

**Froch Enterprise Co., Ltd. and  
Subsidiaries**

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

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders  
Froch Enterprise Co., Ltd.

### Introduction

We have reviewed the accompanying consolidated balance sheets of Froch Enterprise Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". 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.

### Basis for Qualified Conclusion

As disclosed in Note 10 to the consolidated financial statements, the financial statements and the notes of non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2021 and 2020, combined total assets of these non-significant subsidiaries were NT\$235,158 thousand and NT\$184,517 thousand, respectively, both representing 2% of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$83,094 thousand and NT\$50,831 thousand, respectively, both representing 1% of the consolidated total liabilities; for the three months ended March 31, 2021 and 2020, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$2,546 thousand and NT\$(8,079) thousand, representing 2% and (12)%, respectively, of the consolidated total comprehensive income.

## Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries as described in the preceding paragraph been reviewed, nothing has come to our attention that caused 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Ting-Chien Su and Lie-Don Wu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 5, 2021

### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ review report and consolidated financial statements shall prevail.*

# FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 1,487,848	13	\$ 1,565,467	13	\$ 994,262	9
Financial assets at fair value through profit or loss - current (Note 7)	13,919	-	16,357	-	6,232	-
Notes receivable (Notes 8 and 17)	259,156	2	266,911	2	213,346	2
Trade receivables from unrelated parties (Notes 8 and 17)	781,376	7	749,747	7	648,042	6
Trade receivables from related parties (Notes 17 and 22)	20,182	-	-	-	-	-
Other receivables (Note 22)	35,558	-	33,162	-	44,744	-
Current tax assets (Notes 4 and 19)	2,439	-	2,439	-	3,644	-
Inventories (Note 9)	4,308,278	37	4,255,872	37	4,351,947	40
Prepayments	192,524	2	168,156	2	174,598	2
Current financial assets (Notes 6 and 23)	67,837	-	7,632	-	65,193	1
Other current assets	488	-	543	-	1,870	-
Total current assets	<u>7,169,605</u>	<u>61</u>	<u>7,066,286</u>	<u>61</u>	<u>6,503,878</u>	<u>60</u>
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment (Notes 11 and 23)	4,357,298	37	4,376,031	37	4,118,506	38
Right-of-use asset (Note 12)	60,249	1	68,792	1	90,954	1
Deferred tax assets (Notes 4 and 19)	29,963	-	31,837	-	24,949	-
Prepayments for equipment	134,270	1	109,077	1	157,014	1
Refundable deposits (Note 22)	15,929	-	15,969	-	16,905	-
Total non-current assets	<u>4,597,709</u>	<u>39</u>	<u>4,601,706</u>	<u>39</u>	<u>4,408,328</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 11,767,314</u>	<u>100</u>	<u>\$ 11,667,992</u>	<u>100</u>	<u>\$ 10,912,206</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Note 13)	\$ 3,527,959	30	\$ 3,568,566	31	\$ 3,213,109	30
Contract liabilities - current (Note 17)	264,271	2	210,754	2	190,546	2
Notes payable to unrelated parties	13,729	-	10,959	-	23,024	-
Trade payables to unrelated parties	29,660	-	106,139	1	351,250	3
Trade payables to related parties (Note 22)	9,171	-	24,558	-	18,476	-
Other payables (Notes 14 and 22)	180,681	2	217,449	2	154,962	1
Current tax liabilities (Notes 4 and 19)	34,374	1	22,240	-	5,938	-
Lease liabilities - current (Notes 12 and 22)	15,408	-	21,765	-	38,019	-
Current portion of long-term borrowings (Notes 13 and 23)	456,985	4	456,895	4	280,925	3
Other current liabilities	3,426	-	3,776	-	3,442	-
Total current liabilities	<u>4,535,664</u>	<u>39</u>	<u>4,643,101</u>	<u>40</u>	<u>4,279,691</u>	<u>39</u>
<b>NON-CURRENT LIABILITIES</b>						
Long-term borrowings (Notes 13 and 23)	2,859,973	24	2,760,529	24	2,393,298	22
Lease liabilities - non-current (Notes 12 and 22)	22,435	-	24,006	-	30,478	-
Deferred tax liabilities (Notes 4 and 19)	259,926	2	256,360	2	222,021	2
Net defined benefit liabilities - non-current (Notes 4 and 15)	58,075	1	65,085	-	61,421	1
Guarantee deposits (Note 22)	9,183	-	9,542	-	8,922	-
Total non-current liabilities	<u>3,209,592</u>	<u>27</u>	<u>3,115,522</u>	<u>26</u>	<u>2,716,140</u>	<u>25</u>
Total liabilities	<u>7,745,256</u>	<u>66</u>	<u>7,758,623</u>	<u>66</u>	<u>6,995,831</u>	<u>64</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Ordinary shares	2,805,260	24	2,805,260	24	2,865,260	26
Capital surplus	463,471	4	463,471	4	464,646	4
Retained earnings						
Legal reserve	198,107	1	198,107	2	171,117	2
Special reserve	246,961	2	246,961	2	144,960	1
Unappropriated earnings	551,380	5	426,460	4	544,268	5
Other equity	(243,121)	(2)	(230,890)	(2)	(262,715)	(2)
Treasury shares	-	-	-	-	(11,161)	-
Total equity	<u>4,022,058</u>	<u>34</u>	<u>3,909,369</u>	<u>34</u>	<u>3,916,375</u>	<u>36</u>
<b>TOTAL</b>	<u>\$ 11,767,314</u>	<u>100</u>	<u>\$ 11,667,992</u>	<u>100</u>	<u>\$ 10,912,206</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 5, 2021)

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 17 and 22)	\$ 2,979,021	100	\$ 2,341,543	100
OPERATING COSTS (Notes 9, 18 and 22)	<u>2,553,118</u>	<u>86</u>	<u>2,185,660</u>	<u>94</u>
GROSS PROFIT	<u>425,903</u>	<u>14</u>	<u>155,883</u>	<u>6</u>
OPERATING EXPENSES (Note 18)				
Selling and marketing expenses	179,977	6	126,081	5
General and administrative expenses	<u>47,475</u>	<u>2</u>	<u>43,131</u>	<u>2</u>
Total operating expenses	<u>227,452</u>	<u>8</u>	<u>169,212</u>	<u>7</u>
PROFIT (LOSS) FROM OPERATIONS	<u>198,451</u>	<u>6</u>	<u>(13,329)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	1,187	-	1,887	-
Other income (Notes 18 and 22)	4,575	-	3,044	-
Other gains and losses (Note 18)	(16,115)	-	(8,096)	-
Finance costs (Notes 18 and 22)	<u>(26,121)</u>	<u>(1)</u>	<u>(30,429)</u>	<u>(1)</u>
Total non-operating expenses	<u>(36,474)</u>	<u>(1)</u>	<u>(33,594)</u>	<u>(1)</u>
PROFIT (LOSS) BEFORE INCOME TAX	161,977	5	(46,923)	(2)
INCOME TAX EXPENSE (Notes 4 and 19)	<u>37,057</u>	<u>1</u>	<u>3,136</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>124,920</u>	<u>4</u>	<u>(50,059)</u>	<u>(2)</u>
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	<u>(12,231)</u>	<u>-</u>	<u>(15,754)</u>	<u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(12,231)</u>	<u>-</u>	<u>(15,754)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 112,689</u>	<u>4</u>	<u>\$ (65,813)</u>	<u>(3)</u>
EARNINGS (LOSS) PER SHARE (Note 20)				
Basic	<u>\$ 0.45</u>		<u>\$ (0.17)</u>	
Diluted	<u>\$ 0.44</u>		<u>\$ (0.17)</u>	

