

**TMP STEEL CORPORATION AND
SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2023 AND 2022**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of TMP Steel Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of TMP Steel Corporation and its subsidiary (the "Group") as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Standards on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” that came into effect as endorsed by the Financial Supervisory Commission.

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

PricewaterhouseCoopers, Taiwan
Republic of China
May 5, 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)
(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 223,779	9	\$ 506,125	23	\$ 198,599	10
1110	Financial assets at fair value	6(2)						
	through profit or loss - current		68	-	-	-	-	-
1136	Financial assets at amortised cost -	6(1)(3) and 8						
	current		79,000	3	30,000	2	122,990	6
1150	Notes receivable, net	6(4) and 7	122,132	5	115,899	5	100,501	5
1170	Accounts receivable, net	6(4) and 12	782,621	32	833,382	38	843,361	42
1180	Accounts receivable - related	6(4), 7 and 12						
	parties		260,695	10	206	-	5,509	-
1200	Other receivables	7	1,215	-	4,093	-	550	-
130X	Inventories	6(5)	334,203	13	177,495	8	278,439	14
1410	Prepayments	6(6)	40,182	2	43,443	2	26,067	1
1476	Other current financial assets		-	-	-	-	17,725	1
11XX	Total current assets		<u>1,843,895</u>	<u>74</u>	<u>1,710,643</u>	<u>78</u>	<u>1,593,741</u>	<u>79</u>
Non-current assets								
1600	Property, plant and equipment	6(8), 7 and 8	405,089	17	405,248	19	364,661	18
1755	Right-of-use assets	6(9)	203,752	8	41,902	2	46,269	2
1780	Intangible assets		819	-	887	-	1,074	-
1840	Deferred income tax assets	6(25)	2,757	-	2,740	-	4,366	-
1915	Prepayments for equipment		3,279	-	2,494	-	-	-
1920	Guarantee deposits paid		21,350	1	18,464	1	16,796	1
15XX	Total non-current assets		<u>637,046</u>	<u>26</u>	<u>471,735</u>	<u>22</u>	<u>433,166</u>	<u>21</u>
1XXX	Total assets		<u>\$ 2,480,941</u>	<u>100</u>	<u>\$ 2,182,378</u>	<u>100</u>	<u>\$ 2,026,907</u>	<u>100</u>

(Continued)

TMP STEEL CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

(The balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(10) and 8	\$ 90,000	4	\$ -	-	\$ 60,000	3
2120	Financial liabilities at fair value through profit or loss - current	6(2)	-	-	120	-	-	-
2130	Contract liabilities - current	6(18)	155,327	6	189,454	9	348,787	17
2150	Notes payable		6,660	1	13,877	1	9,001	1
2170	Accounts payable		97,637	4	2,446	-	292	-
2180	Accounts payable - related parties	7	202,894	8	247,084	11	212,221	11
2200	Other payables	6(11) and 7	219,355	9	98,235	5	53,386	3
2230	Current income tax liabilities	6(25)	47,905	2	35,219	2	9,011	-
2280	Lease liabilities - current	6(9)	4,374	-	7,226	-	7,393	-
2320	Long-term liabilities, current portion	6(12)(13) and 8	29,604	1	29,550	1	331,462	16
2399	Other current liabilities		817	-	805	-	813	-
21XX	Total current Liabilities		<u>854,573</u>	<u>35</u>	<u>624,016</u>	<u>29</u>	<u>1,032,366</u>	<u>51</u>
Non-current liabilities								
2530	Corporate bonds payable	6(12) and 8	162,291	7	189,066	8	-	-
2540	Long-term borrowings	6(13) and 8	183,248	7	190,647	9	220,805	11
2570	Deferred income tax liabilities	6(25)	-	-	112	-	-	-
2580	Lease liabilities - non-current	6(9)	184,224	7	37,372	2	41,201	2
2640	Net defined benefit liabilities - non-current	6(14)	40	-	40	-	40	-
25XX	Total non-current liabilities		<u>529,803</u>	<u>21</u>	<u>417,237</u>	<u>19</u>	<u>262,046</u>	<u>13</u>
2XXX	Total Liabilities		<u>1,384,376</u>	<u>56</u>	<u>1,041,253</u>	<u>48</u>	<u>1,294,412</u>	<u>64</u>
Share capital								
3110	Common stock	6(12)(15)	620,836	25	607,115	28	457,115	23
3200	Capital surplus	6(12)(15)(16)	317,686	13	303,329	14	145,039	7
Retained earnings								
3310	Legal reserve	6(17)	27,371	1	27,371	1	21,871	1
3320	Special reserve		5,110	-	5,110	-	5,110	-
3350	Unappropriated retained earnings		125,562	5	198,200	9	103,360	5
3XXX	Total equity		<u>1,096,565</u>	<u>44</u>	<u>1,141,125</u>	<u>52</u>	<u>732,495</u>	<u>36</u>
SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS								
3X2X	Total liabilities and equity		<u>\$ 2,480,941</u>	<u>100</u>	<u>\$ 2,182,378</u>	<u>100</u>	<u>\$ 2,026,907</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 earning per share amounts)
(Reviewed, not audited)

