMP Steel Corporation

Opinion

We have audited the accompanying consolidated balance sheets of TMP Steel Corporation and its subsidiary (the "Group") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Existence of sales revenue from steel building materials

Description

Refer to Note 4(28) for accounting policy on revenue recognition and Note 6(20) for details of operating revenue. The Group's operating revenue for the year ended December 31, 2022 was \$6,630,495 thousands.

The Group is primarily engaged in the sales of steel building materials. As the Group has numerous trading counterparties and a high volume of transactions which would require a longer period for verification, we considered the existence of sales revenue from steel building materials a key audit matter.

How our audit addressed the matter

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of TMP Steel Corporation as at and for the years ended December 31, 2022 and 2021

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Independent Accountants
Tien, Chung-Yu
Lin, Tzu-Shu

PricewaterhouseCoopers, Taiwan
Republic of China
March 10, 2023

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

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

TMP STEEL CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 506,125	23	\$ 178,759	7
1136	Financial assets at amortised cost - current	6(1)(4) and 8	30,000	2	186,995	8
1150	Notes receivable, net	6(5) and 7	115,899	5	88,445	4
1170	Accounts receivable, net	6(5) and 12	833,382	38	878,253	36
1180	Accounts receivable - related parties	6(5), 7 and 12	206	-	198,560	8
1200	Other receivables	7	4,093	-	311	-
130X	Inventories	6(6)	177,495	8	247,045	10
1410	Prepayments	6(7)	43,443	2	203,964	8
11XX	Total current assets		<u>1,710,643</u>	<u>78</u>	<u>1,982,332</u>	<u>81</u>
Non-current assets						
1600	Property, plant and equipment	6(9), 7 and 8	405,248	19	365,957	15
1755	Right-of-use assets	6(9)(10)	41,902	2	73,300	3
1780	Intangible assets		887	-	1,202	-
1840	Deferred income tax assets	6(27)	2,740	-	4,454	-
1915	Prepayments for equipment		2,494	-	-	-
1920	Guarantee deposits paid		18,464	1	20,191	1
15XX	Total non-current assets		<u>471,735</u>	<u>22</u>	<u>465,104</u>	<u>19</u>
1XXX	Total assets		<u>\$ 2,182,378</u>	<u>100</u>	<u>\$ 2,447,436</u>	<u>100</u>

(Continued)

TMP STEEL CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(11) and 8	\$ -	-	\$ 222,181	9
2120	Financial liabilities at fair value through profit or loss - current	6(2)	120	-	-	-
2130	Contract liabilities - current	6(20)	189,454	9	285,223	12
2150	Notes payable		13,877	1	25,194	1
2170	Accounts payable		2,446	-	485	-
2180	Accounts payable - related parties	7	247,084	11	513,470	21
2200	Other payables	6(12) and 7	98,235	5	68,327	3
2230	Current income tax liabilities	6(27)	35,219	2	3,859	-
2280	Lease liabilities - current	6(10)	7,226	-	22,190	1
2320	Long-term liabilities, current portion	6(13)(14) and 8	29,550	1	307,903	12
2399	Other current liabilities		805	-	641	-
21XX	Total current liabilities		<u>624,016</u>	<u>29</u>	<u>1,449,473</u>	<u>59</u>
Non-current liabilities						
2530	Corporate bonds payable	6(13) and 8	189,066	8	-	-
2540	Long-term borrowings	6(14) and 8	190,647	9	233,110	10
2570	Deferred income tax liabilities	6(27)	112	-	-	-
2580	Lease liabilities - non-current	6(10)	37,372	2	54,253	2
2640	Net defined benefit liabilities - non-current	6(15)	40	-	40	-
25XX	Total non-current liabilities		<u>417,237</u>	<u>19</u>	<u>287,403</u>	<u>12</u>
2XXX	Total liabilities		<u>1,041,253</u>	<u>48</u>	<u>1,736,876</u>	<u>71</u>
Share capital						
3110	Common stock	6(13)(16)	607,115	28	457,115	19
3200	Capital surplus	6(13)(16)(17)(18)	303,329	14	145,039	6
	Retained earnings	6(3)(19)				
3310	Legal reserve		27,371	1	21,871	1
3320	Special reserve		5,110	-	5,110	-
3350	Unappropriated retained earnings		198,200	9	81,425	3
3XXX	Total equity		<u>1,141,125</u>	<u>52</u>	<u>710,560</u>	<u>29</u>
SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS						
SIGNIFICANT EVENTS AFTER BALANCE SHEETDATE						
3X2X	Total liabilities and equity		<u>\$ 2,182,378</u>	<u>100</u>	<u>\$ 2,447,436</u>	<u>100</u>

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

TMP STEEL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31,			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(20) and 7	\$ 6,630,495	100	\$ 4,437,556	100
5000 Operating costs	6(6)(10)(15)(25)(26) and 7	(6,230,973)	(94)	(4,221,956)	(95)
5900 Net operating margin		399,522	6	215,600	5
Operating expenses	6(10)(15)(18)(25)(26) and 7				
6100 Selling expenses		(123,041)	(2)	(97,670)	(3)
6200 General and administrative expenses		(51,372)	(1)	(43,659)	(1)
6450 Expected credit gains	12	7,200	-	334	-
6000 Total operating expenses		(167,213)	(3)	(140,995)	(4)
6900 Operating profit		232,309	3	74,605	1
Non-operating income and expenses					
7100 Interest income	6(4)(21)	1,338	-	187	-
7010 Other income	6(2)(3)(22) and 7	3,452	-	920	-
7020 Other gains and losses	6(2)(10)(23)	(3,199)	-	7,731	-
7050 Finance costs	6(10)(24) and 7	(12,841)	-	(11,851)	-
7000 Total non-operating income and expenses		(11,250)	-	(3,013)	-
7900 Profit before income tax		221,059	3	71,592	1
7950 Income tax expense	6(27)	(43,930)	-	(13,553)	-
8200 Net income for the year		\$ 177,129	3	\$ 58,039	1
Other comprehensive loss					
Components of other comprehensive loss that will not be reclassified to profit or loss					
8316 Unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ -	-	(\$ 2,261)	-
8500 Total comprehensive income for the year		\$ 177,129	3	\$ 55,778	1
Profit attributable to:					
8610 Owners of the parent		\$ 177,129	3	\$ 58,039	1
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 177,129	3	\$ 55,778	1
Earnings per share (in dollars)	6(28)				
9750 Basic		\$ 3.32		\$ 1.62	
9850 Diluted		\$ 2.79		\$ 1.33	