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

(With Deloitte & Touche auditors' review report dated May 5, 2021)

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Retained Earnings (Note 16)			Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations	Treasury shares (Note 16)	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE AT JANUARY 1, 2020	\$ 2,865,260	\$ 464,646	\$ 171,117	\$ 144,960	\$ 594,327	\$ (246,961)	\$ -	\$ 3,993,349
Net loss for the three months ended March 31, 2020	-	-	-	-	(50,059)	-	-	(50,059)
Other comprehensive loss for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	(15,754)	-	(15,754)
Total comprehensive loss for the three months ended March 31, 2020	-	-	-	-	(50,059)	(15,754)	-	(65,813)
Buy-back of ordinary shares	-	-	-	-	-	-	(11,161)	(11,161)
BALANCE AT MARCH 31, 2020	\$ 2,865,260	\$ 464,646	\$ 171,117	\$ 144,960	\$ 544,268	\$ (262,715)	\$ (11,161)	\$ 3,916,375
BALANCE AT JANUARY 1, 2021	\$ 2,805,260	\$ 463,471	\$ 198,107	\$ 246,961	\$ 426,460	\$ (230,890)	\$ -	\$ 3,909,369
Net profit for the three months ended March 31, 2021	-	-	-	-	124,920	-	-	124,920
Other comprehensive loss for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	(12,231)	-	(12,231)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	124,920	(12,231)	-	112,689
BALANCE AT MARCH 31, 2021	\$ 2,805,260	\$ 463,471	\$ 198,107	\$ 246,961	\$ 551,380	\$ (243,121)	\$ -	\$ 4,022,058

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

(With Deloitte & Touche auditors' review report dated May 5, 2021)

# FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 161,977	\$ (46,923)
Adjustments for:		
Depreciation expenses	63,301	58,397
Expected credit loss reversed on trade receivables	1,754	6,723
Net loss on fair value changes of financial assets at fair value through profit or loss	173	591
Finance costs	26,121	30,429
Interest income	(1,187)	(1,887)
Reversal of write-down of inventories	(1,472)	(23,655)
Net loss on foreign currency exchange	19,942	4,124
Changes in operating assets and liabilities		
Notes receivable	8,258	25,571
Trade receivables	(49,080)	140,833
Other receivables	(1,202)	(12,742)
Inventories	(48,525)	(601,234)
Prepayments	(23,986)	(45,431)
Other current assets	55	1,505
Contract liabilities	52,907	33,300
Notes payable	2,770	3,530
Trade payables	(92,434)	226,931
Other payables	(34,443)	(30,995)
Other current liabilities	(350)	387
Net defined benefit liabilities	(7,010)	(5,024)
Cash generated from (used in) operations	77,569	(235,570)
Interest received	1,187	1,887
Interest paid	(26,685)	(30,997)
Income tax paid	(19,445)	(30,461)
Net cash generated from (used in) operating activities	<u>32,626</u>	<u>(295,141)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through profit or loss	(6,019)	(2)
Proceeds from sale of financial assets at fair value through profit or loss	8,284	6,122
Payments for property, plant and equipment	(35,760)	(22,079)
Decrease in refundable deposits	45	2,324
Increase in other financial assets	(59,834)	(62,140)
Increase in prepayments for equipment	(31,612)	(79,287)
Net cash used in investing activities	<u>(124,896)</u>	<u>(155,062)</u>

(Continued)

# FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	\$ (42,423)	\$ 170,204
Proceeds from long-term borrowings	100,000	-
Repayments of long-term borrowings	(466)	(13,327)
Proceeds from guarantee deposits received	(359)	(46)
Repayment of the principal portion of lease liabilities	(9,598)	(9,509)
Payments for buy-back of ordinary shares	<u>-</u>	<u>(11,161)</u>
Net cash generated from financing activities	<u>47,154</u>	<u>136,161</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(32,503)</u>	<u>(24,475)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(77,619)	(338,517)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,565,467</u>	<u>1,332,779</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,487,848</u>	<u>\$ 994,262</u>

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

(With Deloitte & Touche auditors' review report dated May 5, 2021)

(Concluded)

# FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (Reviewed, Not Audited) (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Froch Enterprise Co., Ltd. (the “Company”) was incorporated in October 1984. It mainly manufactures and sells various stainless steel tube, steel tube, copper tube and aluminium tube.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since December 1998.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 5, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendment to IFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”	April 1, 2021 (Note 4)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 5)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 6)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 7)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 8)

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: A lessee should apply the amendment for annual reporting periods beginning on or after April 1, 2021, recognizing the cumulative effect of initial application at the beginning of the annual reporting period
- Note 5: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 6: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 8: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 10, Table 7 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, for the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the statements of critical accounting judgments and key sources of estimation uncertainty in the consolidated financial statements for the year ended December 31, 2020.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 2,063	\$ 2,070	\$ 2,040
Bank deposits	1,553,622	1,505,557	1,054,651
Cash equivalents (investments with original maturities of less than 3 months)	<u>-</u>	<u>65,472</u>	<u>2,764</u>
	1,555,685	1,573,099	1,059,455
Less: Other financial assets-current	<u>(67,837)</u>	<u>(7,632)</u>	<u>(65,193)</u>
	<u>\$ 1,487,848</u>	<u>\$ 1,565,467</u>	<u>\$ 994,262</u>

Other financial assets are mainly time deposits with original maturities of more than 3 months and restricted bank deposits.

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets - current</u>			
Mutual funds	<u>\$ 13,919</u>	<u>\$ 16,357</u>	<u>\$ 6,232</u>

## 8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Notes receivable</u>			
Notes receivable - operating	\$ 260,319	\$ 268,257	\$ 214,394
Less: Allowance for impairment loss	<u>(1,163)</u>	<u>(1,346)</u>	<u>(1,048)</u>
	<u>\$ 259,156</u>	<u>\$ 266,911</u>	<u>\$ 213,346</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 788,566	\$ 755,025	\$ 660,558
Less: Allowance for impairment loss	<u>(7,190)</u>	<u>(5,278)</u>	<u>(12,516)</u>
	<u>\$ 781,376</u>	<u>\$ 749,747</u>	<u>\$ 648,042</u>

a. Notes receivable

The aging of notes receivable for the Group was as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Not past due	\$ 260,319	\$ 268,257	\$ 214,394
Past due	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 260,319</u></u>	<u><u>\$ 268,257</u></u>	<u><u>\$ 214,394</u></u>

The above aging schedule was based on the past due days.

b. Trade receivables

The average credit period of sales of goods was 30-120 days. No interest was charged on trade receivables and notes receivable for the first 30-120 days from the date of the invoice. The Group uses other publicly available financial information or its own trading records to rate its major customers.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

The following table details the loss allowance of trade receivables:

March 31, 2021

	<b>Not Past Due</b>	<b>1 to 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 180 Days</b>	<b>181 to 365 Days</b>	<b>Over 365 Days</b>	<b>Total</b>
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$741,952	\$ 10,259	\$ 15,765	\$ 9,732	\$ 5,264	\$ 3,485	\$ 1,389	\$ 720	\$788,566
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>(103)</u>	<u>(788)</u>	<u>(1,460)</u>	<u>(1,579)</u>	<u>(1,568)</u>	<u>(972)</u>	<u>(720)</u>	<u>(7,190)</u>
Amortized cost	<u><u>\$741,952</u></u>	<u><u>\$ 10,156</u></u>	<u><u>\$ 14,977</u></u>	<u><u>\$ 8,272</u></u>	<u><u>\$ 3,685</u></u>	<u><u>\$ 1,917</u></u>	<u><u>\$ 417</u></u>	<u><u>\$ -</u></u>	<u><u>\$781,376</u></u>

December 31, 2020

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$685,535	\$ 25,758	\$ 25,846	\$ 15,533	\$ 193	\$ 1,409	\$ 147	\$ 604	\$755,025
Loss allowance (Lifetime ECLs)	-	(258)	(1,292)	(2,330)	(58)	(634)	(102)	(604)	(5,278)
Amortized cost	<u>\$685,535</u>	<u>\$ 25,500</u>	<u>\$ 24,554</u>	<u>\$ 13,203</u>	<u>\$ 135</u>	<u>\$ 775</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$749,747</u>

March 31, 2021

	Not Past Due	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	-	1%	5%	15%	30%	45%	70%	100%	
Gross carrying amount	\$604,531	\$ 8,374	\$ 11,730	\$ 13,934	\$ 10,246	\$ 9,200	\$ 5	\$ 2,538	\$660,558
Loss allowance (Lifetime ECLs)	-	(84)	(586)	(2,090)	(3,074)	(4,140)	(4)	(2,538)	(12,516)
Amortized cost	<u>\$604,531</u>	<u>\$ 8,290</u>	<u>\$ 11,144</u>	<u>\$ 11,844</u>	<u>\$ 7,172</u>	<u>\$ 5,060</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$648,042</u>

The Group's expected credit loss rate for notes receivable is 1%.

The movements of the allowance for doubtful trade receivables were as follows:

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 6,624	\$ 6,961
Add: Net remeasurement of loss allowance	1,754	6,723
Effect of exchange rate changes	(25)	(120)
Balance at March 31	<u>\$ 8,353</u>	<u>\$ 13,564</u>

**9. INVENTORIES**

	March 31, 2021	December 31, 2020	March 31, 2020
Finished goods	\$ 1,315,548	\$ 1,283,248	\$ 1,326,487
Work in process	977,560	933,410	803,889
Raw materials	1,887,845	1,793,608	1,714,550
Supplies	59,231	45,618	53,194
Inventory in transit	<u>68,094</u>	<u>199,988</u>	<u>453,827</u>
	<u>\$ 4,308,278</u>	<u>\$ 4,255,872</u>	<u>\$ 4,351,947</u>

The cost of inventories recognized as cost of goods sold for the three months ended March 31, 2021 and 2020 was \$2,553,118 thousand and \$2,185,660 thousand, respectively. The cost of goods sold included reversal of inventory write-downs of \$1,472 thousand and \$23,655 thousand, respectively. Inventory write-downs were reversed as a result of increased selling prices in certain markets.

## 10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Nature of the business	% of Ownership		
			March 31, 2021	December 31, 2020	March 31, 2020
Froch Enterprise Co., Ltd.	Froch Enterprise International Co., Ltd.	International investment business	100	100	100
	Century Nova Steel Co., Ltd.	International investment business	100	100	100
	Froch Stainless Co., Ltd.	International investment business	100	100	100
Froch Enterprise International Co., Ltd.	Froch Metal (Suzhou) Co., Ltd.	Operating stainless steel and other steel pipe production and sales businesses	100	100	100
	Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	30	30	30
Froch Metal (Suzhou) Co., Ltd.	Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	70	70	70
Century Nova Steel Co., Ltd.	Century Nova Steel Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	100	100	100
Froch Stainless Co., Ltd	Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	83	83	83
Century Nova Steel Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	17	17	17

See Tables 7 and 8 for the information on the places of incorporation and principal places of business.

Except for the financial statements of Froch Enterprise International Co., Ltd., Froch Metal (Suzhou) Co., Ltd. and Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd. for the three months ended March 31, 2021 and 2020 which were not reviewed by the independent auditor, all the financial statements of other subsidiaries have been reviewed.

## 11. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2021	December 31, 2020	March 31, 2020
Assets used by the Group	\$ 4,200,880	\$ 4,218,737	\$ 3,964,879
Assets leased under operating leases	<u>156,418</u>	<u>157,294</u>	<u>153,627</u>
	<u>\$ 4,357,298</u>	<u>\$ 4,376,031</u>	<u>\$ 4,118,506</u>

a. Assets used by the Group

<b>For the Three Months Ended March 31, 2021</b>						
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified</b>	<b>Exchange Differences</b>	<b>Ending Balance</b>
<u>Cost</u>						
Land	\$ 1,321,622	\$ -	\$ -	\$ -	\$ -	\$ 1,321,622
Buildings	1,271,806	-	-	-	(2,593)	1,269,213
Machinery and equipment	3,801,570	6,661	(13,224)	6,530	(7,268)	3,794,269
Transportation equipment	85,014	-	-	-	(65)	84,949
Other equipment	691,005	216	(327)	-	(195)	690,699
Property under construction	32,195	27,053	-	-	(220)	59,028
	<u>7,203,212</u>	<u>\$ 33,930</u>	<u>\$ (13,551)</u>	<u>\$ 6,530</u>	<u>\$ (10,341)</u>	<u>7,219,780</u>
<u>Accumulated depreciation</u>						
Buildings	387,426	\$ 6,779	\$ -	\$ -	\$ (778)	393,427
Machinery and equipment	2,185,337	38,629	( 13,224)	-	(3,388)	2,207,354
Transportation equipment	72,995	786	-	-	(50)	73,731
Other equipment	338,717	6,135	(327)	-	(137)	344,388
	<u>2,984,475</u>	<u>\$ 52,329</u>	<u>\$ (13,551)</u>	<u>\$ -</u>	<u>\$ (4,353)</u>	<u>3,018,900</u>
	<u>\$4,218,737</u>					<u>\$4,200,880</u>
<b>For the Three Months Ended March 31, 2020</b>						
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified</b>	<b>Exchange Differences</b>	<b>Ending Balance</b>
<u>Cost</u>						
Land	\$ 1,269,527	\$ -	\$ -	\$ -	\$ -	\$ 1,269,527
Buildings	1,113,842	5	-	1,663	(3,639)	1,111,871
Machinery and equipment	3,581,560	1,260	-	5,022	(9,837)	3,578,005
Transportation equipment	83,952	-	-	-	(87)	83,865
Other equipment	580,971	291	(107)	1,881	(250)	582,786
Property under construction	144,133	20,986	-	(1,663)	-	163,456
	<u>6,773,985</u>	<u>\$ 22,542</u>	<u>\$ (107)</u>	<u>\$ 6,903</u>	<u>\$ (13,813)</u>	<u>6,789,510</u>
<u>Accumulated depreciation</u>						
Buildings	360,996	\$ 5,994	\$ -	\$ -	\$ (1,003)	365,987
Machinery and equipment	2,033,099	36,025	-	-	(4,238)	2,064,886
Transportation equipment	71,023	829	-	-	(77)	71,775
Other equipment	317,240	5,030	(107)	-	(180)	321,983
	<u>2,782,358</u>	<u>\$ 47,878</u>	<u>\$ (107)</u>	<u>\$ -</u>	<u>\$ (5,498)</u>	<u>2,824,631</u>
	<u>\$3,991,627</u>					<u>\$3,964,879</u>

In September 2005, the Group signed a contract with unrelated parties and paid \$16,047 thousand to purchase land located on Liuzhong Rd., Douliu City, Yunlin County, Taiwan, and the land is used for the storage and water tank of the Group. Since the land belongs to agricultural and animal husbandry and its ownership was registered in the name of the chairman of the board, the Group has performed some necessary procedures to acquire the related rights.