Items	Notes	For the three-month periods ended March 31,				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(18) and 7	\$ 2,176,238	100	\$ 1,556,334	100
5000	Operating costs	6(5)(9)(14)(23)(24) and 7	(2,046,522)	(94)	(1,489,897)	(96)
5900	Net operating margin		<u>129,716</u>	<u>6</u>	<u>66,437</u>	<u>4</u>
	Operating expenses	6(9)(14)(23)(24) and 7				
6100	Selling expenses		(44,554)	(2)	(26,642)	(2)
6200	General and administrative expenses		(20,550)	(1)	(10,786)	-
6000	Total operating expenses		(65,104)	(3)	(37,428)	(2)
6900	Operating profit		<u>64,612</u>	<u>3</u>	<u>29,009</u>	<u>2</u>
	Non-operating income and expenses					
7100	Interest income	6(3)(19)	1,590	-	12	-
7010	Other income	6(20) and 7	131	-	1,136	-
7020	Other gains and losses	6(2)(9)(21)	(131)	-	163	-
7050	Finance costs	6(9)(22)	(3,014)	-	(3,145)	-
7000	Total non-operating income and expenses		(1,424)	-	(1,834)	-
7900	Profit before income tax		<u>63,188</u>	<u>3</u>	<u>27,175</u>	<u>2</u>
7950	Income tax expense	6(25)	(12,710)	(1)	(5,240)	(1)
8200	Net income for the period		<u>\$ 50,478</u>	<u>2</u>	<u>\$ 21,935</u>	<u>1</u>
8500	Total comprehensive income for the period		<u>\$ 50,478</u>	<u>2</u>	<u>\$ 21,935</u>	<u>1</u>
	Profit attributable to:					
8610	Owners of parent		<u>\$ 50,478</u>	<u>2</u>	<u>\$ 21,935</u>	<u>1</u>
	Comprehensive income attributable to:					
8710	Owners of parent		<u>\$ 50,478</u>	<u>2</u>	<u>\$ 21,935</u>	<u>1</u>
	Earnings per share (in dollars)	6(26)				
9750	Basic		<u>\$ 0.83</u>		<u>\$ 0.48</u>	
9850	Diluted		<u>\$ 0.73</u>		<u>\$ 0.41</u>	

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)
(Reviewed, not audited)

	Equity attributable to owners of the parent					Total equity	
	Notes	Share capital - common stock	Capital surplus	Retained Earnings			
				Legal reserve	Special reserve		Unappropriated retained earnings
<u>For the three-month period ended March 31, 2022</u>							
Balance at January 1, 2022		\$ 457,115	\$ 145,039	\$ 21,871	\$ 5,110	\$ 81,425	\$ 710,560
Net income for the three-month period ended March 31, 2022		-	-	-	-	21,935	21,935
Total comprehensive income for the three-month period ended March 31, 2022		-	-	-	-	21,935	21,935
Balance at March 31, 2022		<u>\$ 457,115</u>	<u>\$ 145,039</u>	<u>\$ 21,871</u>	<u>\$ 5,110</u>	<u>\$ 103,360</u>	<u>\$ 732,495</u>
<u>For the three-month period ended March 31, 2023</u>							
Balance at January 1, 2023		\$ 607,115	\$ 303,329	\$ 27,371	\$ 5,110	\$ 198,200	\$ 1,141,125
Net income for the three-month period ended March 31, 2023		-	-	-	-	50,478	50,478
Total comprehensive income for the three-month period ended March 31, 2023		-	-	-	-	50,478	50,478
Distribution of 2022 net income:							
Cash dividends	6(17)	-	-	-	-	(123,116)	(123,116)
Conversion of corporate bonds into common stock	6(12)	13,721	14,357	-	-	-	28,078
Balance at March 31, 2023		<u>\$ 620,836</u>	<u>\$ 317,686</u>	<u>\$ 27,371</u>	<u>\$ 5,110</u>	<u>\$ 125,562</u>	<u>\$ 1,096,565</u>

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

TMP STEEL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

(Reviewed, not audited)

	Notes	For the three-month periods ended March 31,	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 63,188	\$ 27,175
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets and liabilities at fair value through profit or loss	6(2)(21)	(188)	-
Unrealised foreign exchange loss		-	929
Depreciation	6(8)(9)(23)	9,018	7,940
Property, plant and equipment transferred to expenses	6(8)	-	730
Gain from lease modification	6(9)(21)	-	(915)
Amortisation	6(23)	106	134
Interest income	6(19)	(1,590)	(12)
Interest expense	6(22)	3,014	3,145
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(6,233)	(12,056)
Accounts receivable		50,761	34,892
Accounts receivable - related parties		(260,489)	193,051
Other receivables		3,508	3,156
Inventories		(156,708)	(31,394)
Prepayments		3,261	177,897
Changes in operating liabilities			
Contract liabilities - current		(34,127)	63,564
Notes payable		(7,217)	(16,193)
Accounts payable		95,191	(193)
Accounts payable - related parties		(44,190)	(301,249)
Other payables		(1,702)	(12,133)
Other current liabilities		12	172
Cash (outflow) inflow generated from operations		(284,385)	138,640
Interest received		1,590	12
Interest paid		(1,711)	(3,270)
Income tax paid		(153)	-
Net cash flows (used in) from operating activities		(284,659)	135,382

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TMP STEEL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	<u>For the three-month periods ended March 31,</u>	
		<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Increase) decrease in financial assets at amortised cost - current		(\$ 49,000)	\$ 63,076
Increase in other current financial assets		-	(17,725)
Cash paid for acquisition of property, plant and equipment	6(27)	(6,458)	(5,330)
Acquisition of right-of-use asset		(19,798)	-
Acquisition of intangible assets		(38)	(6)
Increase in prepayments for equipment		(785)	-
Increase in guarantee deposits paid		(2,886)	-
Net cash flows (used in) from investing activities		(78,965)	40,015
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(28)	90,000	-
Decrease in short-term borrowings	6(28)	-	(162,181)
Payment of lease liabilities	6(28)	(1,377)	(3,150)
Increase in long-term borrowings	6(28)	-	20,000
Decrease in long-term borrowings	6(28)	(7,345)	(10,226)
Net cash flows from (used in) financing activities		81,278	(155,557)
Net (decrease) increase in cash and cash equivalents		(282,346)	19,840
Cash and cash equivalents at beginning of period	6(1)	506,125	178,759
Cash and cash equivalents at end of period	6(1)	\$ 223,779	\$ 198,599

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

TMP STEEL CORPORATION AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023 AND 2022

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

(Reviewed, not audited)

1. HISTORY AND ORGANISATION

(1) TMP Steel Corporation (the “Company”) was incorporated on May 16, 1984 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C). The Company 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 May 5, 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 that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (IASB)</u>
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.