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

TMP STEEL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent				Unappropriated retained earnings	Other Equity	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve		Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
For the year ended December 31, 2021								
Balance at January 1, 2021		\$ 306,752	\$ 6,117	\$ 16,914	\$ 5,110	\$ 68,189	(\$ 132)	\$ 402,950
Net income for the year ended December 31, 2021		-	-	-	-	58,039	-	58,039
Other comprehensive loss for the year ended December 31, 2021	6(3)	-	-	-	-	-	(2,261)	(2,261)
Total comprehensive income (loss) for the year ended December 31, 2021		-	-	-	-	58,039	(2,261)	55,778
Distribution of 2020 net income:								
Legal reserve		-	-	4,957	-	(4,957)	-	-
Cash dividends	6(19)	-	-	-	-	(36,810)	-	(36,810)
Issuance of common stock for cash	6(16)(17)	150,000	135,000	-	-	-	-	285,000
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	(2,393)	2,393	-
Repurchase of convertible corporate bonds	6(17)	-	(587)	-	-	(643)	-	(1,230)
Conversion of corporate bonds into common stock	6(13)(16)(17)	363	628	-	-	-	-	991
Compensation cost of employee stock options	6(17)(18)(26)	-	3,881	-	-	-	-	3,881
Balance at December 31, 2021		\$ 457,115	\$ 145,039	\$ 21,871	\$ 5,110	\$ 81,425	\$ -	\$ 710,560
For the year ended December 31, 2022								
Balance at January 1, 2022		\$ 457,115	\$ 145,039	\$ 21,871	\$ 5,110	\$ 81,425	\$ -	\$ 710,560
Net income for the year ended December 31, 2022		-	-	-	-	177,129	-	177,129
Total comprehensive income for the year ended December 31, 2022		-	-	-	-	177,129	-	177,129
Distribution of 2021 net income:								
Legal reserve		-	-	5,500	-	(5,500)	-	-
Cash dividends	6(19)	-	-	-	-	(54,854)	-	(54,854)
Issuance of common stock for cash	6(16)(17)	150,000	150,000	-	-	-	-	300,000
Compensation cost of employee stock options	6(17)(18)(26)	-	107	-	-	-	-	107
Issuance of convertible corporate bonds	6(17)	-	8,183	-	-	-	-	8,183
Balance at December 31, 2022		\$ 607,115	\$ 303,329	\$ 27,371	\$ 5,110	\$ 198,200	\$ -	\$ 1,141,125

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

TMP STEEL CORPORATION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 221,059	\$ 71,592
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets and liabilities at fair value through profit or loss	6(2)(23)	(350)	(7,061)
Unrealised foreign exchange loss		-	1,062
Expected credit gain	12	(7,200)	(334)
Depreciation	6(9)(10)(25)	28,410	33,881
Net gain on disposal of property, plant and equipment	6(23)	(316)	(98)
Property, plant and equipment transferred to expenses	6(9)	730	-
Gain from lease modification	6(10)(23)	(914)	(182)
Amortisation	6(25)	539	782
Gain on repurchase of corporate bonds	6(23)	-	(889)
Compensation cost of employee stock options	6(17)(18)(26)	107	3,881
Interest income	6(21)	(1,338)	(187)
Dividend income	6(22)	-	(659)
Interest expense	6(24)	12,841	11,851
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(27,454)	6,873
Accounts receivable		52,071	(356,319)
Accounts receivable - related parties		198,354	(194,870)
Other receivables		(3,782)	1,201
Inventories		69,550	(107,559)
Prepayments		160,521	(191,697)
Changes in operating liabilities			
Contract liabilities - current		(95,769)	179,867
Notes payable		(11,317)	13,779
Accounts payable		1,961	171
Accounts payable - related parties		(266,386)	351,056
Other payables		22,890	22,460
Other current liabilities		164	413
Cash inflow (outflow) generated from operations		354,371	(160,986)
Interest received		1,338	187
Dividends received		-	659
Interest paid		(7,381)	(5,489)
Income tax paid		(10,744)	(23,188)
Net cash flows from (used in) operating activities		<u>337,584</u>	<u>(188,817)</u>

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TMP STEEL CORPORATION AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at amortised cost - current		\$ 156,995	(\$ 88,456)
Acquisition of financial assets at fair value through profit or loss - current		470	-
Proceeds from disposal of financial assets at fair value through profit or loss - current		-	31,489
Acquisition of financial assets at fair value through other comprehensive income - current		-	(148,678)
Proceeds from disposal of financial assets at fair value through other comprehensive income - current	6(3)	-	146,641
Proceeds from capital reduction of financial assets at fair value through other comprehensive income - current	6(3)	-	3,169
Cash paid for acquisition of property, plant and equipment	6(29)	(59,266)	(107,464)
Proceeds from disposal of property, plant and equipment		2,355	326
Acquisition of intangible assets		(224)	(165)
Increase in prepayment for equipment		(2,494)	-
Decrease in guarantee deposits paid		1,727	5,868
Net cash flows from (used in) investing activities		<u>99,563</u>	<u>(157,270)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(30)	343,086	92,181
Decrease in short-term borrowings	6(30)	(565,267)	-
Payment of lease liabilities	6(30)	(8,520)	(23,167)
Issuance of convertible corporate bonds	6(30)	201,000	-
Decrease in corporate bonds payable	6(30)	(281,943)	-
Repurchase of convertible corporate bonds	6(30)	-	(22,535)
Increase in long-term borrowings	6(30)	20,000	147,300
Decrease in long-term borrowings	6(30)	(63,283)	(17,552)
Issuance of common stock for cash	6(16)	300,000	285,000
Payment of cash dividends	6(19)	(54,854)	(36,810)
Net cash flows (used in) from financing activities		<u>(109,781)</u>	<u>424,417</u>
Net increase in cash and cash equivalents		327,366	78,330
Cash and cash equivalents at beginning of year	6(1)	178,759	100,429
Cash and cash equivalents at end of year	6(1)	<u>\$ 506,125</u>	<u>\$ 178,759</u>

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

TMP STEEL CORPORATION AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

(1) TMP Steel Corporation (the “Company”) was incorporated on May 16, 1984 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C). The Company and its subsidiary (the “Group”) are 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, 2010; 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 consolidated financial statements were authorised for issuance by the Board of Directors on March 10, 2023.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC as became 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 Group’s financial condition

and financial performance based on the Group’s assessment.