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	15-60 years
Others	6-60 years
Machinery and equipment	3-36 years
Transportation equipment	3-15 years
Other equipment	2-60 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 23.

b. Assets leased under operating leases

	<b>For the Three Months Ended March 31, 2021</b>		
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
<u>Cost</u>			
Land	\$ 70,040	\$ -	\$ 70,040
Land improvement	4,312	-	4,312
Buildings	117,961	-	117,961
Other equipment	<u>19,275</u>	<u>-</u>	<u>19,275</u>
	<u>211,588</u>	<u>\$ -</u>	<u>211,588</u>
<u>Accumulated depreciation</u>			
Land improvement	2,620	\$ 21	2,641
Buildings	40,280	519	40,799
Other equipment	<u>11,394</u>	<u>336</u>	<u>11,730</u>
	<u>54,294</u>	<u>\$ 876</u>	<u>55,170</u>
	<u>\$ 157,294</u>		<u>\$ 156,418</u>
	<b>For the Three Months Ended March 31, 2020</b>		
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
<u>Cost</u>			
Land	\$ 70,040	\$ -	\$ 70,040
Land improvement	4,312	-	4,312
Buildings	117,961	-	117,961
Other equipment	<u>13,373</u>	<u>-</u>	<u>13,373</u>
	<u>205,686</u>	<u>\$ -</u>	<u>205,686</u>
<u>Accumulated depreciation</u>			
Land improvement	2,534	\$ 21	2,555
Buildings	38,203	519	38,722
Other equipment	<u>10,741</u>	<u>41</u>	<u>10,782</u>
	<u>51,478</u>	<u>\$ 581</u>	<u>52,059</u>
	<u>\$ 154,208</u>		<u>\$ 153,627</u>

Operating leases relate to leases of the factory in Yuanlin with lease terms of 12 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Year 1	\$ 2,743	\$ 2,743	\$ 2,743
Year 2	2,743	2,743	2,743
Year 3	2,743	2,743	2,743
Year 4	2,743	2,743	2,743
Year 5	2,743	2,743	2,743
Year 6 onwards	<u>1,143</u>	<u>1,829</u>	<u>3,886</u>
	<u>\$ 14,858</u>	<u>\$ 15,544</u>	<u>\$ 17,601</u>

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Land improvement	30 years
Buildings	30-60 years
Other equipment	5-60 years

Property, plant and equipment leased under operating leases and pledged as collateral for bank borrowings are set out in Note 23.

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Carrying amounts</u>			
Land	\$ 44,548	\$ 53,441	\$ 79,223
Buildings	<u>15,701</u>	<u>15,351</u>	<u>11,731</u>
	<u>\$ 60,249</u>	<u>\$ 68,792</u>	<u>\$ 90,954</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
Depreciation charge for right-of-use assets			
Land		\$ 8,775	\$ 8,773
Buildings		<u>1,321</u>	<u>1,165</u>
		<u>\$ 10,096</u>	<u>\$ 9,938</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

b. Lease liabilities

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Carrying amounts</u>			
Current	\$ 15,408	\$ 21,765	\$ 38,019
Non-current	<u>\$ 22,435</u>	<u>\$ 24,006</u>	<u>\$ 30,478</u>

Range of discount rate (%) for lease liabilities was as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Land	1.67%-3.88%	1.67%-3.88%	1.67%-3.88%
Buildings	1.67%-3.88%	1.67%-3.88%	1.67%-3.88%

c. Material lease-in activities and terms

The Group leases certain land and buildings for the use of factories and offices with lease terms of 3 to 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

In July 2005, Century Nova Steel, Co., Ltd. - CN obtained 325,745 square meters of land use rights in Xishan Economic Development Zone, Wuxi City, Jiangsu Province, People's Republic of China for 50 years. It is entitled with the right to use, gain profit and dispose of the land from transfers or leases within the land use period. Meanwhile, it is responsible for various taxes and fees due to the use of land. The land is used for the construction of production plants, office buildings and staff dormitories.

d. Other lease information

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to low-value asset leases	<u>\$ 356</u>	<u>\$ 293</u>
Total cash outflow for leases	<u>\$ (10,198)</u>	<u>\$ (10,152)</u>

### 13. BORROWINGS

a. Short-term borrowings

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Unsecured borrowings			
Letter of credit borrowings	\$ 1,286,303	\$ 1,228,726	\$ 1,493,498
Line of credit borrowings	<u>2,241,656</u>	<u>2,339,840</u>	<u>1,719,611</u>
	<u>\$ 3,527,959</u>	<u>\$ 3,568,566</u>	<u>\$ 3,213,109</u>

(Continued)

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Interest (%)</u>			
Letter of credit borrowings	0.83-1.39	1.25-1.35	1.25-2.84
Line of credit borrowings	0.88-1.41	0.88-1.48	0.81-3.37 (Concluded)

b. Long-term borrowings

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Mortgage borrowings (with maturity date from December 2025 to December 2035)	\$ 3,316,958	\$ 3,217,424	\$ 2,674,223
Less: Current portion	<u>(456,985)</u>	<u>(456,895)</u>	<u>(280,925)</u>
Long-term borrowings	<u>\$ 2,859,973</u>	<u>\$ 2,760,529</u>	<u>\$ 2,393,298</u>

Interest rate (%)

Mortgage borrowings	1.25-1.96	1.25-1.96	1.85-2.11
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Mortgage borrowings are secured by the Group's land and buildings; refer to Note 23.

In December 2018, the Company signed a syndicated loan contract with a group of banks, including Land Bank of Taiwan and seven financial institutions, with a total loan amount of \$4.5 billion. Subject to the terms of the contract, the Company shall maintain the following ratios in the standalone financial statements for each year during the loan period:

- 1) The current ratio shall not be less than 100% (inclusive);
- 2) The debt ratio shall not be higher than 250% (inclusive);
- 3) Times interest earned (i.e., the sum of pre-tax net income plus various depreciation, amortization and interest expense, which are divided by interest expense) shall be maintained at least 2 times (inclusive) from 2018;
- 4) Shareholders' equity shall not be less than \$2.8 billion (inclusive).

In accordance with the provisions of the syndicated loan agreement, if the Company's annual standalone financial statements do not match the above financial ratios, the Company shall not be deemed to be in breach of its financial commitment if the improvement is completed within 6 months from April 1 of the following year (the improvement period), provided that the interest rate for the period from April 1 to the improvement date shall be increased by 0.125% per annum; however, if the borrower fails to complete the improvement within the improvement period, it shall (1) pay a penalty at the rate of 0.125% of the principal balance on the expiration date of the improvement period, and (2) increase the interest rate by 0.05% per annum from the expiration date of the improvement period to the actual improvement date. If the improvement is not completed and is notified by the management bank, it shall be adjusted within 3 months through capital increase via cash or such other means as agreed by the management bank. A breach of the financial ratio shall not be deemed to be a breach if the borrower fully complies with the foregoing agreement.