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

None.

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

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

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

Except for the compliance statement, basis of preparation, basis of consolidation and the additional descriptions described below, the other principal accounting policies adopted are in agreement with Note 4 of the consolidated financial statements for the year ended December 31, 2022. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

B. These financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

(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 International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements that came into effect as endorsed by the Financial Supervisory Commission, Republic of China (Taiwan) (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5, ‘CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY’.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

The basis for the preparation of these consolidated financial statements is consistent with the basis applied in the preparation of the consolidated financial statements for the year ended December 31, 2022.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2023	December 31, 2022	March 31, 2022	
TMP Steel Corporation	Taiwan Steel Material Corp.	Wholesale of hardware and sale	100.00	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) Employee benefits

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

(5) Income taxes

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

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

No significant changes during the period. For detailed information, refer to Note 5 in the consolidated financial statements for the year ended December 31, 2022.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash:			
Cash on hand	\$ 144	\$ 114	\$ 249
Checking deposits and demand deposits	<u>223, 635</u>	<u>263, 171</u>	<u>198, 350</u>
	<u>223, 779</u>	<u>263, 285</u>	<u>198, 599</u>
Cash equivalents:			
Demand deposit	-	122, 840	-
Bills under repurchase agreement	<u>-</u>	<u>120, 000</u>	<u>-</u>
	<u>-</u>	<u>242, 840</u>	<u>-</u>
	<u>\$ 223, 779</u>	<u>\$ 506, 125</u>	<u>\$ 198, 599</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 time deposits pledged to others as collateral (listed as 'Financial assets at amortised cost - current') as of March 31, 2023, December 31, 2022 and March 31, 2022 are provided in Note 8, 'PLEGGED ASSETS'.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Financial assets held for trading:			
Fourth domestic convertible corporate bonds put options	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ -</u>
Financial liabilities held for trading:			
Fourth domestic convertible corporate bonds put options	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ -</u>

- A. The Group recognised net gain of \$188 and \$— (listed as "Other gains and losses") for the three-month periods ended March 31, 2023 and 2022, respectively.
- B. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group has no financial assets at fair value through profit or loss pledged to others.
- C. 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 amortised cost - current

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Demand deposits pledged	\$ 79, 000	\$ 10, 000	\$ 117, 377
Time deposits pledged	<u>-</u>	<u>20, 000</u>	<u>5, 613</u>
	<u>\$ 79, 000</u>	<u>\$ 30, 000</u>	<u>\$ 122, 990</u>

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

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income	\$ -	\$ 10

B. As of March 31, 2023, December 31, 2022 and March 31, 2022, 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 March 31, 2023, December 31, 2022 and March 31, 2022, 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.

(4) Notes and accounts receivable, net

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable	\$ 122,145	\$ 115,912	\$ 100,514
Less: Allowance for uncollectible accounts	(13)	(13)	(13)
	<u>\$ 122,132</u>	<u>\$ 115,899</u>	<u>\$ 100,501</u>
Accounts receivable	\$ 802,015	\$ 852,776	\$ 869,955
Less: Allowance for uncollectible accounts	(19,394)	(19,394)	(26,594)
	<u>\$ 782,621</u>	<u>\$ 833,382</u>	<u>\$ 843,361</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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable:			
During the credit period	<u>\$ 122,145</u>	<u>\$ 115,912</u>	<u>\$ 100,514</u>
Accounts receivable:			
During the credit period	\$ 1,011,808	\$ 772,424	\$ 790,914
Overdue 1 to 90 days	31,297	61,046	54,575
Overdue 91 to 180 days	85	49	341
Overdue 181 to 270 days	51	26	26
Overdue 271 to 365 days	42	53	2,955
Overdue over 365 days	<u>19,427</u>	<u>19,384</u>	<u>26,653</u>
	<u>\$ 1,062,710</u>	<u>\$ 852,982</u>	<u>\$ 875,464</u>

The above ageing analysis was based on days overdue.

- B. As of March 31, 2023, December 31, 2022 and March 31, 2022, notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2022, the balance of receivables from contracts with customers amounted to \$1,191,865.
- C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.
- D. As of March 31, 2023, December 31, 2022 and March 31, 2022, 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'.

(5) Inventories

	March 31, 2023		
	Cost	Allowance for inventory valuation losses	Book value
Raw materials	\$ 270,839	\$ -	\$ 270,839
Finished goods	63,364	-	63,364
	<u>\$ 334,203</u>	<u>\$ -</u>	<u>\$ 334,203</u>
	December 31, 2022		
	Cost	Allowance for inventory valuation losses	Book value
Raw materials	\$ 126,168	\$ -	\$ 126,168
Finished goods	51,327	-	51,327
	<u>\$ 177,495</u>	<u>\$ -</u>	<u>\$ 177,495</u>
	March 31, 2022		
	Cost	Allowance for inventory valuation losses	Book value
Raw materials	\$ 225,390	\$ -	\$ 225,390
Finished goods	53,049	-	53,049
	<u>\$ 278,439</u>	<u>\$ -</u>	<u>\$ 278,439</u>

The cost of inventories recognised as expense for the period:

	For the three-month periods ended March 31,	
	2023	2022
Cost of goods sold	<u>\$ 2,046,522</u>	<u>\$ 1,489,897</u>

(6) Prepayments

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Prepayments to suppliers	\$ 23,029	\$ 41,782	\$ 22,494
Residual tax credit	13,175	-	670
Others	3,978	1,661	2,903
	<u>\$ 40,182</u>	<u>\$ 43,443</u>	<u>\$ 26,067</u>

(7) Investments accounted for using the equity method

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Korea Peibo Electronics Co., Ltd.	\$ 1,058	\$ 1,058	\$ 1,058
Less: Accumulated impairment	(1,058)	(1,058)	(1,058)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. As of March 31, 2023, December 31, 2022 and March 31, 2022, the Group has no investment accounted for using the equity method pledged to others.