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
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, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under

the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY'.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or

losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2022	December 31, 2021	
TMP Steel Corporation	Taiwan Steel Material Corp.	Wholesale of hardware and sale	100.00	-	(Note)

(Note) Established in September 2022.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits and bills under repurchase agreement that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets at amortised cost

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

(8) Notes and accounts receivable

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

(9) Inventories

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

(10) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment

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

(11) Derecognition of financial assets

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

(12) Leasing arrangements (lessor) - operating lease

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Investments accounted for using equity method - associates

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

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are subsequently depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets</u>	<u>Useful lives</u>
Buildings (including auxiliary equipment)	10 ~ 50 years
Machinery and equipment	3 ~ 20 years
Transportation equipment	5 years
Office equipment	2 ~ 20 years
Leasehold improvements	2 ~ 10 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability; and
- (b) Any lease payments made at or before the commencement date;

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(16) Intangible assets

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

(17) Impairment of non-financial assets

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

(18) Borrowings

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

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

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

- (a) Hybrid (combined) contracts.
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related

transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

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

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Convertible bonds payable

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

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

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged

or cancelled or expires.

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

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

(24) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date.

Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

- B. For cash capital increase reserved for employee preemption, grant date is determined in accordance with the date which subscription price and amounts are agreed.

(25) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(26) Share capital

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

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends

are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells steel building materials. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Accounts receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Rendering of services

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

(29) Operating segments

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

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand	\$ 114	\$ 235
Checking deposits and demand deposits	<u>263,171</u>	<u>178,524</u>
	<u>263,285</u>	<u>178,759</u>
Cash equivalents:		
Demand deposit	122,840	-
Bills under repurchase agreement	<u>120,000</u>	<u>-</u>
	<u>242,840</u>	<u>-</u>
	<u>\$ 506,125</u>	<u>\$ 178,759</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. Details of the Group's cash and cash equivalents pledged to others as collateral (listed as 'Financial assets at amortised cost - current') as of December 31, 2022 and 2021 are provided in Note 8, 'PLEGGED ASSETS'.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial liabilities held for trading:		
Fourth domestic convertible corporate bonds put options	<u>\$ 120</u>	<u>\$ -</u>

- A. The Group recognised dividend income of \$— and \$569 (listed as 'Other income') for the years ended December 31, 2022 and 2021, respectively, in profit or loss in relation to the financial assets at fair value through profit or loss.
- B. The Group recognised net gain of \$350 and \$7,061 (listed as "Other gains and losses") for the years ended December 31, 2022 and 2021, respectively.
- C. As of December 31, 2022 and 2021, the Group has no financial assets at fair value through profit or loss pledged to others.
- D. Information about 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

- A. As of December 31, 2021, the Group has disposed all financial assets at fair value through other comprehensive income. No transaction in 2022.
- B. The Group 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.

- C. The Group disposed financial assets at fair value through other comprehensive income in the amount of \$146,641 for the year ended December 31, 2021. This resulted in cumulative loss on disposal amounting to \$2,393, which was reclassified to retained earnings.
- D. The Group recognised \$— and (\$2,261) in other comprehensive income for fair value change for the years ended December 31, 2022 and 2021, respectively.
- E. The Group's financial assets at fair value through other comprehensive income – current, D-LINK CORPORATION, conducted a capital reduction in November 2021. The Group has reversed 317 thousand shares at the initial investment price of \$3,169 proportionately.
- F. The Group recognised dividend income of \$— and \$90 in profit or loss in relation to the financial assets at fair value through other comprehensive income (listed as 'Other income') for the years ended December 31, 2022 and 2021, respectively.

(4) Financial assets at amortised cost - current

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Time deposits pledged	\$ 20,000	\$ 25,363
Demand deposits pledged	<u>10,000</u>	<u>161,632</u>
	<u>\$ 30,000</u>	<u>\$ 186,995</u>

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income	<u>\$ 313</u>	<u>\$ 178</u>

- B. As of December 31, 2022 and 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 Group was the carrying amount.
- C. As of December 31, 2022 and 2021, the financial assets at amortised cost pledged to others as collateral are provided in Note 8, 'PLEDGED ASSETS'.
- D. Information about 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>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 115,912	\$ 88,458
Less: Allowance for uncollectible accounts	<u>(13)</u>	<u>(13)</u>
	<u>\$ 115,899</u>	<u>\$ 88,445</u>
Accounts receivable	\$ 852,776	\$ 904,847
Less: Allowance for uncollectible accounts	<u>(19,394)</u>	<u>(26,594)</u>
	<u>\$ 833,382</u>	<u>\$ 878,253</u>

A. The ageing analysis of notes receivable and accounts receivable (including related parties) that

were past due but not impaired is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable:		
Within the credit period	\$ <u>115,912</u>	\$ <u>88,458</u>
Accounts receivable:		
Within the credit period	\$ 772,424	\$ 1,073,737
Overdue 1 to 90 days	61,046	62
Overdue 91 to 180 days	49	2,955
Overdue 181 to 270 days	26	267
Overdue 271 to 365 days	53	309
Overdue over 365 days	<u>19,384</u>	<u>26,077</u>
	<u>\$ 852,982</u>	<u>\$ 1,103,407</u>

The above ageing analysis was based on days overdue.

- B. As of December 31, 2022 and 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 December 31, 2022 and 2021, the Group did not hold any collateral as security for notes and accounts receivable.
- E. Information about credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(6) Inventories

	<u>December 31, 2022</u>		
		Allowance for inventory valuation losses	Book value
	Cost		
Raw materials	\$ 126,168	\$ -	\$ 126,168
Finished goods	<u>51,327</u>	<u>-</u>	<u>51,327</u>
	<u>\$ 177,495</u>	<u>\$ -</u>	<u>\$ 177,495</u>
	<u>December 31, 2021</u>		
		Allowance for inventory valuation losses	Book value
	Cost		
Raw materials	\$ 205,791	\$ -	\$ 205,791
Finished goods	<u>41,254</u>	<u>-</u>	<u>41,254</u>
	<u>\$ 247,045</u>	<u>\$ -</u>	<u>\$ 247,045</u>

The cost of inventories recognised as expense for the year:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 6,230,973	\$ 4,221,956

(7) Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments to suppliers	\$ 41,782	\$ 202,316
Others	1,661	1,648
	<u>\$ 43,443</u>	<u>\$ 203,964</u>