#### 14. OTHER PAYABLES

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Payables for freight	\$ 56,206	\$ 55,996	\$ 32,973
Payables for salaries or bonuses	53,330	84,204	54,589
Payables for compensation of employees and remuneration of directors	6,054	2,868	6,874
Payables for purchases of equipment	1,605	3,435	11,143
Payables for commission	918	830	1,068
Others	<u>62,568</u>	<u>70,116</u>	<u>48,315</u>
	<u>\$ 180,681</u>	<u>\$ 217,449</u>	<u>\$ 154,962</u>

#### 15. RETIREMENT BENEFIT PLANS

For the three months ended March 31, 2021 and 2020, the pension expenses of defined benefit plans were \$48 thousand and \$123 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2020 and 2019, respectively.

#### 16. EQUITY

##### a. Ordinary shares

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Number of shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>280,526</u>	<u>280,526</u>	<u>286,526</u>

The change in the Company's share capital is mainly due to the cancelation of treasury shares. A holder of issued ordinary shares with a par value of \$10 is entitled to vote and to receive dividends.

##### b. Capital surplus

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Issuance of ordinary shares	\$ 370,809	\$ 370,809	\$ 378,740
Share-based payment arrangements	<u>92,662</u>	<u>92,662</u>	<u>85,906</u>
	<u>\$ 463,471</u>	<u>\$ 463,471</u>	<u>\$ 464,646</u>

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividends policy shall be made based on the following: the current and future developments, investment environment, capital needs and domestic and foreign competition, and the interests of shareholders and other factors should also be taken into account. The distributable earnings shall be allocated not less than 50% of the dividends distributed to shareholders; however, the cumulative dividends may not be distributed if the dividends are less than 10% of the Company's paid-in capital; the distribution of dividends to shareholders shall be payable in cash or shares, and the cash dividends shall not be less than 20% of the total dividends.

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

The appropriations of earnings for 2020 and 2019 which were proposed in the shareholders' meeting in June 2020 and approved by the board of directors in March 2021, were as follows:

	<b>For the Year Ended</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 10,439</u>	<u>\$ 26,990</u>
Special reserve	<u>\$ (16,071)</u>	<u>\$ 102,001</u>
Cash dividends	<u>\$ 140,263</u>	<u>\$ 143,263</u>
Cash dividends per share (NT\$)	\$ 0.50	\$ 0.50

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

d. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Cancelled (In Thousands of Shares)</b>
Number of shares at January 1, 2020	-
Increase during the year	<u>1,197</u>
Number of shares at December 31, 2020	<u><u>1,197</u></u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 17. REVENUE

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 2,973,285	\$ 2,338,632
Other operating revenue		
Revenue from sale of electricity	5,345	2,755
Revenue from processing income	<u>391</u>	<u>156</u>
	<u>\$ 2,979,021</u>	<u>\$ 2,341,543</u>

### a. Contract balances

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>	<b>January 1, 2020</b>
Notes receivable and trade receivables	<u>\$ 1,060,714</u>	<u>\$ 1,016,658</u>	<u>\$ 861,388</u>	<u>\$ 1,024,337</u>
Contract liabilities - current				
Sale of goods	<u>\$ 264,271</u>	<u>\$ 210,754</u>	<u>\$ 190,546</u>	<u>\$ 154,950</u>

The changes in the balance of contract liability primarily result from the timing difference between the Group's performance and the customer's payment.

### b. Disaggregation of revenue

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Asia	\$ 1,943,149	\$ 1,428,841
America	464,561	351,155
Europe	244,138	243,455
Middle east	191,773	197,190
Others	<u>129,664</u>	<u>117,991</u>
	<u>\$ 2,973,285</u>	<u>\$ 2,338,632</u>

## 18. NET PROFIT FOR THE PERIOD

Net profit was composed of the following items:

a. Other income

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Rental income (Note 22)	\$ 986	\$ 686
Others	<u>3,589</u>	<u>2,358</u>
	<u>\$ 4,575</u>	<u>\$ 3,044</u>

b. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value changes of financial assets at FVTPL	\$ (173)	\$ (591)
Net foreign exchange losses	(15,850)	(6,883)
Others	<u>(92)</u>	<u>(622)</u>
	<u>\$ (16,115)</u>	<u>\$ (8,096)</u>

c. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Interest on bank loans	\$ 25,928	\$ 30,756
Interest on lease liabilities	244	350
Less: Capitalized interest	<u>(51)</u>	<u>(677)</u>
	<u>\$ 26,121</u>	<u>\$ 30,429</u>

Information about capitalized interest was as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amount	\$ 51	\$ 677
Capitalization rate	1.60%	1.95%

d. Depreciation

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 53,291	\$ 48,803
Operating expenses	<u>10,010</u>	<u>9,594</u>
	<u>\$ 63,301</u>	<u>\$ 58,397</u>

e. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	\$ 155,709	\$ 140,716
Post-employment benefits		
Defined contribution plans	6,209	5,275
Defined benefit plans (Note 15)	48	123
Other employee benefits	<u>7,131</u>	<u>6,462</u>
Total employee benefits expense	<u>\$ 169,097</u>	<u>\$ 152,576</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 101,545	\$ 92,962
Operating expenses	<u>67,552</u>	<u>59,614</u>
	<u>\$ 169,097</u>	<u>\$ 152,576</u>

f. Compensation of employees and remuneration of directors

If the Company makes a profit in the year, 1% of the profit should be allocated for compensation of employees, which should be resolved by the board of directors and distributed in the form of share dividends or cash dividends. The employees of the Company and its subsidiaries who meet certain requirement will be allocated. The above amount of profit will also be allocated for remuneration of directors and resolved by the board of directors with less than 3% of the profit. Compensation of employees and remuneration of directors should be reported to the shareholders' meeting. However, if the Company still has accumulated losses, it should reserve the amount in advance and then appropriate the compensation and remuneration based on the abovementioned percentage.

Due to the net loss before tax from January 1 to March 31, 2020, there was no need to estimate the compensation of employees and remuneration of directors. The compensation of employees and the remuneration of directors for the three months ended March 31, 2021 were as follows:

Cash	<b>For the Three Months Ended March 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Accrual Rate</b>	<b>Amount</b>	<b>Accrual Rate</b>	<b>Amount</b>
Compensation of employees	1%	\$ 1,593	-	\$ -
Remuneration of directors	1%	1,593	-	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of compensation of employees and remuneration of directors for 2020 and 2019 that were resolved by the board of directors in March 2021 and March 2020, respectively, are as shown below:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	\$ 1,434	\$ 3,437
Remuneration of directors	1,434	3,437

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

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

## 19. INCOME TAXES

- a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax		
In respect of the current period	\$ 31,616	\$ 3,431
Deferred tax		
In respect of the current period	<u>5,441</u>	<u>(295)</u>
Income tax expense recognized in profit or loss	<u>\$ 37,057</u>	<u>\$ 3,136</u>

- b. Income tax assessments

Income tax returns through 2018 of the Company and the Group's subsidiaries located in Taiwan have been assessed by the tax authorities.