C. For the three-month periods ended March 31, 2023 and 2022, the Group did not recognise impairment loss or gain on reversal of impairment related to investments accounted for using the equity method. As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amount of accumulated impairment loss of investments accounted for using the equity method was \$1,058.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Leasehold improvements</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
<u>At January 1, 2023</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>
<u>For the three-month period ended March 31, 2023</u>								
At January 1	\$103,606	\$133,672	\$ 104,077	\$ 879	\$ 33,095	\$ 17,634	\$ 12,285	\$ 405,248
Additions	—	—	3,182	—	192	—	2,790	6,164
Transferred (Note)	—	—	14,445	—	—	—	(15,075)	(630)
Depreciation	—	(692)	(3,119)	(51)	(1,148)	(683)	—	(5,693)
At March 31	<u>\$103,606</u>	<u>\$132,980</u>	<u>\$ 118,585</u>	<u>\$ 828</u>	<u>\$ 32,139</u>	<u>\$ 16,951</u>	<u>\$ —</u>	<u>\$ 405,089</u>
<u>At March 31, 2023</u>								
Cost	\$103,606	\$136,392	\$ 151,430	\$ 1,001	\$ 38,206	\$ 24,689	\$ —	\$ 455,324
Accumulated depreciation	—	(3,412)	(32,845)	(173)	(6,067)	(7,738)	—	(50,235)
	<u>\$103,606</u>	<u>\$132,980</u>	<u>\$ 118,585</u>	<u>\$ 828</u>	<u>\$ 32,139</u>	<u>\$ 16,951</u>	<u>\$ —</u>	<u>\$ 405,089</u>

(Note) Transferred to other receivables.

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2022</u>								
Cost	\$103,606	\$ 699	\$ 91,765	\$ -	\$ 6,065	\$ 25,892	\$ 170,879	\$398,906
Accumulated depreciation	-	(15)	(24,563)	-	(1,679)	(5,638)	-	(31,895)
Accumulated impairment	-	-	(357)	-	(697)	-	-	(1,054)
	<u>\$103,606</u>	<u>\$ 684</u>	<u>\$ 66,845</u>	<u>\$ -</u>	<u>\$ 3,689</u>	<u>\$ 20,254</u>	<u>\$ 170,879</u>	<u>\$365,957</u>
<u>For the three-month period ended March 31, 2022</u>								
At January 1	\$103,606	\$ 684	\$ 66,845	\$ -	\$ 3,689	\$ 20,254	\$ 170,879	\$365,957
Additions	-	406	1,700	352	75	-	1,594	4,127
Transferred (Note)	-	131,131	11,250	-	28,745	-	(171,856)	(730)
Depreciation	-	(669)	(2,359)	(12)	(988)	(665)	-	(4,693)
At March 31	<u>\$103,606</u>	<u>\$131,552</u>	<u>\$ 77,436</u>	<u>\$ 340</u>	<u>\$ 31,521</u>	<u>\$ 19,589</u>	<u>\$ 617</u>	<u>\$364,661</u>
<u>At March 31, 2022</u>								
Cost	\$103,606	\$132,236	\$ 104,715	\$ 352	\$ 34,885	\$ 25,892	\$ 617	\$402,303
Accumulated depreciation	-	(684)	(26,922)	(12)	(2,667)	(6,303)	-	(36,588)
Accumulated impairment	-	-	(357)	-	(697)	-	-	(1,054)
	<u>\$103,606</u>	<u>\$131,552</u>	<u>\$ 77,436</u>	<u>\$ 340</u>	<u>\$ 31,521</u>	<u>\$ 19,589</u>	<u>\$ 617</u>	<u>\$364,661</u>

(Note) Transferred to expenses.

- A. The Group's property, plant and equipment as of March 31, 2023, December 31, 2022 and March 31, 2022 were for its own use.
- B. No interest expense was capitalised as part of property, plant and equipment for the three-month periods ended March 31, 2023 and 2022.
- C. Information about the property, plant and equipment that were pledged to others as collateral as of March 31, 2023, December 31, 2022 and March 31, 2022 is provided in Note 8, 'PLEGGED ASSETS'.
- D. No loss or gain on reversal of impairment was recognised for the three-month periods ended March 31, 2023 and 2022. As of March 31, 2023, December 31, 2022 and March 31, 2022, the carrying amount of accumulated impairment loss of property, plant and equipment were \$—, \$— and \$1,054, respectively.

(9) 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 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants.
- B. The carrying amount of right-of-use assets and the depreciation are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 163,618	\$ —	\$ —
Transportation equipment	4,267	4,582	4,586
Buildings	35,867	37,320	41,683
	<u>\$ 203,752</u>	<u>\$ 41,902</u>	<u>\$ 46,269</u>
	<u>For the three-month periods ended March 31,</u>		
	<u>2023</u>		<u>2022</u>
	<u>Depreciation</u>		<u>Depreciation</u>
Land	\$	1,375	\$ —
Transportation equipment		496	506
Buildings		1,454	2,741
	<u>\$</u>	<u>3,325</u>	<u>\$ 3,247</u>

- C. For the three-month periods ended March 31, 2023 and 2022, the additions and remeasurement of right-of-use assets were \$165,175 and \$—, respectively.
- D. The decrease in right-of-use assets due to termination for leases were \$— and \$23,784 for the three-month periods ended March 31, 2023 and 2022, respectively.