(8) Investment accounted for using equity method

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

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

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

C. For the years ended December 31, 2022 and 2021, the Group did not recognise impairment loss or gain on reversal of impairment related to investment accounted for using equity method. As of December 31, 2022 and 2021, the carrying amount of accumulated impairment loss of investment accounted for using equity method were both \$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 year ended December 31, 2022</u>								
At January 1	\$ 103,606	\$ 684	\$ 66,845	\$ -	\$ 3,689	\$ 20,254	\$ 170,879	\$ 365,957
Additions	-	4,409	5,155	804	3,925	71	47,119	61,483
Transferred (Note)	-	131,284	43,810	249	29,640	-	(205,713)	(730)
Depreciation	-	(2,705)	(9,743)	(125)	(4,159)	(2,691)	-	(19,423)
Disposals - Cost	-	-	(6,927)	(52)	(1,616)	(1,274)	-	(9,869)
- Accumulated depreciation	-	-	4,580	3	919	1,274	-	6,776
- Accumulated impairment	-	-	357	-	697	-	-	1,054
At December 31	<u>\$ 103,606</u>	<u>\$ 133,672</u>	<u>\$ 104,077</u>	<u>\$ 879</u>	<u>\$ 33,095</u>	<u>\$ 17,634</u>	<u>\$ 12,285</u>	<u>\$ 405,248</u>
<u>At December 31, 2022</u>								
Cost	\$ 103,606	\$ 136,392	\$ 133,803	\$ 1,001	\$ 38,014	\$ 24,689	\$ 12,285	\$ 449,790
Accumulated depreciation	-	(2,720)	(29,726)	(122)	(4,919)	(7,055)	-	(44,542)
	<u>\$ 103,606</u>	<u>\$ 133,672</u>	<u>\$ 104,077</u>	<u>\$ 879</u>	<u>\$ 33,095</u>	<u>\$ 17,634</u>	<u>\$ 12,285</u>	<u>\$ 405,248</u>

(Note) Transferred to expenses.

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

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

- A. The Group's property, plant and equipment as of December 31, 2022 and 2021 were for its own use.
- B. No interest expense was capitalised as part of property, plant and equipment for the years ended December 31, 2022 and 2021.
- C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2022 and 2021 is provided in Note 8, 'PLEDGED ASSETS'.
- D. The Group recognised gain on reversal of impairment of \$1,054 and \$38 for the years ended December 31, 2022 and 2021, respectively, due to disposal of impaired property, plant and equipment. As of December 31, 2022 and 2021, the carrying amount of accumulated impairment loss of property, plant and equipment were \$ — and \$1,054, respectively.

(10) Leasing arrangements - lessee

- A. The Group leases various assets including plant buildings and transportation equipment. Rental contracts are typically made for periods of 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. The carrying amount of right-of-use assets and the depreciation are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Transportation equipment	\$ 4,582	\$ 5,092
Buildings	37,320	68,208
	<u>\$ 41,902</u>	<u>\$ 73,300</u>
	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Transportation equipment	\$ 1,883	\$ 1,516
Buildings	7,104	22,064
	<u>\$ 8,987</u>	<u>\$ 23,580</u>

- C. The additions to right-of-use assets were \$2,034 and \$3,673 for the years ended December 31, 2022 and 2021, respectively.
- D. The Group reduced the amount of right-of-assets due to early termination for leases were \$24,445 and \$178 for the years ended December 31, 2022 and 2021, respectively.

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

	For the years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 743	\$ 1,289
Expense on short-term lease contracts	24,451	4,117
Expense on leases of low-value assets	225	168
Gain from lease modification	(914)	(182)

F. The Group's total cash outflow for leases were \$33,939 and \$28,741 for the years ended December 31, 2022 and 2021, respectively.

(11) Short-term borrowings

<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>		

No transaction for the year ended December 31, 2022.

Information about interest expenses recognised in profit or loss for the years ended December 31, 2022 and 2021 is provided in Note 6(24), 'Finance costs'.

(12) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taxes payable	\$ 23,588	\$ 939
Accrued salaries and bonuses	17,562	14,302
Accrued manufacturing fees	16,428	9,108
Accrued shipping fee	16,071	18,176
Accrued employees' compensation and directors' remuneration	5,777	3,520
Equipment payable	3,735	1,518
Accrued pond fees	2,418	-
Accrued import fees	-	11,515
Others	12,656	9,249
	<u>\$ 98,235</u>	<u>\$ 68,327</u>

(13) Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Collateral</u>
Second domestic secured convertible corporate bonds	\$ -	\$ 150,369	Demand deposits
Third domestic unsecured convertible corporate bonds	-	127,164	-
Fourth domestic unsecured convertible corporate bonds	<u>189,066</u>	<u>-</u>	-
	189,066	277,533	
Less: Current portion	<u>-</u>	<u>(277,533)</u>	
	<u>\$ 189,066</u>	<u>\$ -</u>	

A. In November 2019, the Company issued the second domestic secured convertible bonds and the third domestic unsecured convertible bonds. Furthermore, in October 2022, the Company issued the fourth domestic unsecured convertible bonds. The significant terms are as follows:

(a) The terms of the second domestic secured convertible bonds issued by the Company are as follows:

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

- obligations attached to the bonds are also extinguished.
- v. The bonds are guaranteed by Entie Commercial Bank (the “Guarantor”). The guarantee period is from the date on which all proceeds from issuing bonds are collected to the date of settlement of all liabilities such as principal and interest payable under the terms of the bonds. The guarantee covers the obligations owed by the primary obligor such as outstanding principal and interest payable under the bonds.
- (b) The terms of the third domestic unsecured convertible bonds issued by the Company are as follows:
- i. The Company issued \$150,000 (related issuance cost was \$2,570), 0% third domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (November 11, 2019 ~ November 11, 2022) and will be redeemed in cash at 102.27% of face value at the maturity date.
 - ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three months of the bonds issue (February 12, 2020) to the maturity date (November 11, 2022), except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
 - iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.
 - iv. The Company may repurchase all the bonds outstanding in cash at the bonds’ face value after the following events occur: (i) the closing price of the Company’s common shares on the Taipei Exchange is above the then conversion price by 30% or more for 30 consecutive trading days, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (February 12, 2022) to 40 days before the maturity date (October 1, 2022).
 - 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.
- (c) The terms of the fourth domestic unsecured convertible bonds issued by the Company are as follows:
- i. The Company issued \$200,000 (related issuance cost was \$4,247), 0% fourth domestic unsecured convertible bonds, as approved by the regulatory authority. The bonds mature 3 years from the issue date (October 26, 2022 ~ October 26, 2025) and will be redeemed in cash at 102.2669% 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 (January 27, 2023) to the maturity date (October 26, 2025), 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 (January 27, 2023) to 40 days before the maturity date (September 16, 2025).
 - 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. For the year ended December 31, 2021, a total of bonds with a par value of \$10,000 have been converted into 36 thousand shares of the Company (listed as "Common Stock" of \$363 and "Capital surplus-additional paid-in capital" of \$654). No transaction for the year ended December 31, 2022.
- C. Regarding the issuance of convertible bonds, the equity conversion options were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. As of December 31, 2022 and 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 \$13,490 and \$5,307, 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 2.829%.
- D. Information about interest expenses recognised in profit or loss for the years ended December 31, 2022 and 2021 is provided in Note 6(24), 'Financial costs'.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Secured borrowings	2020. 2~2031. 12	1. 375%~2. 23%	Demand deposits, land, buildings	\$ 220, 197 (29, 550)
Less: Current portion of long-term borrowings				<u>\$ 190, 647</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, time deposits, land, construction in process	\$ 263, 480 (30, 370)
Less: Current portion of long-term borrowings				<u>\$ 233, 110</u>

Information about interest expenses recognised in profit or loss for the years ended December 31, 2022 and 2021 is provided in Note 6(24), 'Finance costs'.

(15) Pensions

A. The Group has a defined benefit pension plan in accordance with the Labour Standards Act, covering all regular employees' service years prior to the enforcement of the Labour Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2% 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 Group would assess the balance in the aforementioned labour 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 Group will make contributions for the deficit by next March.

The Group has no employees who are subject to the pension plan under the Labour Standards Act since September 2020, and has temporarily suspended its contribution to the labour pension reserve until February 2023 as approved by the Taipei City Government, Bureau of Labour. The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 248	\$ 248
Fair value of plan assets	(208)	(208)
Net defined benefit liability - non-current	<u>\$ 40</u>	<u>\$ 40</u>

B. Effective July 1, 2005, the Group has established a defined contribution pension plan (the "New Plan") under the Labour Pension Act (the "Act"), covering all regular employees with R.O.C.

nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Group were \$2,618 and \$1,998 for the years ended December 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):

	For the years ended December 31,	
	2022	2021
Beginning balance	45,711	30,675
Issuance of common stock for cash	15,000	15,000
Conversion of convertible corporate bonds into common stock	-	36
Ending balance	<u>60,711</u>	<u>45,711</u>

- B. During its meeting on March 10, 2022, the Board of Directors resolved to raise additional cash through issuing 15 million new shares, which has been approved by the Securities and Futures Bureau, Financial Supervisory Commission. The shares were issued at a premium of \$20 (in dollars) per share, totaling \$300,000, with effective date set on June 30, 2022. The change of registration was completed on August 3, 2022.
- C. During its meeting on March 11, 2021 and July 27, 2021, the Board of Directors resolved to raise additional cash through issuing 15 million new shares, which has been approved by the Securities and Futures Bureau, Financial Supervisory Commission. The shares were issued at a premium of \$19 (in dollars) per share, totaling \$285,000, with effective date set on August 26, 2021. The change of registration was completed on November 16, 2021.
- D. Information about the requests for conversion of convertible corporate bonds for the year ended December 31, 2021 is provided in Note 6(13), 'Bonds payable'.
- E. As of December 31, 2022, the Company's authorised capital was \$1,500,000, consisting of 60,711 thousand shares of ordinary stock, and the paid-in capital was \$607,115 with a par value of \$10 (in dollars) per share, which were issued in several installments. All proceeds from shares issued have been collected.

(17) Capital surplus

	For the year ended December 31, 2022			
	<u>Share premium</u>	<u>Stock option</u>	<u>Others</u>	<u>Total</u>
Beginning balance	\$ 139,535	\$ 5,307	\$ 197	\$ 145,039
Issuance of common stock for cash	150,000	-	-	150,000
Compensation cost of employee stock options	107	-	-	107
Issuance of convertible corporate bonds	-	8,183	-	8,183
Ending balance	<u>\$ 289,642</u>	<u>\$ 13,490</u>	<u>\$ 197</u>	<u>\$ 303,329</u>

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

- A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. Information about capital surplus generated from issuance and execution of convertible corporate bonds is provided in Note 6(13) 'Bond payable'.
- C. Information about the compensation cost of employee stock options is provided in Note 6(18), 'Share-based payments'.

(18) Share-based payments

- A. During its meeting on March 10, 2022, the Board of Directors of the Company resolved to raise additional cash by issuing new shares, of which 2,250 thousand shares were reserve for employee preemption, with effective date set on May 25, 2022 and subscription price of \$20 (in dollars) per share. The compensation cost recognised by the Company due to the aforementioned cash capital increase reserved for employee preemption amounted to \$107 (corresponding account

shown as ‘Capital surplus - share options’). The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Grant date	<u>May 25, 2022</u>
Share price (in dollars)	\$ 21.95
Exercise price (in dollars)	20.00
Dividend yield	0%
Expected price volatility	31.65%
Risk-free interest rate	0.61%
Expected duration	0.09 years
Fair value in dollar (per share)	\$ 2.14 (in dollars)

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

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

(19) Retained earnings

- A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.
- B. Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. However, when the legal reserve equals to the paid-in capital, the appropriation is not required. After that, a special reserve shall be set aside or reversed in accordance with Article 41 of the Securities and Exchange Act. The remaining earnings plus the accumulated unappropriated earnings shall be proposed by the Board of Directors to be

resolved at the shareholders' meeting as dividends to shareholders.

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

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. On April 28, 2022 and July 2, 2021, the stockholders during their meeting resolved the distribution dividends from the 2021 and 2020 earnings in the amount of \$54,854 (\$1.2 (in dollars) per share) and \$36,810 (\$1.2 (in dollars) per share), respectively. On March 10, 2023, the Board of Directors proposed for the distribution of cash dividends of \$123,116 (\$2.00 (in dollars) per share). Information about the distribution of dividends by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Operating revenue

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales revenue	\$ 6,630,240	\$ 4,422,687
Processing revenue	255	14,869
	<u>\$ 6,630,495</u>	<u>\$ 4,437,556</u>

- A. The Group derives sales revenue from the transfer of goods at point in time and processing revenue from rendering services over time.
- B. The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities - current			
Advance sales receipts	<u>\$ 189,454</u>	<u>\$ 285,223</u>	<u>\$ 105,356</u>

Revenue recognised for the years ended December 31, 2022 and 2021 that was included in the contract liability balance as of January 1, 2022 and 2021 amounted to \$256,520 and \$93,278, respectively.