## 20. EARNINGS (LOSS) PER SHARE

	Net Profit (Loss) Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings (Loss) Per Shares (NT\$)
<u>For the Three Months Ended March 31, 2021</u>			
Basic earnings per share			
Net income available to ordinary shareholders of the parent	\$ 124,920	280,526	<u>\$0.45</u>
Effect of potentially dilutive ordinary shares:			
Compensation of employees	-	219	
Diluted earnings per share			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 124,920</u>	<u>280,745</u>	<u>\$0.44</u>

### For the Three Months Ended March 31, 2020

Basic loss per share			
Net loss available to ordinary shareholders of the parent	\$ (50,059)	286,438	<u>\$(0.17)</u>
Diluted loss per share			
Net loss available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ (50,059)</u>	<u>286,438</u>	<u>\$(0.17)</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings (loss) per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings (loss) per share until the number of shares to be distributed to employees is resolved in the following year.

## 21. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments not measured at fair value

The management of the Company believes that the carrying amounts of financial assets and financial liabilities approximate the fair value or the fair value may not be measured reliably.

- b. Fair value of financial instruments measured at fair value on recurring basis

### Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>March 31, 2021</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 13,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,919</u>

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 16,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,357</u>
<u>March 31, 2020</u>				
Financial assets at FVTPL				
Mutual funds	<u>\$ 6,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,232</u>

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2021 and 2020.

c. Categories of financial instruments

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 13,919	\$ 16,357	\$ 6,232
Financial assets at amortized cost (1)	2,667,886	2,638,888	1,982,492
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	7,087,341	7,154,637	6,443,966

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables, other financial assets - current and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, other payables, and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments include notes receivable and payable, trade receivables and payables, borrowings and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by policies approved by the Company's board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The corporate treasury function reports quarterly to the risk management committee.

## 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

### a) Foreign currency risk

Several subsidiaries of the Group have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

Refer to Note 26 for the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including non-functional monetary items that have been written off in the consolidated financial statements).

#### Sensitivity analysis

The Group is mainly exposed to the US dollar. If the exchange rate of the functional currency changed by 1% against the US dollar, the net profit (loss) before tax would have changed by \$5,710 thousand and \$8,771 thousand for the three months ended March 31, 2021 and 2020, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk because the exposure at the end of the year does not reflect the exposure during the period.

### b) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Fair value interest rate risk			
Financial assets	\$ 67,837	\$ 73,104	\$ 67,957
Financial liabilities	37,843	45,771	68,497
Cash flow interest rate risk			
Financial assets	1,485,726	1,497,865	977,174
Financial liabilities	6,844,917	6,785,990	5,887,332

#### Sensitivity analysis

For financial assets and liabilities, assuming all other variables were held constant, a hypothetical increase in interest rates by 25 basis point (0.25%) would have resulted in a change in the interest expense before tax by approximately \$3,349 thousand and \$3,069 thousand for the three months ended March 31, 2021 and 2020, respectively.

## 2) Credit risk

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

The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

## 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of March 31, 2021, and 2020, the Group had available unutilized short-term bank loan facilities set out in (2) below.

### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

<b>Non-derivative Financial Liabilities</b>	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>March 31, 2021</u>					
Non-interest bearing	\$ 230,641	\$ 2,600	\$ -	\$ 235	\$ 8,948
Lease liabilities	3,388	6,738	5,961	22,687	2,090
Variable interest rate liabilities	<u>150,330</u>	<u>1,340,329</u>	<u>2,494,285</u>	<u>2,144,881</u>	<u>715,092</u>
	<u>\$ 384,359</u>	<u>\$ 1,349,667</u>	<u>\$ 2,500,246</u>	<u>\$ 2,167,803</u>	<u>\$ 726,130</u>
<u>December 31, 2020</u>					
Non-interest bearing	\$ 353,554	\$ 5,551	\$ -	\$ 235	\$ 9,307
Lease liabilities	3,399	6,798	14,163	23,912	2,858
Variable interest rate liabilities	<u>250,330</u>	<u>436,213</u>	<u>3,338,918</u>	<u>2,077,647</u>	<u>682,882</u>
	<u>\$ 607,283</u>	<u>\$ 448,562</u>	<u>\$ 3,353,081</u>	<u>\$ 2,101,794</u>	<u>\$ 695,047</u>

Non-derivative Financial Liabilities	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>March 31, 2020</u>					
Non-interest bearing	\$ 543,052	\$ 4,660	\$ -	\$ 490	\$ 8,432
Lease liabilities	3,361	6,722	29,481	27,340	5,162
Variable interest rate liabilities	<u>375,892</u>	<u>680,184</u>	<u>2,437,958</u>	<u>1,905,002</u>	<u>488,296</u>
	<u>\$ 922,305</u>	<u>\$ 691,566</u>	<u>\$ 2,467,439</u>	<u>\$ 1,932,832</u>	<u>\$ 501,890</u>

Additional information about the maturity analysis for lease liabilities is as follows:

	Less than 1 Year	1-5 Years	5-10 Years
March 31, 2021	<u>\$ 16,087</u>	<u>\$ 22,687</u>	<u>\$ 2,090</u>
December 31, 2020	<u>\$ 24,360</u>	<u>\$ 23,912</u>	<u>\$ 2,858</u>
March 31, 2020	<u>\$ 39,564</u>	<u>\$ 27,340</u>	<u>\$ 5,162</u>

b) Financing facilities

	March 31, 2021	December 31, 2020	March 31, 2020
Amount used	\$ 7,518,319	\$ 6,962,315	\$ 6,324,404
Amount unused	<u>6,962,785</u>	<u>7,513,584</u>	<u>7,219,120</u>
	<u>\$14,481,104</u>	<u>\$14,475,899</u>	<u>\$13,543,524</u>

## 22. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are as follows:

a. Related party names and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
Santorics Metals Co., Ltd.	Others
Beittia Metals Co., Ltd.	Others
Ren-Xiang Li	Others
Ping-Yiao Chang	Others

b. Sales of goods

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
Sales	Others	<u>\$ 127,309</u>	<u>\$ 106,405</u>

There was no significant difference in sales prices and terms between related and third parties. The general credit term of payment was within 60 days of the transaction. General customers were required to pay the payment according to the agreed period of a contract, and a few important customers have a collection period within 60 to 90 days.

c. Purchases of goods

<b>Related Party Category</b>	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Others	<u>\$ 519,399</u>	<u>\$ 231,233</u>

The transaction terms to the related parties were payments of L/C within 45 to 50 days and there was no significant difference with the third parties.

d. Rental income

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Three Months Ended March 31</b>	
		<b>2021</b>	<b>2020</b>
Rental income	Others Santorics Metals Co., Ltd.	<u>\$ 686</u>	<u>\$ 686</u>

The above is the factory lease agreement signed between the Company and its related party, and the contract period is from September 1, 2014 to August 31, 2026. The related party also provided a guarantee deposit of \$50 thousand for the lease.

e. Receivables from related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Trade receivables	Others	\$ 20,182	\$ -	\$ -
Other receivables	Others	<u>1,882</u>	<u>1,786</u>	<u>2,556</u>
		<u>\$ 22,064</u>	<u>\$ 1,786</u>	<u>\$ 2,556</u>

f. Payables to related parties

<b>Line Item</b>	<b>Related Party Category</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
Notes payable	Others	\$ 9,171	\$ 24,558	\$ 18,476
Other payables	Others	<u>252</u>	<u>5</u>	<u>-</u>
		<u>\$ 9,423</u>	<u>\$ 24,563</u>	<u>\$ 18,476</u>

g. Lease-arrangements

Line Item	Related Party Category/Name	March 31, 2021	December 31, 2020	March 31, 2020
Lease liabilities	Others			
	Beittia Metals Co., Ltd.	\$ 8,256	\$ 16,359	\$ 40,465
	Santorics Metals Co., Ltd.	13,662	14,263	16,052
	Others	<u>4,622</u>	<u>3,075</u>	<u>3,627</u>
		<u>\$ 26,540</u>	<u>\$ 33,697</u>	<u>\$ 60,144</u>
		<b>For the Three Months Ended March 31</b>		
	<b>Related Party Category</b>	<b>2021</b>	<b>2020</b>	