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

	For the three-month periods ended March 31,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 632	\$ 219
Expense on short-term lease contracts	6,712	4,894
Expense on leases of low-value assets	35	45
Gain from lease modification	-	(915)

F. The Group's total cash outflow for leases were \$28,554 and \$8,308 for the three-month periods ended March 31, 2023 and 2022, respectively.

(10) Short-term borrowings

Type of borrowings	March 31, 2023	Interest rate	Collateral
Secured bank borrowings	\$ 90,000	2.30%	Demand deposits
Type of borrowings	March 31, 2022	Interest rate	Collateral
Secured bank borrowings	\$ 60,000	1.88%	Demand deposits

There was no such situation as of December 31, 2022.

Information about interest expenses recognised in profit or loss for the three-month period ended March 31, 2022 is provided in Note 6(22), 'Finance costs'.

(11) Other payables

	March 31, 2023	December 31, 2022	March 31, 2022
Dividend payable	\$ 123,116	\$ -	\$ -
Accrued shipping fee	38,051	16,071	19,990
Accrued manufacturing fees	13,076	16,428	7,570
Taxes payable	10,012	23,588	-
Accrued employees' compensation and directors' remuneration	7,025	5,777	3,945
Accrued salaries and bonuses	6,976	17,562	9,714
Equipment payable	3,441	3,735	315
Accrued pond fees	492	2,418	-
Accrued import fees	552	-	54
Others	16,614	12,656	11,798
	<u>\$ 219,355</u>	<u>\$ 98,235</u>	<u>\$ 53,386</u>

(12) Bonds payable

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>Collateral</u>
Second domestic secured convertible corporate bonds	\$ -	\$ -	\$ 151,133	Demand deposits
Third domestic unsecured convertible corporate bonds	-	-	127,880	-
Fourth domestic unsecured convertible corporate bonds	<u>162,291</u>	<u>189,066</u>	<u>-</u>	-
	162,291	189,066	279,013	
Less: Current portion	<u>-</u>	<u>-</u>	<u>(279,013)</u>	
	<u>\$ 162,291</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 three-month period ended March 31, 2023, a total of bonds with a par value of NT\$29,500 thousand have been converted into 1,372 thousand shares of the Company (listed as "Common stock" of \$13,721 and "Capital surplus-additional paid-in capital" of \$15,564), and the change of registration has not yet been completed. There was no such situation for the three-month period ended March 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 March 31, 2023, December 31, 2022 and March 31, 2022, 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 \$6,976, \$8,183 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 three-month periods ended March 31, 2023 and 2022 is provided in Note 6(22), 'Financial costs'.

(13) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2023</u>
Secured borrowings	2020. 2~2031. 12	1. 50%~2. 36%	Demand deposits, land and buildings	\$ 212, 852 (29, 604)
Less: Current portion of long-term borrowings				<u>\$ 183, 248</u>

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

Information about interest expenses recognised in profit or loss for the three-month periods ended March 31, 2023 and 2022 is provided in Note 6(22), 'Finance costs'.

(14) Pensions

A. The Group has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The 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 labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Group will make contributions for the deficit by next March.

The Group has no employees who are subject to the pension plan under the Labor Standards Act since September 2020, and has temporarily suspended the contribution to the labor pension reserve until February 2023 as approved by the Taipei City Government, Bureau of Labor.

B. Effective July 1, 2005, the Group has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the 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 Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Group were \$816 and \$599 for the three-month periods ended March 31, 2023 and 2022, respectively.

(15) Share capital

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

	For the three-month periods ended March 31,	
	2023	2022
Beginning balance	60, 711	45, 711
Conversion of convertible corporate bonds into common stock	1, 372	-
Ending balance	62, 083	45, 711

B. During its meeting on March 10, 2022, the Board of Directors of the Company resolved to raise additional cash through issuing 15 million new shares, which has been approved by the Securities and Futures Bureau, Financial Supervisory Commission. The shares were issued at a premium of \$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. Information about the requests for conversion of convertible corporate bonds for the three-month period ended March 31, 2023 is provided in Note 6(12), ‘Bonds payable’.

D. As of March 31, 2023, the Company’s authorised capital was \$1,500,000, consisting of 62,083 thousand shares of ordinary stock, and the paid-in capital was \$620,836 with a par value of \$10 (in dollars) per share, which were issued in several installments. All proceeds from shares issued have been collected.

(16) Capital surplus

	For the three-month period ended March 31, 2023			
	Share premium	Stock option	Others	Total
Beginning balance	\$ 294, 949	\$ 8, 183	\$ 197	\$ 303, 329
Conversion of corporate bonds into common stock	15, 564	(1, 207)	-	14, 357
Ending balance	\$ 310, 513	\$ 6, 976	\$ 197	\$ 317, 686

	For the three-month period ended March 31, 2022			
	Share premium	Stock option	Others	Total
Beginning and ending balance	\$ 139,535	\$ 5,307	\$ 197	\$ 145,039

- 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 execution and issuance of convertible corporate bonds is provided in Note 6(12) 'Bond payable'.

(17) 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, the stockholders during their meeting resolved the distribution of cash dividends from the 2021 earnings in the amount of \$54,854 (\$1.2 (in dollars) per share). On March 10, 2023, the Board of Directors proposed for the distribution of cash dividends of \$123,116 (\$2.0 (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.