(21) Interest income

	For the years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 854	\$ 178
Other interest income	484	9
	<u>\$ 1,338</u>	<u>\$ 187</u>

(22) Other income

	For the years ended December 31,	
	2022	2021
Rental income	\$ 640	\$ –
Dividend income	–	659
Other income	2,812	261
	<u>\$ 3,452</u>	<u>\$ 920</u>

(23) Other gains and losses

	For the years ended December 31,	
	2022	2021
Net gain on financial assets and liabilities at fair value through profit or loss	\$ 350	\$ 7,061
Net gain on disposal of property, plant and equipment	316	98
Gain from lease modification	914	182
Net gain from repurchase of bonds payable	–	889
Net currency exchange loss	(4,717)	(470)
Other losses	(62)	(29)
	<u>(\$ 3,199)</u>	<u>\$ 7,731</u>

(24) Finance costs

	For the years ended December 31,	
	2022	2021
Interest expense:		
Convertible corporate bonds	\$ 5,460	\$ 6,362
Bank borrowings	6,638	4,200
Lease liabilities	743	1,289
	<u>\$ 12,841</u>	<u>\$ 11,851</u>

(25) Expenses by nature

	For the year ended December 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense	\$ 35,585	\$ 55,631	\$ 91,216
Depreciation	23,254	5,156	28,410
Amortisation	203	336	539
	<u>\$ 59,042</u>	<u>\$ 61,123</u>	<u>\$ 120,165</u>

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

(26) Employee benefit expenses

	For the year ended December 31, 2022		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 29,427	\$ 47,102	\$ 76,529
Compensation cost of employee stock options	-	107	107
Labour and health insurance expenses	2,567	3,370	5,937
Pension costs	1,006	1,612	2,618
Other personnel expenses	2,585	3,440	6,025
	<u>\$ 35,585</u>	<u>\$ 55,631</u>	<u>\$ 91,216</u>

	For the year ended December 31, 2021		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 22,737	\$ 36,338	\$ 59,075
Compensation cost of employee stock options	-	3,881	3,881
Labour and health insurance expenses	1,527	2,629	4,156
Pension costs	716	1,282	1,998
Other personnel expenses	1,737	2,366	4,103
	<u>\$ 26,717</u>	<u>\$ 46,496</u>	<u>\$ 73,213</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' 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' 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' 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 years ended December 31, 2022 and 2021, employees' compensation were accrued at \$3,500 and \$1,500, respectively; while directors' remuneration were accrued at \$2,277 and \$2,020, 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. The employees' compensation and directors' remuneration for 2021 resolved by the Board of Directors on May 12, 2022 totaled \$3,520, and the employees' compensation will be distributed in the form of cash. The employees' compensation and directors' remuneration resolved by the Board of Directors on March 10, 2023 were \$3,500 and \$2,277, respectively, and the employees' compensation will be distributed in the form of cash. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Components of income tax expense:

	For the years ended December 31,	
	2022	2021
Current income tax:		
Current tax on profits for the year	\$ 42,104	\$ 13,562
Deferred tax:		
Origination and reversal of temporary differences	1,826	(9)
Income tax expense	\$ 43,930	\$ 13,553

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 44,212	\$ 14,315
Effect of items disallowed by tax regulation	(282)	644
Effects from tax-exempt income	-	(1,406)
Income tax expense	<u>\$ 43,930</u>	<u>\$ 13,553</u>

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

	For the year ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Pension	\$ 110	\$ -	\$ -	\$ 110
Unrealised exchange loss	274	(274)	-	-
Allowance for doubtful accounts	4,070	(1,440)	-	2,630
	<u>\$ 4,454</u>	<u>(\$ 1,714)</u>	<u>\$ -</u>	<u>\$ 2,740</u>
Deferred tax liabilities:				
Temporary differences				
Unrealised exchange gain	\$ -	(\$ 112)	\$ -	(\$ 112)
	<u>\$ 4,454</u>	<u>(\$ 1,826)</u>	<u>\$ -</u>	<u>\$ 2,628</u>
	For the year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences				
Pension	\$ 110	\$ -	\$ -	\$ 110
Unrealised exchange loss	199	75	-	274
Allowance for doubtful accounts	4,136	(66)	-	4,070
	<u>\$ 4,445</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 4,454</u>

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 10, 2023.

(28) Earnings per share

	For the year ended December 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 of the parent	\$ 177,129	53,314	\$ 3.32
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 177,129	53,314	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	168	
Convertible corporate bonds	4,368	11,541	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 181,497	65,023	\$ 2.79
	For the year ended December 31, 2021		
	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 of the parent	\$ 58,039	35,935	\$ 1.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 58,039	35,935	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	80	
Convertible corporate bonds	5,090	11,587	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 63,129	47,602	\$ 1.33

(29) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31,	
	2022	2021
Acquisition of property, plant and equipment	\$ 61,483	\$ 108,982
Add: Beginning balance of equipment payable	1,518	-
Less: Ending balance of equipment payable	(3,735)	(1,518)
Cash paid for acquisition of property, plant and equipment	<u>\$ 59,266</u>	<u>\$ 107,464</u>

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

(1) Property, plant and equipment transferred to expenses	<u>\$ 730</u>	<u>\$ -</u>
(2) Right-of-use assets transferred to property, plant and equipment	<u>\$ -</u>	<u>\$ 179</u>

(30) Changes in liabilities from financing activities

	Short-term borrowings	Lease liabilities	Bonds payable (including current portion)	Long-term borrowings (including current portion)	Liabilities from financing activities
At January 1, 2022	\$ 222,181	\$ 76,443	\$ 277,533	\$ 263,480	\$ 839,637
Changes in cash flow from financing activities	(222,181)	(8,520)	(80,943)	(43,283)	(354,927)
Changes in other non-cash items	-	(23,325)	(7,524)	-	(30,849)
At December 31, 2022	<u>\$ -</u>	<u>\$ 44,598</u>	<u>\$ 189,066</u>	<u>\$ 220,197</u>	<u>\$ 453,861</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	92,181	(23,167)	(22,535)	129,748	176,227
Changes in other non-cash items	-	3,491	5,712	-	9,203
At December 31, 2021	<u>\$ 222,181</u>	<u>\$ 76,443</u>	<u>\$ 277,533</u>	<u>\$ 263,480</u>	<u>\$ 839,637</u>