Finance costs

Others	<u>\$ 136</u>	<u>\$ 276</u>
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The above is the factory lease agreement signed between the Company and the related parties, and the contract period is from July 1, 2016 to June 30, 2021. The Company also provided a refundable deposit of \$5,000 thousand for the lease.

h. Endorsements and guarantees: Refer to Table 2

i. Compensation of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	<u>\$ 7,387</u>	<u>\$ 6,247</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### 23. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	March 31, 2021	December 31, 2020	March 31, 2020
Property, plant and equipment	\$ 1,769,419	\$ 1,774,997	\$ 1,256,476
Pledged deposits (classified as other financial assets - current)	<u>2,702</u>	<u>7,632</u>	<u>1,203</u>
	<u>\$ 1,772,121</u>	<u>\$ 1,782,629</u>	<u>\$ 1,257,679</u>

## 24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. As of March 31, 2021, December 31, 2020 and March 31, 2020, unused letters of credit for purchases of raw materials amounted to approximately \$430,961 thousand, \$167,460 thousand and \$426,994 thousand, respectively.
- b. Unrecognized commitments were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Acquisition of property, plant and equipment	<u>\$ 235,240</u>	<u>\$ 168,651</u>	<u>\$ 43,470</u>

## 25. OTHER ITEMS

Due to the impact of the COVID-19 pandemic, some of the Group's factories have suspended operations or postponed the resumption of operations, resulting in a substantial decline in operating revenue for the three months ended March 31, 2020. With the easing of the epidemic and loosening of government policies, the Group expects that operations have returned to normal.

## 26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	March 31, 2021			December 31, 2020		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD	\$ 18,300	28.535	\$ 522,191	\$ 20,443	28.48	\$ 582,217
USD (USD/CNY)	1,647	6.5713	46,997	5,046	6.5249	143,710
<u>Financial liabilities</u>						
Monetary items						
USD	2,183	28.535	62,292	3,098	28.48	88,231
USD (USD/CNY)	37776	6.5713	1,077,938	33,083	6.5249	942,204
	March 31, 2020					
	Foreign Currency	Exchange Rate	Carrying Amount			
<u>Financial assets</u>						
Monetary items						
USD	\$ 14,450	30.225	\$ 436,751			
USD (USD/CNY)	693	7.0851	20,946			
<u>Financial liabilities</u>						
Monetary items						
USD	23,443	30.225	708,565			
USD (USD/CNY)	20,718	7.0851	626,202			

The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Three Months Ended March 31</b>					
		<b>2021</b>			<b>2020</b>
<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	
USD	28.366(USD:NTD)	\$ (5,690)	30.106(USD:NTD)	\$ 4,644	
USD	6.4813(USD:CNY)	<u>(10,160)</u>	6.9738(USD:CNY)	<u>(11,527)</u>	
		<u>\$ (15,850)</u>		<u>\$ (6,883)</u>	

## 27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: Table 2.
- 3) Marketable securities held (excluding investments in subsidiaries): Table 3.
- 4) Marketable securities acquired or disposed of at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
- 9) Trading in derivative instruments: None.
- 10) Intercompany relationships and significant intercompany transactions: Table 6.
- 11) Information on investees: Table 7.

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8.

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Tables 4 and 6.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year: Tables 4 and 6.
  - c) The amount of property transactions and the amount of the resultant gains or losses: None
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: Table 2.
  - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholders: Table 9.

## 28. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows:

	<b>For the Three Months Ended March 31, 2021</b>		<b>For the Three Months Ended March 31, 2020</b>	
	<b>Department Revenue</b>	<b>Department Profit</b>	<b>Department Revenue</b>	<b>Department Loss</b>
Operating areas of Republic of China	\$ 2,297,703	\$ 167,322	\$ 1,933,390	\$ (12,343)
Operating areas of the People's Republic of China	<u>681,318</u>	<u>35,439</u>	<u>408,153</u>	<u>845</u>
Total from continuing operations	<u>\$ 2,979,021</u>	202,761	<u>\$ 2,341,543</u>	(11,498)
Finance costs		(26,121)		(30,429)
Exchange gains or losses		(15,850)		(6,883)
Interest income		<u>1,187</u>		<u>1,887</u>
Profit (loss) before tax		<u>\$ 161,977</u>		<u>\$ (46,923)</u>

Segment profit represented the profit before tax earned by each segment without interest income, finance costs, gains or losses on disposal of property, plant and equipment, exchange gains or losses and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance (Notes 2 and 3)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Froch Enterprise International Co., Ltd.	Century Nova Steel Co., Ltd. - CN	Other receivables	Yes	\$ 238,331	\$ 238,331	\$ 238,331	0%-0.2%	Short-term financing	\$ -	Operation	\$ -	-	\$ -	\$ 415,152 (Note 1)	\$ 415,152 (Note 1)	

Note 1: The total amount of loans made by the Company and the amount of loans made by a single enterprise that directly or indirectly holds 100% of the voting rights to the parent company shall not exceed 100% of the net value of the loans made to the Company during the period audited or reviewed by an accountant.

Note 2: If the relevant figures in this table involve foreign currencies, they shall be converted into the New Taiwan dollar on the balance sheet date.

Note 3: Significant intercompany accounts and transactions have been eliminated.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsed/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Froch Enterprise Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	2	\$ 1,930,588	\$ 1,169,935	\$ 1,169,935	\$ 941,655	\$ -	29	\$ 1,930,588	Yes	-	Yes	
1	Century Nova Steel Co., Ltd. - CN	Froch Metal (Suzhou) Co., Ltd.	1	527,708	21,937	21,712	337	-	1	1,055,415	-	-	Yes	
		Froch Stainless Co., Ltd. - CN	1	527,708	21,937	21,712	1,140	-	1	1,055,415	-	-	Yes	

Note 1: The relationship between guarantor and guaranteed party:

1. Companies that do business with each other.
2. Subsidiary which is directly or indirectly held over 50% of the issued share capital.

Note 2: The total amount of the Company's external endorsement guarantee and the amount of the Company's endorsement guarantee for a single enterprise holding 100% voting rights shall not exceed 48% of the net value of the endorsing company in the current period audited or reviewed by an accountant; for a single enterprise that does not hold 100% of the voting rights, the amount of the endorsement guarantee shall be limited to 24 per cent of the net value of the endorsing company for the period audited or audited by an accountant.