(18) Operating revenue

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Sales revenue	\$ 2,176,238	\$ 1,556,289
Processing revenue	–	45
	<u>\$ 2,176,238</u>	<u>\$ 1,556,334</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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>January 1, 2022</u>
Contract liabilities				
- current				
Advance sales				
receipts	<u>\$ 155,327</u>	<u>\$ 189,454</u>	<u>\$ 348,787</u>	<u>\$ 285,223</u>

Revenue recognised for the three-month periods ended March 31, 2023 and 2022 that was included in the contract liabilities balance as of January 1, 2023 and 2022 amounted to \$75,970 and \$125,149, respectively.

(19) Interest income

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 1,367	\$ 10
Other interest income	223	2
	<u>\$ 1,590</u>	<u>\$ 12</u>

(20) Other income

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income	\$ 73	\$ 267
Other income	58	869
	<u>\$ 131</u>	<u>\$ 1,136</u>

(21) Other gains and losses

	For the three-month periods ended March 31,	
	2023	2022
Net gain on financial assets and liabilities at fair value through profit or loss	\$ 188	\$ -
Gain from lease modification	-	915
Net currency exchange loss	(144)	(752)
Other losses	(175)	-
	<u>(\$ 131)</u>	<u>\$ 163</u>

(22) Finance costs

	For the three-month periods ended March 31,	
	2023	2022
Interest expense:		
Convertible corporate bonds	\$ 1,303	\$ 1,480
Bank borrowings	1,079	1,446
Lease liabilities	632	219
	<u>\$ 3,014</u>	<u>\$ 3,145</u>

(23) Expenses by nature

	For the three-month period ended March 31, 2023		
	Operating costs	Operating expenses	Total
Employee benefit expense	\$ 13,385	\$ 14,980	\$ 28,365
Depreciation	6,297	2,721	9,018
Amortisation	53	53	106
	<u>\$ 19,735</u>	<u>\$ 17,754</u>	<u>\$ 37,489</u>

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

(24) Employee benefit expense

	For the three-month period ended March 31, 2023		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Wages and salaries	\$ 10,923	\$ 12,708	\$ 23,631
Labour and health insurance expenses	1,048	967	2,015
Pension costs	389	427	816
Other personnel expenses	1,025	878	1,903
	<u>\$ 13,385</u>	<u>\$ 14,980</u>	<u>\$ 28,365</u>

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

- A. The Company's distributable profit of the year (the distributable profit refers to profit before deducting tax and the employees' compensation and directors' and supervisors' remuneration below), if any, shall be used to cover accumulated deficit, and the remainder, if any, is distributed as follows: (a) 1% ~ 10% for employees' compensation, and (b) No higher than 4% for directors' and supervisors' remuneration. The aforementioned employees' compensation can be distributed in the form of stocks or cash. The employees include the employees of the Company's subsidiaries who meet the requirements stipulated by the Board of Directors. The aforementioned directors' and supervisors' remuneration can only be distributed in the form of cash. Both distributions shall be proposed by the Remuneration Committee to the Board of Directors. The Board of Directors shall resolve the distributions by approval of more than half of directors present at a meeting where more than two-thirds of the directors are in attendance, and report the resolution at the shareholders' meeting.
- B. For the three-month periods ended March 31, 2023 and 2022, employees' compensation were accrued at \$693 and \$283, respectively; while directors' remuneration were accrued at \$555 and \$142, 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' and supervisors' remuneration for 2022 resolved by the Board of Directors totaled \$5,777, 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.

(25) Income tax

A. Components of income tax expense:

	For the three-month periods ended March 31,	
	2023	2022
Current income tax:		
Current tax on profits for the period	\$ 12,839	\$ 5,152
Deferred tax:		
Origination and reversal of temporary differences	(129)	88
Income tax expense	<u>\$ 12,710</u>	<u>\$ 5,240</u>

B. 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 May 5, 2023.

(26) Earnings per share

	For the three-month period ended March 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 50,478</u>	<u>60,727</u>	<u>\$ 0.83</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 50,478	60,727	
Assumed conversion of all dilutive potential ordinary shares			
Employees’ compensation	-	129	
Convertible corporate bonds	<u>1,042</u>	<u>9,287</u>	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 51,520</u>	<u>70,143</u>	<u>\$ 0.73</u>

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

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Acquisition of property, plant and equipment	\$ 6,164	\$ 4,127
Add: Beginning balance of equipment payable	3,735	1,518
Less: Ending balance of equipment payable	(3,441)	(315)
Cash paid for acquisition of property, plant and equipment	\$ 6,458	\$ 5,330

B. Investing activities with no cash flow effects:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
(1) Property, plant and equipment transferred to other receivables	\$ 630	\$ -
(2) Property, plant and equipment transferred to expenses	\$ -	\$ 730
(3) Cash dividends declared but not yet paid (listed as 'Other payables')	\$ 123,116	\$ -

(28) 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, 2023	\$ -	\$ 44,598	\$ 189,066	\$ 220,197	\$ 453,861
Changes in cash flow from financing activities	90,000	(1,377)	-	(7,345)	81,278
Changes in other non-cash items	-	145,377	(26,775)	-	118,602
At March 31, 2023	<u>\$ 90,000</u>	<u>\$ 188,598</u>	<u>\$ 162,291</u>	<u>\$ 212,852</u>	<u>\$ 653,741</u>

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

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 Environmental Technology Corp. (TSG Environmental)	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

	For the three-month periods ended March 31,	
	2023	2022
E-Sheng Steel	\$ 427,968	\$ 184,767
E-Top Metal	49,433	9,565
Other related parties	508	69
	<u>\$ 477,909</u>	<u>\$ 194,401</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 14 to 60 days after monthly-closing, T/T. For third parties, the credit terms ranged from 30 to 90 days after monthly-closing.