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
TSG Power Corp. (TSG Power)	Other related party
TSG Sports Marketing Corp. (TSG Sports)	Other related party
TSG Hawks Baseball Co., Ltd. (TSG Hawks)	Other related party
Sapido Technology Inc.(Sapido Technology)	Other related party

(2) Significant related party transactions

A. Sales of goods

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
E-Sheng Steel	\$ 337, 057	\$ -
E-Top Metal	161, 855	250, 652
Other related parties	438	12, 903
	<u>\$ 499, 350</u>	<u>\$ 263, 555</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 statements, T/T. For third parties, the credit terms ranged from 30 to 90 days after monthly statements.

B. Purchases of goods

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
E-Top Metal	\$ 4, 207, 286	\$ 2, 830, 164
E-Sheng Steel	1, 137, 380	1, 048, 017
Other related parties	12, 601	9, 095
	<u>\$ 5, 357, 267</u>	<u>\$ 3, 887, 276</u>

Purchase prices from related parties were the same with third parties. Payment terms of some purchases from related parties were 20 days after 10 days statements or 60 days after monthly statements, T/T. For third parties, the payment terms were full prepayment, by issuance of letter of credit or the credit terms ranged from 30 to 90 days after monthly statements.

C. Other expenses

	For the years ended December 31,	
	2022	2021
TSG Transport	\$ 19,108	\$ -
E-Sheng Steel	6,768	4,462
E-Top Metal	6,029	5,794
Other related parties	300	2,261
	<u>\$ 32,205</u>	<u>\$ 12,517</u>

D. Rental income (listed as 'Other income')

	Leased assets	Rent determination method	Rent collection method	For the years ended December 31,	
				2022	2021
Other related parties	Buildings	Floating	Monthly	<u>\$ 640</u>	<u>\$ -</u>

E. Ending balance of goods sold

	December 31, 2022	December 31, 2021
Notes receivable:		
Yih Dar Lih Steel	<u>\$ -</u>	<u>\$ 235</u>
Accounts receivable:		
Yih Dar Lih Steel	\$ 146	\$ 167
E-Top Metal	-	198,393
Other related parties	60	-
	<u>\$ 206</u>	<u>\$ 198,560</u>

F. Other receivables

	December 31, 2022	December 31, 2021
E-Top Metal	<u>\$ 2,316</u>	<u>\$ -</u>

G. Ending balance of goods purchased

	December 31, 2022	December 31, 2021
Accounts payable:		
E-Top Metal	\$ 195,898	\$ 459,718
E-Sheng Steel	40,940	53,752
Other related parties	10,246	-
	<u>\$ 247,084</u>	<u>\$ 513,470</u>

H. Other payables

	December 31, 2022	December 31, 2021
E-Top Metal	\$ 1,443	\$ 662
E-Sheng Steel	929	981
TSG Transport	10,433	-
Other related parties	197	15,407
	<u>\$ 13,002</u>	<u>\$ 17,050</u>

I. Property transaction

(a) Acquisition of Property, plant and equipment:

	For the years ended December 31,	
	2022	2021
Other related parties	\$ 52	\$ –

(b) Sales of Property, plant and equipment:

	For the years ended December 31,	
	2022	2021
E-Top Metal	\$ 2,206	\$ –

J. Lease transaction – leasee

(a) The Group leased 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.

(b) Interest expense recognised for the years ended December 31, 2022 and 2021 were \$ – and \$8 (listed as ‘Financial cost’), respectively.

(3) Key management compensation

	For the years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 18,735	\$ 15,775
Post-employment benefits	385	376
	<u>\$ 19,120</u>	<u>\$ 16,151</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Purpose</u>
Demand deposits (Note 1)	\$ 10,000	\$ 161,632	Guarantee for long-term and short-term borrowings, corporate bonds payable and letters of credit
Time deposits (Note 1)	20,000	25,363	Guarantee for long-term and short-term borrowings
Land (Note 2)	103,606	103,606	Guarantee for long-term borrowings
Buildings (Note 2)	132,939	–	Guarantee for long-term borrowings
Construction in progress (Note 2)	–	131,773	Guarantee for long-term borrowings
	<u>\$ 266,545</u>	<u>\$ 422,374</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 December 31, 2022 and 2021, the unused letters of credit for the purchase of raw materials amounted to \$— and \$200,086, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) On February 17, 2023, in response to future operation needs, the Board of Directors resolved to lease the land located at Lunghai, Lukang Township, Changhua County at monthly rent of \$825 (excluding tax), and therefore expected to recognise right-of-use assets at the amount of \$164,993 (excluding tax).

(2) On March 10, 2023, for future operation and development, the Board of Directors resolved to build new plants and to purchase equipments on the land located at Lunghai, Lukang Township, Changhua County. The total budget is set to be \$750,000.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at amortised cost		
Cash and cash equivalents	\$ 506,125	\$ 178,759
Financial assets at amortised cost	30,000	186,995
Notes receivable	115,899	88,445
Accounts receivable (including related parties)	833,588	1,076,813
Other receivables	4,093	311
Guarantee deposits paid	18,464	20,191
	<u>\$ 1,508,169</u>	<u>\$ 1,551,514</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 120	\$ –
Financial liabilities at amortised cost		
Short-term borrowings	\$ –	\$ 222,181
Notes payable	13,877	25,194
Accounts payable (including related parties)	249,530	513,955
Other payables	98,235	68,327
Corporate bonds payable (including current portion)	189,066	277,533
Long-term borrowings (including current portion)	220,197	263,480
	<u>\$ 770,905</u>	<u>\$ 1,370,670</u>
Lease liabilities	<u>\$ 44,598</u>	<u>\$ 76,443</u>

B. Financial risk management policies

(a) The Group'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 Group, 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. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group 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 Group does not expect significant foreign exchange risk.

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

December 31, 2022			
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,877	30.71	\$ 180,483
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

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 \$1,444 and \$1,289 for the years ended December 31, 2022 and 2021, respectively.