Note 3: If the relevant figures in this table involve foreign currencies, they shall be converted into the New Taiwan dollar on the balance sheet date.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Froch Enterprise Co., Ltd.	<u>Mutual funds</u>							
	Shin Kong US Harvest Balance Fund Type A without Dividends (NTD)	None	Financial assets measured at FVTPL - current	175,919	\$ 1,886	-	\$ 1,886	
	Bank of Taiwan TCB US Short Duration High Yield Bond Fund A USD (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,972	-	2,972	
	TCB US Short Duration High Yield Bond Fund A USD (NTD)	None	Financial assets measured at FVTPL - current	300,000	2,972	-	2,972	
	Schroder All Cycle Income Fund A (NTD)	None	Financial assets measured at FVTPL - current	300,000	3,021	-	3,021	
	FSITC Global Artificial Intelligence Fund (NTD)	None	Financial assets measured at FVTPL - current	184,388	3,068	-	3,068	

Note 1: The term "securities" in this table refers to the securities derived from shares, bonds, beneficiary's certificate and the above items which fall within the scope of IFRS 9 "Financial Instruments".

Note 2: For information on investment subsidiaries, refer to Notes 7 and 8.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Purchaser or Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment/Collection Terms	Unit Price	Payment/Collection Terms	Ending Balance	% of Total	
Froch Enterprise Co., Ltd.	Santorics Metals Co., Ltd.	Others	Sale	\$ (127,309)	(6)	Note 1	Note 1	Note 1	\$ 20,182	2	
Froch Enterprise Co., Ltd.	Beittia Metals Co., Ltd.	Others	Purchase	320,719	18	Note 1	Note 1	Note 1	-	-	
Century Nova Steel, Co., Ltd. - CN	Froch Metal (Suzhou) Co., Ltd.	Subsidiary	Purchase	198,689	11	Note 1	Note 1	Note 1	(9,171)	(18)	
Century Nova Steel, Co., Ltd. - CN	Froch Metal (Suzhou) Co., Ltd.	Subsidiary	Sale	(150,313)	(23)	Note 2	Note 2	Note 2	-	-	
Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Subsidiary	Sale	(496,932)	(77)	Note 2	Note 2	Note 2	68,449	99	
Froch Metal (suzhou) co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Subsidiary		(Note 3)					(Note 3)		
Froch Metal (suzhou) co., Ltd.	Century Nova Steel, Co., Ltd. - CN	Subsidiary	Purchase	150,313	100	Note 2	Note 2	Note 2	-	-	
Froch Stainless Co., Ltd. - CN	Century Nova Steel, Co., Ltd. - CN	Subsidiary	Purchase	(Note 3)							
Froch Stainless Co., Ltd. - CN	Century Nova Steel, Co., Ltd. - CN	Subsidiary	Purchase	496,932	100	Note 2	Note 2	Note 2	(68,449)	(100)	
				(Note 3)					(Note 3)		

Note 1: There is no material difference between the sales price and the non-related party, and the collection term is within 60 days after the transaction; payment terms are L/C 45-50 days.

Note 2: Subject to the market price agreement between the parties, and the terms of collection are 90 days after the transaction.

Note 3: Significant intercompany accounts and transactions have been eliminated.

**FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF PAID-IN CAPITAL**

**MARCH 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Trade Receivables - related parties (Note)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	Subsidiary	\$ 238,331	-	\$ -	-	\$ -	\$ -

Note: Significant intercompany accounts and transactions have been eliminated.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statements Accounts	Amount (Note 2)	Payment Terms	Percentage of Consolidated Net Revenue or Total Assets (%)
1	Froch Metal (Suzhou) Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3	Cost of goods sold	\$ 150,313	T/T 90 days	5
2	Century Nova Steel, Co., Ltd. - CN	Froch Stainless Co., Ltd. - CN	3	Sales revenue	496,932	T/T 90 days	17
		Froch Stainless Co., Ltd. - CN	3	Trade receivables	68,449	T/T 90 days	1
3	Froch Enterprise International Co., Ltd.	Century Nova Steel, Co., Ltd. - CN	3	Other receivables	238,331	-	2

Note 1: Relationship of counterparty: (1) parent company to subsidiary; (2) subsidiary to parent company; and (3) subsidiary to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 FOR THE THREE MONTHS ENDED MARCH 31, 2021  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				March 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership	Carrying Amount (Note 1)			
Froch Enterprise Co., Ltd.	Century Nova Steel Co., Ltd.	British Virgin Islands	International investment business	\$ 1,530,998	\$ 1,530,998	49,000,000	100%	\$ 2,197,671	\$ 3,685	\$ 3,685	Subsidiary
	Froch Enterprise International Co., Ltd.	British Cayman Islands	International investment business	115,366	115,366	3,550,000	100%	417,698	2,940	2,940	Subsidiary
	Froch Stainless Co., Ltd.	British Samoa	International investment business	14,959	14,959	500,000	100%	84,133	9,700	9,700	Subsidiary

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: For information on investments in mainland China, see Table 8.

## FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES

## INFORMATION ON INVESTMENTS IN MAINLAND CHINA

## FOR THE THREE MONTHS ENDED MARCH 31, 2021

(In Thousands of New Taiwan Dollars, U.S. Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 3 and 6)	Carrying Amount as of March 31, 2021 (Notes 3 and 6)	Accumulated Repatriation of Investment Income as of March 31, 2021
					Outward	Inward						
Froch Metal (Suzhou) Co., Ltd.	Operating stainless steel and other steel pipe production and sales businesses	\$ 103,236 (US\$ 3,000)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China.	\$ 110,492 (US\$ 3,400)	\$ -	\$ -	\$ 110,492 (US\$ 3,400)	\$ 3,717	100%	\$ 3,717	\$ 160,281	\$ -
Century Nova Steel Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	1,680,898 (US\$ 54,000) (Note 1)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China.	1,530,998 (US\$ 49,000)	-	-	1,530,998 (US\$ 49,000)	3,950	100%	3,950	2,198,783	-
Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd.	Import and export business, entrepot trade and trade between enterprises in bonded areas	16,250 (US\$ 500)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China.	4,875 (US\$ 150)	-	-	4,875 (US\$ 150)	(102)	100% (Note 2)	(102)	23,047	-
Froch Stainless Co., Ltd. - CN	Operating stainless steel and other steel pipe production and sales businesses	17,951 (US\$ 600)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China.	14,959 (US\$ 500)	-	-	14,959 (US\$ 500)	11,640	100% (Note 5)	11,640	100,959	-

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limited on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
\$ 1,457,176 (US\$ 46,950)	\$ 1,672,697 (US\$ 58,000)	\$ 2,413,235

Note 1: The equipment is priced at US\$6,100, and the rest is invested in cash.

Note 2: The Company established Zhangjiagang Free Trade Zone Froch International Trading Co., Ltd. as a joint venture between Froch Enterprise International Co., Ltd. and Froch Metal (Suzhou) Co., Ltd., which held 30% and 70% equity, respectively.

Note 3: The Group recognized its investment gain (loss) based on the audited financial statements as of and for the three months ended March 31, 2021.

Note 4: According to the "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs, the amount is calculated using 60% of higher net worth or combined net worth.

Note 5: The Company established Froch Stainless Co., Ltd. - CN as a joint venture between Froch Stainless Co., Ltd. - CN and Century Nova Steel Co., Ltd. - CN, which held 83% and 17% equity, respectively.

Note 6: Significant intercompany accounts and transactions have been eliminated.

**TABLE 9****FROCH ENTERPRISE CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS  
MARCH 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Shin Chieh Shin Co., Ltd.	28,206,372	10.05
Hsin-Ta Chang	21,648,931	7.71
Ping-Yiao Chang	17,547,946	6.25
Li Chieh Shin Co., Ltd.	15,676,885	5.58

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.