B. Purchases of goods

	For the three-month periods ended March 31,	
	2023	2022
E-Top Metal	\$ 1,258,281	\$ 1,030,374
E-Sheng Steel	251,502	247,373
Other related parties	6,532	3,503
	<u>\$ 1,516,315</u>	<u>\$ 1,281,250</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 statement or 60 days after monthly-closing, 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-closing.

C. Other expenses

	For the three-month periods ended March 31,	
	2023	2022
TSG Transport	\$ 25,579	\$ -
E-Sheng Steel	2,291	1,610
E-Top Metal	2,067	1,500
TSG Sports	2,000	-
TSG Hawks	1,000	-
Other related parties	103	54
	<u>\$ 33,040</u>	<u>\$ 3,164</u>

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

	Leased assets	Rent determination method	Rent collection method	For the three-month periods ended March 31,	
				2023	2022
Other related parties	Buildings	Floating	Monthly	<u>\$ 73</u>	<u>\$ 267</u>

E. Ending balance of goods sold

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable:			
Yih Dar Lih Steel	\$ 78	\$ –	\$ 185
Accounts receivable:			
E-Sheng Steel	\$ 208,628	\$ –	\$ –
E-Top Metal	51,904	–	5,471
Yih Dar Lih Steel	163	146	38
Other related parties	–	60	–
	<u>\$ 260,695</u>	<u>\$ 206</u>	<u>\$ 5,509</u>

F. Other receivables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
E-Top Metal	\$ –	\$ 2,316	\$ –
Other related parties	15	–	–
	<u>\$ 15</u>	<u>\$ 2,316</u>	<u>\$ –</u>

G. Ending balance of goods purchased

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Accounts payable:			
E-Top Metal	\$ 155,482	\$ 195,898	\$ 156,164
E-Sheng Steel	39,818	40,940	56,057
Other related parties	7,594	10,246	–
	<u>\$ 202,894</u>	<u>\$ 247,084</u>	<u>\$ 212,221</u>

H. Other payables

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
E-Top Metal	\$ 688	\$ 1,443	\$ 525
E-Sheng Steel	1,441	929	685
TSG Transport	23,529	10,433	5,659
TSG Sports	2,000	–	–
TSG Hawks	1,000	–	–
Other related parties	25	197	38
	<u>\$ 28,683</u>	<u>\$ 13,002</u>	<u>\$ 6,907</u>

I. Property transaction

Acquisition of property, plant and equipment:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Other related parties	<u>\$ –</u>	<u>\$ 52</u>

(3) Key management compensation

	For the three-month periods ended March 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 3,233	\$ 4,099
Post-employment benefits	80	108
	<u>\$ 3,313</u>	<u>\$ 4,207</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>Guarantee purpose</u>
Demand deposits (Note 1)	\$ 79,000	\$ 10,000	\$ 117,377	Long-term and short-term borrowings, corporate bonds payable and letters of credit
Time deposits (Note 1)	-	20,000	5,613	Long-term and short-term borrowings and letters of credit
Land (Note 2)	103,606	103,606	103,606	Long-term borrowings
Buildings (Note 2)	<u>132,261</u>	<u>132,939</u>	<u>130,880</u>	Long-term borrowings
	<u>\$ 314,867</u>	<u>\$ 266,545</u>	<u>\$ 357,476</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

(1) As of March 31, 2023, December 31, 2022 and March 31, 2022, the unused letters of credit for the purchase of raw materials amounted to \$92,568, \$— and \$—, respectively.

(2) On March 10, 2023, for future operations and development, the Board of Directors resolved to build new plants on the land located at Lunghai, Lukang Township, Changhua County and acquire related equipment. The total acquisition amounted to about \$750,000. As of May 5, 2023, the Company has not yet entered into any contracts relative to the above plan.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

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>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets held for trading	\$ 68	\$ -	\$ -
Financial assets at amortised cost			
Cash and cash equivalents	\$ 223,779	\$ 506,125	\$ 198,599
Financial assets at amortised cost			
Notes receivable	79,000	30,000	122,990
Accounts receivable (including related parties)	122,132	115,899	100,501
Other receivables	1,043,316	833,588	848,870
Guarantee deposits paid (including list as "Other current financial assets")	1,215	4,093	550
	<u>21,350</u>	<u>18,464</u>	<u>34,521</u>
	<u>\$ 1,490,792</u>	<u>\$ 1,508,169</u>	<u>\$ 1,306,031</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	\$ 90,000	\$ -	\$ 60,000
Notes payable	6,660	13,877	9,001
Accounts payable (including related parties)	300,531	249,530	212,513
Other payables	219,355	98,235	53,386
Corporate bonds payable (including current portion)	162,291	189,066	279,013
Long-term borrowings (including current portion)	<u>212,852</u>	<u>220,197</u>	<u>273,254</u>
	<u>\$ 991,689</u>	<u>\$ 770,905</u>	<u>\$ 887,167</u>
Lease liabilities	<u>\$ 188,598</u>	<u>\$ 44,598</u>	<u>\$ 48,594</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:

	<u>March 31, 2023</u>		
	<u>Foreign currency amount (In thousands)</u>	<u>Exchange rate</u>	<u>Book value</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 2,115	30.45	\$ 64,402
	<u>December 31, 2022</u>		
	<u>Foreign currency amount (In thousands)</u>	<u>Exchange rate</u>	<u>Book value</u>
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 5,877	30.71	\$ 180,483

March 31, 2022

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

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 \$ 515 and \$116 for the three-month periods ended March 31, 2023 and 2022, 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 \$144 and \$752 for the three-month periods ended March 31, 2023 and 2022, respectively.