- iii. The total exchange loss including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group amounted to \$4,717 and \$470 for the years ended December 31, 2022 and 2021, respectively.

Price risk

The Group is not engaged in any financial instruments with price variations, thus, the Group does not expect market risk arising from variations in the market prices.

Cash flow and fair value interest rate risk

- i. The Group's interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest risk. For the years ended December 31, 2022 and 2021, the Group'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 1% with all other variables held constant, post-tax profit for the

years ended December 31, 2022 and 2021 would have decreased/increased by \$30 and \$494, 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 Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, the Group 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 Group applies the simplified approach using the provision matrix to estimate expected credit loss, and uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

December 31, 2022	Within the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days
Total book value	\$ 772,424	\$ 61,046	\$ 49	\$ 26
Expected credit rate	0.02%	0.48%	17.53%	21.26%
Loss allowance	\$ -	\$ -	\$ -	\$ -
			Individually assessed impairment	
December 31, 2022	Overdue 271~365 days	Overdue over 365 days	loss	Total
Total book value	\$ 53	\$ 256	\$ 19,128	\$ 852,982
Expected credit rate	30.33%	100%	100%	
Loss allowance	\$ 10	\$ 256	\$ 19,128	\$ 19,394

December 31, 2021	Within 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 loss	Total
December 31, 2021	Overdue 271~365 days	Overdue over 365 days	Overdue 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

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

	For the year ended December 31, 2022		
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ 13	\$ 26,594	\$ 26,607
Expected credit gain	-	(7,200)	(7,200)
Ending balance	\$ 13	\$ 19,394	\$ 19,407
	For the year ended December 31, 2021		
	Notes receivable	Accounts receivable	Total
Beginning balance	\$ 13	\$ 26,928	\$ 26,941
Expected credit gain	-	(334)	(334)
Ending balance	\$ 13	\$ 26,594	\$ 26,607

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants.
- ii. The Group has the following undrawn borrowing facilities:

	December 31, 2022	December 31, 2021
Floating rate:		
Expiring within one year	\$ 161,600	\$ 50,835

- 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.

December 31, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Notes payable	\$ 13,877	\$ -	\$ -	\$ -
Accounts payable (including related parties)	249,530	-	-	-
Other payables	98,235	-	-	-
Lease liabilities	7,843	7,690	21,322	9,860
Bonds payable (including current portion)	-	-	204,534	-
Long-term borrowings (including current portion)	32,841	32,790	85,981	85,091
Derivative financial liabilities:				
Convertible corporate bonds put options	-	-	120	-
December 31, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 223,147	\$ -	\$ -	\$ -
Notes payable	25,194	-	-	-
Accounts payable (including related parties)	513,955	-	-	-
Other payables	68,327	-	-	-
Lease liabilities	23,172	18,888	20,916	16,580
Bonds payable (including current portion)	282,688	-	-	-
Long-term borrowings (including current portion)	63,504	60,152	119,277	121,460

- vi. The Group 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.

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's convertible corporate bonds put option is included in Level 3.

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

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

<u>December 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				
Convertible corporate bonds put options	\$ -	\$ -	\$ 120	\$ 120

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

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

(a) 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.

(b) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group'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 Group'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 years ended December 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 Group 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 no significant impact on the Group.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 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: 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: 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): Refer to table 3.

(3) Information on investments in Mainland China

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

(4) Major shareholders information

Major shareholders information: Refer to table 4.

14. SEGMENT INFORMATION

(1) General information

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

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

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

	For the years ended December 31,	
	2022	2021
	The Group	The Group
Segment revenue		
Revenue from external customers, net	\$ 6,630,495	\$ 4,437,556
Depreciation and amortisation	28,949	34,663
Finance costs	12,841	11,851
Segment profit before income tax	221,059	71,592
Segment assets	2,182,378	2,447,436
Non-current assets capital expenditure	64,201	109,147
Segment liabilities	1,041,253	1,736,876

(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.

(4) Information on products and services

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

Details of revenue are as follows:

	For the years ended December 31,	
	2022	2021
Sales revenue	\$ 6,630,240	\$ 4,422,687
Processing revenue	255	14,869
	<u>\$ 6,630,495</u>	<u>\$ 4,437,556</u>

(5) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	<u>\$ 6,630,495</u>	<u>\$ 448,037</u>	<u>\$ 4,437,556</u>	<u>\$ 440,459</u>

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

(Note2) Non-current assets included property, plant and equipment, right-of-use assets and intangible assets.

(6) Major customer information

There is no revenue from the customer constituting more than 10% of operating revenue of the Group for the years ended December 31, 2022 and 2021.

TMP STEEL CORPORATION AND ITS SUBSIDIARY
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the year ended December 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	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
TMP Steel Corporation	Plant	2020.8.30	\$134,828	\$134,828	De Yuan Co., Ltd.	Non-related	-	-	-	-	-	For operating purpose	-

TMP STEEL CORPORATION AND ITS SUBSIDIARY

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

For the year ended December 31, 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.	Significant influence to the Company	Purchases	\$ 4,207,286	71%	20 days after 10 days statements	\$ -	(Note 2)	(\$ 195,898)	(74%)	-
	E-TOP METAL CO., LTD.	Significant influence to the Company	(Sales)	(161,855)	(2%)	60 days after monthly statements	-	(Note 3)	-	-	-
	E-SHENG STEEL CO., LTD.	Other related party	Purchases	1,137,380	19%	20 days after 10 days statements	-	(Note 2)	(40,940)	(16%)	-
	E-SHENG STEEL CO., LTD.	Other related party	(Sales)	(337,057)	(5%)	30 days after monthly statements	-	(Note 3)	-	-	-

(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, by issuance of letter of credit or the credit terms ranging from 30 to 90 days after monthly statements. 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 AND ITS SUBSIDIARY

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

For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value (Note)			
TMP Steel Corporation	Korea Peibo Electronics Co., Ltd.	Seoul, Korea	Purchase, sales and manufacturing of electronic components	\$ 1,599	\$ 1,599	-	50%	\$ -	\$ -	-	
	Taiwan Steel Material Corp.	Taiwan	Wholesale of hardware and sale	1,000	-	100,000	100%	983 (17) (17) Subsidiary	

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

TMP STEEL CORPORATION AND ITS SUBSIDIARY

Major shareholders information

December 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	11.15%	-
Tien Chuan Investment Co., Ltd.		6,079,303	10.01%	-
E-Top Metal Co., Ltd.		5,934,508	9.77%	-

(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.