Price risk

The Group did not engage in any financial instruments with price variations, thus, the Group does not except 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 long-term borrowings with variable rates, which expose the Group to cash flow interest risk. During the three-month periods ended March 31, 2023 and 2022, 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 three-month periods ended March 31, 2023 and 2022 would have decreased/increased by \$48 and \$35, 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 March 31, 2023, December 31, 2022 and March 31, 2022, the provision matrix is as follows:

March 31, 2023	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days
Total book value	\$ 1,011,808	\$ 31,297	\$ 85	\$ 51
Expected credit rate	0.02%	0.50%	23.22%	26.69%
Loss allowance	\$ -	\$ -	\$ -	\$ -
			Individually assessed impairment loss	Total
March 31, 2023	Overdue 271~365 days	Overdue over 365 days	loss	Total
Total book value	\$ 42	\$ 299	\$ 19,128	\$ 1,062,710
Expected credit rate	35.14%	100%	100%	
Loss allowance	\$ -	\$ 266	\$ 19,128	\$ 19,394
December 31, 2022	During 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 loss	Total
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

March 31, 2022	During the credit period	Overdue 1~90 days	Overdue 91~180 days	Overdue 181~270 days
Total book value	\$ 790,914	\$ 54,575	\$ 341	\$ 26
Expected credit rate	0.02%	0.50%	10.93%	14.96%
Loss allowance	\$ -	\$ -	\$ -	\$ -

March 31, 2022	Overdue 271~365 days	Overdue over 365 days	Individually assessed impairment loss	Total
Total book value	\$ 2,955	\$ 274	\$ 26,379	\$ 875,464
Expected credit rate	24.76%	100%	100%	
Loss allowance	\$ -	\$ 215	\$ 26,379	\$ 26,594

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

	For the three-month period ended March 31, 2023		
	Notes receivable	Accounts receivable	Total
Beginning and ending balance	\$ 13	\$ 19,394	\$ 19,407

	For the three-month period ended March 31, 2022		
	Notes receivable	Accounts receivable	Total
Beginning and 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Floating rate: Expiring within one year	\$ 204,300	\$ 161,600	\$ 261,700

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>March 31, 2023</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
Short-term borrowings	\$ 90,975	\$ -	\$ -	\$ -
Notes payable	6,660	-	-	-
Accounts payable (including related parties)	300,531	-	-	-
Other payables	219,355	-	-	-
Lease liabilities	4,966	10,281	50,859	156,963
Bonds payable	-	-	174,365	-
Long-term borrowings (including current portion)	33,237	33,265	83,181	80,096
<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:				
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	-

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

- 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 is as follows:

<u>March 31, 2023</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	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 68</u>	\$ <u> 68</u>
<u>December 31, 2022</u>				
Financial liabilities at fair value through profit or loss				
Convertible corporate bonds				
put options	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 120</u>	\$ <u> 120</u>

There was no financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets as of March 31, 2022.

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

E. For the three-month periods ended March 31, 2023 and 2022, there was no transfer between Level 1 and Level 2, and there was no transfer from or to Level 3.

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Group is only required to disclose the information for the three-month period ended March 31, 2023.

(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: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. 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 1.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 2.
- I. Trading in derivative instruments undertaken during the reporting period: None.
- J. 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 March 31, 2023, 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:

	<u>For the three-month periods ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>The Group</u>	<u>The Group</u>
Segment revenue :		
Revenue from external customers, net	\$ 2,176,238	\$ 1,556,334
Depreciation and amortisation	9,124	8,074
Finance costs	3,014	3,145
Segment profit before income tax	63,188	27,175
Segment assets	2,480,941	2,026,907
Non-current assets capital expenditure	26,785	4,133
Segment liabilities	1,384,376	1,294,412

(3) Reconciliation for segment income

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. The amounts provided to the chief operating decision maker with respect to segment income, total assets and total liabilities are measured in a manner consistent with that of the financial statements. Therefore, such reconciliation is not required.

TMP STEEL CORPORATION 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 three-month period ended March 31, 2023

Table 1

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	\$ 1,258,281	59%	20 days after 10 days statements	\$ -	(Note 2)	\$ 155,482	(51%)	-
	E-SHENG STEEL CO., LTD.	Other related party	Purchases	251,502	12%	20 days after 10 days statements	-	(Note 2)	(39,818)	(13%)	-
	E-SHENG STEEL CO., LTD.	Other related party	(Sales)	(427,968)	(20%)	14 to 60 days after monthly statements	-	(Note 3)	208,628	18%	-

(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 ranged from 30 to 90 days after monthly-closing. 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

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

For the year ended March 31, 2023

Table 2

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance at March 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
TMP Steel Corporation	E-SHENG STEEL CO., LTD.	Other related party	\$ 208,628	1.03	\$ -	-	\$ 208,628	\$ -

TMP STEEL CORPORATION AND ITS SUBSIDIARY

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

For the three-month period ended March 31, 2023

Table 3

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net profit (loss) of the investee for the year ended March 31, 2023	Investment income (loss) recognised by the Company for the year ended March 31, 2023	Footnote
				Balance as at March 31, 2023	Balance as at December 31, 2022	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	1,000	100,000	100%	983	-	-	Subsidiary

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

TMP STEEL CORPORATION AND ITS SUBSIDIARY

Major shareholders information

March 31, 2023

Table 4

Expressed in share

Name of major shareholders	Number of shares		Ownership (%)	Note
	Common stock			
S-Tech Investment Co., Ltd.	6,770,432		10.90%	-
Tien Chuan Investment Co., Ltd.	6,079,303		9.79%	-
E-Top Metal Co., Ltd.	5,934,508		9.55%	-

(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.